

Sustainable Systems Implementation

Building a Sustainable Economy and Society

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Overview

Business has done great work, but its greatest work lies ahead. Responding to rising environmental and social problems, Wal-Mart, General Electric and many other firms have implemented aggressive corporate responsibility strategies. Done well, these strategies enhance profitability and competitive position, while improving environmental and social performance.

Yet in spite of this great work, environmental and social conditions are declining rapidly in many areas, indicating humanity is becoming more unsustainable, not less. To reverse this situation, ensure ongoing business prosperity and secure the well-being of future generations, a higher level of work is needed.

Without intending to do so, economic and political systems create conflicts between what's best for business and what's best for society. These conflicts drive environmental and social declines as well as create growing problems for business. In effect, modern systems make it impossible for firms to operate in a fully responsible and sustainable manner. Sustainability can only be achieved by improving these systems.

A sustainability approach called Total Corporate Responsibility (TCR[®]) combines traditional corporate responsibility efforts with system change efforts at the mid-level (sector-focused) and high-level (whole system-focused). Sustainable Systems Implementation (SSI[™]) is the high-level system change component of TCR.

Through SSI, committed leaders and system change experts work together with larger society to find practical, reasonable ways to evolve human systems into sustainable forms. Many good system change ideas and programs already have been developed. Most have low implementation rates. A key focus of SSI is taking these to much higher levels of implementation. The overall goal is to help build a more prosperous and sustainable economy and society.

TCR and SSI are being implemented by Gazeley Ltd, an independently operated Wal-Mart subsidiary based in the UK. Gazeley is a global real estate developer and sustainability pioneer that provides environmentally-superior distribution warehouses to Wal-Mart and many other clients around the world.

High-level system change is extremely complex, but also extremely important because sustainability is not possible without it. The largest problems facing business and society can only be solved by adopting a system perspective and by using collaborative approaches. This article provides a summary of why high-level system change is needed and how business can use the collaborative SSI process to bring it about.

Sustainability Requires Systems Thinking

The primary purpose of capitalism and democracy is to enhance society. Clearly these systems do this in many ways. However, they also produce unintended consequences. Providing many people with high-quality, affordable products and services drives increasing environmental and social impacts.

As an expanding population with rising living standards consumes more resources and produces more pollution, environmental systems that keep humans alive are being rapidly degraded in many areas (ie: clean air, clean water, fertile soil, stable climate, forests, wetlands, aquifers, fisheries, biodiversity). In addition, growing social unrest and turmoil in many regions is being driven by a widening gap between rich and poor, disruption of traditional lifestyles in developing countries, and increasing emptiness and life dissatisfaction in developed countries (as indicated by rising anti-depressant drug use, obesity and compulsive behaviors).

The main reason our well-intentioned systems produce unintended consequences is the failure to think systemically. As quantum physics and common sense show, everything on the Earth is part of one interconnected and interdependent system. It is difficult for the human mind to contemplate all the details of the whole Earth system at once. As a result, human systems (economic, political, social) were developed in simplified, reductionistic ways that exclude many relevant, interconnected aspects of society, thus creating unintended consequences.

As it was when other human systems prevailed (feudalism, slavery, communism), we do not see the flaws of our thinking because we are too close to them. Many ideas that appear to be correct at the individual person, company or country level are actually counter-productive at the system level. (It is important to optimize first at the whole system level because individuals ultimately cannot prosper if the system that supports them does not prosper.)

In the economic area, there are several ideas that seem logical at the individual level, but are not logical at the system level. These economic system flaws include the failure to incorporate relevant environmental and social costs (externalities) into prices, which drives major price distortions, waste and inefficiency in our market system. The pursuit of ongoing economic growth in the finite Earth system makes it difficult for human society to achieve stability and balance. Time-value-of-money, a foundational economic concept, says that people and resources beyond 50 to 100 years are worthless. Therefore protecting them would be a foolish economic decision. And by focusing primarily on only one aspect of society's success (economic growth – GNP), other aspects are not adequately addressed. This causes the overall well-being of society to decline.

Political/regulatory system flaws include inappropriate influence of regulators and limited liability structures. The ability of regulated entities to influence regulators through campaign finance, lobbying and other processes makes it effectively impossible for government to hold firms fully responsible for negative impacts. Limited liability structures provide unlimited upside to investors, but cap the downside by transferring risk mostly to low and middle-income taxpayers. This is a major factor driving the widening gap between rich and poor.

