Changing Tack

Extending Corporate Leadership on Sustainable Development
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Our Journey

GlobeScan and SustainAbility seized 2012 and its notable sustainable development milestones as the time to assess progress on sustainable development, to examine the evolution of the role of business in delivering this agenda to date, and as an opportunity to consider what and how might be done, particularly by the private sector, to accelerate and scale future progress in the urgent manner required.

The project that we developed for this purpose—The Regeneration Roadmap—looked back across the full arc of sustainable development since 1972, then tested its present state via the pioneer interviews captured in The Ray Anderson Memorial Videos and multiple quantitative global surveys of sustainability experts, the general public and consumers. This research was augmented by workshops with opinion leaders in Beijing, London, Rio de Janeiro, San Francisco, Shanghai and Washington, DC, and by drawing insight from the extensive research of others. Our early/mid-course reflections were released in three white papers, Unfinished Business in March 2012, Down to Business in June 2012, and Re:Thinking Consumption, published in November 2012 with BBMG. Changing Tack is the project’s final report.

We have enjoyed the support of remarkable sponsors and partners. We thank especially Presenting Sponsors BMW Group and SC Johnson; Sponsors Cisco, DuPont, Interface and Pfizer; Media Sponsor Guardian Sustainable Business; and the many other partners and advisors listed in the Acknowledgements. Collaboration with a diverse set of organizations and stakeholders has been a critical element in ensuring a robust set of conclusions and recommendations.

Setting Sail

After a year spent mapping The Regeneration Roadmap, we find the road has led us to the edge of a recognized but largely uncharted sea across which the journey must continue. Forward progress will demand not only shifting modes of travel, but also new skills and approaches.

The transition in metaphor expressed by Changing Tack and its nautical themes move us from road atlas linearity on terra firma to the uncertain and complex dynamics of navigating over water. We find this metaphor apt for today’s growing sustainable development challenge. Changing Tack holds that choices made on sustainable development now through 2020 will shape success or failure through mid-century. In light of this, the report argues that business leaders must commit to do more, even in the face of uncertainty, to guarantee present and future societies and ecosystems thrive—their own institutions included.

Before the Wind

To sail on water is to constantly adjust course in response to changing conditions and thus continue in the best manner possible towards the ultimate destination. Changing Tack embraces this concept, chasing realization of the Brundtland definition of sustainable development and its inherent commitment to inter- and intra-generational equity, while recognizing that we are defining the way to deliver this en route.

Changing Tack offers the private sector means for piloting the unfamiliar seas ahead. It considers sustainable development and the role of business in achieving it through a systems lens, sketching what GlobeScan and SustainAbility see as the most critical leadership attributes. Especially in light of halting governmental progress over nearly half a century, it finds that business must play a greater role, and calls on business leaders to demonstrate the informed courage required to tackle the unknown, and to embrace the approaches and business models capable of taking us forward most swiftly.

While The Regeneration Roadmap crowd-sourced considerable inspiration and intelligence, Changing Tack is ultimately shaped by GlobeScan and SustainAbility’s combined experience and perspective. We hope our vision and recommendations help ensure safe, rapid passage to a sustainable future, and we invite you to join us on the journey.

Chris Coulter, Mark Lee
1 Executive Summary
Changing Tack is the final output of The Regeneration Roadmap. The project seized 2012’s major sustainability milestones—particularly the Rio+20 summit in Brazil—as an opportunity to assess progress on sustainable development, to examine the evolution of the role of business in delivering this agenda to date, and to consider what and how might be done, particularly by the private sector, to accelerate and scale progress in the urgent manner required. The Regeneration Roadmap team conducted interviews with pioneers in this field, held dialogues with thought leaders around the world, and undertook extensive research including multiple surveys testing expert, public and consumer attitudes and expectations regarding sustainable development.

While optimistic about what is possible to achieve, Changing Tack finds sustainability challenges to be great and growing, and that solutions are not yet proliferating at the speed and scale needed to avert widespread environmental, social and economic disruptions. It finds low expectations that governments alone will provide the leadership needed to change course and looks to other institutions, particularly business, to fill the gap.

While recognizing and encouraging proliferation of existing sustainability best practice from business, the policy realm and civil society, Changing Tack argues the need for shifting both the focus and degree of effort applied—a change of tack—in order to integrate sustainability considerations into the global economic system.

The report suggests that the private sector has both the capability and reason to play a catalytic leadership role where collective action and change to underlying system conditions are required. This will demand that businesses improve and evolve their own strategies and practices, as well as stimulate and support the shifts in policy, capital markets and consumption that will be required to achieve sustainable development.

Perfect Storm
Changing Tack recognizes that, at the moment that the private sector is called to do more to lead, the sustainability challenge is extremely stark. All told, and in spite of encouraging but too limited progress from path-breaking institutions in all sectors, the best knowledge available points to worsening trends on all but a few global environmental metrics and the likelihood of significant, widespread disruption to human development in the near future.

Those canvased in Regeneration Roadmap surveys and our wider research express significant doubt that conventional actors including government, the United Nations or multilateral institutions will address the problem, or that business can deliver adequate progress without substantial changes in the economic system. The global public believes “current social, environmental and economic challenges represent a bigger crisis than we have ever faced before,” and yet the public is also increasingly disengaged, with measures of concern across a range of environmental issues touching
maximum low points in 2012 since GlobeScan began tracking concern in 1992. In addition, consumers are stuck, with the number of “deep green” consumers remaining fewer than one in five overall, and with almost no evidence of a rise in sustainable consumer behavior since 2008.

Amidst all of this, experts and the public express less trust in business and government than any other type of institution. However, they also express the highest expectations for their future leadership. With governments still falling short in terms of providing effective guidance on the national and international stage, Changing Tack concludes that companies, alone and in combination with other actors, face both the expectation and opportunity to chart the route forward on sustainable development in the near term, and that the question of the moment is how.

Taking the Helm
The mix of progress and failure to date makes clear that the sustainable development agenda is in the doldrums at precisely the moment when the need for action is most acute. New approaches and new leadership are required to re-invigorate progress, and business is being called upon to help provide them.

One reason the onus of leadership rests so much on business is that our modern economic system not only fosters growth and development, but also holds the potential to ensure reliable and efficient distribution (and stewardship) of the resources that the system consumes. To unlock this potential requires a focus on the private sector. In addition, inaction on sustainable development challenges poses risks to business models, investment and growth. It is not only possible but also in the private sector’s self-interest to help pilot the forward course.

Achieving sustainable development will require far greater effort than previously; the whole economic system must be carefully reshaped in order to exploit its strengths, so that future innovation and growth occur within planetary limits, taking into account the needs of present and future generations.

Changing Tack finds reasons to hope that the growing level and sophistication of business engagement on sustainable development could help achieve a tipping point; in spite of the real pressure it faces to deliver returns under existing market rules, the private sector appears capable of greater leadership. Without leaving anyone else behind, it’s time for business to take the helm.

The Voyage Ahead
To guide companies embracing the imperative of sustainable development leadership, Changing Tack offers a prescription as to how leading businesses can optimize their own sustainability strategy and effort, inspire and pressure their peers and leaders from other sectors to follow suit, and best influence and accelerate wider systemic changes.

This recommendation plays out across six attributes of ‘extended’ leadership (see Figure 1-1), the combination of things companies control and should do directly, plus the effect they can exert on the larger system. Pursued vigorously and in concert with one another, these six attributes will enable leading companies to navigate the uncertain, challenging waters ahead, ensuring safe passage for themselves and showing the way for others.

Accelerating Performance
While a cohort of leading companies exhibit these attributes today, a significant leadership gap exists. In addition to the six leadership attributes suggested as essential to success, closing this gap requires creating an environment that enables and encourages solutions to be brought to scale and distributed at pace. Trust, collaboration and leadership are the enabling elements required.

Trust, collaboration and leadership each directly contribute to stronger corporate performance. Together they can help reset the operating context for business, making more likely the widespread adoption and scaling of Vision, Goals, Offer, Brand, Transparency and Advocacy as well as the related performance improvements and system changes necessary to deliver sustainable development.

Even in the face of present challenges, we remain optimistic that we can shape a sustainable economy by mid-century. This will require putting the pre-conditions in place during this decade to allow exponential progress from 2020 through 2050. It is time to set sail.
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<th>1 Vision</th>
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<tr>
<td>Vision is the articulation of a company’s unique role in and contribution to a sustainable future. It is best when it is a direct evolution of the existing core vision of the firm, aligning the business’ identity, culture and competencies, and the way it creates value, with fundamental sustainability needs or challenges. It describes a compelling and relevant destination for the organization, and inspires employees, partners and other stakeholders to help achieve it.</td>
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<th>2 Goals</th>
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<td>Goals help define the destination expressed in Vision and establish waypoints on the journey. When they are ambitious and specific, they boost stakeholder trust and engagement and help unlock both competition and collaboration to drive innovation. Absolute and science-based goals are particularly important for the way they require companies to shift from reducing impact intensity—which may obscure or ignore the fact that overall impact is still rising—and act on the best available science to improve operations in ways that resolve underlying system challenges.</td>
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<th>3 Offer</th>
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<td>Offer calls on companies to evolve the nature and substance of their core propositions—their products, services and the business models that underpin them—to deliver on their vision for sustainability. This requires developing products and services that push the boundaries of both different and better. Better brings cleaner, more efficient, more socially conscious products and services to market, while different entails fundamentally new approaches to value creation plus products and services that account for externalities.</td>
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<th>4 Brand</th>
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<td>Brand is the effective expression of Vision, Goals and Offer through a compelling brand promise and communications. It creates opportunity to engage and reshape fundamental values and mindsets. Brand brings the intangibles underlying consumer loyalty into play, with the implication that the emotions and social norms affecting consumer preference might enable companies to create more demand for sustainable products and services.</td>
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<th>5 Transparency</th>
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<td>Transparency means providing relevant, appropriate and timely signals to all market players in order to optimize their understanding and decision-making and ensure proper function of markets. This requires further and faster evolution of traditional corporate sustainability reporting, plus new approaches better able to engage, inform and influence.</td>
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<th>6 Advocacy</th>
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<td>Advocacy is about business helping to shape more sustainable behavior and choices across the economy. This means mobilizing others, including policymakers, other companies, investors and consumers, to help reform policy, market incentives and other system conditions to drive sustainability further (and faster) into the mainstream.</td>
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2 Introduction
The Regeneration Roadmap was launched in 2012 to mark 25 years since the founding of GlobeScan and SustainAbility, as well as more significant milestones in the sustainable development field including Rio+20, the 25th anniversary of the Brundtland Report Our Common Future and the 40th anniversary of the founding of the United Nations Environment Programme (UNEP).

The project took the occasion of these anniversaries as the time to assess progress on sustainable development, to examine the evolution of the role of business in delivering this agenda to date, and as an opportunity to consider what and how might be done, particularly by the private sector, to accelerate and scale future progress in the urgent manner required.

*Changing Tack* is the project’s final report. It combines extensive research (see Figure 1-1) with GlobeScan and SustainAbility’s combined five decades of experience in the sustainability arena. The nautical metaphor it explores is appropriate in that today’s sustainability challenges are as dynamic, complex and uncertain as the process of plotting and navigating uncharted waters. And the title *Changing Tack* speaks to the conclusion that business must continue to evolve and shift its approach in order to advance sustainable development and ensure its own competitiveness in spite of strong headwinds.

**Starting Point**

The Regeneration Roadmap developed amidst doubt and disappointment—reaching a nadir when low expectations for collective government action on sustainable development were realized at Rio+20. Most national and regional governments similarly underwhelmed with efforts inside their own borders, while the private sector and citizens generally remained more focused on economic recovery than the sustainable development agenda.

