

INTEGRATING SUSTAINABLE DEVELOPMENT GOALS INTO ENTERPRISE TARGET SETTING

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Traditional markers of success, like revenue and employee growth, are no longer enough. Businesses are increasingly recognizing the need to consider their social and environmental impact alongside financial performance. This article proposes a novel framework for sustainable scaling, built on four key components: fostering internal innovation, pursuing strategic regional expansion, leveraging geographical proximity, and establishing collaborative partnerships. We demonstrate how this framework aligns with the UN's Sustainable Development Goals (SDGs) 8 (Decent Work and Economic Growth), 9 (Industry, Innovation and Infrastructure), and 17 (Partnerships for the Goals). However, achieving sustainable growth requires a broader definition of success. We propose a set of key performance indicators (KPIs) that extend beyond traditional metrics. These "sustainable KPIs" encompass social impact, environmental impact, economic growth, employee engagement, and operational efficiency. We explore how these KPIs are interconnected, demonstrating how focusing on one can positively influence another. Finally, the article utilizes case studies to showcase how companies have achieved impressive traditional scaling success while adhering to the principles of SDGs 8, 9, and 17. We further analyze how Patagonia and Chobani leveraged sustainable KPIs to not only achieve growth but also contribute positively to a more sustainable future.

Keywords: organizational scale, change management, sustainability, Sustainable Development Goals, sustainable scale

DOI: 10.24263/EDSD-2024-6-6

Received 30.04.2024

Received in revised form 13.11.2024

Accepted 29.11.2024

Introduction

Traditionally, organizational scale has been synonymous with achieving significant growth. Researchers like Du Boff, R. B. and Chandler, A. D. (Du Boff, R. B., & Chandler, A. D., 1990) define scale as the process of efficiently managing increasing production volume to reduce per-unit costs. Similarly, Hambrick and Finkelstein (Hambrick & Finkelstein, 1987) view scaling as the ability of an organization to grow in size and complexity while maintaining its core capabilities. These definitions capture the essence of traditional scaling, which is primarily measured through increases in revenue and employee headcount.

However, this narrow focus on revenue and employee growth has limitations. A study by McKinsey & Company (McKinsey, 2021) found that only 12% of companies achieve sustainable growth over an extended period. This suggests that simply scaling up revenue and employees doesn't guarantee long-term success. Additionally, a focus solely on traditional metrics can lead to negative externalities, such as environmental damage or social inequality.

Traditional scaling models often prioritize rapid growth, overlooking the long-term social and environmental impact. Our proposed framework addresses this by incorporating four key components that benefit organizations seeking sustainable and responsible growth. According to McKinsey report found that companies with a strong focus on innovation achieve revenue growth at twice the rate of their less innovative counterparts (McKinsey, 2021). By fostering internal innovation (e.g., developing eco-friendly products or processes), organizations can address environmental concerns while potentially gaining a competitive edge. Selecting new markets strategically can optimize resource allocation and environmental impact. A study by the Boston Consulting Group found that companies with a focus on regional proximity for manufacturing and distribution can significantly reduce their carbon footprint (BCG,2023). This strategic approach allows companies to expand their reach while minimizing environmental costs associated with long-distance transportation. Leveraging geographical proximity within a region can further enhance efficiency and sustainability. For instance, collaborating with local suppliers or establishing regional production hubs reduces transportation needs, lowering carbon emissions. A 2022 study by the World Economic Forum highlights the potential of regional value chains to promote sustainable production and resource management (World Economic Forum, 2022). Partnering with established organizations or sustainability experts allows businesses to leverage existing expertise and resources. A 2022 Accenture report found that 83% of executives believe collaboration platforms are critical for successful innovation (Accenture, 2022) Collaboration fosters knowledge sharing and facilitates the adoption of best practices, accelerating progress towards sustainability goals.

By integrating these components, businesses can achieve sustainable growth while navigating the challenges of scaling. This framework empowers organizations to become responsible global citizens, contributing to a more sustainable future.

Additionally in response to traditional limitations, framework can be extended to a broader perspective on success is emerging and be integrated with SDG goals. The United Nations' Sustainable Development Goals (SDGs) provide a framework for companies to consider their social and environmental impact alongside their economic performance. Specifically, SDGs 8 (Decent Work and Economic Growth), 9 (Industry, Innovation and Infrastructure), and 17 (Partnerships for the Goals) are particularly relevant to scaling businesses. SDG 8 emphasizes the creation of sustainable and inclusive jobs, aligning with the need for employee engagement within the proposed scaling framework. SDG 9 focuses on fostering innovation and responsible infrastructure development, which directly connects to the framework's emphasis on internal innovation and strategic regional expansion. Finally, SDG 17 highlights the importance of collaboration, mirroring the framework's focus on collaborative partnerships.

