

FOREWORD BY SIR RICHARD BRANSON

JOHN ELKINGTON
JOCHEN ZEITZ

THE
BREAK-
THROUGH
CHALLENGE

10 WAYS TO CONNECT TODAY'S PROFITS
WITH TOMORROW'S BOTTOM LINE

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The Breakthrough Challenge

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10 Ways to Connect Today's Profits with
Tomorrow's Bottom Line

John Elkington and Jochen Zeitz

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To those who seek breakthrough change for a better world

Foreword

Sir Richard Branson

When I started Virgin several decades ago, I was excited to build businesses that made people’s lives better. Holding true to this dream is an ongoing journey. We are constantly looking at ways to reinvent what we do to take better care of people and the planet, as well as make a profit. We’ve had some great successes, and we’ve also had our share of spectacular failures.

Over the last decade, we’ve seen a rapidly evolving movement of business leaders who want to create a “*Plan B for Business*” that connects the entrepreneurial drive to succeed with the needs of growing numbers of people and a planet under pressure. I’ve had the great pleasure of working with Jochen and John to take on this challenge. Both of them have been inspirations to me and to Virgin with the deep commitment they have to crafting a vision for this “Plan B” that shows that anything is possible and that business can and must play an exciting role in creating a new and better future for all. Over the last few years, we have joined forces with a great — and growing — group of partners to start The B Team, a

strong coalition of global leaders who are catalyzing a better way of doing business, one that builds value while taking care of the well-being of people and planet. John Elkington, sometimes called the godfather of the modern sustainability movement, and Jochen Zeitz, co-chair of the B Team, sum up in *The Breakthrough Challenge* the B Team's mission: business is and must continue to be a force for good in this world, both in social and environmental terms. Ever the relentless optimist, I see that not as a frightening prospect, but as an amazing challenge. Success and sustainability are two sides of the same coin. Where the priorities of business and society align, everyone stands to gain. Better still, there are countless stories of entrepreneurial spirit and energies that help make the impossible possible.

Nothing is ever easy. Much of the business world continues to operate as if the financial crisis and all its resulting unrest never happened, but *The Breakthrough Challenge* has enormous potential to bring out the best in us—as all good challenges do. Leaders in all sectors, around the world, must recognize the need for a collective, concerted effort, and not shy away from setting bold targets.

Whether you are passionate about sustainable business, passionate about meeting stockholders' short-term profit expectations, or both, you know that our world is at a crossroads. As business leaders, entrepreneurs, investors, and advocates, the choice is ours: either we become part of the solution, or we will forever be seen as a major part of the problem. I choose the former, as do the members of The B Team, and we hope that you will, too.

Preface

Call it serendipity. We first met outside Geneva, at a small roundtable convened by Sir Richard Branson’s foundation, Virgin Unite. The session explored early concepts for breakthrough capitalism¹ and for what ultimately would evolve into The B Team, a new grouping of CEOs and other leaders from the private, public, and citizen sectors. All those involved are dedicated to changing the rules not just of business but also of markets and, ultimately, of capitalism. The goal: a sustainable market economy. The proposed solution: Plan B, outlined in more detail in Chapter One.

The idea of pulling some of this together into a book came a couple of months later, as we explored converging interests. Back in 1994, John had coined the term “triple bottom line,” and, in 1995, he came up with the linked term “people, planet, and profit.”² As chance would have it, this book’s year of publication marks the twentieth anniversary of the triple bottom line — and, many years later, the 3Ps would serve as The B Team’s launch strapline as it began to evolve its Plan B agenda.

