

Title: Public-private partnerships for sustainable development: How customers, employees and investors can inform the selection process

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Biographical notes:

Beverlee B. Anderson received her Ph.D. from The Ohio State University. She currently serves as Professor Emerita at California State University San Marcos. She has held a variety of teaching and administrative positions at the University of Kansas, University of Cincinnati, Wright State University and University of Wisconsin - Parkside. Her research focuses on cross-cultural and international topics and has been published in numerous academic journals and an invited speaker in professional venues. She is past president of the Marketing Educators Association and served as a member of the Board of Directors for San Diego Financial Executives International, the Marketing Management Association, and the Academy of Marketing Science among others.

Catalin Ratiu received his Ph.D. from Concordia University in Montreal, Canada. He currently serves as Associate Professor of Strategic Management at California State University San Marcos. His research examines corporate strategies in the social, natural, and global environments with specific focus on the intersection of sustainability and international strategies. Catalin is an award winning scholar having published over twenty papers in scholarly outlets, including the *Academy of Management Review*, *Critical Perspectives on International Business*, and *World Journal of Science, Technology and Sustainable Development*.

Purpose:

The purpose is to explore how an understanding of the alignment of goals of customers, employees and investors can aid in the partner selection process.

Approach:

The design uses secondary data focused on customers, employees and investors goals and their alignment with SDGs. Consumer behavior data on issues related to SDGs, research on employee work motivation, and the goals of investors, both institutional and individual, are investigated.

Findings:

To develop effective PPP the goals and behaviors of both parties must be recognized, considered and addressed. The goals and priorities of these entities are not always well aligned with SDG goals. In selecting partners, NGOs will benefit from recognizing the differing goals of stakeholders and common ground for actions.

Originality/value:

The paper addresses some issues seldom addressed in SDG public-private partnership writings.

Practical & Social Implications:

While PPPs have the potential be successful, to achieve significant gains in advancing the SDG agenda, there must be “buy-in” from relevant stakeholders associated with the partnerships.

Keywords:

Sustainable Development Goals, Public-private partnerships, Consumer priorities, Employee goals, Investor desires

Public-private partnerships for sustainable development

How customers, employees and investors can inform the selection process



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SDG 17 and PPPs

“Strengthen the means of implementation and revitalize the global partnership for sustainable development”

Importance of stakeholder collaboration



PPP models

Generate value (Austin, 2000)

Build infrastructure (Rocca, 2017)

Reduce the effects of natural disasters (Auzzir, Haigh, & Amaratunga, 2014)

Improve firms' corporate social responsibility (Twigg, 2011)

Create complementary social and economic value (Dahan et al., 2010)

Ex.: obtain social legitimacy in markets where foreign MNCs are viewed with suspicion or skepticism

Concerns with PPPs

Unclear responsibilities

Poor alignment with strategy

Inefficient optimization of project features

Lack of discipline in execution

Lack of an ownership mindset in the delivery team

Poor project controls

Low initial cost mindset

Poor resource optimization



MNE — NGO partnerships

When entering emerging markets, success factors include:

- Innovative combinations of firm and NGO resources and skills
- The importance of trust building
- The fit between the two organizations' goals
- Supporting and understanding of the local business infrastructure and environment

PPP Successes

- The George Dukmejian Courthouse building in Long Beach, California
- I-595 reversible managed lanes in Broward County Florida
- I-495 lanes in Virginia
- Cemex and Patrimonio Hoy



