

# Better world

How can a business connect **purpose and profit**, innovate for social and environmental impact, to create a business that makes life better, and delivers **sustainable growth**?



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“The 21<sup>st</sup> century is a time of scarcity in terms of natural resources” says Santiago Garland, Nike’s director of sustainable innovation. “The 20<sup>th</sup> century was all about abundance and business externalities were not too important as far as wealth was created. Now, wealth creation must be considered more holistically.”

Business people, he believes have changed in outlook, and want to work with more purpose. “People don’t want to work until they are 60 or 70 focused solely on making money, and then drop some coins into a charity to feel they are doing good. Talented professionals today want to integrate their values into their professions and contribute to becoming part of the solution to some of the issues they see in the newspapers. They want to bring the whole of themselves to work and in doing that, they unleash the power of their imagination that is connected to heart affections, to values, to their own search for meaning”

Nike has turned full circle over recent years - once demonised for the work practices in some of its Asian factories, at a time when few other companies had explored global supply chains, and standards had not been written – it is now a world leader in sustainability. In 2010 Nike linked up with NASA and aid charities to form LAUNCH, a sustainable ideas incubator to search for innovations that gave opportunities to suppliers in new markets, and also searched for better materials and practices. Within the first two years it helped bring clean water to 4.5 million Kenyans, affordable renewable energy to India, as well as new fabrics that are better for the environment, better for customers, and provide jobs in low income countries.

Brands have the power to engage people in the most important issues, to change their attitudes and behaviours, and to embrace better practices inside and out. In the same way that Tesla doesn’t see sustainability as a compromise, but as a way to do better – in its case combining a zero carbon electric engine with a sleek sportscar design, that outperforms a Ferrari. Similarly, Nike’s Flyknit shoe technology – where the entire shoe upper is knit with a single thread – not only reduces waste, but also significantly improves fit and lightness.

“Where Naomi Klein’s iconic book No Logo fails” argues Gowland is that “brands are becoming the biggest lever to transforming the business agenda in a profitable way”.

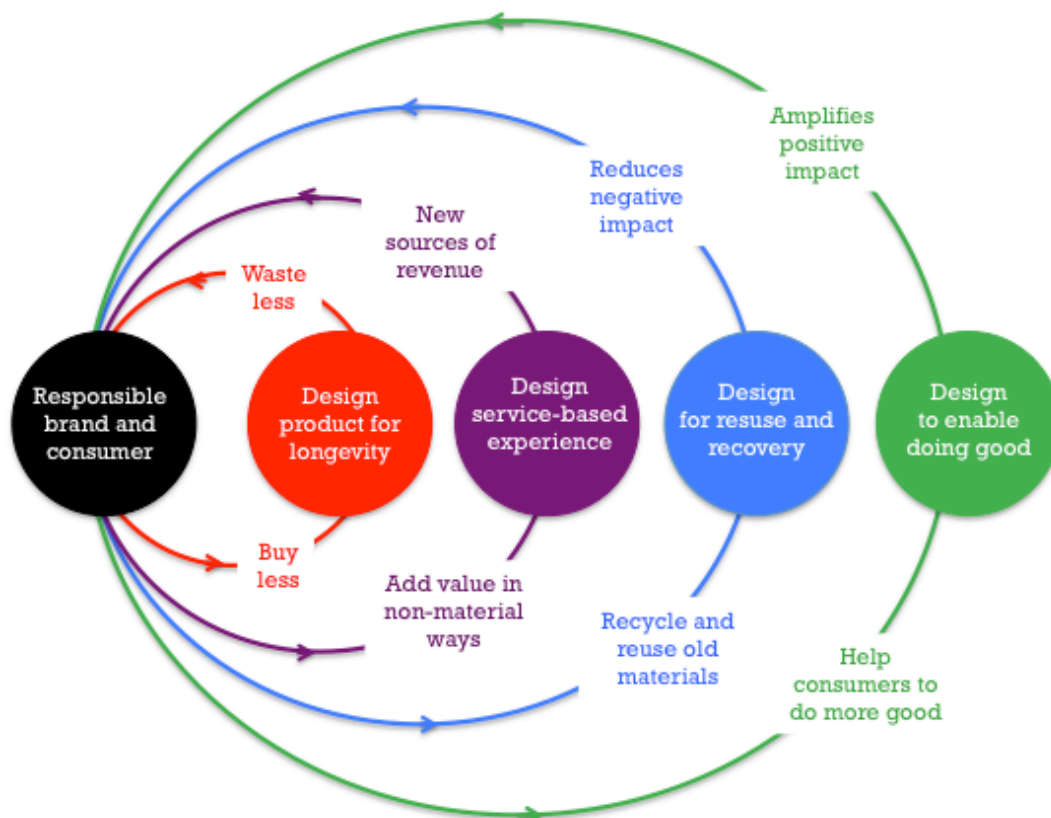
We are living in the end of abundance era. And while we go from 6 to 9 billion people - all aspiring to live better – these social, economic and environmental challenges continue to grow. The question of the role of business in society and the concept of economic growth as we traditionally understand them need to be revised.

