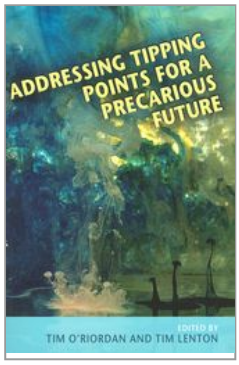

Addressing Tipping Points for a Precarious Future
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Commentary 6.8

It Tips Both Ways

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[−] Abstract and Keywords

Tipping points got us into the current mess and tipping points have to get us out if it. Businesses can respond to proxy versions of tipping points and have to listen to their customers. Dealing with an uncertain future which is not at all like the past requires new forms of leadership and explanation to employees and customers. These conditions are not presently available. Yet the forces of weak governance (especially at the international level), perverse incentives, and excessively powerful lobbies make the onset of tipping points more likely than their more benign transformation. Tough regulatory intervention, new forms of social media communication and pressure, and courageous leadership have to emerge.

Keywords: tipping points, social media, sustainability, customer pressure, sustainable business, sustainable leadership

Tipping points got us into this mess; tipping points will have to get us out. That, in a nutshell, is what I would like to argue in this commentary.

From a business perspective, tipping points are tricky. Management is essentially the art of making decisions based on imperfect information. Most information tells you that the future will be like the past. In fact, that assumption is so ingrained into how we think that most investment products are compelled by law to point out that this is not true.

> Please note that past performance is not a guide to the future. The value of investments and the income from them may go down as well as up.

It is probably fair to say that such warnings are now so ubiquitous as to make not a jot of difference, except to the lawyers who use them to fend off legal action.

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For businesses, spotting and responding to fast-approaching tipping points in the ecological systems on which they depend is very hard. Responding to gradually increasing stresses on systems, even well before tipping points are reached, is hard enough. It is never clear that an emerging trend is indeed a trend until the trend is firmly established as normal. Businesses that fail to spot trends can sometimes catch their competitors up, but species that fail to adapt to tipping points in their environment tend to become extinct sooner than might otherwise have been necessary. Not existing makes catching up harder.

Fortunately, businesses are much better at responding to proxy indicators of approaching tipping points than to the tipping points themselves. This is because such proxies often bring shorter-term implications than the ecological tipping points themselves. Campaigning activities (about tipping point issues) by non-governmental organizations (NGOs), **(p.234)** which threaten brand and reputation, can prompt rapid and helpful responses from companies. Regulatory and legislative interventions, or even the threat thereof, do indeed help to focus the mind of business executives.

But most influential of all is customer demand. A framing of opportunity and competitive advantage drives business action of several magnitudes beyond what is possible with a ‘doom and gloom’, doomsday scenario. The vaguest hint from consumers and customers that a concerted response to ecological issues will be rewarded with custom, brand preference, and loyalty is all that a well-intentioned business needs to change gear in its response. That is the power of the market. I had been working on sustainability issues in Unilever for five years when in 2007 Lee Scott, then CEO and President of Wal-Mart, Unilever’s single largest global customer, gave the keynote speech at a high-level event hosted by the Prince of Wales’s Business and Environment Programme. The next day it was as if someone had flicked a switch inside our organization. People understood that change was coming. It was a tipping point in a journey that had begun in the 1990s, when Unilever’s sustainability programmes in water, agriculture, and fisheries were first established. People saw that the niche might just become the mainstream, even if they were not ready to admit that the people who had for a decade been pushing the idea of a more socially and environmentally responsible version of business were not simply conscience-troubled do-gooders but the early pioneers of a new way of doing business fit for a new century.

It is astonishing to think that no one was able to tweet anything from that speech. It is unlikely that anyone started a conversation about it even on Facebook. Few if any people in the audience were on LinkedIn, and the invitation to attend the event arrived in the post. In just five years there has been a complete transformation in how people collaborate, and an exponential change in the speed of conversation and the exchange and spread of ideas, thanks to the revolution in social media. If the challenge facing us was to find a way to radically raise awareness of the need for action, uncover the world’s best insight into what action really works, and to make that action desirable, then the social media revolution is the single biggest gift for which we might have wished. Change leaders all over the world and in every sector have been handed a weapon for this fight, the power of which we have barely even begun to explore and understand. This is in my view a particularly inspiring tipping point, and we are right in the middle of it.

(p.235) So far I have described tipping points in business cases and tipping points in communication. Many believe this will be enough to make the changes we need, on the scale we need them, in time to avert the other varieties of tipping points that haunt us in our darker moments, and which are described in Chapter 2.1. It is a view which is understandable, given

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the sheer force that both of these will unleash. But it is ultimately a view which I believe is wrong. This is because the inertia within the system dynamic is so far out of proportion with the forces pushing for change, that even if such transformational forces can rise to match it, I see no evidence that they will be able to overcome it completely.

This observation points to a third area where exponential change is necessary: the relationship between the public and private sectors. In John Elkington's commentary (6.6) he summarizes a number of blockers to breakthrough change identified at a recent workshop. Three of them are relevant to this challenge, and I have reordered them into the following narrative description of this problem:

- Our global governance mechanisms and institutions are precariously weak.
- There are too many perverse incentives, including misdirected taxes and subsidies.
- Still-powerful incumbents are failing to adapt and lobby fiercely to block change.

None of these insights is either particularly new, or contested. But what has been changing in the past few years is the growing realization that it is the combination of them that makes the situation particularly dangerous.

Global governance ought to resolve the issues of perverse incentives, yet at the United Nations Conference on Sustainable Development in Rio de Janiero in June 2012, governments largely ignored the major global campaign calling for an end to fossil fuel subsidies, acknowledging it only with a line, in paragraph 225 (of 283), reaffirming previous commitments to take action on this, but with no sense of a deadline, or indeed urgency of any kind. That is a simple failure of leadership.

Even without functioning global governance, perverse subsidies ought to be an attractive target for cost-cutting at the national level in times of global economic austerity, and yet the lobbying efforts of those powerful incumbents make this far less than straightforward. It is a painful irony that the direct and indirect subsidies afforded by governments to the fossil fuel industry are in part what ensures it remains cash-rich and able to **(p.236)** outspend the lobby efforts of more progressive business groups and NGOs who persuasively and painstakingly argue for transformational change in the system.

Even here, where it can seem we are far from where we need to be, I see evidence of positive tipping points. The World Economic Forum's report, *More with Less* (WEF 2012), argued that:

> Governments must act to shape demand for sustainable products and services directly through public procurement, and indirectly shape behaviours and attitudes through policy.

This is a direct plea for regulatory interventions to drive sustainability. The World Business Council for Sustainable Development, which for many years argued for progressive action on sustainability by business (rather than by government, as was some people's interpretation), saw a subtle but significant change in narrative at the Rio+20 Summit with the launch of *Changing Pace* (WBCSD 2012). This is a document whose primary purpose is to make it clear that transformational, scalable, and rapid change by business is only possible with the right policy frameworks, regulations and incentives. It felt like real progress, and time will tell whether it really was a tipping point in this critical global conversation.

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I opened this commentary with the thought that tipping points got us into this mess and that tipping points are going to have to get us out. The triple tipping points of the new and real business cases, the social media explosion, and a change in discourse in the conversation between the businesses that create value for the world and the governments that we elect to create the rules by which they are required to operate; these three acting together give me great hope that the next great tipping point may be just around the corner.

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