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**Figure 2-1 | Regeneration Roadmap Research**

- *The Ray Anderson Memorial Interviews*, a remarkable series of conversations conducted around the world late 2011 and early 2012, with some two dozen sustainable development pioneers from business, government and civil society

- Two global polls of sustainability experts (April-May 2012 and February-March 2013)

- Two global public opinion surveys (January-February 2012 and July-August 2012)

- Two white papers, *Unfinished Business* (March 2012) and *Down to Business* (June 2012)

- An international consumer study and related report entitled *Re:Thinking Consumption* (September-October 2012)

- Engagement with hundreds of experts and practitioners, in the form of six one-day salons in Beijing, London, Rio de Janeiro (during Rio+20 summit), San Francisco, Shanghai, and Washington, DC (from October 2012 through January 2013)

- Additional interviews and dialogues in Baltimore, Cape Town, Mumbai, San Diego and Toronto (throughout 2012)

- Extensive field research
There was also hope: vibrant growth in many emerging economies helping lift people out of poverty, dramatic slowing of deforestation rates in countries like Brazil and Indonesia, new daring among a select few corporates in terms of sustainable development ambition as exemplified by Unilever’s Sustainable Living Plan, bold civil society campaigns on various sustainability issues—especially climate change—plus new visions for possible ways forward to a sustainable future including UNEP’s *Towards a Green Economy*.

**On the Horizon**

The Regeneration Roadmap’s overall ambition has been to engage and help the private sector accelerate sustainable development. At the heart of the project is the following question: What must business do to help accelerate, expand and improve sustainability performance as rapidly as required? This final report, *Changing Tack*, provides answers to that question.

The need to act and to do so urgently is underscored by numerous and increasingly bleak reports and predictions. This includes UNEP’s latest Global Environmental Outlook (GEO-5), which describes how rapidly degrading ecosystems put biodiversity, wildlife and people at increasing risk, and the International Energy Agency’s World Energy Outlook 2012, which warns that irrevocable and potentially catastrophic global warming will be locked in as early as 2017 (and likely no later than 2022) barring major shifts in energy production and consumption patterns.

**Following the Pioneers**

Supporting this project’s foundation were a remarkable series of conversations with some two-dozen sustainable development pioneers from business, government and civil society.

The pioneers, notable for their long-term commitment to sustainable development, generously shared their experiences and insights with us in a video series called *The Ray Anderson Memorial Interviews* in honor of the late sustainable business leader, Ray Anderson, Founder and Chairman of Interface Inc. In the interviews, we talk to the pioneers about regeneration: how to achieve it and whether there is still time. We heard about the sizeable hurdles as well as the incremental and more fundamental wins of the sustainable development journey over the last two decades.

**Evidence-Led**

A fundamental characteristic of this project is its assembly of extant sustainable development knowledge, viewed and analyzed through the prism of current expert, public and consumer attitudes and expectations regarding sustainable development.

The collective view that emerged from the research is unforgiving in terms of the weak contribution of both national governments and business in advancing the sustainable development agenda to date. Experts and the public rate these institutions among the least trusted when compared to other actors like NGOs and the scientific community. At the same time, government and private sector leadership are rated as most important to future success. Closing this performance-expectations gap and building trust will be critical to increasing positive business impact on sustainability.

Notably, a bright spot in survey responses was collaboration—collaborative efforts appear to be inherently more trusted, and to be seen as high potential in terms of their ability to address complex system challenges.

Given how much must be done to guarantee a sustainable future, escalating warnings from the scientific community, the slow pace of progress so far, and the harsh assessment of the institutions judged most important to progress, we were
surprised and delighted to find that the collective wisdom, as expressed in our pioneer interviews, survey results and voiced in the Regeneration Salons held around the world, is that sustainable development remains within our grasp. Changing Tack aims to ensure the opportunity is not lost.

Changing Tack
At our London dialogue in December 2012, a participant said sustainable development faces “a software problem, not a hardware problem.” This corresponds with the conclusions that have emerged across our project as a whole, that the change sustainable development requires now depends as much or more on social and behavioral shifts as new information, technology or institutions.

Agreeing with this, Changing Tack identifies six key attributes of leadership—emphasizing the combination of strategic activities companies control and should do directly, plus the effect they can exert on the larger system—and outlines how leadership companies must embrace and apply them if the private sector is to play a meaningful role in helping deliver sustainable development. These elements—Vision, Goals, Brand, Offer, Transparency and Advocacy—are detailed in Chapter 6, The Voyage Ahead. In a complementary fashion, trust, collaboration and leadership are posed as overarching enabling conditions throughout the report.

Before detailing its final prescription, Changing Tack paints sustainable development’s history and progress to date, emphasizing the evolution of the role of business at key junctures (Chapter 3). This history and an overview of the positive shifts already demonstrated by the private sector are juxtaposed against the scale of the ecological, social and economic crises looming as well as current public and expert perspectives on business (Chapter 4). The report then sets the challenge of and rationale for business leadership on sustainable development in a systems context (Chapter 5).

After Chapter 6 explains the six leadership attributes and how private sector organizations must develop and apply them, we present a summary illustration depicting how businesses can navigate while implementing the most beneficial sustainability strategies through 2020.

Finally, the concluding chapter, Closing Thoughts, returns to the overarching themes of trust, collaboration and leadership and presents a glimpse of the future beyond 2020.
3 Ship’s Log
### 3.1 1972-2012

While a simplification of a complex narrative, it is instructive to break down how the sustainable development agenda has evolved by looking at a single seminal event each decade from the 1970s through to the present.

*Ship’s Log* devotes particular attention to examining the context and outcomes of the most recent event, Rio+20, and how its legacy will influence what will be required of business vis-à-vis sustainable development in the near future. Because *The Regeneration Roadmap* was in part inspired by the occasion of Rio+20, the other milestones selected to frame this analysis are of a like nature: the 1972 Stockholm Conference, the Brundtland Commission of the 1980s, the 1992 Rio Earth Summit, and Rio+10, which took place in Johannesburg in 2002.

Especially important in the context of *Changing Tack* is how the role of the private sector in sustainable development has changed over the course of these events—from that of a fringe player to one with a central role coupled with a huge burden of expectation for leadership. This chapter also looks at the positive progress business has already made and considers how this capacity and experience will help prepare the private sector to navigate the sustainable development challenges ahead.

#### 1972

Many agree that the modern global sustainable development movement was born on the occasion of the 1972 United Nations Conference on the Human Environment, or Stockholm Conference.

Stockholm was primarily a policymakers’ game, with representatives from well over one hundred nations and major inter-governmental agencies as well as hundreds of inter-governmental and non-governmental organizations attending. Direct business participation or voice was not a major consideration. The event and its outcomes did not immediately change the way in which the private sector engaged the sustainable development agenda, yet the manner in which the outputs intertwined the environment and economic development made greater business involvement over time practically inevitable.

The 26 principles of the Stockholm Declaration explicitly link economic development, poverty alleviation, and the environment, demanding that natural resources be safeguarded for “present and future generations” and that the earth’s capacity “to produce vital renewable resources must be maintained and, wherever practical, restored or improved.” And the principles state that countries’ environmental policies should not hamper development.

This coupling of environmental and development challenges established a dynamic tension between safeguarding the environment and growth that would gradually pull in all major economic players. This has increasingly included the private sector; as business has become more powerful and influential in terms of impact on society and the environment, it has become one of the central determinants of success or failure of the sustainable development agenda.

#### 1987

In 1983 the United Nations General Assembly established the World Commission on Environment and Development or Brundtland Commission. The Commission’s 1987 report *Our Common Future* established what is now the most accepted and widely used definition of sustainable development: “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

Elegantly simple, the definition stresses inter-and intra-generational equity. The Brundtland Report took Stockholm’s concepts and mainstreamed the concept of sustainable development, permanently changing the terms of the environmental debate by stating that economics and environment were inextricably linked and that economic development and reduction of poverty were essential to protecting the environment.
Although an independent body whose report was the result of years of global public consultation with diverse stakeholders including business (‘industrialists’ in the jargon of the day), Brundtland was still perceived as the work of governments. Yet society as a whole was changing—environmental awareness was increasing and companies were exploring what this meant for commerce. Still not playing a central part in conceptualizing and driving sustainable development, business was now part of a larger shift in which people and institutions were beginning to recognize “that the many issues facing the planet are interlocking or related and that there is a vital need for the active participation of all sectors relating to sustainable development.”

Business was pulled correspondingly closer to center stage.

1992

The Brundtland Commission, as well as growing concern about climate change and release of the First Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) in 1990, begat the 1992 Earth Summit in Rio de Janeiro. With central players from 1972 like Stockholm Secretary-General Maurice Strong still shaping the discussion, the Earth Summit aspired to “an understanding of ‘development’ that would support socio-economic development and prevent the continued deterioration of the environment.”

Rio 1992 was perhaps the apex of government leadership on sustainable development and the point at which responsibility for sustainable development leadership truly began to be split or shared with business in addition to civil society.

The 1992 Earth Summit was ambitious and energetic, producing the comprehensive sustainable development plan Agenda 21, the Rio Declaration, and paving the way for the UN Convention Framework on Climate Change (the precursor to the Kyoto Protocol) and the UN Convention on Biological Diversity. But Rio 1992 failed to deliver the formal climate treaty intended to be its centerpiece or other enforceable agreements, and governments subsequently struggled to progress their sustainability ambitions and intentions in the face of national development and growth priorities.

With governments’ inability to negotiate binding international solutions to sustainable development challenges increasingly evident, pressure was growing on others to move from the sidelines to central positions of influence and action.

Business was already in motion, and a far different player at the 1992 Earth Summit than it had been across most of the two decades following Stockholm. Most visible was the new Business Council for Sustainable Development (BCSD), made up of 48 companies organized by Maurice Strong’s advisor for business and business participation at Rio, Stephan Schmidheiny.

BCSD’s vision promised: “Business will play a vital role in the future health of this planet. As business leaders, we are committed to sustainable development, to meeting the needs of the present without compromising the welfare of future generations.” Not nearly universal in its representation of the private sector nor without controversy (some felt business access to Strong was behind the 1992 Summit’s toothless results), BCSD represented a dramatic shift in business voice on sustainable development.

2002

While government was no longer so dominant in driving the sustainable development agenda, it maintained the greatest share of accountability for preparation and delivery of Rio+10 in Johannesburg in 2002.

Johannesburg was not designed to be as ambitious as the Earth Summit—it was a chance to “understand the progress that had been made, determine the gaps and set time-bound targets for priority areas moving forward” but it was organized in a new context or period of globalization that greatly affected participation and outcomes.

Especially important to business was that “rapid globalization and the resulting spread of global trade and growth of multinational companies (MNCs) underscored the need to discuss the role of business and find ways to make MNCs’ operations compatible with sustainable development.”

Perhaps most noteworthy, Johannesburg saw governments debut the Millennium Development Goals (MDGs): eight sets of quantified, time-bound...
goals on critical issues including achieving universal primary education and improving maternal health. The other striking output from South Africa that year, and highly illustrative of the changing nature of sustainable development leadership, was the launch of some 300 partnership initiatives (between government, civil society, and the private sector) committing hundreds of millions of dollars in new resources to global challenges. These “Type II” agreements were seen by some as the heart of a promising new model for development—an alternative path forward to formal treaties—but lamented elsewhere for their voluntary nature and potentially diminished role of government.10

The business presence in 2002 was unmistakable. The World Business Council for Sustainable Development (WBCSD) and the International Chamber of Commerce (ICC) had formed Business Action for Sustainable Development (BASD), which helped ensure the participation of more than 1000 global business leaders in South Africa. BASD was active and influential in Johannesburg preparation, published reports on business and sustainable development timed to conference, and ran a major parallel event. Business and civil society also united in unprecedented fashion to demand greater leadership from governments. For many, the most striking moment from 2002 remains the WBCSD-Greenpeace press conference urging ratification of the Kyoto Protocol. The two groups issued a joint statement expressing frustration with governments on their “mixed, and often contradictory signals” on the “environment, especially on greenhouse gas emission reductions,” “which is not good for business nor, indeed, for the future of humanity.”11

The sustainability agenda was now a business agenda, too.

2012

Given the failure of governments to deliver sufficient binding agreements at or adequate progress after either the original Earth Summit in 1992 or Johannesburg a decade later, expectations for Rio+20 were muted. Would Stockholm and the first Earth Summit’s energy finally be converted into action?