Social system flaws include allowing the public to be misled by advertising and media. Powerful emotional advertising often misleads the public into feeling non-material needs for self-esteem, love and connection to others will be met through consumption. Also, media often is used in ways that mislead the public about issues that might hurt profitability, such as climate change.

These results are unintentional or secondary. The primary purpose is not to mislead the public or allow irresponsible behavior. It is to achieve success on the one prosperity metric we do effectively measure and manage – profitability, and by extension economic growth.

Going Beyond Conventional Corporate Responsibility

The above system flaws create conflicts between business and society, primarily by not holding firms fully responsible for negative environmental and social impacts. In a closed system, such as our Earth

system, there is no free lunch. When firms negatively impact the environmental and social realms, feedback loops return these impacts and cause problems for firms, such as market rejection, lawsuits, activist campaigns, and opposition to opening new stores and facilities.

As the scale of economic activity increases in the finite Earth system, feedback loops shorten and firms receive pushback for negative impacts more quickly. This causes environmental and social issues to become more financially relevant to investors and firms. Growing financial relevance is driving the mainstreaming of corporate responsibility (CR) and socially-responsible investing.

Traditional CR strategies go beyond regulations and seek to reduce the negative environmental and social impacts for which firms are not held responsible. (Regulations often require firms to eliminate some of their pollution and other environmental and social impacts, but not all.) In thousands of cases, voluntary CR has improved profitability and competitive position by enhancing reputation, brand value and employee morale, reducing energy, materials and waste disposal costs, facilitating siting approval and access to new markets, and generally securing the right-to-operate.

However, voluntary CR rarely, if ever, allows firms to fully mitigate negative impacts and thus act in a fully responsible and sustainable manner. Beyond a certain point, companies attempting to fully mitigate impacts see costs increase relative to firms that are not fully mitigating. If a company tries to act “too responsibly” by going too far beyond regulations and attempting to mitigate all of its negative impacts on society, it will put itself out of business.

This is why it’s important to hold firms fully responsible for negative impacts (hence the name Total Corporate Responsibility). In a competitive market, firms cannot act in a fully responsible manner and remain in business. Holding firms fully responsible in a practical way over time will make full responsibility and sustainability the profit-maximizing path.

Traditional CR approaches go beyond regulations and mitigate negative impacts until it becomes unprofitable to do so. Going further would violate the obligation to maximize shareholder returns. Through this mechanism, firms are compelled to degrade the environmental and social systems that support the economy and society.

If we cannot evolve economic and political systems into forms that better serve business, investors and society, their cumulative negative impacts will force system change, almost certainly in a disruptive manner. Given the rapid escalation of global environmental and social problems, it is highly likely that disruptive system change will occur sooner rather than later. If we wait until the issues are fully upon us, we will have few, if any, options. To effectively improve human systems, we must begin to address the issue in the near-term. While there may be no short-term solutions, the need to begin developing and implementing solutions has become a short-term issue.

The complexity of improving economic and political systems is daunting to everyone. But it is least so to business leaders. Business is in the best position to lead the system improvement effort because its experience operating in economic and regulatory systems gives it much practical knowledge (those who understand systems best are best able to improve them). In addition, with its vast innovative and creative potential, business has the ability to develop and implement successful system change strategies. Finally, business effectively is the most powerful human force on the Earth. Voluntary system improvement almost certainly will not happen if business does not drive it.

The key question is, how can business effectively lead the effort to improve human systems, while simultaneously performing well in existing systems? That is exactly what the SSI is designed to do.

Sustainable Systems Implementation

The goal of SSI is to make progress on the most complex challenge facing business and society – sustainability and the high-level system changes needed to achieve it. The challenge is so great that no single person knows the answer, though many have parts of the answer. Successful evolution of human systems into sustainable forms can only be achieved through a collaborative process, such as SSI. The most important requirement of SSI is to just begin, to make some progress. Once on the path of system improvement, clarity will increase and additional answers and actions will emerge.

SSI brings together leaders with the power to drive change from business and all other segments of society, along with experts that have good system change ideas. Many great system change ideas have been developed. Most have low implementation rates. SSI seeks to quickly drive good system improvement ideas to far higher levels of implementation. The SSI process involves planning and implementation. But since there already are many good ideas developed but not widely implemented, the focus of SSI is on implementation and action (hence the name Sustainable Systems Implementation).

