

Green

Swans

All around us, an old order is coming part at an accelerating pace, while new orders—and disorders—struggle to be born and find their feet. Two years ago, I sensed this coming and did something that many people thought was crazy. Twenty five years after I launched the "Triple Bottom Line" (TBL) concept, signalling the need for business and investors to take account not only of the financial bottom line but also economic, social and environmental value added, I announced what I was told was the world's first ever "product recall" of a management concept through the *Harvard Business Review*.

At a time when many thousands of companies worldwide were producing TBL—or sustainability—reports, and thousands more were certifying themselves as B Corporations, building their futures around the same concept, I was asked why in the world I would want to recall such a successful idea?

There were several reasons.

First, the recall—normally only done for defective products—was announced as a provocation, an invitation to the rapidly growing sustainability industry to consider whether all its efforts were producing the

level of systemic change that even staunch capitalists can now see is urgently necessary. My assessment was that most of the effort was achieving incremental change, at best. Nice to have, but no guarantee of truly systemic change.

Second, I saw that the sustainability agenda, which I had championed since the 1980s, was mainstreaming—and, as a result, was being diluted by all the new vested interests being stirred into the mix.

And, third, I also sensed that there was a profound discontinuity ahead, which conventional TBL thinking—where business leaders too often traded off one form of impact and value against others—simply could not bridge.

Here is the way I put it at the time: the TBL's "stated goal from the outset was system change—pushing toward the transformation of capitalism. It was never supposed to be just an accounting system. It was originally intended as a genetic code, a triple helix of change for tomorrow's capitalism, with a focus was on breakthrough change, disruption, asymmetric growth (with unsustainable sectors actively sidelined), and the scaling of next-generation market solutions."

These days, when even India's Prime Minister Narendra Modi is using my phrase "People, Planet and Profit", though with precious little understanding of the original meaning or intent, it would have been tempting to declare victory and retire from the field.

But, as I went on to say in that 2018 article: "Fundamentally, we have a hard-wired cultural problem in business, finance and markets. Whereas CEOs, CFOs, and other corporate leaders move heaven and earth to ensure that they hit their profit targets, the same is very rarely true of their people and planet targets. Clearly, the Triple Bottom Line has failed to bury the single bottom line paradigm."

The recall spurred the rapid evolution and launch of our Tomorrow's Capitalism Inquiry. We started from the question, "How can companies become catalysts for systems change as we face increasingly exponential—and increasingly systemic challenges?"

As the work evolved, it became clear that the issue was not so much with the TBL concept itself, but with the context in which it was being used. Alongside the 3P definition of People, Planet and Profit (or, more gently,



Why responsible Capitalism is no longer enough

By John Elkington

Prosperity) we needed a new framing: Responsibility, Resilience and Regeneration, or the "3Rs".

All our work on corporate responsibility over the decades has been useful, foundational indeed, but as our economic, social, environmental and governance systems begin to unravel, a process accelerated by the Covid-19 pandemic, resilience has shot up priority lists both in the public and private

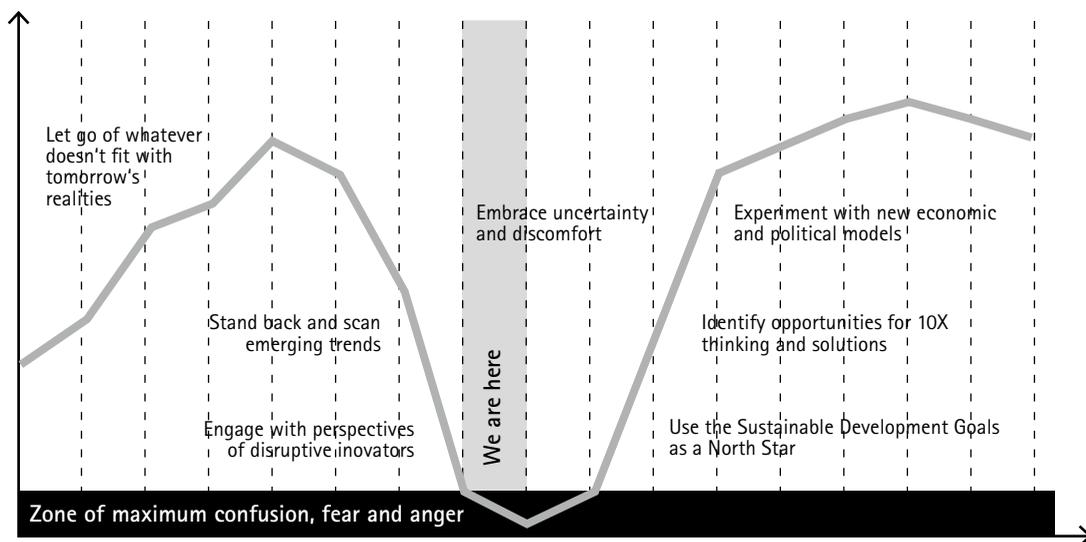
sectors. And the only way to ensure long-term resilience is to invest in the regeneration of such systems.

