ONE OF THE STRIKING CHARACTERISTICS OF companies seriously committed to tackling major environmental and societal issues is how today they talk about driving for system change.

The phrase has entered the corporate lexicon in the last few years. It is a term often used, but a concept that remains difficult to grasp. Brunswick Senior Partner Lucy Parker spoke with Jeremy Oppenheim, Founder of Systemiq, a B Corp that works to mobilize systems change to build more sustainable societies. Their conversation explores what systems change means in practice and why business leaders need to get actively involved.

A MASTERCLASS in SYSTEMS CHANGE with

What does it actually mean for a business to be involved in systems change?

First of all, there's a very complicated question: What do we mean by "the system"? In our world at Systemiq, we think about specific systems: the energy system, the mobility system, the nature and land-use system—with food a huge part of that—the finance system, the built-environment system, the health system and so on. The systems by which we produce, consume and innovate the products and services at the heart of our society. That's where we focus.

We think of systems as ways of organizing what are not just economic activities, but also social,

JEREMY OPPENHEIM, Founder and Senior Partner of Systemiq, offers his views on how corporates can benefit from looking beyond traditional walls to become "system shapers."

cultural, technological and political processes, to achieve a set of private and public outcomes.

So, although it can sound a bit boring and definitional, it's worth being very clear what we mean as a system. Then, the work we do is essentially within a system which has been designed to—or rather, it's typically not designed to but has evolved to—achieve a certain set of outcomes. But then, over time, that system begins to underperform—and becomes riddled with contradictions.

Can you paint me a picture of that in practice?

The food system, which has evolved, in part by design, to produce as much food as cheaply as possible, is a good example. That was the right imperative in the 1970s and 1980s—and it has been hugely successful, feeding over 8 billion people. But the food system is also a victim of its own success. Today, that food system is beset with $10 trillion worth of contradictions—from its negative impacts on health all the way through to its harmful consequences for climate and environment. Throw on top challenging debates about "food security" in the context of a global food system and you get into a complex set of trade-offs.

As a result, the key "systemically important" players, both private and public, now have to grapple with these contradictions and trade-offs, whether it's to improve overall system performance, improve market design or renew their own license to operate.

SYSTEMIQ

SYSTEMIQ WORKS TO transform five systems that shape how we live and work: energy, nature and food, materials, urban areas and finance.

It approaches transformation through advising entrepreneurs, building coalitions, accelerating innovation and catalyzing large-scale capital.

Collaboration runs through all of Systemiq's work—partnerships with leaders in civil society, investors, government, business and finance.

"The world has the knowledge, technology and financial resources to build a better economy," Systemiq's website reads. "But change isn't happening at the scale or speed required. Systemiq exists to dramatically accelerate that change."

JEREMY
OPPENHEIM

So the key is that it's not just a business, but the system itself that is underperforming?

Yes. Those contradictions are where the existing system is generating a series of costs that were previously hidden but have now become sufficiently visible and large that they bring into question whether the system is functioning well.

System change happens when three things occur: the costs of sticking with the current system become too high; when the potential benefits of switching systems become sufficiently tangible to enough actors; and when the politics of protecting the existing system weaken. The contradictions simply become too large, the vested interests that would normally protect the existing system are perceived as a losing battle by enough players. That tips the political and economic calculus, accelerating the shift to new power structures and new economic models—a shift perceived in hindsight to be "inevitable."

Many business leaders believe "the system" isn't their problem and that their job is just to run their business. Why do businesses need to get involved in systems change?

Because we're at a point today where many of our key economic systems are unstable. If you just sit there as a business leader and say, "I'm indifferent to the way in which this system is likely to evolve," I think you're asleep at the wheel. Whether you're an investor, a policymaker, a business leader—you're asleep at the wheel. You have a responsibility, not just to understand the different pathways the system could take, but also to think through how those different pathways might affect your business.

There are now more and more opportunities for businesses to participate as "system shapers." If you walk into this territory as a business leader with the point of view that you can be part of the solution and you can help to resolve some of these contradictions, then there's huge potential to create value.

In fact, big businesses are an integral part of these systems, aren't they? The system is not just something around and outside them.