The following shows SSI principles, structure, participants and management along with potential work focus, desired outcomes and quick wins. Since SSI is a collaborative process, specific strategies and goals will be developed and agreed as the program progresses.

Principles

The following principles show important activities and viewpoints needed to evolve human systems into sustainable forms.

Systems Thinking. As noted above, the main driver of humanity's unsustainability is the failure to think systemically, which essentially means the failure to consider all relevant factors. Achieving sustainability by evolving human ideas and systems into sustainable forms can only be done through systems thinking. This greatly increases complexity because nearly everything is relevant from a systems perspective. Few things can be done effectively in isolation. For example, successful evolution of our economic system probably can be achieved only if done in tandem with evolving political, social and other systems.

This is difficult, but not impossible. Different systems thinking approaches could be used. For example, one could postulate a global mind and imagine how it would develop a sustainable economic system for the planet. Actually, this already has been done by nature. The model for a sustainable economy is all around us in nature. When seeking to address some of the most complex economic system flaws, such as externalities, limits to growth, time-value-of-money and measurement of success, one could ask, how does nature implicitly handle these issues.

One of the main reasons many good system change ideas have low implementation rates is the difficulty of understanding and addressing all relevant factors. By taking a systemic approach, all barriers to success can be effectively addressed. These barriers often will include lack of public awareness and regulations that make responsible corporate behavior impossible.

Simplicity. The complexity of system change is so vast that great efforts must be made to achieve clear, simple communication. One of the greatest barriers to system change is the lack of public awareness about the systemic drivers of environmental and social problems along with the lack of public will to address systemic issues. Rendering discussions down to simple terms and concepts will greatly facilitate the expansion of public awareness. For example, everyone believes our children and generations beyond them should survive and prosper. This is a simple, unifying concept. Clearly showing how current economic and political systems threaten our children's future can motivate action.

Inevitability. Often during discussions about how to change systems, concerns about difficulty and complexity are used intentionally or unintentionally as excuses for inaction. This argument for inaction usually results from the perspective that systems could remain the same. From this perspective, system improvement work might seem unnecessary.

However, as we better understand the dynamic, ever-changing nature of human society, especially when it is in conflict with natural systems, we realize that not changing is not an option. There are only two options – voluntary or involuntary system change. As we then understand that involuntary system change will be disruptive to business and society as well as unfair to future generations, common sense dictates we really have only one option. Understanding the inevitability of system change greatly increases the willingness to deal with complexity and the commitment to take action.

Evolution not Revolution. SSI is intended to evolve human systems before the negative impacts of current systems force traumatic, possibly revolutionary change. The evolutionary approach to system change is based on the idea that committed leaders working together with larger society can find practical, reasonable ways to evolve our systems into sustainable forms. The goal is to do what humans always do – improve – not to go backwards to systems that didn't work, but to combine ideas from the past that did work with new ideas, then develop something new and better. This approach will maximize the well-being of business and society, while minimizing disruptions as the transition to sustainable systems occurs.

Be Willing to Question Everything. To achieve meaningful system change, we must be willing to question all human ideas and systems. In the past, many systems intended to benefit society turned out to be not beneficial, even destructive. It would be illogical (and possibly arrogant) to assume we are not making similar mistakes today. Human ideas and systems are always evolving. No idea or system (economic, political, social) should be seen as unquestionable, as having any inherent right to exist. One could say that the only things with an inherent right to exist are life, that which supports life (the environment), families, communities and the rights of people to prosper and be secure. Human systems should exist only if they protect and serve life over the long-term. If they do not, they should be evolved into forms that do.

Abide by Nature's Laws. Nature is the most powerful force on the Earth. Humans have no option to live outside the laws of nature. One could say there are laws of nature on the inside (basic human rights) and on the outside (environmental restrictions). To the extent we operate outside these laws, we will be adjusted until we do comply. That is why we must be willing to question everything. This is not a philosophical statement. It is simple common sense and logic. In reality, it does not matter what's happening in the human mind. Nature will do what nature will do. Reality will always prevail. If our ideas and systems are not aligned with nature's laws, they will disappear, as have all other human systems that weren't aligned with nature and reality.

The beliefs of many indigenous groups caused their actions to be aligned with nature. They often believed that nature, as the sustainer of all life, should be revered and respected, rather than seen simply as a source of raw materials. Given the effectiveness and sustainability of many indigenous ideas and economic practices, these should be considered when seeking to improve modern human systems.