As Rio+20 approached, challenges loomed for every sector. International institutions appeared incapable of grand multilateral bargains in the wake of COP 15 in Copenhagen, and civil society organizations, which had invested so much in advancing the sustainability agenda (particularly on climate), radiated uncertainty about which tactics to employ. Governments globally were in an austerity mindset. Business and citizen confidence wavered given the continuing recession dogging especially developed nations and the boom in many emerging economies showing signs of slowing. And business leaders appeared still too few in number to turn things around—exemplary in the vanguard, but with the majority of the private sector still unengaged or unsure whether and how to embrace sustainability.

Our discussions with the sustainable development pioneers featured in the Ray Anderson Memorial Interviews in many ways focused on the remaining potential for success—for breakthrough—at Rio+20. Their collective view might be summarized as holding onto a grim optimism in the face of an uncertain future—while they maintained determination that sustainable development is attainable, they also recognized the need for enormous change in the actions of and incentives provided by government and capital market as well as far more corporate leadership than previously to ensure net progress given weak policy. And they were nearly unanimous specifying the need for courage, boldness and smart intervention in the face of increasing risk and system complexity.

While extremely doubtful that Rio+20 would deliver a policy breakthrough, the Regeneration pioneers and other observers held out hope for other kinds of progress, particularly a greater role for developing nations in shaping the sustainable development agenda and clarity as to how business might influence Rio’s outcomes and help fill the leadership void in the decade ahead.
If governments had done what they agreed to do [at the original Rio Earth Summit in 1992] we would be much closer to an answer than we are now.

*Maurice Strong*, United Nations
Secretary-General for 1992 Rio Earth Summit

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No Safe Harbor in Rio

Sadly, Rio+20, from a policy perspective, met low expectations. Poorly attended by the most senior national leaders, the summit outcome document *The Future We Want* is tepid, full of considerations and planned exploration but short on actual commitments. Governments did not deliver.

While it remains vital that government be convinced to do more, the results of the last forty years and our Regeneration research shine light on a leadership vacuum that must be filled and finds that it is time for business to act. This recognizes the private sector’s unique capacity and reach across the economy and society and its potential to lead by example, alone and in partnership. Without forgetting the obligations of other societal actors, *Changing Tack* focuses on scaling and accelerating private sector sustainable development efforts in the short to medium term, emphatic that business is the actor most capable of rapid progress right now.

In addition, it is in the private sector’s self-interest to accept both the responsibility and opportunity to do this; supporting positive sustainable development outcomes is not only something business can do, but something that will reduce risk to operations, ensure supply of needed materials, support stable and open trade, and help the private sector meet societal expectations and maintain license to operate in the long run.

Underwriting our confidence in business’ capacity to lead is the fact that many of the bright spots that did emerge from last June’s convening in Brazil stemmed from the private sector, often in unique partnership with multilateral agencies and/or civil society.

At one level, the sheer volume of business representation was notable, with the back-to-back BASD Business Day (dubbed “Achieving Scale”) and the United Nations Global Compact (UNGC) Corporate Sustainability Forum (themed “Innovation and Collaboration for the Future We Want”) events both running parallel to the official proceedings and drawing thousands of business representatives. But the private sector initiatives announced also impressed.
A future vantage point may recognize Rio+20 as the moment when natural capital and ecosystem services truly hit the sustainable development agenda thanks to the two flagship initiatives launched there. The Nature Conservancy and Corporate EcoForum’s Valuing Natural Capital Initiative was rolled out in partnership with some two dozen multinational companies including Coca-Cola, Disney, Dow and Nike. Meanwhile, the Natural Capital Declaration, a commitment from 37 financial institutions announced by their CEOs, promised to integrate natural capital considerations into their products and services. Also notable was the Sustainable Stock Exchanges Initiative’s commitment to promote sustainable business by encouraging listed companies on their exchanges to disclose environmental, social, and governance performance and to work with investors, companies, and regulators to promote long-term sustainable investment.

Given the lack of action by government, these substantive promises, plus the hundreds of other non-binding commitments made, kept Rio from completely disappointing. Net-net though, the consensus view was that Rio+20 was a failure, especially on the part of governments. COP 17 in Doha late in the year followed the same course, and, especially in contrast to the (hopeful) frenzy that had surrounded COP 15, was largely ignored by media.

As 2012 ended, the sustainable development agenda, especially among national governments and multilateral institutions, felt at best depleted, and at worst near exhausted. The diminished view of the importance of environmental issues in global public opinion—at a twenty-year low and seemingly on a downward trajectory (highlighted in Figure 3-1)—further underscored the challenge to be faced in trying to reinvigorate this cause.

Business to the Fore
While policymakers failed to seize the opportunity presented by 2012 to chart a future course capable of accelerating and scaling sustainability in the manner GlobeScan and SustainAbility believe necessary, it is essential to point out that Rio+20 was notable for what The New York Times called in its summit analysis “a new assertiveness by developing nations in international forums and the growing capacity of grassroots organizations and corporations to mold effective environmental action without the blessing of governments.”

While truly effective action will require governments, *Changing Tack* seizes this ‘new assertive spirit’ from business. It simultaneously challenges private sector leaders to recognize and accept the sustainable development imperative and offers guidance as to how to navigate the seas that will be faced between now and 2020. To help guide the course for the decade ahead, the remainder of this chapter considers the sea change that has already occurred in terms of businesses’ attitude toward and engagement with sustainability and how this experience will help business assume much greater accountability for sustainable development outcomes going forward.

3.2 Sea Change
Our interpretation of the sustainable development trajectory 1972 to present shows an agenda initially driven by government gradually expanding to involve other actors. In addition to wider inclusion, government’s inability to deliver adequate overall results to stem sustainability challenges has made the potential contributions of other players increasingly important. In the face of this opportunity for inclusion and need for action, business sustainability performance to date reveals private sector potential to make a direct positive impact and add the kind of momentum needed for progress in the aggregate.

Daniel T. Hendrix, President and Chief Executive Officer, Interface, Inc.
While business engagement on the sustainable development agenda has been inconsistent and not sufficiently widespread, there have been encouraging signs of a sea change in private sector attitudes and efforts over the last two decades—signs now multiplying in number and expanding in geographic reach. This accelerating progress has come in response to factors including outstanding senior leadership, concerned employees, external pressure and to growing recognition of opportunities as result of acting on sustainable development. Here, we look at business’ headway against the higher-level challenges of trust, collaboration and leadership, themes we return to in the final chapter, Closing Thoughts.

Trust
The degree to which business progress on sustainability can rely on voluntary best practice has been and remains controversial. Can stakeholders trust business to do the right thing without well-enforced regulation and/or other rigorous independent oversight?

Calling this into question in the weeks in which Changing Tack came to completion has been the terrible Rana Plaza disaster in Bangladesh. This event, the garment industry’s worst-ever disaster, makes clear the standards and systems global companies have developed to ensure worker health and safety are not sufficient or foolproof. We still believe, however, that huge improvements in social and environmental performance have been realized in supply chains, and that leadership companies are continuously stretching to improve practices and earn trust.

The general rise, and especially leading examples, of both sustainability reporting and broader stakeholder engagement efforts have built a foundation for enhanced trust, especially in contrast to the more guarded and frequently defensive posture that was once the norm for companies. Working on top of that foundation, more companies are also now developing and communicating means to assure customers that they can purchase any product (not just a specialized subset) with confidence that it is responsibly sourced—for example, Starbucks’ Coffee and Farmer Equity (C.A.F.E.) Practices program, which they developed with Conservation International to support their aim to ethically source 100% of their coffee by 2015. Also relevant are any of a growing number of product traceability initiatives, such as New Zealand-based outdoor clothing designer Icebreaker’s “Find your Baacode,” which lets customers quickly access information on the full supply chain of a specific garment. We hope and expect similarly robust and comprehensive efforts become the norm.

Collaboration
Meanwhile, collaborative initiatives abound and are becoming evermore ambitious. Their evolution has included the development of a growing collection of voluntary standards and certifications such as the Global Reporting Initiative, Fairtrade, the Marine Stewardship Council and many, many more, as well as a wide array of issue and/or industry-based working groups such as the Global Electronics Sustainability Initiative, the Extractive Industries Transparency Initiative, the Roundtable on Conflict Minerals and the Sustainable Palm Oil Initiative, to name only a few.

However, perhaps because of the complexity and need for collective voice, many leading collaborations now have overt policy influence ambitions, while others coalesce around enormous challenges like determining the value of ecosystem services. The United States Climate Action Partnership (USCAP), The Prince of Wales’s Corporate Leaders Network (CLN) and Ceres’ Business for Innovative Climate & Energy Policy (BICEP) are among those who have led business or business and civil society pressure on government to set clear direction for climate policy. This includes clear private-sector calls to set a price on carbon, such as that issued in a Doha-aligned November 2012 CLN statement from 100 companies demanding policymakers set “a clear, transparent and unambiguous price on carbon emissions.”

I hate to imagine where we would be if a number of corporate leaders had not bitten the bullet and taken the lead.

Jim MacNeill, Secretary-General of the Brundtland Commission and lead author of the Brundtland Report
While climate-related collaborations have been particularly numerous (and important), collaboration initiatives are mushrooming elsewhere, like the Valuing Natural Capital Initiative and Natural Capital Declaration partnerships mentioned earlier and complemented by the work of individual participant companies like PUMA to develop their Environmental Profit & Loss Account, with support from TruCost and PwC. While it is early days and these experiments will likely evolve significantly before attaining the necessary scale and impact, such efforts have potential to change how we view and value company activities and ultimately the institutions themselves.

**Leadership**

In addition to building and maintaining trust and demonstrating the greater ability of collaboration and partnership to address systemic sustainability challenges, at a certain level, what has been needed most is for business to undertake the simultaneously simple and difficult act of saying publicly that business has and accepts a (significant) share of responsibility for sustainable development.

The outspoken and inspiring leadership of companies like Novo Nordisk and people like Anita Roddick of the Body Shop in the 1990s, who moved on this agenda essentially alone, may be easily forgotten. But in so many ways they made possible the host of specific actions that have followed in terms of improving business practice and engagement. Even when initiatives failed, inspired rhetoric sometimes helped reset the table, perhaps never more famously than when ex-BP head John Browne took BP out of the Global Climate Coalition in 1997 and re-branded the company under the ‘Beyond Petroleum’ umbrella in 2000. While BP has not seen all his ideas through and Browne’s legacy is debated, at the turn of the millennium he shocked people into thinking that even industries often labeled old, dirty and conservative might play bold and different roles in advancing sustainability. Similarly path breaking, and we trust better and more resilient, leadership is evident today behind GE’s ecomagination, Nike’s Better World, Marks & Spencers’ Plan A, and the Unilever Sustainable Living Plan.

The above evidence and examples organized around trust, collaboration, and leadership hint at how effective and impactful a role the private sector might play in achieving sustainable development. The next chapter looks at the present standing of business in others’ eyes, and thus what license it has to act in light of the growing sustainability crisis that business effort is required to help avert.
4 Reading the Weather
We are at a crossroads of multiple crises... the crises of the economy and financial world, of climate change, of peak oil, overall ecological crisis, the water crisis, the biodiversity crisis... it’s now a convergent crisis.

Vandana Shiva, Founder, Navdanya

How then to read the sky in 2013?
Most sustainability metrics available are not encouraging. In May 2013, Scripps Institution of Oceanography and the National Oceanic and Atmospheric Administration’s Mauna Loa monitoring stations observed average atmospheric CO2 concentrations exceeding the threshold of 400 ppm for a 24 hour period—believed to be the first time this has happened in several million years. The spring 2013 Carbon Tracker / Grantham Research Institute report Unburnable Carbon 2013: Wasted Capital and Stranded Assets warns of a potentially massive carbon bubble facing financial markets. Broad environmental accounts like UNEP’s latest Global Environmental Outlook GEO-5 find significant progress being made against only a tiny proportion of the most important environmental goals and objectives; GEO-5 “cautions that if humanity does not urgently change its ways, several more critical thresholds may be exceeded, beyond which abrupt and generally irreversible changes to the life-support functions of the planet could occur.”

From a social perspective, assessments like that presented in the CIA World Factbook show significant inequity worldwide—and that it is nearly always worst in the regions where population is growing fastest. While fertility rates have seen a sustained decline, population is still predicted to grow to 9-10 billion by mid-century. The Food and Agriculture Organization (FAO) says some one in seven people already suffer hunger and malnutrition daily, and UN Water tells us that at least 1.2 billion people live in areas where physical water scarcity is an issue, that another 500 million people will face physical water scarcity soon, and that another 1.6 billion people lack the necessary infrastructure to extract water from rivers and aquifers.