That's true. It's also true that even the biggest firms are not big enough to change those systems on their own. This new leadership mindset starts with the recognition that this change is happening around us. The externalities are now so large that they dominate the underlying characteristics of how the market would otherwise operate. If the externalities are small—take carbon, as an example—you could do a little bit of regulation, put a \$20-30 price on carbon

> "We are at a tremendous moment which is opening up the possibility of profound, not just incremental, systems change."

and the current system could continue to operate. But when the externalities become very large you can no longer just price them; you actually have to restructure the whole system. And this is exactly what's happening.

The power sector in particular is at the epicenter of this. The IEA and the Energy Transitions Commission will tell you that the system is about at a tipping point, in terms of capital allocation, of the speed and scale of technological change; fossil-based versus clean energy, plant and equipment and so on. It's essentially a transformation. But it's not neat and linear shifting from one thing to another. It's messy and complicated—one step forward and half a step backwards, with inherent complexities. But it's under way; it's happening. And it's spilling over into the whole economy.

Many companies remain focused on continuous incremental improvements, whereas your understanding of systems change is taking the opportunity for fundamental system redesign.

We are at a tremendous moment which is opening up the possibility of profound, not just incremental, systems change. Because more ambitious leaders, across both private and public sectors, recognize that this is a game of radical shifts, they are trying to figure out how to participate in and act as system shapers. The less ambitious, more incremental actors inevitably end up being system takers, either with no voice or playing a "last man standing" defense—that can be profitable in the short term. Whether you are a more confident player and believe that you can shape a positive outcome or you're a somewhat more cautious player who doesn't want this to just happen to you, you can't succeed without learning the new leadership moves required to get onto the system change dance floor.

In one sense, this is just a more holistic exploration of strategy—understanding the deep forces shaping the markets in which their business operates. But it's not just "strategy as usual," given the radically disruptive set of possibilities that open up as systems change.

Working on systems change is frustrating; the players don't align easily, things don't move fast enough. How do you think about those problems?

There are problems at every level, certainly. The historical bias and behavior and mindset of leaders as they've grown up is to focus on the competitive differences rather than on what they have in common,

not least with their industry peers. So, it is a staggeringly big and difficult mindset change to embrace the idea that you have got to work collectively.

It was hard enough when industry peers were collaborating mainly to create more technical standards and protocols. But we're now asking people to work collectively on a reset of absolutely everything. From how the markets will work, to the policies, to the investment strategies, to the way that we measure what's good and what's bad. We're asking people—in a sense, requiring people—to participate in collective processes which are resetting the entirety of their game.

This is an extraordinary shift. So what could go wrong? Everything! Because it's so hard.

It's hard to do this work in a way that is constantly building trust and substantive alignment, and in a way that doesn't create unworkable winner and loser effects. However, there is progress, though obviously

> **"This is an extraordinary shift. So, what could go wrong? Everything! Because it's so hard."**

it's too slow. But I don't see a single one of the businesses we work with saying: "I'm not playing; I'm out." They say that they're fatigued with this coalition stuff, that it takes time, that there's too much duplication of effort—to which they often unconsciously contribute.

What we're starting to see is a flight to quality: What they want is to know that the collective platform is targeting a real problem, where the line between competitive and collective conduct is clear, where there are clear milestones and time-bound commitments, and where the initiatives have benefits for all the participating actors, rather than creating major asymmetric effects.

Our job is that as we develop areas for collective action, we do it in a way that helps it to work for companies—so that it becomes intrinsic to how they see what good strategy looks like; that it's integral to their view of how to lead a business well. ◆

The KEY to EFFECTIVE coalitions

What do you make of the proliferation of coalitions arising these days?

Coalitions have emerged in different forms. Some of them are obviously industry collaboration. In the mining sector, the International Council on Mining and Metals (ICMM), wonderfully led by Rohitesh Dhawan, is a very interesting example of an industry cooperating horizontally on certain pre-competitive issues. They have to deal with trying to adjust to a new set of expectations out there, but without a consistent global or even national regulatory framework. Yet they have investors and customers who care about how these companies perform in ways that go beyond just the short-term P&L. They're trying to work together to shape some voluntary governance for themselves that establishes what they want to stand for and how to act in a way that creates a collective benefit. The fact that the ICMM have got all their members signed up to move towards a nature-positive proposition is an example of how an industry can step up to make tangible progress.