Jochen, meanwhile, had been the youngest-ever CEO of a German publicly listed company, Puma. His first book, *The Manager and the Monk*, was cowritten with Anselm Grün, a Benedictine monk and prolific author.³ The book explored the overlap between prosperity, values, and sustainability from the viewpoints of both business and religion. Working with PwC and Trucost, Jochen had also pioneered the environmental profit and loss (EP&L) accounting approach at Puma and its Paris-based owner, the global group Kering. He saw the EP&L as the first step toward a full—and increasingly integrated—set of triple-bottom-line accounts. Ultimately, alongside an economic impact analysis, this would also include a social profit and loss (SP&L) element, with external stakeholders signaling that this is doable, although social accounting can be even more complex and political than environmental accounting.

Alongside the increasingly obvious challenges facing science, technology, and engineering, we need to transform economics and accounting to serve the transition to a sustainable future of an estimated nine to ten billion people later this century. This is what we mean by the Breakthrough Challenge, defined in more detail in our Introduction.

In this spirit, we tapped into the collective wisdom of The B Team leaders, of those who have helped to shape the B Team agenda, and of around a hundred other leaders and change agents. Soon we had a global conversation on our hands. Our interviewees ran the gamut from Justin Welby, the then newly appointed archbishop of Canterbury and himself a former businessman, to Zhang Yue, one of the most successful industrialists in China, the world's most successful (if still profoundly illiberal) Communist economy.

Our hope is that The B Team and its evolving Plan B agenda, whatever reverses they may suffer along the way, will help drive and shape the next wave of change. With such a fast-paced

entrepreneurial initiative, it is inevitable that The B Team agenda will evolve considerably, with new priority areas being added as new members join. But this is our best shot at capturing the state of play at one of the most exciting ventures either of us has been involved in to date.

We hope you find the book both provocative and useful. The conversations continue to build as The B Team defines the concrete actions it plans to pursue, so please join us. Let's accept and tackle the Breakthrough Challenge together.

April 2014

John Elkington

Jochen Zeitz

The Breakthrough Challenge

Introduction

Profit from Tomorrow's Bottom Line

Much of the world has entered one of those rare epochal periods when business, markets, and even capitalism itself face a succession of breakdowns.¹ Political, economic, and societal failures are causing many of us to lose confidence in the old order. Too often, our politicians and governments, desperate to safeguard their own interests and protect their electoral prospects, lack the will to make the hard decisions needed to create a new order that works for all.

As confidence in the old world order erodes, those with an eye to the future are looking for radically different solutions. In the process, a growing number of business leaders are beginning to notice innovations they had previously ignored. They also are starting to consider new ways to perform not only against today's measures of success but also against tomorrow's bottom line. Where a few breakthrough leaders currently work to map out the new landscapes of risk and opportunity, the coming years will see increasing numbers of breakthrough leaders, businesses, and industries pushing way beyond today's change-as-usual strategies.

This is the Breakthrough Challenge. It requires us to coevolve a shared vision of a radically better future—and to work out new ways to measure and incentivize progress. The business breakthrough that will make this possible is tomorrow’s bottom line, and as it evolves, it must become a North Star for business leaders and investors determined to future-proof their assets and organizations.

Tomorrow’s bottom line may still be emergent, but we can already detect an outline and some key features. The focus will vary across different geographies, sectors, and ownership structures, but at its heart will be a new appreciation of longer-term thinking, strategy, and investment. It will place a higher value on ambition and stretch targets. Its evolution will be powered by radically greater market transparency. It will track novel forms of capital and value, using numbers and algorithms that would seem alien to most of today’s financial analysts and CFOs. It will be integrated in new ways, linking to wider metrics on the health and well-being of individuals, communities, and ecosystems. It will favor businesses that learn from nature and play into the emerging circular economy. Critically, it also will be supported by a broadening range of professions and service industries that seek to level the market playing field—upward.

Our focus can no longer be on a single, financial bottom line. Future success—lasting success—will mean much more than posting positive quarterly earnings or boosting stock prices by a penny a share. In a world that is increasingly intertwined and interdependent, we must consider people and the planet as well as profits.

