



## The So What from BCG Podcast

### Can Business Sustain the UN's Sustainability Goals?

**GEORGIE FROST:** In 2015, global leaders came together to commit to a blueprint for a peaceful, prosperous, and sustainable world by 2030. The halfway mark of the UN sustainability goals is upon us. But are we halfway to where we need to be? The answer is a resounding “no.” So how can we get there and what role can business play? I'm Georgie Frost, and this is The So What from BCG.

**RICH HUTCHINSON:** Private sector is what drives jobs and economic growth that are what provide the increased incomes for people to rise out of poverty. It's the group that can take on challenges like how do we enhance and improve agricultural productivity and food systems and the rest. And so I think the private sector really is part of the unlock.

**GEORGIE:** Today I'm talking to Rich Hutchinson who leads BCG's Social Impact practice.

**RICH HUTCHINSON:** What are the sustainable development goals? The UN and global leaders came together to set goals for 2030 for the world. And those goals were about ending poverty, ending hunger, helping to provide education and clean water and sanitation and energy for the people around the world, as well as to make sure that our planet is sustainable with our climate goals and with biodiversity and nature.

And so the UN development goals are incredibly important and ambitious. I need to emphasize that because I'm a pretty glass-half-full person, and the world's made an enormous amount of progress on these over decades and decades and decades. But the goals that we set for 2030 are really ambitious, really important. They're a promise to the world and we were making progress on them for a bit after 2015. And then Covid and a number of other events, political, financial, and otherwise have come along

and really created a setback. So we're about 12% of the way there're on, across all of the goals and we have a lot of work to do to achieve those promises for the world.

**GEORGIE:** As a business, and I don't mean this disrespectfully, but why should we care about UN sustainability goals? Why does it matter? I mean, everybody wants to sort of end poverty and all the other great ambitions that are there, but as a business, why should this matter to me?

**RICH:** Well, so I think there are two different ways to answer that. One is just we're all humans and citizens of the world. The world is a global world now. We've just had a global pandemic. We have a global climate that when people in other parts of the world are acting on that it is affecting us and our children over the years to come, whether we like it or not.

Global relations around the world, the power of the military... I don't know if people have seen “Oppenheimer,” but we all need to be getting along in a really powerful and good way. Whereas centuries and centuries ago we might've thought about, well, what's important for each of us and our families and the relationship with that is just a small village, tribe, country, et cetera, today the world really is globally connected. So there's one part which is helping to achieve these goals and making sure the world is prosperous is actually I think truly beneficial for everyone.

Then there's a second part which is probably a little bit closer to home around enlightened self-interest and that is what we find for businesses is they can pursue these goals and they can do it in a way that overlaps with business and competitive advantage. And when they do that, they actually create



businesses that are more effective and more profitable and grow faster than businesses that aren't as good at this. And I can explain more about that, but there really is a piece where when companies take on material pursuit of the goals as part of their mission in a way that reinforces their business model, it works.

**GEORGIE:** Can these be achieved, these goals, without business and what are the great unlocks for this?

**RICH:** So that's another really important part. There's no way to achieve these goals, there's no way to create a carbon neutral economy, without the private sector completely transforming. You need the automobile sector to transform. You need the energy sector to transform. And that can't just be wished into existence. It takes really amazing amounts of work. And then when you think about the people side of this, the private sector is what drives jobs and economic growth that are what provide the increased incomes for people to rise out of poverty. It's the group that can take on challenges.

How do we enhance and improve agricultural productivity and food systems and the rest? And so I think the private sector really is part of the unlock. And I think one of the parts that's encouraged me so much about what I've seen in many private sector companies these days is it used to be that people thought about, well, how do I do something good in the world and how do I run my business as a separate thing? But more and more what I see is again, people melding their business models with making a difference in the world.

And so I was describing the auto sector before, and you think about the companies that pioneered the electric vehicle segment, some of those have become incredibly valuable. And that innovation and private sector push has transformed and essentially pushed and led and showed other automobile companies that they need to transform. And of course there was a little bit of public sector policy and push and incentives in behind it, but it was largely a private sector move and there are many, many more examples like that.

**GEORGIE:** Is ESG in the form it's in at the moment, is that enough? It's coming for a bit of criticism of late. Where do you sit?

**RICH:** Well, it's really interesting because people seem to think that ESG is either this good thing for companies where they must do it and they're all automatically wonderful or it's this bad thing where if they're doing good things for the environment and society, they must be hurting their competitive advantage. And honestly we think, I think that's just too simplistic and let me maybe use an analogy.

If you looked at a different thing like digital and technology, are all digital and technology systems implementations either good or all bad? I mean, I know companies that have spent hundreds of millions of dollars on system implementations and not gotten a lot of value out of them. I also know companies that have used the digital techniques to become some of the most valuable companies in the world. And so for me, ESG is very much like that.