If coming together around a shared challenge is where it starts, what makes for an effective coalition?

There's a tangible benefit they can get after and one that they cannot deliver on their own. There's a way in which they each can see themselves adjusting what they're doing and being able to deliver on that

> A principal mechanism for systems change is working in coalitions. They now come in many varieties and Systemiq works with many different types, so we asked **JEREMY OPPENHEIM** for his point of view on what makes for an effective coalition.

benefit so it's not an empty promise. And they can learn from each other. It matters too that it doesn't change the dynamics and competitive positioning of the players in the market; that's important. You put enough of these things together and you get a willingness to act collectively.

It's encouraging that a lot of effective work is deep down in the nitty-gritty of what actually needs to change operationally.

Yes. There are coalitions working in a lot more technical areas that may not be so visible in the public debate. So go into the fertilizer sector and you'll see the International Fertilizer Association, the IFA, working on very detailed technical standards that are designed to address concerns about the use of fertilizers in the natural environment. That work then feeds into interactions with regulators and the like. So don't imagine that the work is just about big public announcements. There's a lot of detailed effort that takes place behind the scenes that is really valuable.

Or, for example, it could be about packaging where you can see an industry committing to shift to a particular agreed set of labeling standards. You build the basis upon which there can be greater trust from the public that the industry is actually moving together to work on a challenge. And by doing that, you also begin to create some economies of scale for

suppliers. When they see there's a green standard on this form of recyclable or bio-plastic, then the potential for those suppliers to scale up is significant and their ability to get financing from banks and investors also goes up.

Every change is an important change. But would you agree that progress is often only incremental in the face of urgent need?

You could say that what I'm describing here has been going on for decades. The idea that industries come together to work on standards and metrics, safety issues and so on, that's been going on for a very long time.

What's so interesting to me is that there are now a growing number of organizations that are much more urgent about change. Take the Fashion Pact, which is working to improve the environmental performance of the end-to-end global fashion supply chain. Or a new collective, the International Sustainable Forestry Coalition, whose mission is to figure out how the forest sector can make the best contribution to building a sustainable bio-based economy.

Jon Miller and I wrote about this trend in _The Activist Leader_—the emergence of "activist coalitions." Is that what you're seeing too?

Yes, and what's also new is the extent to which the best collectives are looking to align industry interests with wider societal interests, in a way that is more transparent and open to public scrutiny.

However, while they're speeding up, even the most ambitious collectives find it hard to move at the pace which science tells us is needed to tackle the climate and nature challenges.

Nevertheless, they're consciously taking an activist stance on how the industry can contribute to the big challenges of our time—identifying transformation pathways and solutions, and developing new ways of measuring and assessing the performance of the industry. They enable their members to be more courageous leaders, not least given the predictable backlash that they will experience from some quarters.

This model also provides comfort to investors about good, forward-looking risk management. It strengthens the capacity of policymakers to act and regulate where voluntary action is not enough. And hopefully, it can build a new social contract between industry and the general public. What you and Jon call "activist coalitions" will play a mission-critical role in accelerating the system changes needed in the world. ◆

International Council on Mining and Metals

ICMM represents a third of their industry globally. Its position is that mining and metals are the bedrock of industries spanning renewable energy, sustainable transport, construction and technology, and will play a critical role in meeting sustainable development goals—but the pursuit of progress must not be at the expense of nature. Therefore, as part of its environmental strategy, ICMM is making commitments and developing metrics and practices to contribute to the Global Goal for Nature.

International Fertilizer Association

Founded almost 100 years ago, the IFA now has more than 450 members in roughly 80 countries, right across the value chain including producers, traders and distributors, along with agtech startups and non-governmental organizations. With a mission to promote the efficient and responsible use of plant nutrients, it brings together member organizations on areas of common interest to establish joint actions and positions on complex issues in the industry.