George Dukmejian Courthouse building, Long Beach, CA



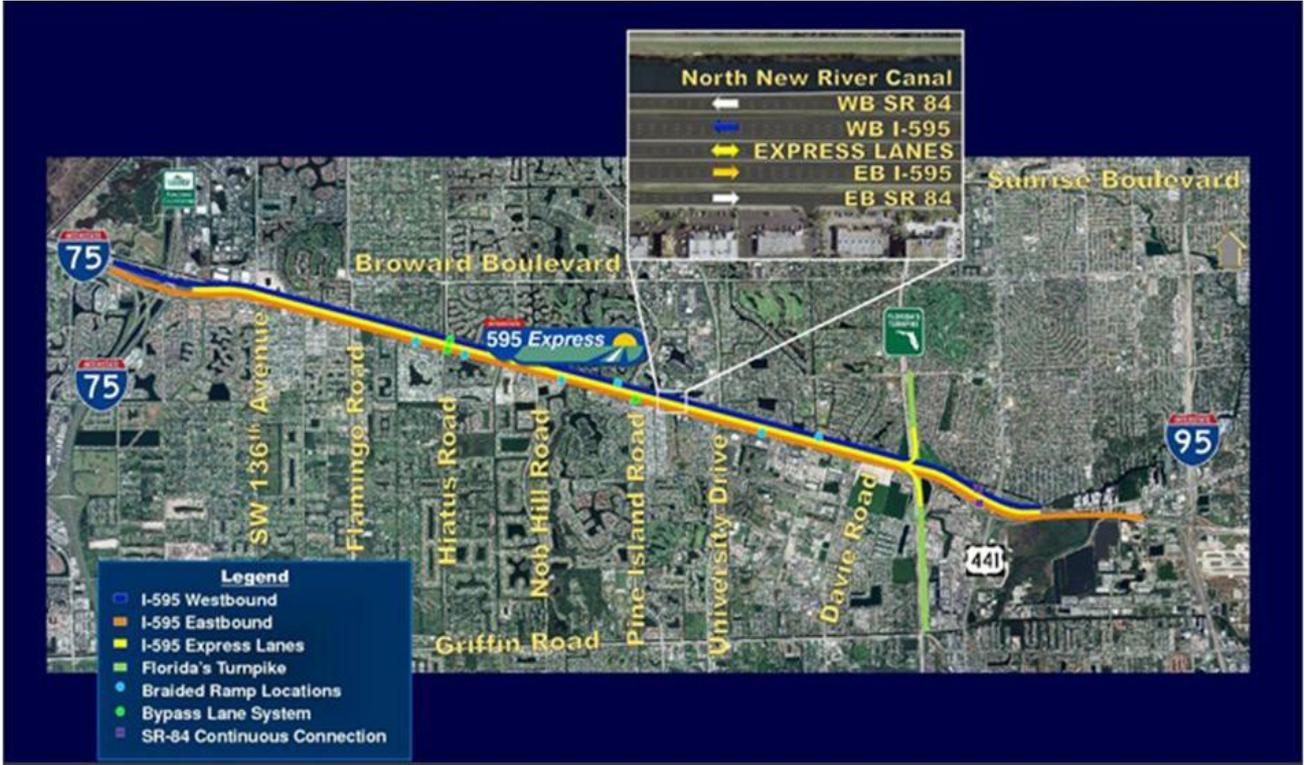
Largest availability payment-based social infrastructure project in US history

Completed on time and within budget

I-595 and I-495

I-595 reversible managed lanes in Broward County Florida

I-495 lanes in Virginia





PATRIMONIO
HOY
UN COMPROMISO DE CEMEX

Cemex and Patrimonio Hoy

Developed a new offering for Mexico's self-construction housing market

Reduced self-construction time by 60% and costs by 35%

By 2008 more than 200,000 Mexican families had benefited from their efforts



Stakeholders' potential

Can influence organizations' commitment to SDGs

Firms engage stakeholders through mechanisms like corporate governance, social responsibility, etc.

Some stakeholders have more influence and power than others

We focus on:

- **Customers**
- **Investors**
- **Employees**



Customers

The lifeblood of business firms

Importance of emotional response to firm and products/services

Increasing importance of social causes in purchasing decision, positive and negative influences (see the recent #grabyourwallet campaigns)

Conscious consumers: informed and care about

SDG issues

$\frac{2}{3}$ consumers prefer to buy from firms that give back



Customers (cont.)