And if you do it as a compliance exercise or as a check-the-box exercise, what we see is people who don't do it very seriously where it's not overlapping with their business, but they're just trying to sort of check the boxes. You can waste money, it can be not so helpful to the company and it can make only marginal progress in the world. By the way, none of that is to say that people shouldn't be complying with basic expectations from society. But where I was going before is if you do something that's really material for helping people and also helps your business, that overlap, you get this amazing uplift in your business.

A great example right now is in the US where we have lots of companies that are experiencing labor shortages and especially think frontline retailers, restaurants, organizations with large workforces that are in the lower and middle income segments of our population in terms of workforce, they've got a lot of shortages, they have a lot of turnover. The more they actually build organizations that are inclusive of different segments of workforces and different ages, it's interesting. What we see is they have a much easier time recruiting people, they retain people better.



And because the people feel better in the organization, they're more included in the organization, they get better productivity and you can actually see it in terms of store-level profit metrics and different things along those lines. So it's an example where they're helping the population and society and also really driving bottom line impact at the same time.

**GEORGIE:** So Rich, you're talking about the sweet spot that what's good for business, good for the planet, good for people. Every company's striving for that, of course. They're quite rare, those examples where it really pays off and actually it needs to be with the zeitgeist I suppose. How do you encourage, how would you get the private sector to act? What are you saying to CEOs?

**RICH:** So we actually think the examples are more common than people think.

**GEORGIE:** Good.

**RICH:** Which is good. And the easiest way to do it is to look across the value chain. So some companies have really big supply chains and they can think about how do they make an inclusive and sustainable supply chain. Some companies have big organizations that I was describing, and then some companies-- the products and services they deliver are just essential.

So think health care and providing health equity and health access to populations that have greater need or financial services companies that need to extend financial wellness. I talked about agricultural companies and food companies before. What we're doing to talk to business leaders is looking at each part of the value chain and saying where actually do those business cases exist where you're a health care company and you actually can provide a profitable and thus scalable set of health care services into new markets that haven't gotten them to the extent that they need them.

So how can we help you create the business case for extending your business to people in need or going to the retailers and the large employers in the world and saying, okay, we talked about this idea that inclusive organizations have better retention, better

productivity, and better profit. How do you make that happen for your organization or for companies that have really big supply chains? It's interesting. There is another, by the way, profitable, although it's on the avoiding negative profit side, which is society's demanding more of companies these days.

And so one of the things is on the supply chain side, for example, many companies are trying to make their supply chains just much healthier, avoiding any...you've all seen the scandals of child labor and supply chains before or those types of things. So having supply chains that are truly ethical and inclusive is something where the business case for that is a very real one for companies.

**GEORGIE:** Which way does financing come into all of this? It's going to be needed, right?

**RICH:** Yeah, and it's interesting because I think there are two different types of financing we can talk about. One is what we were just talking about before, which is the more that you can make a business in and of itself profitable, then it scales because if it's a profitable thing, your normal banks and your normal investors are happy to come along. I think there's a second part which is there are many of these areas, so take trying to help investment into some of the low income countries in Africa where perhaps investors perceive country risk or currency risk. And so the investment returns that they would put on the dollars to invest are quite high.

We're seeing an increase in blended finance where people will put in place innovative models to either take in the first set of equity but maybe not require it at the top level that can crowd another investment or where people will put in insurance products for things around currency risk and the rest. I think this idea of blended finance and how to actually use essentially either giving or insurance or other types of products along those lines in a way to help private capital come in to support these types of businesses and opportunities is a really exciting one.

**GEORGIE:** What do we need to get there?

**RICH:** We actually need more people who know how to structure, how to structure those deals. And I think that's coming. I think it's interesting. There are



some really real examples of where that's working today. Breakthrough Energy and Bill Gates and many others with them including BCG, are using that exact kind of thinking. It's a combination of concessional capital plus also some low return equity expectation capital that is being put into projects around the climate.

And so it's around things like trying to speed the innovation of direct air capture or large-scale renewables and large-scale batteries and storage. And again, the idea is some of that might feel too risky for just pure economic capital, but if you put in some of this other type of capital into it, and I think Breakthrough Energy is probably one of the largest types of those models in existence today and it's been quite successful in both funding projects and also crowding in other capital.

**GEORGIE:** Rich, forgive me, we started talking obviously about the sustainability goals and they are quite wide-reaching and we are quite away from where we need to be. You said I think 88% off, we're only 12% there, but we've sort of veered into business doing good, et cetera. I mean it's fantastic and if it works your business as well, doubly good, but how does this all feed back specifically to the goals? How are the goals being measured? If you got a load more businesses on board and doing the things that you're talking about Rich, how would you measure that extra percentage?

**RICH:** In some ways all of these are system problems, Georgie, and so in some ways the measurement of the goals themselves is pretty simple. There's a level for when people are considered to be in extreme poverty and how many people did we get out and above and beyond that and how many people have been left behind? That's the question or similarly along the lines of whether it's hunger or education.