We must build the foundations of tomorrow’s prosperity by expanding the focus of accounting and reporting from *financial* and *manufactured* forms of capital (for example, infrastructures, buildings, and equipment) to embrace other forms, including *intellectual* (intellectual property, patents, tacit knowledge, and

intangible assets like brands), *human* (people's competencies, capabilities, and experience), *social* (shared norms, common values, key stakeholder relationships, and an organization's social license to operate), and *natural* (air, water, land, minerals, forests, biodiversity, and wider ecosystem health) forms.

The consequences are likely to be as profound as those triggered by the development of new scientific and political paradigms during the Enlightenment or the spread of fossil-fuel-consuming technologies during the Industrial Revolution or the lightning-quick changes that marked the dawn of the Internet age. As a result, the quest is now on for new mind-sets, new technologies, new business and economic models, and new lifestyles and cultures.

Increasingly, it will be a question of breakdown or breakthrough. Breakthrough leaders—and increasingly their organizations—are coming to understand the need for new levels of ambition, innovation, and enterprise. They also acknowledge that it is now up to business to accept the challenge.

o Business Must Take the Lead

Faced with a perfect storm involving globalization, the increasing power of multinational corporations, and the impact of the prolonged economic downturn, most governments have struggled to keep up with events—let alone get out ahead of them. In this context, a growing number of CEOs and other business leaders publicly acknowledge that our economies and societies face new and increasingly systemic challenges. They conclude that there are material business implications and that in the absence of effective government action, business has no option but to take the lead.

They do not do this because they want no (or less) government, but because they see political leaders—and many parts of the public sector—trapped in something of a time warp. These

business leaders no longer simply talk about cleaning up their own operations and supply chains. They also stress the need to change key aspects of the very capitalist system of which they have been among the main beneficiaries. They want — and they increasingly will insist on — new forms of politics and government that are better adapted for the twenty-first century.

Feike Sijbesma is CEO and chairman of the managing board at Royal DSM. Royal DSM started out as Dutch State Mines, an extractive and coal-to-chemicals operation, then morphed into an industrial chemicals producer and then increasingly into a global science-based company active in health, nutrition, and materials. Sijbesma is among the leaders who have concluded that our economic and societal systems are no longer fit for purpose.

“When the richest quarter of the world’s population uses about half of our global resources—and takes the liberty to produce almost half of the global waste—while another third lives in poverty,” he says, “it is clear that our economic and societal systems are failing us. And that is even before we consider how our planet needs to accommodate nine billion mostly urbanized and aging people, and the enormous pressure we see on our climate and environmental systems. Add in the rapidly growing middle class in China, India, and elsewhere who also want their share, and it is easy to see that our current path is unsustainable.”

Sijbesma believes—as we do—that urgent global challenges now call for a radical overhaul of the economic system. He argues for the need to strike a new balance in which societal, ecological, and economic value creation are seen as three equal and complementary goals for business.

Doug Miller, founder and chairman of the global polling firm GlobeScan, notes that governments are failing when it comes to driving this sort of change. He concludes that business-led solutions now represent the only realistic option when it comes to

providing a path toward new measures of value creation that look well beyond the financial numbers. Drawing on his firm's polling of tens of thousands of experts and citizens in scores of countries, he reports that "stakeholders and experts alike are beginning to see business-led solutions as pretty much all we've got to work with, in the absence of government and of really effective NGOs."

When it comes to corporate board and C-suite engagement, Miller concludes that the business case is still often too weak to engage top teams hemmed in by such factors as investor insistence on quarterly reporting and earnings guidance. "Our hope has to be in next-generation leaders, with significant progress now just a promotion away," Miller concludes. This is a huge opportunity for tomorrow's leaders now moving into the global C-suite. They must lead the way in both providing solutions and encouraging their colleagues to embrace the Breakthrough Challenge.