Non-Judgment. It is easy to become angry when one considers the destruction of environmental life support systems, inequity and unhappiness in the world, especially when one considers what this means for our children. But anger often is not the appropriate response, in part because it can polarize different groups and block progress. In a sense, we are like children learning to walk. Our collective actions show that we (society in total) have not learned how to live sustainably on this planet yet.

The advancement of our ideas and systems has not kept pace with the rapid advancement of technology. For example, we produce many substances never seen before in nature (nano-materials, genetically-engineered foods, more than 80,000 synthetic chemicals). Many of these tend to disperse into the land, air and water, then accumulate in humans, causing growing reproductive problems, cancer and other illnesses. The large majority of these substances has never been tested for safety by an independent third party, in part because the firms making them are able to influence the regulatory process. In addition, we are removing millions of years of fossil fuels from the Earth's crust, leaving little for future generations but pollution.

Business and political leaders are criticized often for these and many other environmentally and socially damaging activities. However, none of these leaders intends to damage society. They are well-intentioned people operating in systems that often compel them to do the wrong thing for society. The enemy is not individual firms or leaders. It is our short-sighted ideas and resulting systems. In the same way that we would not criticize a child for not knowing how to walk, we should not criticize business for doing what systems compel it to do. Instead, we should work together to improve our ideas and systems.

Don't Expect Individuals to Change. The purpose of SSI is system improvement, not unilateral change. There should be no expectation that individual persons or firms will unilaterally modify their activities. (There are many good programs promoting individual change, including conventional CR. But that is not the purpose of SSI.) Most people are focused on just surviving. They do not have the luxury of considering longer-term issues like sustainability. Some people will adopt environmentally and socially responsible lifestyles, even if it costs more, because they feel it's the right thing to do. Most will not.

As systems become sustainable, the full cost of environmentally- and socially-damaging products and business practices will be included in prices. This will cause the responsible lifestyle to become the easiest and least expensive lifestyle. Also, as noted above, firms often cannot act more responsibly unilaterally and remain in business. SSI is intended to drive system improvements that encourage all people and firms to act more responsibly.

Carrot not Stick. SSI is not intended to take anything away from anyone or force individuals and firms to change. Instead, the goal is to develop more appealing and effective systems that draw citizens and firms toward more responsible activities. Better systems will allow more satisfying lifestyles while producing more sustainable business performance. This approach is far more complex because all voices must be heard and considered. In practice, some firms not committed to full responsibility might resist change. But the principle of developing appealing systems with reasonable transition strategies should minimize resistance to system change.

Responsibility. Probably the most important flaw of modern economic and political systems is the failure to hold firms fully responsible for negative environmental and social impacts. When this occurs in a competitive market, firms cannot fully mitigate impacts and remain in business. Holding firms fully responsible aligns what's best for business with what's best for society. It gives firms the incentive to act in a fully responsible and sustainable manner by making such action the profit-maximizing path.

More responsibility does not mean more regulations. Firms often complain about regulatory burden. Much of this burden is due to inefficient, cumbersome regulations resulting from inappropriate influence of the regulatory process. As this influence is removed and as the higher principle of full responsibility prevails, simplified and far more effective regulatory strategies can be implemented, especially if firms are given the flexibility to figure out how to achieve full responsibility. As noted above, not holding firms fully responsible compels negative impacts, which creates growing problems for investors and firms. Holding firms fully responsible in a practical way over time will benefit business and society.

Focus on Results. While dialogue, planning and developing systemic solutions are key aspects of SSI, the strong focus is on generating quick wins that build enthusiasm and support for addressing longer-term, more complex issues.

Simultaneous Success. SSI is intended to enhance current business performance in existing systems while proactively positioning firms for success as more sustainable systems are implemented. To minimize costs, SSI participation requires relatively little management time. All actions developed under SSI should be practical and support simultaneous success. Some actions can be designed to take advantage of participants' strengths, for example by promoting regulatory changes that build competitive advantage.

Visionary, Courageous Leadership. Business leaders operate in fixed systems and structures. Contemplating how these systems might be improved then working to improve them involves a high degree of uncertainty. It is far easier to remain safely within existing systems. It takes courage to step back, look at the big picture and evaluate how overarching systems create problems for business and society. Business can benefit society greatly by leading the effort to practically and reasonably improve human systems. But it will only happen if business leaders have the courage and vision to make it happen.