The evidence is readily articulated “Health epidemics and infectious diseases are also on the rise. The world’s biggest killers are AIDS, TB and malaria. A child dies every 30 seconds from malaria and pregnant women are particularly vulnerable”.

“People living in poverty are disproportionately vulnerable to disease. 15 million children die from malnutrition each year. That’s one person every 3.6 seconds. The gap between rich and poor continues to grow. As everyone knows, 20% of the world has 80% of the wealth and that wealth is concentrated in the developed parts of the world. Half the world’s assets are held by 2% of the population. Or, to put it another way, half the world’s population own 1% of its assets”.

“1 billion people lack access to safe drinking water and 2.5 billion people – half the developing world – lack access to basic sanitation. Unclean water is a primary cause of diarrhoea – the world’s second biggest killer of children. Climate change is now a reality and a growing threat. This century is witnessing the end to abundance. Scarcity is the rule. Driven by growing populations and rising affluence are putting food, energy and water resources under stress”.

## “Net positive” ... the circular business model



Peter Fisk's "Net Positive" Circular Business Model

The “circular” economy is a closed loop, in that it gives back everything which it takes. This is different from most business models which are primarily “linear” in that they result in waste, and thereby the depletion of resources.

In other words, by nature or design, “circular” business models are restorative. They can be biological, in that they are created and regenerated naturally in the environment (such as water or crops) or technological, where artificial components (metals, plastics) are added by can be reused.

The concept emerged from Ken Boulding’s circular flow model in “Economics of coming Spaceship Earth”, and was also a feature of China’s 11<sup>th</sup> five year plan starting in 2006. Most recently it has been championed by the Ellen MacArthur Foundation, a charity that has promoted the economy benefits as well as environmental importance of the model.

From Aussie Farmers to Le Pain Quititien, Method to Natura, Graal Bio to Tesla we can see the “circular” principles embraced by companies who are changing the game, in their impact, but also in how they deliver a better customer experience. There are three core principles:

- **No waste:** biological components are non-toxic and can be composted, technical components can be used again or repurposed
- **Diversity:** achieved through being modular, versatile and adaptive; from the easy to change parts of a Smart car, to the multi-functional use of Blessus’s clothing.
- **Renewable energy:** the system is powered in a zero-emissions way. In the case of Graal Bio this is turning unwanted urban waste into useful clean energy.

Developing a circular business model is a design challenge, based around the most effective reuse of assets. Products are developed in a way that meet customer expectations without waste, sourced from materials in regenerative loops and with a revenue model that encourages this. It also requires customer collaboration.

The best circular models, however, are creative – they create a “net positive” result rather than a zero sum. Through the positive effect of business, creation and consumption, they add value to the world, for example by doing social good that is an amplification of the effort and resources to achieve it.

## **Circular strategies ... moving from linear to circular**

There are many practical ways to embrace a circular model, for example any one, or combination of the following shifts:

- **From product to service:** leasing products rather than selling them (like Amazon’s streaming music), offering education and advice (like IBM’s shift to consulting), doing rather than making (like Persil’s home cleaning service).