Consumer Goods Forum (CGF) Plastic Waste Coalition

With 40 leading companies in the production and retailing of consumer goods, one of CGF's priority areas for action is tackling the problem of plastic waste. Members have aligned behind the Golden Rules for Plastic Packaging, a set of voluntary and time-bound commitments in support of the New Plastics Economy Global Commitment. It supports Extended Producer Responsibility (EPR) for a circular economy, chemical recycling and a focus on priority markets for more effective waste management on the ground.

International Sustainable Forestry Coalition

ISFC is a new alliance, launched in September 2023 with 10 leading forestry companies that operate across 27 countries and together manage almost 22 million acres of land from Brazil to Indonesia, Estonia to Mozambique—with the aim of supporting growth that is compatible with climate and nature recovery imperatives. It advocates for a circular bioeconomy, embedding science-based principles in policy and incentives, and increasing benefits to rural and Indigenous peoples.

The Fashion Pact

The Fashion Pact brings together many brands with an explicit commitment to CEO-led action. It has set specific targets across the three areas of mitigation: climate change, restoring nature, and protecting oceans and freshwater from the negative impacts of the industry. Guided by the fashion compass produced with MIT's Fashion Innovation Hub, the coalition's action focuses on what it sees as tipping points to lower impact production, including through the tiers of the supply chain, and significantly scaling the availability of lower impact materials.
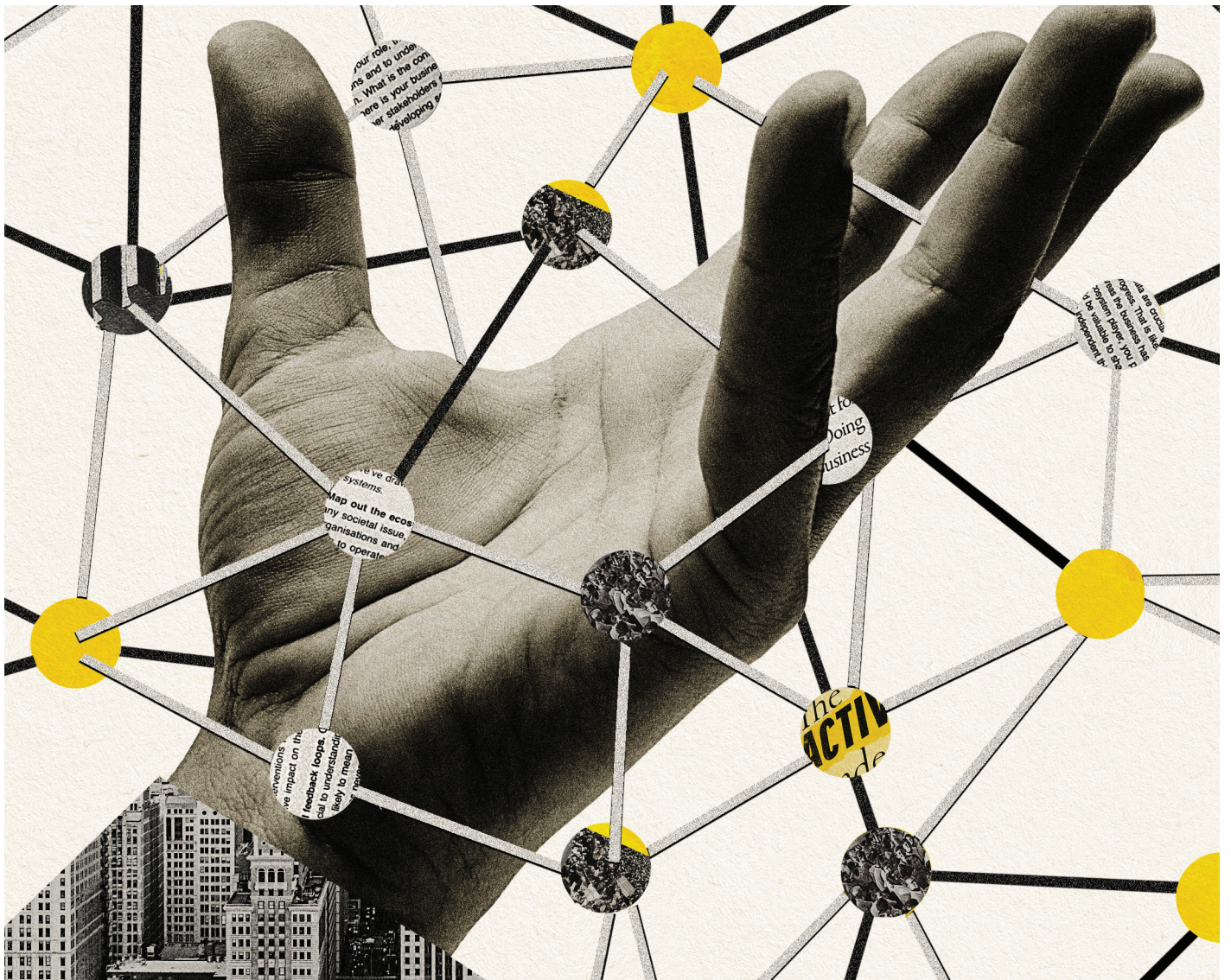
An Activist Mindset in Systems Transformation