All told, and in spite of encouraging progress that has been made—for example, against many if not all of the Millennium Development Goals adopted in Johannesburg in 2002—the best knowledge available paints a picture of an enormous and growing sustainable development challenge.

4.1 Stalled Progress
An integral component of The Regeneration Roadmap has been extensive global polling of thousands of sustainability experts, the global public, and consumers (see the complete list of surveys in Figure 1-1), for their views on the implications of the past, present, and future state of the sustainability agenda, particularly pertaining to business.

The last Regeneration expert survey was completed in March 2013, encompassing 1,170 experts in 73 countries. The focus was on performance and leadership, how well different actors have managed sustainable development to date, and who will be expected to lead sustainable development efforts in the years ahead.

In sum, experts, echoed by the public, say that conventional actors including government, the United Nations and multilateral institutions generally are not performing up to expectations. Long-term research shows consumers are stuck, with the number of “deep green” consumers remaining fewer than one in five overall. Experts and the public paint a picture of system failure, stalled progress, and perhaps even regression.

The first step in any solution is recognition that a problem exists. To that effect, we find that there is consensus on the magnitude of the challenge. Experts are resounding in their belief that “the current economic system needs to change substantially in order to make significant progress on sustainable development” (see Figure 4-1). Few are of the opinion that significant progress can be made within the confines of our existing systems. The global public aligns, with 70 percent agreeing that “current social, environmental, and economic challenges represent a bigger crisis than we have ever faced before.”

Confoundingly, and as we have noted, by Rio+20 the public had become increasingly disengaged, at least on environmental issues. After two decades, there has been a sudden and significant decline globally in public concern across a range of environmental issues, reaching maximum low points in 2012 since GlobeScan began tracking concern in 1992.
On the demand side, growth in sustainable consumption is also flat. As measured and tracked by National Geographic’s and GlobeScan’s Greendex composite indicator of sustainable consumption, derived from surveys of 17,000 consumers across 17 countries, there has been no notable rise in sustainable consumer behavior since the index’s inception in 2008. When we dig for the reasons, consumers report that the two most limiting obstacles to sustainable behavior are the belief that “companies make false claims about the environmental impact of their products,” and that individual efforts are only worthwhile if accompanied by government and private sector commitment and action.

Meanwhile, experts unequivocally believe that business culture and institutions will need to change to unlock progress. Eighty-six percent agree that achieving scale will require a shift in priorities toward long-term value, and slightly more echo a need for transformed internal culture. Eighty percent of experts also say that advancing sustainability will require changed measures of wellbeing and economic value to enable improved assessment and different incentives.
4.2 High Expectations, Low Trust

In addition to harsh judgment of the performance of the private sector in advancing sustainable development to date, and further complicating potential greater leadership on the part of companies, is the fact that trust in global companies remains low (see Figure 4-4). This suggests that the suite of cases of exceptional corporate sustainability leadership, along with the increasing number of collaborative initiatives like those cited above, have not yet built a sufficient foundation for broader, bolder, and more transformational business leadership.

Ironically, negative performance reviews and little faith pair with exceedingly high expectations for future leadership from the very institutions judged most negatively to date. When asked about the importance of future leadership from different types of actors, experts place most emphasis on the role of national governments, then companies.

In spite of perceived poor performance, low trust, and the lack of any kind of reservoir of goodwill, the reality is that companies, alone and in combination with other actors, bear significant expectations to help chart the route forward. The question becomes how. Guidance gathered from global experts shapes GlobeScan and SustainAbility’s belief that comprehensive private sector effort on Vision, Goals, Offer, Brand, Transparency and Advocacy, as described in Chapter 6, will do much to bridge the current trust-expectations gap and sever the mooring lines tethering us to the unsustainable status quo.

It is notable that the negative view of past performance does not color expert perceptions when evaluating the future potential of companies to become leading sustainability performers. A look at the companies identified as leaders in our spring 2013 Sustainability Leaders Survey (see Figure 4-6) hints at the leadership attributes experts view as having highest impact and greatest potential.
The top five ranked organizations—Unilever, Patagonia, Interface, Walmart and GE—share characteristics including leadership commitment, clear and well-communicated vision, and long-term track records. In addition, they are substantively integrating their sustainability vision into their products, services, and cultures. The attributes shared by this group are another significant influence on our prescription for future private sector leadership on sustainable development in Chapter 6.

While citing this group of leadership companies, experts also say they believe that the private sector has only very recently switched on to the sustainable development agenda in a meaningful way. And looking ahead, they expect a period of relatively slow progress up to 2020, at which point experts anticipate another step-change in the extent to which companies integrate sustainability into their modus operandi (see Figure 4-7). A key aim of Changing Tack is to enable business to outpace this expectation and demonstrate significant momentum this decade in order to avoid further erosion of the carrying capacity of the planet and to minimize the cost of the investment that will be required to turn the tide if action is delayed any longer.
4.3 Tomorrow’s Forecast

While Regeneration research reinforces the foregone conclusion that overall progress on the sustainable development agenda is inadequate, there are signs of hope.

Re:Thinking Consumption, the Regeneration consumer survey conducted in autumn 2012 across six developing and developed markets, has discovered a new consumer segment in which a group comprising 37 percent of consumers internationally (we call them the ‘Aspirational’) want to marry their interest in community and sustainability with consumption and materialism. Can their values be nurtured to help break the current sustainable consumption inertia? It’s up to business to understand and engage them.

And the experts? We know they expect an upsurge in private sector effort on sustainability, suggesting they have not abandoned hope in business. Asked how much trust they have in companies to play a stronger leadership role in accelerating progress toward sustainability over the next few years, 34 percent say they have a good deal of trust and an additional 38 percent say they have some trust (see Figure 4-8). Will that 38 percent with ‘some trust’ be given reason to deepen their belief near term? It is up to business to give it to them.

Finally, there is great interest in the potential for collaboration and collaborative leadership. While it is possible to read this as a failure of individual actors, and while the greatest expectations for leadership remain with national governments and the private sector, multi-sector partnerships and collaborations are ranked third in terms of leadership potential overall. They also enjoy much more positive perceptions of their efficacy than governments and companies. We believe this is about ability and willingness to partner being indicators of trustworthiness, and a growing sense among experts and the public that sustainability’s complex, systemic nature will demand coordinated approaches.

Business has reason to cultivate collaboration skills and to expect to glean qualitative as well as quantitative benefits from partnership.

In the spirit of this chapter’s title regarding weather forecasting, there is little question tomorrow will bring a mix of clouds, rain, and wind, if not an outright storm, in sustainability terms. Low perceptions of progress on the sustainable development agenda to date might be seen as squalls. But the already available evidence of what business is capable of, coupled with expectations that the private sector can and will begin to deliver significant impact on the agenda no later than 2020, also suggests there could be periods of sun.
5 Taking the Helm
Changing Tack’s recap of progress and failure between 1972-2012 makes clear that the sustainable development agenda is in the doldrums, even as the need for action has never before been so acute. It is evident that new approaches are needed to reinvigorate progress, and that new leadership is required.

The Regeneration Roadmap has focused on how business can best exert its influence and apply its capacity to turn the tide in favor of sustainable development. We argue that while action is needed by business, government and civil society alike, the private sector possesses a unique competence and faces a fundamental necessity to take its turn at the helm.

Why Business?

Our modern economic system not only fosters growth and development, but also holds the potential to ensure reliable and efficient distribution (and stewardship) of the resources on which the system depends. To unlock and apply this potential requires a focus on the private sector—particularly the multinational corporations that dominate global markets, move large sums of capital, employ millions, support vast networks of other companies in their value chains, and operate in an environment characterized by a lack of alignment between global commerce and national governance.

Business not only has the capability to catalyze positive sustainable development outcomes, but also the imperative. Inaction on sustainable development challenges, including global warming, increasing resource scarcity and the manner in which rising population coupled with inequity often creates unrest and instability, poses risks to business models, investment and growth. Action, on the other hand, will reduce risk to operations, ensure supply of needed materials, support stable and open trade, meet societal expectations, and maintain license to operate. Genuine leadership and progress on sustainable development by business should deliver dual benefit, helping build and maintain greater societal trust in business, and supporting widespread prosperity in the long run.

Business also brings unparalleled capacity, resources and reach to the task at hand. David Rothkopf underscored this in a 2012 article in Foreign Policy Magazine, saying: “The sales revenues of the world’s largest company, Wal-Mart Stores Inc., are higher than the GDPs of all but 25 countries. At 2.1 million, its employees outnumber the populations of almost 100 nations. The world’s largest investment manager, a low-profile New York company named BlackRock, manages $3.5 trillion in assets—greater than the national reserves of any country on the planet. ... Over the last century, the world’s biggest private-sector organizations have come to dwarf all but the largest governments in resources, global reach, and influence.”

As the economic system’s most visible champions and beneficiaries, it is in the private sector’s self-interest to help chart the way to a future in which that system is maintained and strengthened, and so that it meets its potential to be a positive force in delivering sustainable development. And given the private sector’s potential to shift outcomes for the better, it is in the common interest to determine the best roles for business to play, individually and as part of the collective action that will be essential.

Coming About

But can business turn the ship now, when it—and so many others—have thus far failed to do so?

Given the current state of sustainable development and the potential greater crises looming, the task is truly considerable. Sustainable development requires reshaping the economic system so that growth and innovation occur within planetary limits, taking into account the needs of present and future generations. As a result, sustainability must be addressed at the level of the whole system, looking for the root causes of problems, and considering how relationships between system elements might evolve to allow better, more sustainable outcomes. Especially critical are the private sector’s relationships with government, investors and consumers, and the manner in which its actions complement or align with civil society’s actions, and the influence it in turn is exerting to bring about change.

As Regeneration has progressed, we have observed a surge of interest in systems thinking and systems approaches to advancing sustainable development. This mindset not only infused the research and dialogues that inform this report, but is also increasingly evident in the surrounding field, where a growing number of initiatives with business at their center are seeking to understand and meet the complex, systemic nature of the sustainable development challenge. These initiatives give hope that business might succeed where other institutions have sometimes failed. By demonstrating that progress is possible, business gives government and other stakeholders reason to renew their efforts, and helps ensure the dynamic interaction and full participation across the system required for sustained, long-term success.

One promising class of emerging initiatives aims to vastly improve sustainability outcomes on particular issues or in the operations and activities of specific companies and/or industries. One of the most intriguing is Roadmap to Zero Discharge of Hazardous Chemicals (ZDHC). This coalition of footwear and apparel companies, including Adidas, Levi’s, Nike, PUMA and others, is collaborating with a variety of others across their industry value chain to eliminate the discharge of toxics by 2020. This initiative is emblematic of emerging practice
Recognizing the need to set more effective “pre-competitive”—in other words, systemic—conditions, beyond which participating firms continue to innovate and compete.

Another set of efforts does more to reach across sectors and catalyze large-scale collaborative innovation. Where its ZDHC collaborators are primarily other global companies, Nike is also involved in LAUNCH, where it is partnering with NASA, USAID and the US State Department “to bring collective genius, unprecedented networks, and new resources to overcome some of humanity’s toughest sustainability challenges.”

LAUNCH leverages a process that emphasizes systems thinking in order to understand complex problems and map potential solutions, and invites diverse stakeholders to participate. A specific LAUNCH initiative which began in 2013 seeks “innovations that will transform the system of fabrics to one that advances equitable global economic growth, drives human prosperity and replenishes the planet’s resources.” The consortium is seeking innovations that can scale in two years as well as game-changing early-stage technologies, because, as Nike CEO Mark Parker put it, “incremental change won’t get us where we need to go fast enough or at a scale that makes a difference.”

Urging more collaborative and systemic approaches in no way undercuts or undermines the work individual organizations have done—sustainable best practice from business, the policy realm and civil society must be replicated and expanded as rapidly as possible. But it acknowledges that the myriad separate leadership efforts of recent decades, even at their most outstanding, have not produced adequate progress in aggregate. Further, it recognizes that many sustainable development challenges go beyond what any one organization can do on its own, and illustrates where collective action and/or change to underlying conditions with universal impact are required.