- **From one life to many lives:** reusing the same materials again, by recovering and reconditions products after use (like Tata Assured, selling reconditioned second hand cars, or Vertu phones upgraded inside the same case).
- **From product to parts** – salvaging components from one products to be reused in same or different products (as BMW does with its spare parts service, which come at an 80% discount, and 24 month warranty).
- **From recycling to innovation:** using an old product into something different (like Starbucks turning thousands of tons of waste coffee grounds into bioplastics and medicines using a series of chemical processes).
- **From individual to sharing:** creating platforms and business models that enable products to be shared, and get more use out of assets (from renting out spare rooms with Airbnb to passing on kids clothes with ThredUP).

The circular model, like any other business model, is one of the best ways to change the game. It has the potential to engage people more deeply, and offer more value, whilst also doing good.

## **Together ... enabling people to do more good**

Whilst companies seek to do more to address social and environmental issues, the bigger opportunity is for them to enable every one of their customers, to do more good too. Rather than just one organisation making a difference, they unleash the potential for millions of customers to make a difference. This can be a potent force. It is also a far more engaging proposition to customers, who often feel inadequate when facing big challenges in our world, but could feel empowered by a brand's enablement.

When developing a sustainability strategy with a leading mobile phone brand, they were initially tempted to focus on the usual token gestures – recycling in offices, build a childrens playground – but then realised they had a potential force of over a billion people. If, through their services they could enable these people to do more, perhaps even in a way that enhanced the basic service too, then it would be incredibly powerful. The connectivity of that huge network, for example to collaborate in creating their own local initiatives – could have an even great magnifying effect.

A cause related movement is perhaps the most potent force in society today. Whilst many non-profit organisations champion such causes, brands could help them enormously. Brands bring heightened awareness and interest, relevance and reach. Desigual and Nike, Starbucks and Toms are examples. They have existing infrastructures which can be mobilised, and they can combine personal and social benefits – improving my own life, whilst improving life for others at the same time.

## Legacy ... what your brand leaves behind

What will you leave when you are gone? What will you, your brand, your business do that has lasting significance, not just in your business or market, but for society as a whole? How will you make the world a better place?

For some gamechanging brands, their legacy will be remarkable – from Apple’s generational shift in technology, to Aravind’s transformational eye care in India – whilst for others, they will make small steps along society’s path of progress.

We are temporary guardians of our brands and businesses, moving them forwards, creating positive impact, then handing them on to future generations. Large corporations, like GE or Tata, have already passed through many hands, but Jeff Immelt and Ratan Tata through their “Ecomagination” and frugal innovation have both made their marks on corporate history, and by making a positive difference to people’s lives.

Entrepreneurs have more chance of going down in history. Steve Jobs and Elon Musks, Jack Ma and Anne Wojcici will be the likely Thomas Edison and Henry Ford, Charles Babbage and Marie Curie of our age, remembered for moving society forwards, enabling new possibilities, changing the game.

The world is making rapid progress on many issues which can be further accelerated and sustained by business. Hans Rosling, the late Swedish academic who became an unlikely star of TED Talks, pointed to five major steps forward:

- Fast population growth is coming to an end. In the last 50 years fertility rates have fallen dramatically from 5 to 2.5 babies per woman, thanks to better education and healthcare. In the last decade, children aged 0-14 has levelled off at around 2 billion, and will eventually fall.
- The majority of differences between “developed” and “developing” world have gone. Instead of the polarisation as rich or poor, healthy or unhealthy, powerful or weak, most nations now lie in the middle. Half the world's economy, and most of the economic growth, lies outside Western Europe and North America.
- People are much healthier. 50 years ago, average life expectancy was 60 years, now it is 70. Child mortality has fallen by 75%. The health gap has closed faster than anything else. Vietnam, for example has the same health as the USA had in 1980 but so far only the same income per person as the US had in 1880.
- Girls are better educated. They now receive schooling in equal numbers to boys even in the poorest countries, although around 10% are still restrained

by cultural taboos. Gender inequality, however, still remains in areas such as marital and civil rights.

- The end of extreme poverty. This has halved, to around 1 billion, since 1980. Having sufficient income (around \$1.25/day) for everyday food has a dramatic impact on health and education and fertility, which over the next decade is a realistic possibility for everyone, even in a population that is still growing.

The most significant legacies are those that go beyond technical innovation and really do improve society, for many not just few, change lives not just increase prosperity. Whilst positive impact can be measured in many ways, it is quite reasonable to seek to “change the world”.

Be bold, be brave, be brilliant.

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