This is the theme of my twentieth book, published this April by Fast Company Press. This is *Green Swans: The Coming Boom in Regenerative Capitalism*. And the first diagram in the book, shown below, is one I had been using for a couple of years before Covid-19 hit, arguing that the global economy's bull

run was masking a much deeper set of discontinuities.

The bar at the bottom is where ordinary people experience the greatest confusion, fear and anger. If this analysis is anywhere near accurate, the era of populism is far from over.

Careful readers will not be surprised to learn that the Green Swan concept was informed by the "Black Swan", one of the most



Source: Volans 2019

successful memes of the past decade. Introduced by Nassim Nicholas Taleb in his 2007 book, *The Black Swan*, the concept spotlights events that take us totally by surprise, that have an off-the-scale impact, and that we fail to understand afterwards—setting ourselves up to fail again.

Interestingly, Taleb says Covid-19 isn't a Black Swan—because we saw it coming but too many leaders failed to act.

By contrast, if most Black Swans take us exponentially to places we really do not want to go, my definition of a Green Swan embraces a profound market shift, generally catalysed by some combination of Black or Gray (i.e. foreseen) Swan challenges and changing paradigms, values, mindsets, politics, policies, technologies, business models, and other key factors. The link back to the TBL agenda is that a Green Swan delivers exponential progress in the form of economic, social, and environmental wealth creation.

In the book, I also talk about "Ugly Ducklings", drawing on the fairy tale by Hans Christian Andersen. These are early-stage concepts, mind-sets, technologies, ventures or with the potential to drive either Black Swan (driven by "bad" exponentials) or Green Swan ("good" exponentials) market trends. For me, a potential Green Swan is the European Commission's growing linking of its recovery plan with its Green Deal objectives.

The potential future evolution of an Ugly Duckling can be hard to detect early on, unless you know what you are looking for. Tomorrow's breakthrough solutions often look seriously weird today. The net result is that we give them significantly less attention and resources than they need—or than the future of the 2030s and beyond would want us to in hindsight.

In the next round of the Tomorrow's Capitalism Inquiry, we are focusing on the critical role of financial markets in enabling the necessary economic transformations. Financial institutions have a vital role to play in enabling the transition to a Net Zero carbon emissions economy. Unlike the situation a decade ago, an increasing number of financial institutions now recognise the need to act on climate change—and some are even waking up to the fact that the net zero transition is an opportunity. At least some of today's low-carbon innovators will be tomorrow's market leaders.

So our new Bankers for Net Zero initiative is about helping banks to support businesses to recover from Covid-19 in a way that sets us on a course towards net zero emissions before 2050. It is also about investigating how the policy and regulatory environment needs to shift to enable the banking sector to play that role.

One of our partners in the initiative is the UK All Party Parliamentary Group on Fair Business Banking, and we will be working very closely with them to get this onto the political agenda. Clearly, the initiative is initially focused on UK banks—but with the COP26 climate summit coming to the UK in 2021, we hope to seize the opportunity to demonstrate what leadership from the banking sector can look like at a global level.

I am often asked whether I am optimistic that such efforts will change the system for the better. I was born an optimist, but the honest answer would be no, or at least I was not particularly optimistic before the pandemic hit.

On the downside, the evidence to date suggests that the economic impacts will push many tens of millions of people back into ex-

treme poverty. And delivering on our climate goals—and the UN Global Goals—critically depends on coherent international action, something that is conspicuously lacking at the moment.

But the pandemic has shown ordinary people how everything is now linked to everything else. It has spotlighted how what wildlife traffickers and so-called 'wet markets' do in places like Africa and China can derail the global economy. And how a lack of transparency, or even false facts, can make bad situations much worse.

Covid-19 has been like a global X-ray, revealing endless fractures in our societies and economies. Work Volans has done for the World Business Council for Sustainable Development (WBCSD) explores the many ways in which the pandemic will disrupt business-as-usual—and even sustainability-as-usual. Like it or not, the effects will impact younger people for many years. Our challenge is to ensure that the effects are progressively rebalanced from the exponentially negative to the exponentially positive, with greater attention paid to potential to Green Swan solutions.

That's why we have just launched the Green Swans Observatory. Working with business schools, businesses and investment partners around the world, we aim to scan for, identify, analyse and support solutions with the potential to go positively exponential.

John Elkington, Co-Founder & Chief Pollinator at Volans, is one of the founders of the global sustainability movement and an experienced advisor to business. He has addressed over 1,000 conferences around the world. He was a faculty member of the World Economic Forum from 2002-2008. He has served on over 70 boards and advisory boards. He has won numerous awards and is the author or co-author of 20 books. His twentieth book, *Green Swans: The Coming Boom in Regenerative Capitalism*, was published in April by Fast Company Press. Twitter handles: @volansjohn and @volanshq. <https://volans.com>