Structure and Participants

Initial SSI efforts will focus on the national level since overarching economic and political systems largely are created and maintained at this level. However, as groups of stakeholders within a given country consider how they might evolve their systems into sustainable forms, they'll be confronted with the reality that they must operate and compete in larger global systems. As a result, once several national and multi-national SSI efforts are underway, these groups would spend part of their time working together on a global SSI effort that seeks to improve the highest-level economic and political systems.

The SSI approach could be used at any level. However, it is most important to work at the national and international levels since the purpose of SSI is driving high-level system change. In addition, focusing at this level is important because rapid, creative national and international responses are needed to effectively address escalating environmental and social issues.

In no way does SSI intend to minimize the importance of individual, community and regional sustainability efforts. To become sustainable, human society must emulate and live within the laws of nature. Nature mostly operates in local, self-sustaining communities. The building blocks of a sustainable world almost certainly will be sustainable communities. There are many excellent sustainable community and regional efforts underway around the world. These would be important participants in national SSI efforts.

There also are many excellent economic and political reform efforts focused at national levels. While these are having some impact, successfully evolving our systems into sustainable forms requires a much greater impact. By combining powerful leaders with system change experts, often from these groups, SSI is intended to achieve this impact.

To ensure that all voices are heard and all good ideas considered, leaders and experts from all segments of society will be invited to participate. SSI will be open to segments including business, government, military, academia, non-governmental organizations (NGO) and media along with civil society groups representing the elderly, women, youth, minorities, religions, communities, labor and any other group interested in constructively and collaboratively participating.

Convening and Managing

Convening the SSI involves identifying initial participants. Ideally, the initial group would include highest-level leaders from business, government and civil society. Based on initial feedback, many NGO's and academic institutions would be interested in participating in and possibly co-convening the SSI. For NGO's with an environmental or social mission, systemic issues probably are the primary driver of the issues they seek to address. For academic institutions, evolving human ideas and systems into sustainable forms through interdisciplinary, systemic, collaborative approaches represents the most interesting and important academic challenge.

Convening and managing national SSI efforts will require support, including recording and analyzing proceedings, keeping participants informed and in communication with each other, providing venues, planning and managing SSI events and forums, initiating and managing implementation of quick wins and other projects, and providing funding for these and other activities. Given strong mission alignment, it is likely that some NGO's and academic institutions will provide these types of support.

Potential participants will be contacted to discuss the importance of the SSI, benefits of participation, general process, and potential work focus and outcomes. In the early stages of SSI, it will be very important to include people who are deeply committed to sustainability – to improving human systems in ways that are responsible and highly beneficial to society.

An interdisciplinary approach will be required to improve human systems. Human knowledge within disciplines is deep, but across disciplines it is much less so. Unwillingness or inability to address issues outside ones area of expertise is a primary reason good system change ideas often do not get implemented widely. As a result, it is critical that early participants be open-minded and willing to consider others' opinions and new approaches. People with inflexible agendas would limit success. As SSI gains momentum and resilience, all views and ideas can be considered and integrated to the extent practical.

The first meeting should be kept small (about ten to fifteen people) and held in a confidential, closed setting. This will facilitate open dialogue and consideration of complex issues. It might be difficult for leaders to address some issues in a public setting, for example, balancing the demand for ongoing economic growth with what's best for society.

To facilitate dialogue during the first meeting, possible quick wins and systemic issues to be addressed will be suggested. One or more expert presentations will focus on high-level systems thinking that integrates all parts of society and nature. As the SSI progresses and specific work areas emerge, experts in these areas will be asked to propose and help implement specific solutions.

Examples of potential Desired Outcomes of the initial SSI meeting might include the following:

- Ensure awareness of the need for system change among participants and secure strong commitment to achieving it
- Reach general agreement on the major systemic issues that must be addressed
- Begin to develop a vision of a sustainable world that helps guide system change efforts
- Generally outline short-term and long-term system change actions needed
- Commit that the group will continue to work together to achieve system improvements
- Agree on other parties needed for success
- Identify quick wins and ways to achieve them
- Commit to achieving quick wins.

Work Areas

The SSI is intended to be a long-term collaborative effort involving many different high-level system change activities organized by a unifying vision. The founding participants will begin to chart the course and build momentum for this most important work. The work of the SSI could be divided into three areas: Framing, Quick Wins and Longer-Term Challenges and Opportunities.