**Making Markets Work**

While the initiatives above illustrate ways coalitions are forming to develop solutions to specific challenges within the system, it is also necessary to understand and attend to flaws in the system itself—market failures like information asymmetry and externalities that act as impediments to sustainability progress.

Delivering sustainable development will entail understanding and addressing the limitations of capitalism without sacrificing the power of well-functioning markets to create and scale sustainable solutions. But taking into account the global financial crisis, corporate scandals driven or amplified by short-termism, and the zero-sum investment calculus of today’s financial markets, and when 25+ years of earnest effort to embed corporate social responsibility and sustainability is still often derided, it’s fair to ask: How will capitalism do this?

Jeremy Grantham, co-founder of asset management firm GMO, says, “[Capitalism] does all the little things brilliantly. But a lot of the stuff that Adam Smith didn’t get around to, [capitalism] does rather badly—and that is basically the tragedy of the commons.” Grantham believes that if government took responsibility for defending the water, air, soil and land we depend upon—i.e., by providing the price signals, rules and punishments that are the bedrock of well-regulated markets—the capitalist system would prove without peer in terms of ability to make sustainability real.

Grantham describes capitalism’s potential assuming governments do their part. But, as reinforced at recent COPs and at Rio+20, governments have a difficult time coming to consensus on the common good, and all the more rarely set enforceable international treaties or other guidelines to deliver that consensus. Most individual countries struggle to guarantee sustainability takes priority within their borders—let alone across international ones—facing too little public engagement to build support for the right initiatives on the one hand, and deeply vested interests opposed to changing the status quo on the other.

Theoretically at least, there are other actors, like investors or consumers, who could send market signals that would incent more sustainable corporate behavior. But despite the tremendous growth in socially responsible investing and the number of corporate sustainability ratings, markets as a whole...
still do little to encourage business to account for externalities, let alone reward them for doing so. And, as discussed in Chapter 4, consumers are stuck, so far unwilling or unable to create the demand required to accelerate the introduction and growth in market share of more sustainable products and services, much less make them mainstream.

Again, there is hope to be found that is rooted in real shifts in behavior. Another class of collaborative action underway attempts to address the inputs and function of larger systems, like capitalism and markets, of which business is a part. For example, the Valuing Natural Capital Initiative and Natural Capital Declaration, mentioned in Chapter 3, aim to define and then institutionalize pricing of natural resources so that markets can more instinctively conserve and manage rather than externalize them. Small today, these are the kind of initiatives business and investors must work jointly to scale—alongside appropriate regulation—to make markets fully rational.

Given will to employ them, there are also policy tools designed to mitigate or correct market failures, like targeted subsidies or taxes, which seek to incorporate externalities, align price signals, and create environmentally or socially beneficial outcomes. In the sustainability space, a tax or other means of enforcing a price on carbon—one high and stable enough to speed change in investment and business practice—is viewed by many as the ultimate and highest potential impact target of this kind. It is essential that business support continued testing of solutions like carbon pricing, that aim to right market failures that pose risk to their long-term strategies and investments as much as to the welfare of others.

Taking the Helm
Evidence and experience indicate reasons to hope that the growing level and sophistication of business engagement and advocacy could be what allows sustainable development to escape the doldrums.

In the absence of governments willing and able to regulate the commons on their own, the onus falls on others with a stake in the system to share responsibility. In spite of the real pressure it faces to deliver returns under existing market rules, we believe the private sector is most capable of individual progress and exerting the influence necessary to move government and other actors. This is consistent with the sustainability storyline unfolding 1972-2012; while government has done most to set the agenda, it has not been able to deliver adequate results to avert growing sustainable development crises. Neither investors nor consumers nor civil society have filled the void. Without leaving anyone else behind, it’s time for business to take its turn at the helm.

This will not be easy. True sustainability in the sense of the Brundtland definition, capable of guaranteeing present and future societies and ecosystems thrive, will require far greater effort than past corporate accountability and sustainability efforts, and a far greater number of businesses will need to be actively involved. And this must happen in an environment in which corporate leaders are being told they simply must do more, better, and faster, and/or that they must pull big, abstract system levers related to finance, consumption, and economics—all while delivering this quarter’s expected returns.

Recognizing the pressures they face, and the ongoing accountability of others, companies cannot—and should not be asked to—undertake this journey alone. Guaranteeing a sustainable future truly will require not just business, but government and all other stakeholders too. But global companies in particular, with their unique influence, intelligence, resources, capacity and sheer geographic reach, are capable of doing this, and of inspiring other businesses as well as governments, investors and consumers to action alongside them, in partnership, or in their wake. And they have a vested interest in doing so.

In the following chapter, we offer a prescription for how leading companies can optimize existing aspects of sustainability strategy and effort, which are already close at hand for C-suite leaders. This recommendation is intended to optimize individual business’ effort and resilience, as well as their ability to influence, stimulate and accelerate the systemic change required.
6 The Voyage Ahead
The message of this report is that corporate leaders must do more to address the global, systemic challenges that pose a risk both to the resilience of their companies and to the world in the decades ahead. Below we provide a prescription for how.

Taking action is easier said than done, of course. In our conversation with him in 2011, as part of The Ray Anderson Memorial Interviews, SustainAbility co-founder and Volans Executive Chair John Elkington remarked, “One of the fundamental problems I think the C-suite actors in this space currently have is that as more and more of this becomes systemic, not just a single issue, it becomes dramatically more complex in terms of who does what, who’s got responsibility, where the risk and opportunities lie, what the role of this particular company might be moving forward.”

The challenges shouldn’t be underestimated. However, based on our research and experience, we see a specific range of opportunities for companies to drive greater progress in their own value chains and in the wider systems that support them. In this chapter, we explore six attributes of extended leadership—emphasizing the combination of things companies control and should do directly, plus the effect they can exert on the larger system—which we believe will enable leading companies to navigate the uncertain, challenging waters ahead, ensuring safe passage for themselves and showing the way for others.

The six attributes—Vision, Goals, Offer, Brand, Transparency and Advocacy—are derived from GlobeScan and SustainAbility’s ongoing study of leadership organizations, from interpretation and categorization of the ideas that emerged from this project, and from our applied experience. While these are certainly not the only means companies might use to address the opportunities and imperatives that Changing Tack has outlined, we believe they will be the most essential and impactful in the near term. Indeed, we emphasize these six particularly for their utility in defining robust strategies to ensure individual companies’ resilience and success, as well as extending and applying those companies’ influence in the wider system, so as to more rapidly achieve and scale the progress that is required.

For individual companies, harnessing any one or ideally the combination of these attributes is a means of insuring relevance, continuity and performance for the long term. They set the stage for enhanced trust and collaborative innovation with stakeholders, customers, partners and employees. They will help to create and develop new relationships, business models and markets that will drive and protect long-term value in the face of accelerating global changes and potential barriers to success.

More broadly, by unifying effort across all six attributes, leading companies will continue to demonstrate and push the boundaries of successful practice, encouraging other businesses to follow suit, while also informing and inspiring investors, partners, customers and employees to take part. They will also exert influence on key systemic conditions (for example, policy, economics and behavior) which will foster wider replication and scaling of sustainable business models and, in turn, greater progress on sustainable development in the aggregate.

John Elkington, Co-founder, SustainAbility and Executive Chair, Volans
Often, such visions are very forward-focused—promises of an ideal future not yet within reach—and that’s exactly why they are so important. They are the antidote to a far more limited approach to corporate sustainability, in which companies have focused mainly on responding to stakeholder expectations and demands, or on insuring their own businesses and supply chains against the multiple risks and disruptions that a warmer, more populous and complex future portends. There is no crime in this sort of risk management, and smart companies should continue to do it. However, it is limited because it occurs largely within the constraints of current business models and systems and does not address the systemic shifts that sustainability will require. It also fails to recognize the influence that big, global companies can exert to help visualize those shifts, and to apply the power of innovation and markets to realize them.

Changing Tack argues that the private sector’s ability (and responsibility) to influence is becoming ever more central to sustainability. Vision will be one of the key ways that leading companies engage and influence their many stakeholders and the systems within which they operate. One of the most recognizable and important examples right now is Unilever’s Sustainable Living Plan, which commits the company to both decouple growth from resource consumption and ensure its products make a meaningful difference in the lives of its customers and its producers (particularly in poorer countries). Among many notable aspects has been the company’s willingness to explicitly aim for large-scale consumer behavior change, cultivation of longer-term shareholders to support the strategies and investments needed, and frankness about not yet knowing how it will achieve its goals.

That combination of ambition and willingness to influence gets to the heart of why Vision is and should be so central. In one sense, the Sustainable Living Plan articulates a long-term transition that Unilever believes is necessary for its continued growth and survival. However, it is also a call-to-action for other companies and a variety of other actors, who are needed not only to help Unilever meets its goals, but also to enable evolution and improvement of the wider system it shares with them.

### 6.1 Vision

Vision is the expression of a company’s ambition and point of view. Properly conceived and applied, it serves as a polestar—a dependable indicator and reminder of a company’s fundamental purpose and values, and a benchmark for navigation through the many challenges and obstacles to success.

For any firm to effectively address and play a role in sustainable development, Vision is essential. For years we’ve tracked and assessed the growing importance of what we call the Big Idea: a concise, compelling articulation of a company’s purpose and ambition with regard to sustainable development. Ideally, it is a direct evolution or extension of the existing, core vision of the firm. It is a way to define the company’s ideal role and contribution to a sustainable future, to guide and motivate its employees, and to engage and influence its customers, investors and other stakeholders. IBM’s Smarter Planet, GE’s ecomagination, BT’s Better Future and Coca-Cola’s Live Positively are but a few examples, and we are encouraged to see many more companies creating and honing similar overarching visions to guide and express their work.

The best examples are those that align a firm’s core identity, culture and competencies, and the very way in which it creates value, with fundamental needs or challenges in the wider world. Smarter Planet visualizes how IBM’s specialty in big data and analytics can be applied to better understand and manage complex systems and processes, including how society provides and uses critical resources like energy, water and food. Novo Nordisk envisions applying its expertise in diabetes care and management to reverse the growth of, and ultimately eliminate, the disease. The Chinese air conditioning and now prefabricated building company Broad Group is pursuing a vision of vertical living, in which it rapidly erects large-scale, multi-use and energy-efficient buildings (it currently plans to build the world’s largest tower, Sky City, in seven months or less) in response to challenges associated with urbanization, energy and climate change.
### Table 6-1 | Six Attributes of Extended Leadership

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<thead>
<tr>
<th>Attributes &amp; Key Actions</th>
<th>What</th>
<th>Why</th>
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<tbody>
<tr>
<td><strong>1 Vision</strong></td>
<td>Articulation of the company’s unique role and contribution in a sustainable future</td>
<td>To describe a compelling and relevant destination, and to inspire the company and its stakeholders to help achieve it</td>
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<tr>
<td>Focus + Inspire</td>
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<td><strong>2 Goals</strong></td>
<td>Ambitious, specific, context-based thresholds for performance</td>
<td>To ground and drive progress against Vision; to unlock competition and collaboration to achieve greater impact</td>
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<tr>
<td>Define + Motivate</td>
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<tr>
<td><strong>3 Offer</strong></td>
<td>Developing products and services that are the optimal combination of “different” and “better”</td>
<td>To test and demonstrate new approaches, establish new markets and promote further innovation and impact</td>
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<tr>
<td>Innovate + Demonstrate</td>
<td></td>
<td></td>
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<tr>
<td><strong>4 Brand</strong></td>
<td>Effective expression of Vision, Goals and Offer through compelling brand promise and communications</td>
<td>To engage core values and mindsets, shifting behavior and driving greater demand for sustainable solutions</td>
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<tr>
<td>Connect + Engage</td>
<td></td>
<td></td>
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<tr>
<td><strong>5 Transparency</strong></td>
<td>Providing relevant, appropriate, timely signals to all market players</td>
<td>To optimize stakeholder understanding and decision-making, and ensure proper function of markets</td>
</tr>
<tr>
<td>Inform + Influence</td>
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<td></td>
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<tr>
<td><strong>6 Advocacy</strong></td>
<td>Outspoken leadership aimed particularly at policymakers, investors, other companies and consumers</td>
<td>To mobilize key actors in order to reform policy, incentives and other system conditions to support sustainability</td>
</tr>
<tr>
<td>Lead + Mobilize</td>
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Short sighted vision continues to be the most important obstacle of today’s leadership. We don’t have enough leadership that is looking into the next 100 years.