Main Part

The four-component scaling framework introduced earlier – encompassing internal innovation, strategic regional expansion, geographical proximity, and collaborative partnerships – provides a relevant structure for analyzing how businesses achieve scale in today's dynamic environment. A 2022 report by Accenture found that 83% of executives believe innovation is critical for sustainable growth, highlighting the importance of the framework's focus on internal innovation (Accenture, 2022). Similarly, a study by McKinsey & Company (McKinsey, 2022) suggests that companies with a strong regional presence are more likely to achieve revenue diversification and market resilience, aligning with the framework's emphasis on strategic expansion. Research by

Banerjee et al. (Banerjee, A., Duflo, E., Glennerster, R., & Kremer, M., 2017) demonstrates the positive correlation between geographical proximity and customer satisfaction, supporting the framework's focus on local presence. Finally, a 2020 study by the World Economic Forum underscores the power of collaboration, revealing that companies with strong collaborative partnerships experience faster innovation cycles and increased market share, mirroring the framework's emphasis on joint ventures.

However, traditional metrics like revenue and employee growth offer an incomplete picture of success. A 2022 Harvard Business Review study found that only 36% of employees are satisfied with their jobs, highlighting the limitations of focusing solely on headcount growth (Harvard Business Review, 2022). Furthermore, a 2023 UN (UNEP, 2023) report indicates that current business practices contribute to a significant portion of global environmental degradation. These limitations necessitate a broader definition of "successful scaling."

From SDG indicators perspective there is also an official list compiled by UN per each goal however the UN's official indicators for SDGs 8, 9, and 17 provide a valuable framework for tracking progress on a global scale, they lack the granularity needed for organizations to assess their specific impact within the context of scaling. Here's why the UN indicators, while crucial for global monitoring, fall short in our research context:

- High-Level Focus: The UN indicators often address broad objectives like infrastructure development (Target 9.1) or mobilizing financial resources (Target 17.3). While valuable for overarching assessments, they don't translate directly into actionable metrics for individual companies navigating the scaling process.

- Limited Actionability: Many UN indicators are future-oriented or focus on international cooperation, making them less suitable for day-to-day decision-making within an organization. For instance, promoting technology transfer to developing countries (Target 17.6) is a commendable goal, but it's not a direct KPI a company can readily track and measure its progress on.

- Company-Specific Nuances: The UN indicators are designed to be universally applicable, but scaling strategies can vary significantly between companies and industries. Our proposed KPIs, such as Social Impact and Employee Engagement, allow organizations to tailor their sustainability efforts to their unique context and track progress in areas most relevant to their scaling journey.

Our proposed set of five sustainable KPIs complements these broader UN goals by offering a more company-centric perspective.

- Social Impact: This measures the positive impact a company has on society, such as job creation, community development, and diversity & inclusion initiatives. A 2017 Cone Communications study reveals that 83% of consumers are more likely to choose brands that demonstrate a commitment to social responsibility (Cone Communications, 2017).

- Environmental Impact: This assesses a company's environmental footprint, including energy consumption, waste reduction, and resource management. A 2023 ESGBusiness association's study reports that 73% of global consumers are willing to pay a premium for sustainable products (ESG Business, 2023).

- Economic Growth: This encompasses traditional metrics like revenue growth and profitability, but also considers factors like responsible sourcing and supply chain sustainability. A 2022 study by the Business Roundtable found that companies with strong ESG (environmental, social, and governance) practices outperform their peers in the long run.

- Employee Engagement: This measures the level of satisfaction, motivation, and productivity of a company's workforce. A 2018 Gallup report highlights that highly engaged employees are 21% more profitable than their less-engaged counterparts (Gallup, 2018).

- Operational Efficiency: This assesses a company's ability to produce goods and services with minimal waste and resource consumption. A 2023 McKinsey report estimates that operational efficiency improvements can unlock up to 20% of a company's profit potential (McKinsey, 2022).

The proposed framework and sustainable KPIs are intricately linked, fostering a virtuous cycle of growth. Internal innovation (framework component 1), as highlighted by a 2021 Deloitte study showing twice the revenue growth for innovative companies, fuels the development of solutions that address social needs (social impact) and environmental concerns (environmental impact) (Deloitte, 2021). Strategic regional expansion (framework component 2) unlocks new markets (economic growth) while creating jobs (SDG 8: Decent Work) in those regions (social impact). However, navigating environmental regulations in these new markets (environmental impact) necessitates operational efficiency (framework component 5) to ensure compliance (SDG 9: Industry, Innovation and Infrastructure). Collaboration (framework component 4) fosters knowledge sharing (SDG 17: Partnerships) that accelerates innovation (internal innovation) and empowers efficient resource utilization (operational efficiency) – a win for both traditional (economic growth) and sustainable (environmental impact) KPIs. This interconnectedness demonstrates that achieving sustainable scaling isn't a trade-off but a path to long-term success that benefits businesses, society, and the environment.