- Introducing The B Team

It is this agenda—this kind of change—that the founders of The B Team champion. The B Team is a nonprofit initiative formed by a group of global business leaders to work toward a future in which the purpose of business is to be a driving force for social, environmental, and economic benefit and change. They have come together as concerned global citizens, not just as representatives of their companies or sectors. Simply stated, they aim to contribute to changing the rules of the market game.

Their mission is to deliver a "Plan B" that places people and the planet at least equally alongside profit.² "Plan A," they conclude, in which "companies have been driven by the profit motive alone—is no longer acceptable."³ There is no Planet B, as B team cofounder Sir Richard Branson insists. However, drawing on the priorities of the founding CEOs and of hundreds of other leaders around the world, there is now an evolving Plan B.⁴

The members of The B Team include leaders straddling many different sectors around the world.⁵ Sir Richard Branson and Jochen Zeitz, coauthor of this book, cofounded the organization and serve as cochairs. Leaders in the first round of members were:⁶

Shari Arison (owner, Arison Group, Israel)

Kathy Calvin (president and chief executive, UN Foundation)

Arianna Huffington (president and editor-in-chief, the Huffington Post Media Group, USA)

Dr. Mo Ibrahim (founder of Celtel; chair, Mo Ibrahim Foundation, Sudan-U.K.)

Guilherme Leal (cofounder and board member, Natura; founder, Instituto Arapyauá, Brazil)

Strive Masiyiwa (founder and chairman, Econet Wireless, Zimbabwe/South Africa)

Blake Mycoskie (founder and chief shoe giver, TOMS, USA)

Dr. Ngozi Okonjo-Iweala (coordinating minister of the economy and minister of finance, Nigeria)

François-Henri Pinault (chairman and CEO, Kering, France)

Paul Polman (CEO, Unilever, the Netherlands)

Ratan Tata (chairman emeritus, Tata Sons, India)

Muhammad Yunus (Nobel Prize – winning founder of Grameen Bank, Bangladesh)

Zhang Yue (chairman and founder, Broad Group, China)

Two honorary members also joined in the first round: Gro Harlem Brundtland (former prime minister of Norway) and Mary Robinson (former president of Ireland).

These leaders think and act differently — and they use different measures of success. “For several years now, all our business and philanthropic entities have been implementing long-term visions and instilling values,” reports Shari Arison. “And now I can say that we’re proving that *doing good is good business*. It’s a whole new way of doing business that many companies are waking up to.”⁷

Such people often report having had a wake-up moment. Blake Mycoskie of TOMS recalls being shocked to see shoeless children in Argentina in 2006.

That really was the ah-ha moment for me. Most people look at problems in the third world and one word comes to mind: charity. But for me the word entrepreneurship came to mind. And that's why I started TOMS as a for-profit business with our One for One model. I knew if we could get people to buy our shoes, and continue to buy our shoes, that we could sustain the giving and that would solve the issue that I saw in Argentina. Five years later, we launched the second One for One: TOMS Eyewear, helping to provide sight to those in need around the world. To date, TOMS has given over ten million pairs of new shoes to children in need and has helped to restore 175,000 people's vision around the world.⁸

Everyone involved in The B Team is committed to working toward long-term, breakthrough solutions that will open up new pathways to more sustainable, more equitable societies and economies. As Gro Harlem Brundtland notes, “the process of reinvention must include private actors, businesses, and civil society, encouraging them all to take a long-term view.”

In the simplest terms, a series of complex challenges boils down to four commitments that leaders must make. First, the leaders aim to reduce harm to the planet—and to support its restoration. Second, they pledge to make the well-being of people a priority. Third, they are committed to ensuring good governance and transparency. Fourth, they are collaborating to accelerate better ways of doing business—stressing that a key part of this will involve working with governments to ensure fair and transparent tax systems, alongside new types of incentives designed to promote better outcomes for people and the planet.