_Yolanda Kakabase, President, WWF International_

We need—and expect to see—more companies pushing the boundaries in this way, using Vision not only to imagine their own role in a sustainable future, but also to put pressure on and entice others to contribute to realizing that future for all.

**Key Actions: Vision**

- Connect and address business risk, stakeholder expectations, competitiveness and innovation opportunities in an integrated vision of the company’s role in sustainability
- Align and integrate sustainability vision with core strategy, culture and competencies, by evolving or extending current corporate vision and identity in the context of sustainability
- Reach beyond incremental improvement to define your company’s ideal, sustainable future, helping call out—and inspiring efforts to address—the large-scale systemic shifts required to realize it

**6.2 Goals**

Goals help to further define both the destination and critical waypoints on the journey. When they are precise, relevant and ambitious, they can generate added trust and engagement from stakeholders, spark innovation and drive progress toward even larger, more ambitious goals and the overall vision of a firm. Better goals—both large and small—are also a critical means for understanding and prescribing more systemic solutions to many sustainability challenges.

Many companies are already utilizing or working to establish so-called SMART goals—specific, measurable, attainable, relevant and time-bound. However, for sustainable development to accelerate and scale in the manner required, there is a need for goals that are vastly more precise, ambitious and strategic, in the sense that they are designed to effect a meaningful, positive change in the larger system, and are representative of the unique value that the organization and/or its industry may bring to sustainable development overall.

The implication is that more relative, incremental corporate sustainability goals, largely addressing the direct social and/or environmental footprint of firms’ operations, will become less central. While such goals will still be hugely important to individual companies and the teams tasked with achieving them, they must become standard operating procedure in the background as more transformative, system-oriented goals are articulated and embraced by individual businesses and more broadly.

That system-level orientation and ambition is exactly what underlies the growing importance of both absolute and science-based goals. The former shifts companies away from merely reducing the intensity of a given impact relative to overall production or revenue—which may obscure the fact that overall impact is still rising—while the latter asks companies to craft goals that take account of the scientific or evidence-based understanding of an issue, and to do what’s actually required to resolve it.

The significance of absolute goals is captured wonderfully in John Elkington’s 2012 book _The Zeronauts_, which profiles what he describes as “a new breed of innovator, determined to drive problems such as carbon, waste, toxics and poverty to zero.” A favorite example is Paul Tebo, who led DuPont’s impressive corporate sustainability efforts in the late 90s and early 00s, and who famously expanded the company’s “The Goal is Zero” safety message to address environmental issues such as energy and waste. Ditto Interface’s pioneering “Mission Zero” platform, which aims to drive all negative impacts to zero by 2020.

Many more companies are now pursuing goals like 100% renewable energy, zero waste and zero water (though rarely without complicated semantics regarding what is meant by “zero”), while a few trailblazers are testing the potential to go beyond even these aggressive reductions to the realm of positive impact. For example, Kingfisher’s Net Positive platform articulates aspirations to create...
It seemed to us like many across industry were just holding their finger to the wind – targets weren’t being set with scientific rigor, and sometimes even masked increases in emissions. 

*Ben Thompson, Sustainable Business Program Manager at Autodesk,*
on his company’s rationale for setting context-based goals

more forest than it uses, and to make its own stores and its customers’ homes generate more energy than they use, among other positive impacts. 25

While such goals clearly aim to reduce the impact and associated risk for the individual firms pursuing them, they also serve to challenge and inspire others to copy and/or join in the effort. Furthermore, where they reach beyond what is achievable within current constraints, they help identify and draw attention to potential systemic shifts that will unlock much higher performance.

The same may be said of science or evidence-based goals, which deliberately tie individual initiatives—whether by a single company or a group of actors—to the absolute or systemic context of a given issue or impact. One company leading down this pathway is Ford, with its commitment to ensure its portfolio of products is tailored to provide a fair share of achieving a long-term CO2 stabilization target of 450 ppm.

In 2004, Ford’s internal Climate Change Task Force decided to base product planning on the goal of climate stabilization. The task force asked Ford’s in-house scientists to devise a way to test scenarios for meeting that goal. Working within CO2 limit estimates put forth by the International Energy Agency and the National Center for Atmospheric Research, Ford’s scientists developed a model to understand the reductions required of new light-duty vehicles up to the year 2050. 26 The approach that Ford has taken to set product efficiency targets differs from that of many companies, which too often aim to reduce the impacts of their operations or products by working from an arbitrary baseline and/or only in intensity terms.

Mars, the food manufacturer, also uses science to prioritize impacts, draft targets and create metrics for decreasing environmental impact. The company has formulated a Sustainable in a Generation (SiG) strategy, which covers four areas: operational efficiency, capital efficiency, new technology and renewable energy. Its starting point was the Intergovernmental Panel on Climate Change’s target of cutting GHG emissions by 80% by 2050. The company aims to eliminate all GHG emissions from its operations by 2040. 27

A new international association, the Sustainability Context Group (SCG), is focused on getting more companies to set targets that take contextually relevant social, economic and environmental limits and thresholds explicitly into account. The SCG includes thought leaders, academics, practitioners, investment analysts and corporate sustainability managers interested in the development of context-based sustainability ambitions. So far, they have offered guidance to GRI as well as to the Carbon Disclosure Project for companies to provide greater disclosure on their targets and how they align to the global climate context. 28

Leading companies need to evolve their key goals and targets beyond incremental milestones to minimize their own impact, to those that deliberately and strategically address the whole issue. Doing so helps companies understand their impacts within the larger context, and indicates that they are measuring and addressing what really matters. Most importantly, by defining a standard of performance beyond what is immediately reachable given current means, absolute and context-based goals help to unlock both competition and collaboration—and with them, innovation—that may lead to far greater impact across the system.

**Key Actions: Goals**

| Develop absolute or science-based goals and standards, in order to tie organizational performance to performance of the whole system |
| Develop long-term goals that help set the course toward a truly sustainable future |
| Ensure goals are ambitious and require new thinking and approaches to meet them, which will drive much-needed competition, collaboration and innovation |
| Invite important stakeholder organizations (competitors, industry associations, govts, ngos, etc.) to endorse and share your company’s goals |
Leading firms must continue to reinvent their offer, not only to guarantee their own futures, but also to hasten wider systemic shifts needed to trigger innovation and scaling of sustainable solutions across the whole economy.

6.3 Offer

The proof of the pudding is in the eating. No company can effectively lead (or, in the future, survive) without evolving the nature and substance of its core offer—its products, services and the business models that underpin them—to deliver on its vision for sustainability.

Offer is important because it is the thing that companies are most motivated to develop, refine and spread. If they are successful, particularly in creating and scaling vastly more effective solutions, they will have a direct and profound effect on the activities and impacts of many others along the value chain, including customers, suppliers and partners, and in some cases, may shift whole categories or industries, and the systems that support them, for the better.

To date, a great deal of corporate sustainability effort has been focused on incremental improvement to established products and services. A much smaller share has gone to the creation of fundamentally new products, services and business models, sometimes to meet unmet needs, other times to address already-met needs in new ways.

Delivering sustainable development at scale will require a great deal more of both approaches—that is, providing products, services and solutions that are different and better. Leading firms must continue to reinvent their offer, not only to guarantee their own futures, but also to hasten wider systemic shifts needed to trigger innovation and scaling of sustainable solutions across the whole economy.

The quest for better has brought us scores of cleaner, more efficient, more socially conscious products and services. Sometimes these have displaced well-established mainstream offerings through superior price and/or performance, but often have failed to grow beyond a premium-priced and/or green-lifestyle niche.

This is why we see promise in efforts to create products that have greater potential for mainstream adoption and influence over competitors. Concentrated laundry detergents, energy-efficient appliances, high-performance buildings, virtual computing, super-durable clothing and lightweight materials are but a few examples of changes pushing the improvement boundaries. These examples underscore a transition that is already underway, in which certain solutions no longer wear sustainability on their sleeve, but rather drive it further into the core attributes that define a high-quality, effective product or service in any category. Not just sustainable—sustainable and better.

Better alone will not deliver the necessary transformation of production and consumption across the full economy. Companies must also strive for different—that is, offers that are predicated on more sustainable business models, or the fundamental structures for how companies create, deliver and capture value.

This isn't new. The sustainability field has had a long-standing preoccupation with the promise of business model innovation, and there is often a good amount of hype in how the topic is discussed. Yet the need for fundamentally different approaches to value creation remains both real and urgent, spurred on by growing awareness of the mounting collateral damage of a system that fails to properly account for so much of the natural and human capital that fuels it.

There are signs this is having an effect. Inclusive sourcing, trash to treasure, use-don’t-own, and relationship and/or experience-based businesses are just a few examples of how some companies are exploring and unlocking greater financial and sustainable value through business models. This has helped to spawn meta-concepts (and further innovation) like what we now witness in “the sharing economy”—in part a natural outgrowth of convergent trends in economics, technology and culture, but also an earnest drive to reimagine nearly every product experience as something inherently more intelligent, accessible, collaborative and sustainable.

Most sustainable products and business models now in the market remain the province of relatively small, dedicated firms, or are experimental, niche offerings of more established brands. But they are gaining a toehold, and that's driving a gradual evolution and integration of sustainable design in nearly every sector of the economy. In March 2013, The Economist ran a cover feature on the sharing economy that ended with the view that “what looks
We look for ways to produce more food on less land, ways to make automobiles more energy—efficient, more fuel-efficient. So, it’s no longer just about not polluting. It’s really about taking your innovation and creating a whole different kind of solution for society.

Linda J. Fisher, Vice President of Safety, Health & Environment, Chief Sustainability Officer, DuPont

Figure 6-2 | Different, Better or Both?

<table>
<thead>
<tr>
<th>Different</th>
<th>Better</th>
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<tbody>
<tr>
<td>Hybrid/Electric Cars</td>
<td>Zero-Emissions Car Sharing</td>
</tr>
<tr>
<td>Prius, etc.</td>
<td>(BMW i)</td>
</tr>
<tr>
<td>Personal Automobiles</td>
<td>Car Sharing</td>
</tr>
<tr>
<td>(Zipcar, Whipcar, etc.)</td>
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Like a disruptive new model will probably end up being mixed into existing models and embraced by incumbents. That may well be true, and it isn’t a bad thing. The key is for more big brands to fully embrace the disruptive aspects of these and other innovations, and combine them with the most effective aspects of their existing portfolios, to drive better solutions to scale.

Examples of both different and better abound, but there is greatest promise in places where ambition and innovation are running up against, and may eventually topple, barriers to improving system-wide performance. Consider the many slow but extraordinary revolutions occurring in the automotive industry. Hybrid and zero-emission electric vehicles (such as Toyota’s pioneering Prius Hybrid) are a potential holy grail for regions and communities still reliant on personal automobiles for transport, but where mounting cost of air pollution, climate change and rising gasoline prices are becoming too much to bear. They are a quintessential improvement to a product within an established business model. And yet, in order to scale, they (particularly fully-electric cars) require changes to infrastructure, policy, and consumer mindsets and behaviors. If achieved, these changes will clear the way for even faster and more profound transformations in mobility systems.

Meanwhile, witness the increasing profusion and disruptive influence of car sharing. Zipcar—whose recent acquisition by traditional car-rental company Avis suggests a certain threshold of influence and success has been achieved—is a flagship in this space, but the model is now represented and replicated by a variety of others around the world. In contrast to improving the car itself, car sharing improves the model for how car-based mobility is accessed and used, resulting in lower impact (fewer cars, higher utilization) and added convenience (seamless reservations and rentals, variety and pay-only-for-what-you-use). It is the archetypal model of different.