And so I think actually measuring the goals is not so hard getting there, or not the hardest part, perhaps that's the way I should say that, but getting there is actually a system and the engine of the economies is the private sector and so many of the transitions that we need to make need to happen there. I don't think, by the way, and I didn't want to imply that this is like the private sector doing it on its own.

We need governments to have policy that incent businesses to act in that way. We need to make sure that there's funding like I was describing from nonprofits or from governments that will actually crowd in and make the investments possible and the rest. But I think the thing that's interesting is if you get those pieces right, the end engine that has to make an awful lot of the work happen is in fact private sector businesses. We have to grow businesses in Africa that improve the agricultural productivity and create jobs and do all of those things.

**GEORGIE:** Rich, is the will there among businesses or the private sector?

**RICH:** So, is the will there? It's a great question and I think the answer varies company to company, so I don't want to pretend that... But what I would also say is almost every company that I know, they want to have a purpose. They want to have a mission, and they want to be contributing to society. And what I find is if those two things are perceived to be in conflict, it's a little bit what I said at the beginning of the discussion.

They will do some, but then they will go run their business because that's their job and that's what they get measured on by shareholders and the rest. But to the extent that they can find, and that you can show them, how they can do both at the same time and it creates a better business. I have actually not found organizations that don't want to do that. Every CEO, every executive, all the employees, if you can help make the climate better while you're also making your business better, that's great.

**GEORGIE:** You spoke about government, you spoke about policies. The next question is, is the political will there?

**RICH:** So how do I answer that? Again I think the desire to achieve the SDGs is there politically across many stakeholders. And it's probably not a surprise that politicians talk all the time about moving towards goals like this within their own country and around the world. And the rhetoric is strong. I think there is a political reality which is all of these changes do in fact have winners and losers in current economic systems. And even though I think they're



very, very good for everyone over the longer term, they do have that near-term political nuance and it's not like there is only one point of view around the path to achieve these goals.

And so is there a desire to get there? I think generally, generally yes. If you said is that politically navigable or is there a clean path that everyone agrees upon? I think there's honestly a lot of complexity and no, we're not on a path right now where there sort of is a unified direction and pulling of sufficient funding, weight, policy change, et cetera, to get us on that. And so I think we are at a point right now where there will need to be continued really bold and innovative leadership that's creative about how it navigates through those challenges.

**GEORGIE:** Are targets a good idea without a full blueprint behind it?

**RICH:** The short piece I think, yes, and I think in some ways when you look at the goals, there are almost a couple different reasons behind them. When you look at the climate goals, a lot of those goals are because if we go beyond them, we think we're doing more damage to the world in a period of time than is good for humanity and all of us. And I think other probably have a bit more of a moral component, which is we see and believe that the world has sufficient resources today and the technical know-how to achieve these goals.

And so setting a goal out there and then looking for the world to find that path I think is, and then just saying where are we on it on that journey is important. I do think what you're saying though is real, which is it can create expectations, disappointment occasionally if you're not moving far enough and fast enough. Do people become disillusioned that we'll ever get there. I myself have real confidence that the world goes in ups and downs and we sort of have ebbs and flows in the progress, but that the long-term journey we're on is going to achieve those goals. Even if I can't predict the exact date.

**GEORGIE:** Who can, Rich? I wouldn't ask you to. I'm not that cruel. What are the risks though? What do you think are the things that could set us back, even

if we are on a slower path than we'd hope we're still on the right path. What could set us back? What could knock us off course?

**RICH:** Well, we've seen some of the things that can knock us off course, if we have global pandemics. I mean, I think war and instability, especially at a country level, can set countries back and we see that on a regular basis. I actually think one of the things that's important is a little bit of the splintering of the global perspective to the extent that we view each country as needing to...the world as blocks or as individual countries rather than as having a global common good. I think that can set us back. And then one of the other things that's going to be really interesting to see, or that maybe is a two-edged sword, is technology. And so there's been a huge amount that's come out right recently about generative AI.

On the one hand, this technology has the ability, I think, to just dramatically increase productivity and education and sort of knowledge among people who maybe haven't had access to that in the world to date. And so it has this great potential upside. On the other, it has real potential to automate or take away jobs that might be part of the economic growth that before this technology came out, we were thinking about as being really critical for many people around the world. And so how we actually navigate that--how the world navigates that and captures the benefits and mitigates the downsides, I think will also be important. That could set us back if it turns out that there's more downside than upside.

**GEORGIE:** That's a whole podcast in itself Rich, till next time. Thank you so much and thank you for listening. We'd love to know your thoughts. To get in contact, leave us a message at [thesowhat@bcg.com](mailto:thesowhat@bcg.com). And if you like this podcast, why not hit subscribe and leave a rating wherever you found us? It helps other people find us too.