

The Business Case for High-Level System Change

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High-Level System Change (HLSC) involves addressing the foundational ideas and overarching systems that place humanity at odds with nature and create growing problems for business. These systemic issues constitute the primary driver of declining environmental and social conditions. HLSC is the most important, but least addressed sustainability issue, largely because of the complexity involved in achieving it.

This article summarizes why HLSC is important and how business can practically and profitably work with others to achieve it. Done well, HLSC will enhance business prosperity while securing the well-being of future generations.

Rapid growth in the Sustainability, Corporate Responsibility and Socially-Responsible Investing movements is being driven by the increasing financial relevance of environmental and social issues and the widespread desire to see current and future generations prosper.

Businesses produce negative environmental and social impacts as they provide the products and services demanded by an expanding, increasingly affluent population. In the closed Earth system, these impacts return to cause growing problems for investors and firms, including market rejection, lawsuits, activist campaigns and opposition to opening new stores and facilities.

Conventional corporate responsibility (CR) involves reducing these problems by voluntarily going beyond regulations that do not require full impact mitigation. In thousands of cases, voluntary CR yields benefits including enhanced reputation, increased market share, reduced costs and increased ability to attract and retain a higher quality, better-motivated workforce.

However, voluntary CR provides benefits only to a limited extent. Beyond a certain point, voluntary impact mitigation increases costs relative to firms that are not fully mitigating. Without intending to do so, modern economic and political systems essentially make it impossible to fully mitigate impacts and remain in business. In effect, firms are compelled to negatively impact society. As a result, growing pushback from society is inevitable.

Rising awareness that systemic issues are a primary driver of growing business problems and declining environmental and social conditions is creating an increased emphasis on system change. System change efforts can be broadly categorized as mid-level or high-level. Mid-level system change is focused on specific sectors, stakeholder groups, or environmental or social issues. High-level system change is focused on improving overarching economic, political and social systems.

Some of the most effective mid-level system change work is being done by Wal-Mart. Through its Sustainable Value Networks, Wal-Mart is working with suppliers, NGO's and other partners to improve environmental performance in specific sectors, functional areas and geographic regions.

The collaboration and wider focus of mid-level system change allows more impact mitigation than is possible with conventional CR. Expanded impact mitigation protects business and investors by lowering

pushback from society. However, overarching economic, political and social system flaws severely constrain the ability of mid-level system change efforts to enable full impact mitigation.

Modern systems unintentionally place business in conflict with society in many ways. As a result, growing problems for business and society are inevitable if HLSC is not achieved. HLSC is the key to sustainability. The work involves ensuring the well being of business and society by aligning human ideas and systems with nature and reality.

The time to address HLSC is now. As current systems drive ongoing environmental and social declines, mitigation options will become limited and more expensive. Action now, while flexibility is high and many options are available, will ease the transition to sustainable systems.

Achieving HLSC Through Sustainable Systems Implementation

An approach called Sustainable Systems Implementation (SSI) provides a practical, profit-enhancing means of achieving HLSC. SSI is a collaborative approach that engages system change experts and leaders from business, government and civil society in dialogue and action for the purpose of driving rapid and effective HLSC. The approach seeks to identify key system change leverage points and raise awareness of the most promising system change strategies already developed but not widely implemented. SSI is unique in that it takes a true whole system focus and renders complex ideas and strategies down to simple terms and concepts, with the goal of greatly expanding public awareness and action.

Improving human systems is by far the most complex challenge facing business and society. Many experts have developed good system improvement ideas and programs. Most programs have low implementation rates partly because they do not take a whole system approach. For example, most system change efforts focus on only one aspect of HLSC (ie: tax reform, better measures of success, corporate restructuring, advertising, campaign finance reform, etc). Each of these aspects is embedded in larger systems. Effectively changing any aspect of the system almost certainly requires considering the whole system and simultaneously taking action at key leverage points. SSI provides the whole system focus needed to achieve HLSC.

In the past, many believed considering the whole system at once was too difficult. This caused system change efforts to be focused on improving system sub-elements, often without adequate consideration of the whole system. As noted above, system change programs developed with this approach usually have low to no implementation. SSI does not suggest that human systems should change at once. Instead the approach suggests that consideration of the whole system should inform, guide and coordinate improvements in system sub-areas. While this approach is complex, it probably is the most effective (and perhaps only) way to evolve human systems into sustainable forms.

One of the largest barriers to HLSC is lack of public awareness driven in part by the high complexity of systemic issues. The average citizen does not have time to study complex economic, political and social issues. As a result, they usually do not understand the threats current systems pose to their children or the benefits of improving these systems.

SSI builds common ground and greatly facilitates increased public awareness at all levels of society by going beyond complex systems and structures to the fundamental needs and desires of all people. Focusing on the end-point, for example the well-being of current and future generations, facilitates critical examination and more rapid improvement of existing systems.

Business Costs and Benefits

The SSI approach is practical and profitable in part because it respects existing systems. The goal is to work from within to achieve system evolution, and thus avoid system revolution. SSI efforts typically represent only a small part of a firm's overall CR strategy. The large majority of work is focused on conventional CR. SSI costs are low since little management time is required and unilateral changes are not suggested. The purpose of SSI is not unilateral change. It is to drive system improvements that encourage beneficial change by all firms.

While SSI costs are low, benefits can be substantial. SSI participants gain competitive advantage as the SSI group seeks regulatory reforms that favor the responsible products and services of member firms. SSI activities that raise customer and public awareness about sustainability and system change enhance the reputation of member firms. Costs are reduced and quality improved through supply chain work that promotes responsible business practices.

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

Gazeley Ltd, an independently operated, UK-based Wal-Mart subsidiary, is initiating an SSI effort in the UK. Gazeley is a global real estate developer and sustainability leader that provides environmentally-superior distribution warehouses to Wal-Mart and many other clients around the world. By integrating SSI into its overall CR strategy, Gazeley is pioneering a new sustainability approach and initiating the most important work needed to achieve sustainability.

(A more detailed description of HLSC and the SSI approach are provided in *Sustainable Systems Implementation: Building a Sustainable Economy and Society*, available on www.GlobalSystemChange.com)

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