Even more different are peer-to-peer car-share services such as Getaround, RelayRides and others, which provide technology and financial systems to allow users to rent their own cars to others, thereby eliminating the need for expensive fleet-management and specialized parking arrangements. The systems impact is evident, as car sharing services have already spurred a slew of innovations in automotive technology, municipal policy and zoning, and consumer attitudes, which are changing the mobility landscape—and better using vehicle and infrastructure capacity—in many cities.

There is greatest potential, though, where different and better are combined. One intriguing example is the unique combination of products, services and related initiatives beginning to come together inside BMW Group, primarily under its BMW i sub-brand. Launched in 2011, BMW i is a platform for two forthcoming electric car models—an all-electric urban small car and plug-in-hybrid sedan—but also encompasses the company’s growing foray into linked services and urban mobility solutions, including its in-house car sharing offering, Drive.
Now, which in the US uses exclusively BMW ActiveE electric cars. Taken together, the initiatives help BMW Group begin to envision and implement a mobility system that grapples effectively with rising energy prices, climate change, urbanization and other trends, while still providing utility and enjoyment to its customers. Ursula Mathar, Vice President of Sustainability and Environmental Protection for the company, says, “With the new sub-brand BMW i, we are revolutionizing individual mobility, striving to take a leading role in advancing individual sustainable mobility. We believe our holistic approach to sustainability is an investment in our future.”

In the drive for a more systemic approach to sustainability, companies must push the boundaries of both different and better. This is essential as a means to test and demonstrate new approaches, to lead the establishment of more future-proof markets and lines of business, and to identify and remove friction points that prevent further innovation.

**Key Actions: Offer**

- Ensure credibility and impact by expressing sustainability ambition directly through core offer
- Engage R&D, business units, marketing and other key functions and collaborators to build and test solutions that are both different and better
- Examine and embrace disruptive trends that may speed development of more sustainable products, services and business models

**6.4 Brand**

The sustainability movement has sometimes regarded branding and marketing with suspicion. Yet few deny their role and potency in shaping the social, cultural and psychological context within which sustainability either will or won’t take hold. Through our research and dialogues with experts and practitioners around the world, we heard repeatedly about the need to address the fundamental cultures, values and mindsets that give rise to unsustainable development and consumption, but which also hold the promise of different development and consumption patterns. As a result, it is crucial for companies to leverage the power of brands to drive change.

Brands are important because what they promise and represent—and the practice of building them—offer a unique means for companies to communicate with and influence the many different people who interact with them. They promote ideas and connect with and engage people to support them.

There is some overlap with the role of Vision, discussed earlier. Not coincidentally, most of the best examples of Vision (and overall sustainability leadership) find their expression in well-branded corporate sustainability platforms. But while Vision is the imagining of a possible future, Brand is how Vision—together with Goals and Offer—is packaged, communicated and ultimately experienced by others. It is the mechanism for how others are drawn in and influenced, so that the combination of Vision, Goals and Offer may have greater impact and support in the world.

Part of the evidence for the power of brands is in consumers’ loyalty to them, expressed by preference for (or insistence on) returning to certain products or experiences in spite of rational reasons to choose alternatives. Countless studies and everyday experience prove this, in that most people regularly purchase products and services without absolute regard for the practical things like price, features, convenience or even sustainability attributes. Consumers don’t ignore these things entirely, but other intangible factors are also at work.

Duke University professor Dan Ariely, a central figure in the burgeoning field of behavioral economics, elucidates this in his book *Predictably Irrational*, which explores how well understood (though often discounted) forces—namely emotions, relativity and social norms—contribute to everyday decisions. The implication is that there is an opportunity to utilize these forces to encourage better decision-making—in this case, to influence demand for more sustainable products and services, and/or for sustainability itself.

Brands are powerful precisely because they tap into the realm of emotions, values and social norms.

Brands provide a platform for the kind of shared values, connection and collaboration that are fundamental to a sustainable future, while also enabling companies to create more demand for sustainable products and solutions.
Aspirationals represent the persuadable mainstream on the path to more sustainable behavior. They love to shop, are influenced by brands, yet aspire to be sustainable in their purchases and actions.

*Raphael Bemporad, Co-Founder and Chief Strategy Officer, BBMG*

They signal that something small—a single product experience, place, or interaction between a customer and a company—is part of something bigger. They help express what a company stands for. And they not only have the power to influence consumers, but also employees, investors, policymakers, and others. Brands provide a platform for the kind of shared values, connection and collaboration that are fundamental to a sustainable future, while also enabling companies to create more demand for sustainable products and solutions.

It is important to note that integrating sustainability into brands, or using brands to promote sustainability, should not entail an all-out conversion of what any given brand stands for. That is neither realistic nor desirable. Instead, brands must be expanded and adapted to accommodate sustainability messages, which means sustainability, in turn, must take its place among the many other values and associations that make a brand resonate with a given audience.

This meshes well with the findings of *Re:Thinking Consumption*, the consumer study we conducted in Fall 2012 with BBMG. The goal of the study was to bring the consumer voice into the sustainability conversation and help articulate specific decisions and actions that companies can take to accelerate and grow a more sustainable economy. By analyzing the response of 6,224 consumers in six countries (Brazil, China, Germany, India, United Kingdom and United States), the study identified a new segment of consumers known as the ‘Aspirationals’. The largest segment across the six countries, Aspirationals mix traditional consumer values (style, price, product efficacy, enjoyment of shopping) with interest in and concern about sustainability issues and solutions, and are a natural audience for forward-thinking brand initiatives that create positive impact by influencing consumers’ decisions and social actions.

This points to the opportunity and imperative of effective integration. Over and over, we observe that the most effective sustainable brands are those whose brand promise simultaneously conveys practical as well as sustainable value. For example, GE’s ecomagination and healthymagination both apply its longstanding brand promise of “imagination at work” to meet evolving customer needs related to climate change, energy and water security and access to healthcare, while also evoking other value drivers like innovation and cost-savings. Brazilian cosmetics company Natura’s brand name, which is literally ‘nature’ in Portuguese, conveys not only its environmental commitment—among other things, the company has pledged to buy 30% of its inputs from smallholder and other sustainable sources in the Amazon—but also its core strategy, which is to leverage biodiversity and natural ingredients as the primary innovation platform for its products. In these and other examples, brand provides a crucial means to capture and promote fundamental alignment between what the company does for profit and what it does for the world.

More overt messaging also plays a role. In 2007, UK retailer Marks & Spencer (M&S) broke into the vanguard of global sustainability leaders with its
A further embrace and evolution of corporate transparency is required for markets to function properly, and for market players to recognize and reward the firms best positioned to address short- and long-term sustainability challenges. This means ensuring that all stakeholders get the right information, in the right format and at the right time, in order to support sound decision-making.

If that recommendation doesn’t sound particularly new, it’s because it isn’t. The point is to say we aren’t there yet, and therefore must keep pushing forward. The issue is that despite huge effort in defining and adopting corporate accountability mechanisms to date, there remain widespread and important breakdowns in the lines of communication particularly between companies, investors and consumers. Even now, with the sustainability crisis escalating, investors remain skeptical of the investments some companies feel they should make to prepare for the radically more challenging and uncertain future ahead—for example, some companies’ efforts to select for lower-carbon rather than just least-cost energy inputs, or PepsiCo’s push to seed research and growth of “better for you” products as a response to growing concern about and anticipated future market impact of obesity.

And while demographic, social and technological trends have driven and supported consumers’ increased desire to connect and collaborate with brands, there is still a tremendous disconnect between the magnitude of sustainability challenges and the type of response that consumers demand from companies.

Over the last two decades, we’ve seen (and worked to support) the evolution and adoption of corporate sustainability reporting as a means of filling these gaps. But although the breadth and depth of corporate disclosure continues to increase, even the most earnest reporting advocates admit it hasn’t had enough impact. Part of the problem is that reporting has sought to address so many audiences at the same time, and has therefore failed to fully or effectively inform any one of them.

### Key Actions: Brand

- Integrate sustainability into core brand promise and messaging
- Leverage brand, marketing and communications to engage and influence consumers and other stakeholders towards more sustainable behaviors
I would say at this point in time what is critical is that the business community also mobilizes a discourse among themselves....We need to be able to have a social compact amongst the business leadership and the political leadership that reflects where society wishes to go.

Achim Steiner, Executive Director, United Nations Environment Programme

The future requires ‘reporting-plus’, which involves both further and faster evolution of reporting—into a more robust and essential component of business decision-making—as well as other approaches to engage, inform and influence stakeholders as they make real-world judgments and decisions every day.

For investors particularly, there is an urgent need to make reporting more relevant, tangible, integrated and standardized. Promising new standards are emerging to drive this agenda, for example, the International Integrated Reporting Council (IIRC) is setting out a framework and principles for integrated reporting (the initial draft framework is currently in circulation and will be finalized and published in late 2013). Meanwhile, the Sustainability Accounting Standards Board (SASB) is driving development of consensus-based, sector-specific materiality standards to speed incorporation of relevant sustainability information into standard financial filings of publicly listed companies in the US. We also observe also efforts like that of the Corporate Sustainability Reporting Coalition (CSRC), which is leading the push for an international framework for mandated non-financial reporting, which, as reporting models become more rigorous and proven, may be the next logical step in ensuring their impact.

While these examples signal gathering momentum towards more effective investor-focused reporting, they also surface the essential difference between how companies report and what they are reporting. After perhaps too much focus on the former in recent years, we now see increasing and meaningful attention on the latter. On the cutting edge of this trend are companies working to quantify and report the value of the natural capital on which they depend, allowing stakeholders opportunity to understand and judge business effort to operate within environmental limits, not just the effort put into reporting natural capital use.

By quantifying their reliance on natural capital, companies can begin to tailor initiatives to reduce or eliminate associated risks and amplify the benefits. This sets the stage for dramatically higher-quality interaction with stakeholders, including policymakers and investors. As a truer view of long-term financial strength emerges, it can become the basis for more effective policy and investment strategy, in turn driving innovation by companies, and helping optimize through market forces the relationship between resources and commerce.

PUMA’s Environmental Profit & Loss Account, developed in 2011, has blazed a trail here, providing stakeholders with clear financial signals for impacts related to GHG emissions, other air emissions, land use, waste and water use (valued at over $190 million for Puma in 2010).33 New collaborative efforts such as the Valuing Natural Capital Initiative and the TEEB for Business Coalition, both launched in 2012 and supported by substantial coalitions of influential companies and NGOs, further underscore the trend.

Similarly important, though more targeted, are internal carbon pricing schemes, in which management accounting systems and/or project finance models consider additional costs based on GHG emissions stemming from particular operations or investments. One example is The Walt Disney Company’s Climate Solutions Fund, which charges the cost of high-quality offset investments back to individual business units in proportion to their contribution to the company’s emissions profile. This has directly influenced investments in energy efficiency, such as on its two newest cruise ships.34 Another pioneer has been Shell, which has gone beyond more traditional “shadow” pricing by publicly disclosing its price for carbon. Shell does so partly in hopes of influencing others to set and disclose similar prices, thereby beginning to establish a coordinated signal across business. Shell has also set a relatively higher price ($40/ton) as compared to other companies experimenting with shadow pricing mechanisms.35

While these kinds of finance-driven instruments are essential to expanding the conversation with investors and policymakers, business must also embrace new levels and forms of transparency aimed at consumers, thus also strengthening the connection to brands (covered earlier). This includes enhanced product transparency, especially as it relates to ingredients. One example in this category is SC Johnson’s What’s Inside initiative, which allows consumers to learn more about what goes into the full range of its products, what each chemical is and why it’s used, and how the company is embracing green chemistry.
6.6 Advocacy

The final attribute, Advocacy, amplifies the spirit running through all of the other five—that is, that the private sector faces both the opportunity and expectation to become far more outspoken, and to engage and mobilize other actors to enable system change. It also speaks literally to the need to advocate changes in the rules, policies and incentives that shape behavior and choices throughout the economy, which coordinate and ensure safe passage for all.

Specifically, companies must exert greater influence on the following key constituencies: policymakers, other companies, investors, and consumers and the public.

Companies, NGOs and others have identified scores of policy shifts that, if enacted and enforced, would engage and align more people and powerfully effect the transition towards sustainability. A price on carbon, elimination of perverse subsidies, standardized non-financial reporting, environmental regulations, trade rules, labor standards and alternative rules of incorporation are just a few examples. Making policy shifts like these is much easier said than done, but that doesn’t make it any less essential, and companies can do a great deal to help shape the debate around key issues.