Case study of Chobani & Patagonia: Successful traditional organizational scale via integration of SDG

This research investigates how companies can achieve sustainable growth during scaling. We analyze two contrasting approaches: Patagonia, the outdoor apparel leader, and Chobani, the yogurt revolutionizer. Patagonia (2017: 1,000 employees, 2023: ~3,000 employees; revenue exceeding \$1 billion) has a longstanding reputation for environmental and social responsibility. Chobani (2005: ~50 employees, 2023: 2,000 employees; revenue growth from \$1.289 billion in 2018 to \$1.401 billion in 2020) exemplifies rapid market penetration with a focus on social impact through job creation. By examining these contrasting cases, we aim to identify key strategies for integrating sustainability into scaling models, regardless of a company's core focus.

By examining these contrasting cases, we aim to identify key strategies for integrating sustainability into scaling models, regardless of a company's core focus. We will explore how Patagonia and Chobani weave the principles of SDGs 8 (Decent Work and Economic Growth), 9 (Industry, Innovation and Infrastructure), and 17 (Partnerships for the Goals) into their respective scaling journeys (Table 1). This analysis will reveal how these companies are not only achieving impressive growth but also contributing positively to the social and environmental landscape.

Our analysis of Patagonia and Chobani's (Table 2-3) scaling journeys revealed a strong correlation between their commitment to SDGs 8, 9 and 17 and their success in achieving sustainable growth. Patagonia's focus on employee well-being and environmental responsibility, for instance, aligns with SDG 8 and 9. Chobani's emphasis on job creation and strategic partnerships resonates with SDG 8 and 17. Now, let's delve deeper into how these companies utilize specific KPIs to measure their progress towards these SDGs and ensure their scaling practices contribute positively to a sustainable future.

Table 1. Review of Patagonia & Chobani decisions made to achieve SDG# 8, 9 and 17

Company	SDG #8	SDG #9	SDG #17
Patagonia	<p>100% Percentage of Patagonia employees in the U.S., EMEA, Korea, Japan, Argentina, and Australia who are paid at least Living Wage (Patagonia, 2021).</p> <p>100% Percentage of an employee’s eligible annual bonus paid out despite the company not meeting sales targets due to COVID-19 closure (Patagonia 2021).</p> <p>\$642.000 Dollars invested in employees' ongoing learning through our Tuition Reimbursement program (Patagonia 2021).</p>	<p>Circular manufacturing - Patagonia tackles circular manufacturing through a two-pronged approach: 1) Using recycled materials (70% of products) to reduce waste and 2) Offering a repair and reuse program ("Worn Wear") that extends product life, keeping gear out of landfills. This minimizes environmental impact and promotes resource efficiency (Archana Ram, 2021 & Statista, 2022).</p> <p>100% Percentage of our electricity use for our owned and operated facilities in the U.S. met with renewable sources (Patagonia, 2021).</p>	<p>Patagonia invested in 14 responsible businesses and funds, to date, through their venture capital fund, Tin Shed Ventures®. These businesses focus on building renewable energy infrastructure, practicing Regenerative Organic methods, conserving water, diverting waste, and creating sustainable materials (Patagonia, 2021).</p>
Chobani	<p>In early 2017, company implemented a new, paid parental leave policy for mothers and fathers of newly born, adopted, or fostered children, offering 100% paid parental leave for six weeks for all full-time hourly and salaried employees (Chobani, 2022).</p> <p>Chobani Raises minimum wage for all hourly employees to \$20 per hour (Chobani 2022).</p>	N/A	<p>Chobani partners with WeeCare to expand child care and elder care benefits (Isabella Aldrete, 2023).</p> <p>Chobani acquires la colombe for 900 million (Chobani, 2023).</p> <p>Chobani made a strategic partnership with PepsiCo to increase the distribution chain.</p>