Framing

SSI framing work involves understanding the context and developing system improvement plans. Framing activities include developing a vision of a sustainable country or world, honestly identifying the current state of the world (ie: being clear about environmental and social trends and likely impacts on business and future generations), identifying systemic barriers to sustainability (ie: what are the major ideas, system flaws and other factors blocking movement from the current to the desired state), and developing plans to overcome barriers and achieve sustainability. Traditional strategic planning approaches applied at a larger scale, such as SWOT (Strengths, Weaknesses, Opportunities, Threats), would facilitate this work.

Developing a vision of a sustainable world (or country, depending on the level of focus) may be a small part of the overall SSI effort. But it is a critical component. All strategies need a clear focus. Without one, the strategy usually fails. A major issue for the sustainability movement is the lack of a clear vision. Sustainability is considered by many to be a nebulous term with several different definitions. Developing a clear vision will help in several ways.

Having a clear vision of where we'd like to go clarifies major barriers to success and helps to prioritize necessary actions. Focusing on the end point, for example prosperity for future generations, facilitates finding common ground, overcoming differences, building consensus and dealing with complexity. While working on system improvement, one could easily get lost in overwhelming complexity and details. The vision serves as a constant reference point throughout the process. One often can find clarity when mired in complexity by stepping back and asking, what's the overall purpose here.

The vision also facilitates systems thinking by helping people see the big picture of human society over time. From this perspective, it's clear that things are not as complex as we might have imagined. We see that human ideas and systems are always evolving. From the human perspective, things can seem to be stuck. But they never are. They are always in a process of changing, regardless of how it might seem to the individual. This helps us to let go of the idea that things will stay the same. It allows us to think more creatively about what will come next and how we might shape that change.

Having a clear vision of a sustainable world that many, if not nearly all, agree on will build strong commitment to sustained action. While a sustainable world could take an infinite number of forms, there are many factors that most would agree on. For example, there should be clean air, land and water, now and ten thousand years from now. Basic rights should be protected and basic needs met. Most importantly, our children and those after them should prosper on every level.

Finally, having a clear vision of where we'd like to be helps to clarify the limitations and inaccuracies of our current ideas. Human systems are the fruit of ideas. We probably won't be able to evolve our systems into sustainable forms unless we are willing to question our beliefs and find the courage to adopt new ideas. The ultimate driver of humanity's unsustainability is our individual and collective beliefs and worldviews. Recognizing this, we can begin the large and possibly long process of developing more realistic and sustainable worldviews, ones that address the appropriate rights and role of humanity on this planet.

Quick Wins

The SSI involves several levels of action occurring simultaneously. Since the approach has a strong bias for action, the SSI group would produce an initial sustainable country or world vision, assessment of systemic issues to be addressed, and suggestions for short-term action. As these quick wins are pursued, vision refinement and analysis of more complex, longer-term issues, such as the system flaws mentioned above, would continue.

There are few quick wins in the system change area because most of the changes needed are very complex. Probably the most important requirement for achieving system change is moving from the discussion to the action phase. Experts have been discussing and developing good system improvement ideas for many years. The work required now is practical implementation. Just beginning to take action that has the potential to achieve broad system improvement could be seen as a quick win.

Along these lines, examples of Quick Wins that might be developed by an SSI group include:

- Identify one or more products used in large volumes by all or most of the group, then agree to buy them only in sustainable forms
- Agree to provide sustainability awareness and training to employees
- Support and publicize broader, more accurate measures of social well being than GNP
- Support a coordinated media campaign focused on raising public awareness about the need for and benefits of system change
- Agree to instruct lobbyists to request/support practical regulatory changes that hold firms more responsible over time, thus making further impact mitigation profitable
- Support reforms that publicly fund political campaigns and eliminate the ability of any person or group to financially influence the political process
- Seek practical tax code and regulatory changes that internalize the costs of environmentally- and socially-damaging products, thus making responsible products more competitive
- Engage the capital markets in driving system change by supporting the launch of TCR investment funds that provide superior returns by shifting investments toward well-managed system change leaders.

Longer-Term Challenges and Opportunities

To achieve sustainability, many complex issues must be addressed, including population growth, inequity and the economic, political and social system flaws mentioned above. Addressing problems of this scale typically has not been the responsibility of business. However, these challenges are a growing concern for business because they are a growing concern for society. As society declines, business declines. The opportunity of high-level system change is to ensure ongoing business prosperity by ensuring the ongoing well-being of society.