Positive examples are growing. While the first major alliance of companies dedicated to climate policy, USCAP, has faded, Ceres’ BICEP coalition (Business for Innovative Energy & Climate Policy) is picking up the pieces and moving forward. Meanwhile, Shell, Unilever and more than 100 other firms joined Prince Charles’s Corporate Leaders Group on Climate Change to call for a clear, international price on carbon ahead of COP 17 in Doha in 2012. In 2011, the auto industry reversed decades of previous opposition and joined in advocating for ambitious new fuel economy standards in the US, which have already spurred innovation and sales of far more efficient vehicles across the country.

Not all of these examples have borne fruit, but momentum is shifting, and as larger and stronger coalitions are built, both their ambition and effectiveness will surely rise.

Key Actions: Transparency

Continue to evolve reporting and disclosure mechanisms to provide the right information, in the right format and at the right time, in order to optimize decision-making for all market players

Value and report on externalities, such as the use of natural capital, both to provide better signals to stakeholders and influence the development of policies to properly price externalities into markets

Explore ways that technology can connect customers more directly to key information and stories behind products

We want all of our ingredients to be transparent, so consumers can make their own, informed choices on what to purchase.

Fisk Johnson, CEO, SC Johnson
Indeed, the power of coalitions is exactly why leading companies must also do more to mobilize their peers. Even in industries with a few bright stars, industry or trade associations often serve to pull others down to a lowest common denominator that frustrates progress on key issues. We’ve applauded when outspoken companies have challenged membership groups over important issues—think of when Apple, Nike, PG&E and others broke with the US Chamber of Commerce in 2009, in protest of its stance on climate policy—but we also look forward to more companies finding ways to stay within and organize such groups to be forces for change.

Advocacy is also needed between companies and their investors. Unilever CEO Paul Polman has made headlines by insisting that his company is focused on creating long-term value through sustainability, and that he expects shorter-term investors to either respect that or shed the stock. He’s also actively cultivating longer-term investors. Polman explains, “Historically, too many CEOs have just responded to shareholders instead of actively seeking out the right shareholders. Most CEOs go to visit their existing shareholders; we go to visit the ones we don’t yet have.” As a result, Unilever has managed to reduce the holding of its shares by hedge funds from 15% three years ago to less than 5% today. This has, in turn, reduced fluctuations in the company’s share price.7

Finally, firms must ensure their advocacy aims squarely at mobilizing consumers and the public to support and enact change. This means communicating honestly, bearing witness to collective challenges and the enormous (but not insurmountable) difficulty of addressing them, as well as rallying support for specific solutions.

This has played out in part in our discussion of the other five attributes—Vision, Goals, Offer, Brand and Transparency—which focus on the need and opportunity to engage consumers directly in companies’ own stories and, indirectly, in the evolution of larger-scale systems. But this final dimension, Advocacy, emphasizes also encouraging the public—as citizens, more so than consumers—to directly support policies and other initiatives that will alter the playing field for all actors and drive sustainability further into the mainstream.

If we achieve our sustainability targets and no one else follows, we will have failed.

Paul Polman, CEO, Unilever

That notion of altering the playing field, so that sustainability becomes an embedded part of day-to-day commercial interaction across the economy, is central to Changing Tack. We’ve argued that the next critical frontier for business is in extending its influence to catalyze system change. Again, that spirit is reflected across all five of the other attributes, but is further amplified by the theme of Advocacy, which recognizes the need to apply both added pressure and changes in key rules and incentives in order to move all market players in the right direction.

Key Actions: Advocacy

| Work in coalitions with civil society and other companies in order to push for vital shifts in policy to support sustainability |
| Leverage existing clout by mobilizing trade associations, both to lobby for more effective policy and to promote much higher standards across industries |
| Cultivate and encourage investors who are supportive of your long-term sustainability ambitions and near-term plans for how to achieve them |
| Openly communicate relevant information to consumers and the public about large-scale challenges, the need for systemic change and what can and should be done about it |
The Voyage Ahead

1. **Vision** - The “Big Idea” that articulates a company’s unique role in and contribution to a sustainable economy and future
2. **Goals** - Ambitious, specific and systemically relevant thresholds for successful navigation towards the vision
3. **Offer** - Meaningful innovation and evolution of a company’s products, services and business models to shift wider systems and deliver on its sustainability vision
4. **Brand** - Integrated and compelling brand promise(s) and messaging that help to engage and shape fundamental values and mindsets related to sustainability
5. **Transparency** - Provision of relevant, appropriate and timely signals to optimize understanding and decision-making of all system players
6. **Advocacy** - Outspoken leadership and mobilization of other key actors to reform policy, incentives and other system conditions to support sustainability

Roles for Key Actors

1. **Business** - must act on its unique capacity, responsibility and opportunity to lead.
2. **Governments** - must deliver the rules, policies and incentives needed to guide consumers and markets.
3. **Investors** - must help business recognize critical risks and opportunities and allocate capital to deliver needed solutions.
4. **Civil Society** - must provide inspiration and clear warnings to business and government to steer toward sustainability.
5. **Consumers and the public** - must—and must be engaged, encouraged and enabled to—reward companies with more sustainable solutions.
7 Closing Thoughts
Changing Tack maps the course towards a renewed, more integrated and sustainable approach to managing our global economy. To realize this vision will require stronger performance, and we argue that the private sector has the capacity, responsibility and reason to deliver it. Sustainable development is in everyone’s long-term interest; quite simply, global companies cannot succeed in a failed world.

Changing Tack has employed a nautical metaphor to describe the sustainable development journey ahead for business and society. As with an unknown sea crossing, it is impossible to guarantee safe passage or predict exactly when landfall will occur. But there are times when necessity demands setting aside uncertainty, and sustainable development is at such a moment. For the private sector, there is a call to leadership and an imperative to act to reduce risk. Attempting an unknown crossing does not mean going unprepared. The leadership attributes described in Chapter 6 reflect and build on existing business capacity; sharpening, embedding and combining them will increase the likelihood of reaching the far shore. Again, Vision articulates a company’s unique role and contribution to a sustainable future; Goals define the destination expressed in Vision and mark waypoints on the journey; Offer calls on companies to evolve the nature of their products, services and very business models to deliver on Vision and Goals; Brand is how Vision, Goals and Offer are packaged, communicated and experienced, engaging others to support and ensure impact; Transparency ensures all stakeholders get the information needed to support sound decision-making and make markets work; and Advocacy, in combination with and in addition to the rest, is about business mobilizing others to help reform policy, incentives and other system conditions, in order to shape more sustainable behavior and choices across the economy.

While a cohort of leadership companies exhibit these attributes today, a significant leadership gap exists. In addition to the six leadership attributes suggested as essential to success, closing this gap requires creating an environment that enables and encourages solutions to be brought to scale and distributed at pace. Trust, collaboration and leadership may be the enabling elements required.

Accelerating Performance

Trust, collaboration and leadership surfaced as potential catalysts or obstacles to systems change in virtually every conversation, survey or discussion worldwide during The Regeneration Roadmap. We used them in Chapter 3 as a lens through which to view corporate performance on sustainable development. Now we return to these forces to consider how they interrelate and can serve as enablers that will support business implementation of the leadership attributes.

Trust, collaboration and leadership are fundamentally interlinked and reinforcing. Making simultaneous progress on all three has the potential to reshape the operating environment and accelerate progress.

The public reports low levels of trust in global companies. This distrust rests especially on concern around corporate motives and a sense that business has become too powerful, and is a barrier to more pronounced corporate leadership. Building and maintaining trust not only ensures business’ social license to operate, but also its legitimacy to act boldly enough to affect necessary systems change.
Collaboration expands the ability of any one business to scale progress in an economy beset by systemic challenges. Given the need for rapid system change to avoid serious and perhaps irreversible environmental decline and the related social and economic downsides, collaboration becomes all the more necessary.

Finally, demand and need for corporate leadership on sustainability has never been clearer. The scientific evidence on climate, water and biodiversity, as well as the data available on poverty, social cohesion and economic development, tell us we have limited time to act. Governments have been unwilling or unable to provide sufficient leadership. Civil society, while highly engaged and trusted, does not have the scale or infrastructure to deliver the required change. Investors and consumers are not yet empowered or fully engaged. Therefore, more committed, effective and visible leadership by companies is necessary to drive progress toward a sustainable and prosperous world.

Trust, collaboration and leadership each directly contribute to stronger corporate performance. Together they can help reset the operating context for business, making more likely the widespread adoption and scaling of Vision, Goals, Offer, Brand, Transparency and Advocacy as well as the related performance improvements and system changes necessary to deliver sustainable development.

**Figure 7-1 | Trust, Collaboration and Leadership**

Trust, collaboration and leadership are fundamentally interlinked and reinforcing. Making simultaneous progress on all three has the potential to reshape the operating environment and accelerate progress.
More Favorable Seas

Even in the face of present challenges, we remain optimistic that we can shape a sustainable economy by mid-century. This will require putting the pre-conditions in place during this decade to allow exponential progress from 2020 through 2050.

As we embark on this voyage, our central challenge will be to create the foundation for the systemic transformation of our economy and society. Trust, collaboration and leadership are the favorable winds that will put momentum behind business efforts to implement Changing Tack’s prescriptions around Vision, Goals, Offer, Brand, Transparency and Advocacy. It is time to set sail.
Acknowledgements

The Regeneration Roadmap and its final report, Changing Tack, have enjoyed the support of remarkable sponsors and partners.

Sponsors
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With the help of colleagues within all these outstanding sponsor organizations, The Regeneration Roadmap touched thousands of people worldwide on its journey. As Media Sponsor, Guardian Sustainable Business played a unique role in terms of amplifying the project’s messages, for which we offer extra thanks as well.

Supporting Organizations

A subset of partners went above and beyond what was expected of them as Supporting Organizations to contribute vital platforms and other assets as our Regeneration work progressed. The World Business Council on Sustainable Development along with Report shaped opportunities for The Regeneration Roadmap at Rio+20 in June 2012, guaranteeing a plenary at the Business Action for Sustainable Development meeting and hosting the first of the global Regeneration Salons respectively.

Sustainable Brands embraced the project as part of its 2012 conference platforms in San Diego and London and at Rio de Janeiro in 2013. National Geographic and the United Nations Environment Programme shared survey data for our white papers and collaborated on communications and outreach at Rio+20 and otherwise.

We are also indebted to our partners at BBMG, particularly Raphael Bemporad, for making Re-Thinking Consumption, the ground-breaking consumer study released under The Regeneration Roadmap banner, happen. And The Value Web went over and above in providing stunning graphic facilitation at Regeneration Salons. Finally, Broad Group was uniquely helpful in terms of the convening and hosting of the Shanghai Regeneration Salon.

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Regeneration Pioneers
We are grateful to the numerous sustainable development luminaries who provided candid and incisive commentary on film as part of The Ray Anderson Memorial Interviews. These included Lester Brown, Madame Gro Harlem Brundtland, Nitin Desai, John Elkington, Bill Ford, Kris Gopalakrishnan, Yolanda Kakabadse, Matthew Kiernan, Israel Klain, Jim MacNeill, Doug Miller, Rajendra Pachauri, Jonathon Porritt, Vandana Shiva, Achim Steiner, Bjorn Stigson, Maurice Strong, Sir Mark Moody-Stuart, David Suzuki and Sha Zukang. Ray Anderson had offered to participate in an interview prior to his passing and we are thankful for the permission from his family to associate his name with our work.

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Conclusion
As is ever the case, these acknowledgements risk overlooking someone or an organization deserving of mention. We hope not to have made omissions in this case and want to close by reiterating that it was collaboration with such a diverse set of organizations and stakeholders that made The Regeneration Roadmap and Changing Tack enjoyable and successful. We are indebted to everyone who has played a part along the way, and we hope all participants will see some reflection of their inputs in the results.
Notes
1. UN Dept. of Economic and Social Affairs, Population Division, 2011
2. World Economic Outlook, IMF, 2013
3. World Bank, Povcalnet, 2013
4. NOAA, Earth System Research Laboratory, 2013
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