Table 2. Patagonia - Review of impact on suggested sustainable KPIs

KPI	Description
Employee Engagement	<p>Paying a living wage and honoring bonuses despite challenges demonstrates Patagonia's commitment to employee well-being. This likely leads to higher employee engagement. A 2022 report by Reward Gateway found that 89% of employees who feel financially secure are more engaged at work (Reward Gateway, 2024). Patagonia has around 4% turnover every year, much lower than the industry average</p> <p>Tuition reimbursement is an example of how employee education fosters a sense of career development and loyalty, contributing to higher engagement. A 2021 LinkedIn report highlights that 94% of employees say learning and development opportunities are important when choosing a job (LinkedIn Learning, 2021).</p>
Social Impact	<p>Patagonia's commitment to paying a living wage ensures their employees can meet basic needs, fostering financial security and reducing income inequality. A 2023 study by the Living Wage Foundation found that living wage jobs lead to a 12.2% increase in employee mental well-being (Living Wage Foundation, 2023). This improved well-being can translate into a stronger sense of community and social connection within the company.</p>
Environmental Impact	<p>Patagonia estimates their Worn Wear program has diverted over 130,000 pounds of gear from landfills</p> <p>4455200 The number of kilowatt hours produced from the solar arrays at all facilities which leads to a direct decrease of CO2 emissions comparing to traditional electricity generation methods.</p>
Economic Growth	<p>Investments in regenerative agriculture can improve soil health and fertility, potentially leading to increased yields and economic growth for Patagonia's investees, Rodale Institute study found that regenerative practices can increase farm profitability by 7% over conventional methods) (Rodale Institute, 2022).</p>
Operational Efficiency	<p>Partnerships fostered through Tin Shed Ventures® can create opportunities for knowledge sharing and collaboration (SDG 17) regarding sustainable practices (e.g., renewable energy use). This knowledge transfer could potentially lead to improved efficiency within Patagonia's own operations A 2022 study by Accenture found that 83% of executives believe that collaboration platforms are critical for successful innovation - though this study doesn't directly link to operational efficiency (Accenture, 2022). it suggests collaboration can lead to improved processes.</p>

Table 3. Chobani – Review of impact on suggested sustainable KPIs

Employee Engagement & Economic Growth	The generous parental leave policy and higher minimum wage demonstrate Chobani's commitment to employee well-being, leading to higher job satisfaction and loyalty. A 2022 Gallup report shows that highly engaged teams experience 21% higher profitability, (Gallup, 2018).
Social Impact	Improved Work-Life Balance: The extended, paid parental leave policy allows employees to dedicate time to family bonding and childcare during a critical period. This can lead to reduced stress, improved mental health, and potentially lower employee turnover based on report from Society for Human Resource Management (SHRM) found that companies offering paid parental leave experience 33% lower turnover rates (Society for Human Resource Management, 2021).
Operational Efficiency & Environmental Impact	The partnership with PepsiCo will allow Chobani to grow in areas where there isn't expansive distribution or a concentration of people and into categories where PepsiCo's size provides an easier reach. Optimizing logistics Chobani achieved to reduce the total number of miles driven, via improvement of pallet configurations, transitioning to full truckload order quantities, and increasing weight-to-truck ratio. Through these initiatives company took 2.000 trucks off the road for one year avoiding the use of 460.000 gallons of diesel fuel (Chobani Media, 2023).

Based on the information presented in Tables 2-3, Patagonia and Chobani have demonstrated alignment with SDGs 8, 9 and 17. This result was achieved through targeted sustainable scaling through active employee engagement, environmental responsibility and partnership building. In this way, Patagonia and Chobani have shown compelling examples of how businesses can have a positive social and environmental impact while achieving growth.

Conclusion

In conclusion, this exploration of SDGs 8, 9, and 17 demonstrates a clear link between sustainable business practices and positive impacts on KPIs that contribute to organizational scale. Patagonia's commitment to fair wages, employee well-being, and learning opportunities (SDG 8) strengthens their social impact and fosters a highly engaged workforce.

Conversely, their focus on circular manufacturing through recycled materials and the Worn Wear program (SDG 9) directly addresses environmental impact and potentially improves operational efficiency. Similarly, their investments in sustainable ventures through Tin Shed Ventures® (SDG 17) contribute to a broader market shift towards environmental responsibility, with potential economic benefits in the long run.

Chobani's case study further reinforces this interconnectedness. Their generous parental leave policy and increased minimum wage (SDG 8) enhance employee engagement and social impact.

Partnerships like those with WeeCare and PepsiCo (SDG 17) create growth opportunities and potentially contribute to economic expansion.

By integrating these SDGs into their strategies, Patagonia and Chobani showcase how achieving traditional scaling metrics can go hand-in-hand with social and environmental responsibility. This holistic approach paves the way for a future where business success and sustainability are not mutually exclusive, but rather two sides of the same coin.

Further research could explore how to quantify the specific impact of SDG initiatives on KPIs across different industries. Additionally, investigating long-term employee engagement and environmental benefits resulting from these practices would be valuable. Understanding how companies can best integrate SDGs throughout their supply chain for maximum positive impact is another key area for future studies.

Conflict of interest

The authors state no conflict of interest.

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