IN THEIR LATEST BOOK, Brunswick's Lucy Parker and Jon Miller outline nine steps for leaders to think like activists, one of which is to "drive for systemwide change." Below are two excerpts from the book, the first explaining businesses' rationale for working on systemwide change, and the second detailing how leaders can understand the systemic nature of the challenge—and how they can be part of the solution.

An excerpt from
The Activist Leader
by **JON MILLER** and
LUCY PARKER
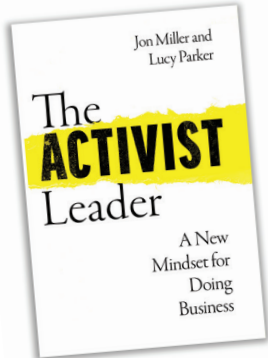
WHETHER IT'S CLIMATE CHANGE, OR INEQUALITY, or waste, or any of the other big issues, it's become clear that systems are not just the context of the challenge; they are the challenge. Systems thinking has moved from the background into the foreground, and many of the players in those systems from all sectors of society have realized that isolated, unilateral action will never be enough.
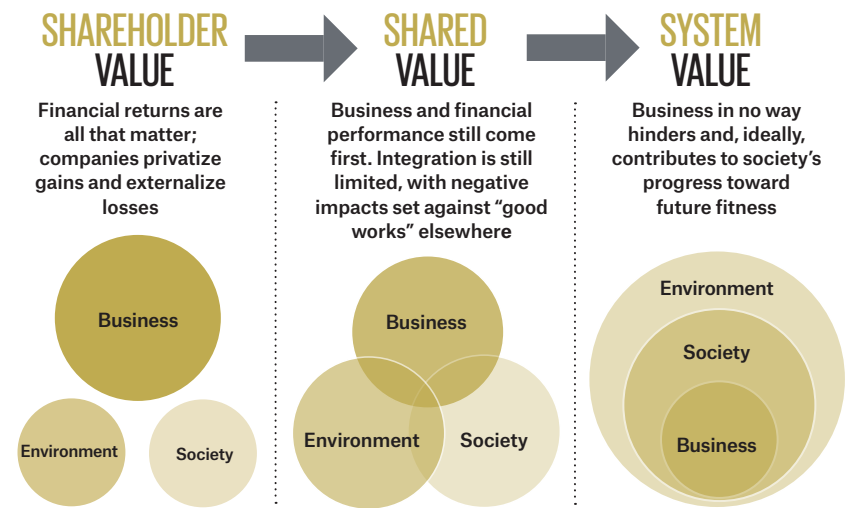
Businesses are an inextricable part of today's major global systems: food or health, energy or transport, to name a few—it's hard to imagine these systems without companies of all shapes and sizes playing an intrinsic role. There's a dual rationale for businesses to work on systemwide change: It's both essential to achieving the company's own goals for

future sustainability, and it's the only way to deliver on the issue—any issue.