Not all consumers are concerned about SDG issues

2012 Harris survey:

- 10% decrease in concern for the planet from 2009
- Decline in 'green' behaviors (purchasing all natural products, etc.)
- Decline in intent to reduce water usage
- 35% supported environmental efforts (donate, advocate, participate, volunteer)

Green Customers

Banikarim (2010) identifies different green segments:

- Alpha Eco and Eco-Centric: willing to pay more for eco-friendly products
- Economical Ecos: cost conscious
- Eco-Chic: buy few green products, but will buy conspicuous ones



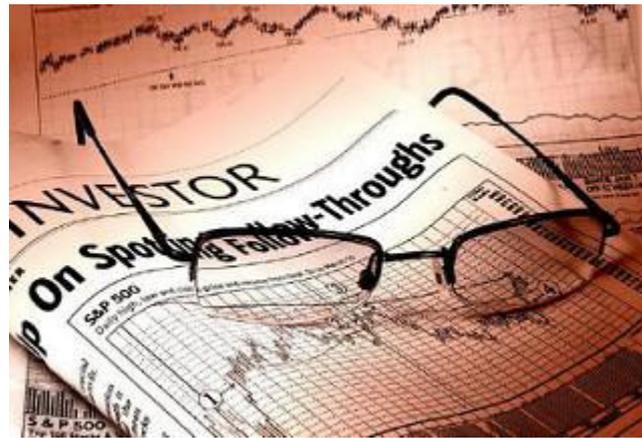
Consumer Challenges

Firms: identify priorities of consumers

NGOs: identify organizations whose customers priorities include the causes they are pursuing



Investors



Sustainable, responsible and impact investing (SRI) takes into account environmental, social, and governance issues (ESG)

Goal: create positive sustainable development outcomes AND above average returns

By 2015, 20% of funds invested through professionally managed funds in the US used SRI fundamentals — \$9trillion (US SIF, 2016)

Does impact investing yield returns?

Yes, nearly 80% of deals in financial inclusion were in the top ⅓ of performance among average investments

50% deals in clean energy and agriculture generate similar financial performance

Investments in healthcare and education have lagged

Midsize deals produce better results, on average

Smallest deals generate the greatest volatility



¹Number of exited deals = 48.

Source: Impact Investors Council (IIC) survey covering investments over the years 2010–16; VCCEdge; McKinsey analysis

Investor paradigms

RISK MITIGATION

Model risk profiles

Focus on environmental and reputation hazards

RETURN ON INVESTMENT

Build green investment portfolio

Expect superior financial performance when compared to conventional investments

Growing evidence of positive link between ESG criteria and financial performance

Firms embed long term view in growth strategies

Spotlight: UBS

Asset management firms increasingly focus on SRI investment products

"The United Nations has 17 sustainable development goals that aim to end poverty, protect the planet, and bring prosperity to all by 2030. These can only be achieved using private capital as well as public investments. So, at the 2017 World Economic Forum, we pledged to direct \$5bn of our clients' investments over the next five years to sustainable or impact investments. In fact, all of our businesses are engaged in initiatives to help meet the UN's goals, and our clients' investment needs. This year, for the third year running, we were confirmed as the industry group leader for diversified financials in the Dow Jones Sustainability Index."

"We've partnered with visionaries who've developed innovative ways to meet the UN's SDGs, while also generating financial returns for their investors." (UBS, 2017)

Investor Challenges

Investors have important role in influencing agenda of firms towards SDGs

Investor influence and power is limited

ESG criteria not always connected with sustainable strategies



Why People Work - Most Basic Reason

For Money

Compensation

Salary

Bonuses

Benefits

Money Pays the Bills



Reasons for People Working Where They Do

Engaging work

Challenges them

Feel in charge (autonomy)

Social Engagement & Interaction

Meaningful work - makes a difference



Employees Today Want a “Say”

In how the company is run

In the causes it supports

In the partner organizations of the company



Employees



Who are the Employees?