B Team member Zhang Yue, founder and chairman of Broad Group, is an example of these commitments in action. He founded his business with just \$3,000 in 1988. Since then he has obtained over one hundred patents for his inventions, ranging from the pressure-free hot water boiler in 1989 to a factory-made sustainable building twenty years later, and is known for working at an ultra-rapid pace, including building a fifteen-story hotel in just fifteen days. In 2011, Zhang was awarded the UN Champions of the Earth award; the citation noted that he had “become one of the most outspoken voices on the environment in China, advocating, among other things, for tighter government regulations on insulation and building standards and for the decentralization of power plants.”⁹

We recognize that what The B Team proposes will be a challenge to—in some cases even taken as an affront by—some of our colleagues and competitors. We understand that embracing this kind of change—both in thought and action—can be intimidating. But experience suggests that together, over time, we can move toward radically better ways of doing business. What seems impossible today can seem possible—even inevitable—tomorrow.

Rather than simply protesting the various ways in which the current order is undermining the future, The B Team is committed to catalyzing the emergence of a new economic order. Working with a global community of advisers and partners, The B Team leaders focus on execution and action, catalyzing and amplifying others’ efforts by undertaking specific global challenges where their collective voice can make a difference. In picking challenges to tackle, The B Team aims to ensure that the challenges it accepts pass through all—or most—of the following five “decision gates”:

- Will this proposed solution remove a critical roadblock or create enabling conditions to ensure that business works significantly better for people and the planet as well as profit?

- Will the solution lead to an entirely new expectation, model, ideology, or system for how business is done?
- Are the various proposed solutions to a particular challenge scalable? Is there existing work that the team can accelerate to cause greater impact at a faster rate without duplication?
- Is this a challenge — and are these solutions — that are best advanced by business? Or would it be more appropriate for some other entity?
- Is this challenge a good fit for The B Team, and does it fill an important gap in the world (that is, does it ultimately serve to accomplish Plan B)?

To help focus its efforts, The B Team has identified four overarching challenges: the future bottom line, the future of incentives, the future of leadership, and the future of investment. Here's what we mean by each of them:

- **The future bottom line.** During the past century, most publicly listed companies have increasingly focused on the single objective of profit maximization, often driving short-term financial gains at a long-term cost to people and the planet. Business has not accounted for the true cost of its activities when it comes to negative impacts on individuals, society, and the environment. The bottom-line performance reported to investors, therefore, does not reflect the true health and status of a given business. The B Team, by contrast, strives to accelerate the move away from single-minded financial short-termism toward a greater focus on the long term, and aims to expand corporate accountability beyond financial gains to include both positive and negative contributions to the economy, society, and the environment. (See Chapters Three and Four.)

- **The future of incentives.** Current global regulatory frameworks rarely support the transition of markets and business models toward what we would understand as tomorrow's bottom line. There are too few positive incentives and too many perverse ones. So The B Team is working with partners to develop new corporate and employee incentive structures. It also aims to identify and map both positive and harmful subsidies, helping build business support for incentives that maximize economic, social, and environmental benefit and dividends. (See Chapter Six.)
- **The future of leadership.** Because the current mind-set of competing and consuming primarily for financial gain is unsustainable, business leaders must work together to build the new foundations for tomorrow's growth. Focusing on the need to redefine what it means to be a good leader in business, The B Team aims to accelerate a new kind of inclusive leadership underpinned by a moral compass of being fair, honest, positive, and creative.¹⁰ This approach is founded on cooperation and aims to generate long-term value for society, the economy, and the environment. Working with others, we will highlight and celebrate those who are leading the way and helping nurture a new generation of business leaders. (See Chapters Eight and Ten.)
- **The future of investment.** Today's capital largely flows to companies and businesses that focus obsessively on profit. In contrast, The B Team concludes that it is time to steer a much greater proportion of future investment into activities creating new blends of economic, social, and environmental value, what Jed Emerson has dubbed "blended value." We cover the financial world in several chapters, but particularly in Chapters Three, Four, and Ten and in our Conclusion.