Business is in the best position to lead the effort to address complex issues. Perhaps a main reason these issues remain unresolved is that business has not been adequately involved. The SSI is intended to create a vessel out of which effective solutions to these complex challenges can emerge. It is based on the idea that no person or group has the answer. But society, led by business, can develop ways of living on this planet that improve the economy while protecting future generations.

This section discusses some of the sources of complexity that must be addressed to achieve sustainability. Using the SSI Principles shown above will be critical to successfully addressing complexity and evolving systems into sustainable forms. To illustrate how SSI efforts might address complex, longer-term issues,

a few hypothetical examples are provided. Specific issues and how they might be addressed will be decided by the SSI group.

Sustainability (and the high-level system change needed to achieve it) is the most complex challenge facing humanity. Nearly every other challenge is a sub-element of the sustainability challenge. Sustainability involves achieving long-term prosperity for humanity by living in balance with nature. Anything that significantly interferes with this is ultimately relevant. There are economic, political and social aspects to human society. These are all interconnected. Significant progress in any area probably can be made only by considering related, relevant factors in all areas.

In the same way that an individual has a mind and body that must be considered when seeking a successful life, human society in total has a collective mind and body. The collective human body has physical impacts on the world that drive environmental declines. The collective mind effectively is the collection of human beliefs and worldviews. These beliefs drive our individual and collective behavior. If we wish to halt environmentally destructive behavior, we must change our beliefs and worldviews in many ways.

As SSI groups consider sustainability challenges, the need for systems thinking will become apparent. Complex issues that can be resolved only through systems thinking include externalities, limits to growth and population growth. Regarding externalities, the price consumers pay for gasoline does not include the full costs of delivering and using it. Costs not included in gasoline prices include increased public and private healthcare costs (due to tailpipe and other emissions), military costs of ensuring oil supply, costs to maintain highways and bridges, lost work time related to traffic jams and lack of public transportation (resulting from subsidized fossil fuel prices), storm damage related to global climate change, reduced quality of life, and many other factors.

By charging an artificially low price, fossil fuels are over-consumed, which drives numerous environmental and social problems. Charging the correct price for fossil fuels probably is the single most important short-term action we could take to largely reduce global climate change and many other environmental problems.

But it is not that easy. There are strong political and social barriers to charging the correct price for fossil fuels. If an SSI group chose to focus on subsidized fossil fuel prices, it would seek to address these systemic factors. For example, the group might help consumers understand that the real cost of gasoline is much more than what they pay at the pump. Costs also includes higher income taxes and medical costs and lower quality of life.

Incorporating full costs into prices would substantially lower the real cost of gasoline because consumers effectively would be paying to prevent illness and other problems, rather than paying to clean them up, which is nearly always far more expensive. If this issue were made clear to consumers, they would understand that a 100 percent increase in gasoline prices might, for example, mean a 50 percent reduction in total out-of-pocket costs, when income tax, healthcare and other factors are included. Charging the correct price for fossil fuels would shift taxes from income to pollution. The tax code would be used to motivate positive behavior (reducing pollution) rather than negative (discouraging job creation).

But even making consumers aware of the real cost of fossil fuels probably would not be enough to allow charging the correct price. It most likely would require considering other political and social issues. These might include questioning the wisdom of organizing society in a way that requires so much travel, the decline of village and community life driven partly by a movement toward a global mono-culture based on consumption, the obligations of society to meet the basic needs of all, and the short-term focus of government.

Another example of high complexity involves improving an economic system that encourages infinite growth in a finite system. A more sophisticated system would recognize that material growth must stop at some point, as it always does in nature. As limits in the finite Earth system are approached, the focus would shift from growth to maintaining balance with nature, while more effectively measuring, managing and fulfilling non-material and material human needs.

One of the most difficult systemic challenges involves population growth, a major driver of unsustainability. Using the SSI Principles will help in addressing this and other complex issues. For example, using the principle of Inevitability, one sees that human population will be limited by nature, as it always has been for any other creature that overshot the environment's ability to support it. This principle could be interpreted to mean, once it becomes clear that population growth (or any other factor) threatens the well being of our children, then not acting is not an option. In other words, we must take action regardless of the difficulty or complexity involved.

Another principle, Carrot Not Stick, would be helpful in addressing population growth. Some might suggest that family size should be limited. But this would raise many valid concerns. Pressure to reduce family size might work in the short-term, but create other problems. The more difficult, but likely to succeed approach is to consider the wide range of relevant factors through a collaborative approach. Relevant factors might include ownership and management of local resources, the amount of life a given piece of land could support, introduction of external values and belief systems that disrupt previously sustainable lifestyles, strengthening communities in ways that better meet human needs as an alternative to larger families, and internalizing costs so that the real costs and inefficiencies of the global food production system become apparent.