Baby Boomers? - Fewer than 28% concerned about employer taking a stand on social issues

Gen Xers? - The Gen Xers were not concerned about social issues (less than 28% also)

Millennials? - Nearly half believe their employers should be engaged with issues important to society*

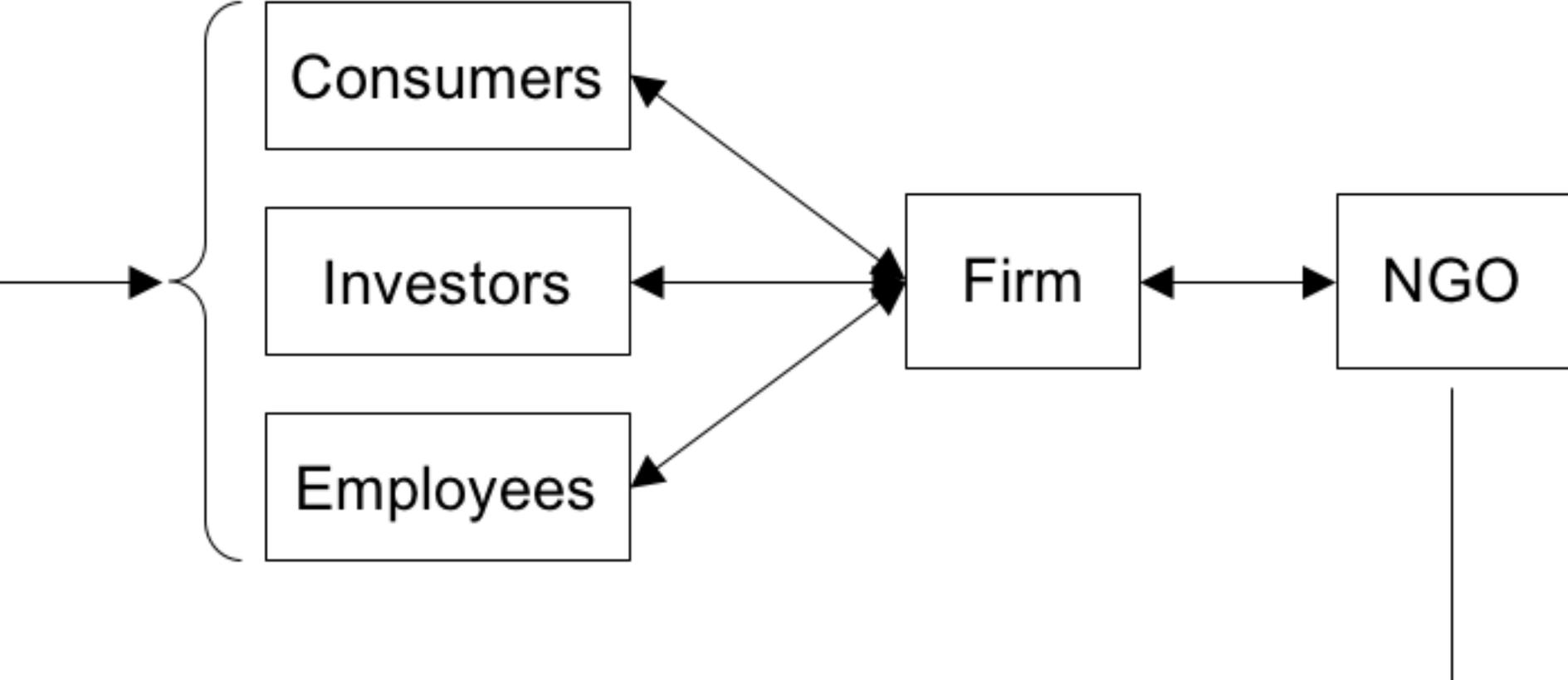
PPP: partner selection

How to implement global partnership for SDGs

Selection of partners is critical

Improve likelihood of PPP success by understanding core stakeholders of firms

Relational challenges of partner selection



Source: Anderson & Ratiu