It's been a long road to get here. The illustration to the right shows how the notion of value has been evolving over the past two decades: from the historic model of shareholder value, where business, environmental and social value exist in separate realms; to the well-known idea of shared value where the areas overlap but remain unintegrated; toward a system-value model—where business is built into a broader understanding of societal and environmental value.

Making a contribution to drive change system-wide is a defining aspect of social leadership in these times. Business leaders with an activist mindset are looking for new ways of working with and through others to mobilize change. ◆

SHAREHOLDER VALUE
Financial returns are all that matter; companies privatize gains and externalize losses

Business
Environment
Society

SHARED VALUE
Business and financial performance still come first. Integration is still limited, with negative impacts set against "good works" elsewhere

Business
Environment
Society

SYSTEM VALUE
Business in no way hinders and, ideally, contributes to society's progress toward future fitness

Environment
Society
Business

The long road to system value. Diagram from Future Fit Foundation.

How to Think Systems

Actively engaging to help create change in the system, not just in your business, is a radical shift in the nature of leadership. For people on the inside of businesses it demands a different way of thinking. It's possible to see some underlying principles at play. Inspired by the work of the late Donella Meadows, a scholar of systems theory, we've drawn out some key learnings as prompts to help think systems.

1 Map out the ecosystem your business is a part of. On any societal issue, the ecosystem is made up of the many organizations and interdependencies that enable your business to operate successfully. It starts with your value chain but encompasses innovators, academics, industry bodies, governments and policymakers, NGOs and community-based organizations—even customers and competitors. All the actors who have a stake in the system.

2 Be clear about your role in the ecosystem. The more well-defined your role, the easier it is to form meaningful collaborations and to understand the leverage you have in the system. What is the contribution your business could make? Where is your business an enabler, or a block? How do other stakeholders see your role and your potential to be part of developing solutions?

3 Think about the edges of your company. The "inside" and "outside" of a business is no longer as defined as it was; companies today are more like clouds of collaborations, networks and relationships.

Proactively engaging at the edges of your business, the places where you interface with others, can increase your understanding of the ecosystem and prompt the possibility of new partnerships.

4 Upend your model of innovation. Systemic problems can't be solved in an R&D lab alone—solutions will come from the system itself. Starting your innovation out with the stakeholders closest to the issue enables you to more effectively identify the most acute pain points in the system and shape your strategy accordingly.

5 Find the "leverage points." Systems theory holds that there are places where a small shift in one area can produce a much bigger change across the system. These leverage points may be outcomes your business can influence positively—through procurement or innovation, for example. Seek out the interventions that may have a disproportionately positive impact on the issue.

6 Create data flows and feedback loops. Comprehensive ecosystem data are crucial to understanding the issue and tracking progress. That is likely to mean developing new data sets in areas the business has never considered before. And, as an ecosystem player, you probably have significant data that would be valuable to share with others, working in collaboration with independent third parties if necessary.

7 Look for the pre-competitive spaces. Critical societal issues usually present risks to entire industries, and companies have a shared interest in tackling them. For example, strengthening recycling

infrastructure benefits all companies struggling with plastics waste; scaling up production of sustainable aviation fuel would be a significant step on the path to decarbonizing the entire aviation industry. Finding these opportunities is a route to accelerating progress in your business and systemwide.

8 Use your philanthropy strategically. Companies often find they can act across the ecosystem in alignment with their foundation or philanthropic efforts—through civil society partnerships tackling, for instance, environmental practices of small-holder farmers or economic resilience in local communities delivering measurable social impact to scale, generating new research on the issues and modeling new solutions.

9 Get everyone on the same team. All players in the ecosystem are potential partners, so take an open-minded and creative approach to who is involved. Don't rule anyone out—even the noisiest and most critical NGOs, even competitors when that makes sense. The opportunity is to bring people to the table and work in common cause, towards a shared goal.

10 Don't let systems thinking stop action in your business. By definition, systems are complex—and the issues are, too—so there's a risk that getting absorbed in system transformation takes away the impetus from action under your direct control. Pioneering new solutions in the core business is an essential contribution as well; it sets the bar higher for expected industry norms, shows what's possible that wasn't seen as possible before, and helps move the whole system forward.