Clearly the complexity of systemic issues is immense. Rather than solving these problems, the goal of SSI is much less ambitious. It seeks to convene groups of leaders and experts who will apply practical systems thinking to these issues. As said above, the goal simply is to just begin, to make some progress on system improvement. Done well, the SSI will catalyze broader system improvement efforts in larger society.

Language will be key to achieving success. Business leaders probably should not question some system change issues directly. For example, the stock market would not react favorably to a CEO questioning the wisdom of ongoing growth in revenues and earnings. That is why this type of statement would never be part of an SSI approach. Instead, a group of leaders might collectively question the wisdom of an economic system that puts business in conflict with society. It would clearly show how these conflicts hurt business and investors. Then it would suggest that many parties must work together to build a better system, one that protects business and investors by protecting society.

Benefits to Business and Society

Business leaders usually are consumed with meeting investor, market and other demands. Taking time to step back and look at the big picture can be highly beneficial. As one adopts a higher, whole-system perspective, it becomes clear that much of what was true in the past will not be true in the future.

We live in times of unprecedented, rapid and accelerating change. One factor that's changing rapidly is the pace at which firms get pushback for their negative environmental and social impacts. As this continues to accelerate, corporate responsibility will become the primary driver of business success in the 21st Century.

Conventional corporate responsibility approaches do not allow firms to fully mitigate impacts. As a result, pushback from society is inevitable. SSI enables firms to collaboratively and practically address systemic issues that prevent full mitigation. Like more traditional management approaches, such as Zero Defects and Total Quality Management, SSI adds value by driving creative, practical, often incremental improvements. Working with others, firms lower impacts in ways that enhance profitability and competitive position.

Due to high complexity, no firm has effectively addressed high-level system change. Yet system change is the most important sustainability issue because sustainability is not possible without it. This presents a major opportunity. Companies aggressively working in this area will be seen as the most visionary and courageous – the true sustainability leaders.

By initiating the SSI in the UK, Gazeley is advancing its already strong reputation as a sustainability leader. The firm will benefit from SSI activities that raise customer and public awareness about the financial and environmental benefits of Gazeley structures and services. Through collaborative work with government, NGO's and others, regulatory reforms will be sought that favor Gazeley's environmentally-superior distribution warehouses, thus building competitive advantage. Gazeley personnel will benefit from the knowledge that their firm is pioneering the most advanced strategy for protecting their children.

Pressure from the financial community to supply ever-increasing financial returns obscures the fact that firms have an obligation to society as well as to shareholders. Companies do not have an inherent right to exist. That right must be earned. Providing valuable products and services cannot be used as a justification for ongoing negative impacts, as it often is. Even if regulations allow firms to negatively impact society, as they often do, firms have an obligation to go beyond this and mitigate all impacts. SSI provides a practical means of fully mitigating impacts over time.

Through SSI, business leaders can take a seat at the system change table. Rather than having system changes for which they are not prepared wash over them, leaders can help to shape practical, reasonable changes that improve business and society. Even on a purely financial basis, this makes sense. As environmental and social issues become more financially relevant, the fiduciary obligation to maximize shareholder returns demands that firms mitigate negative impacts to the greatest extent possible.

We all want our children and grandchildren to be proud of us. We all want to provide a prosperous, healthy, sustainable world to future generations. Let's do whatever it takes to make this happen!

***Frank Dixon** advises businesses, governments and other organizations on sustainability, system change and enhancing financial performance through increased corporate responsibility. For seven years, he was the Managing Director of Research for Innovest Strategic Value Advisors, the largest corporate sustainability research firm in the world. At Innovest, he developed financially-focused models and methods for assessing corporate environmental and social performance and helped institutional investors develop high-performing socially-responsible investing products. His work overseeing the sustainability analysis of more than 2,000 firms made it clear that systemic issues compel all firms to operate unsustainably by making full impact mitigation impossible. To engage business and investors in driving the system changes needed to achieve sustainability, he developed a new sustainability approach focused on system change, called Total Corporate Responsibility. He is advising Wal-Mart, Gazeley and other firms on sustainability. He has an MBA from the Harvard Business School. Frank Dixon can be contacted at fdixon@GlobalSystemChange.com.*

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