

DRAFT – A Work in Progress

**New Economics, happiness & wellbeing,
systems-change and implications for
business**

**A report prepared for the World Forum for a
Responsible Economy, Lille, France,
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Executive Summary

This report is offered as a resource document to provide food for thought and discussion for the participants at the World Forum for a Responsible Economy, taking place from 23 – 25 October 2013 in Lille, France. It is not meant to be an academic research paper but rather a work in progress in the emerging conversations about the outlook for a flourishing and sustainable future for business. It is offered as a draft and constructive feedback is welcome so that ongoing changes can be incorporated and updated.

This report is taking a closer look at business mega trends and the solutions offered by the new economics movement to determine which leverage points in the current economic system have the greatest potential within the business sector to create a substantial shift towards a *responsible economy* driven by the business sector. One of the leverage points more closely investigated in this report is the idea of using happiness and wellbeing as a measure of success for businesses.

The recently published World Happiness Report 2013 (Helliwell et al, 2013) reveals some of the latest insights into the differences among 156 countries and their happiness levels. Following is a brief summary of some key findings:

- 1) Rankings of citizens happiness across 156 countries revealed that the happiest five countries are all based in Europe with Denmark leading as the happiest country in the world followed by Norway, Switzerland, the Netherlands and Sweden. (Appendix 13.4 shows regional maps of the world with the rankings of a selection of countries).
- 2) The unhappiest countries are all found in Africa with the bottom five being Rwanda, Burundi, Central African Republic, Benin, and Togo.
- 3) The six most important determinants of happiness that explain the differences between countries happiness rankings were identified as GDP per capita, years of healthy life expectancy, having someone to count on in times of trouble, perceptions of corruption, prevalence of generosity and freedom to make life choices.
- 4) Mental health is the single most important determinant of individual happiness and mental illness such as depression and anxiety disorders are the single most important cause of unhappiness affecting some 10% of the world population.
- 5) The objective benefits of subjective wellbeing and happiness include that happier people are more likely to have better health, live longer, be more productive and socially connected. But rather than extreme bliss, early evidence suggests that a moderate level of happiness seems to produce optimal benefits.
- 6) Happiness does not imply the total absence of negative feelings. Happy people experience negative feelings occasionally, in appropriate situations and they know how to process these feelings.
- 7) The report recommends giving wellbeing center-stage in policy-making so that governments provide the conditions to allow all their citizens to flourish.

The report then analyses 26 ‘new economics’ organisations from across the world, which proposed a range of 29 solutions for addressing the current socio-economic and environmental crisis. The top five most often identified solutions were:

- 1) Working within planetary boundaries, environmental sustainability, climate change, resource conservation (circular resource use, biodiversity protection);
- 2) Fairer more equitable distribution of wealth, flourishing societies, defending human rights;
- 3) Integrated thinking, reporting, true cost accounting, certification as the norm, voluntary self-regulation, extending National Accounts;
- 4) Building entrepreneurial capacity for sustainable business with purpose, values and ethics to contribute to society, (sustainable design & production);
- 5) Measuring/ driving happiness & wellbeing in society and at the workplace as the main goal of society;

This range of solutions is then assessed against Donella Meadows’ 12-point scale of effectiveness in creating systems change. She describes levers for change or leverage points as the places that are most powerful to intervene in a system to create systemic change. The solutions offered by the new economics organisations were then assessed against the 12 points that can create systems change and it was found that out of the

top five most widely recognised leverage points or solutions proposed by the organisations studied here, three appear in Meadows third most effective category of creating effective change in a complex system. 'Changing goals and intentions' is rated highly on Meadows' scale of effectiveness as she concludes that lower level leverage points will conform to the ultimate goal of a system. The three leverage points that could fall into this category and are considered by Meadows as powerful levers for change include the following objectives or solutions offered by the new economics organisations:

- "Fairer, more equitable distribution of wealth..." (ranked as the 2nd most often identified solution);
- "Building entrepreneurial capacity ..." (ranked as 4th most often identified solution); and
- "Measuring /driving happiness and wellbeing in society ..." (ranked as 5th most often identified solution).

This possibly indicates that the New Economics organisations that are innovating in these areas are focusing their energies in the right direction and on effective levers that could drive real change.

Interestingly, the most powerful leverage point in Meadows scale that has the greatest potential to create a shift in a complex system is the "Transcending Paradigms" category. None of the new economics organisations studied for this report addressed this way of catalysing change in the complex economic system. This is possibly due to the reason that this category introduces major uncertainty, complexity and potentially chaos that is beyond human comprehension and would require relinquishing some of the control over the system. As Meadows' points out, working at this level of systems change requires individual transformation and mastery, or in other words complete awareness of and non-attachment to the paradigm we live by. She concludes that: "In the end, it seems that power has less to do with pushing leverage points than it does with strategically, profoundly, madly letting go!" (Meadows, 2009).

The report then profiles four business pioneers who are pushing the boundaries of 'business as usual' and concludes with some reflections on all the major findings from this report.

1. Introduction

This report is taking a closer look at business mega trends and the new economics movement to determine which leverage points in the current economic system have the greatest potential within the business sector to create a substantial shift towards a *responsible economy* driven by the business sector. One of the leverage points more closely investigated in this report is the idea of using happiness and wellbeing as a measure of success for businesses. All of the information presented in this report is based on desktop research, including a review and analysis of selected peer-reviewed literature and other relevant industry-lead studies and documents.

An underlying premise of this report is that the current global economic model is failing to deliver wellbeing, equality, justice, security and a healthy and diverse natural environment, that is, it is failing to deliver the conditions for societies to continue to flourish for many generations and millennia to come. The question it tries to wrestle with is 'What role can business and business leaders play in accelerating new economics thinking and practices that shift the current economic model to a *responsible economy*?'.

To imagine what a *responsible economy* might look like from a business perspective, applying systems thinking and awareness of complex systems behaviours may be helpful to explore the oscillation of economic patterns between order and chaos. A key concept of how to create change in a dynamic system is to find the most effective leverage points to push. Leverage points are the most powerful places to intervene in a system. They are the points where small changes have the potential to lead to large shifts in behaviour and the dynamics of an entire system (Meadows, 2009). Evidence suggests that the people who are deeply immersed in organisational and structural systems (such as governments or the financial and money sectors) often intuitively know where to find those points of power, but most of the time they push change in the wrong direction (Forrester, 1971). Meadows (2009) asserts that world leaders are rightly obsessed with economic growth as the answer to virtually all problems, however "they are pushing with all their might in the wrong direction". As Forrester found in his studies of systems dynamics, complex systems are often counterintuitive, resulting in their leverage points being not what one would expect. Therefore, these leverage points are often used backward, which causes an existing problem to systematically being

worsened rather than being solved (Meadows, 2009). The worsening global financial, social and environmental crisis could be evidence of this systemic worsening due to the direction of change applied to leverage points by policy makers and business leaders the world over. Hence, the real systems leverage points can often seem incredibly obscure, frustratingly subtle and very surprising. A big question here is then: could using happiness and wellbeing as a measure of success in business be one of those powerful counter-intuitive leverage points?

This report uses Meadows' (2009) 12-point scale to evaluate the effectiveness of leverage points in complex systems to analyse the effectiveness of leverage points identified by 26 new economics organisations from across the globe. This analysis is followed by examples of business leaders who are pushing the boundaries of the existing economic system. The report then concludes with some reflections and questions that could further the thinking in the field of new economics, happiness and wellbeing and business.

2. Background - How did we get here?

Since this latest global economic crisis in 2008, there has been a marked increase in research and initiatives exploring new solutions for ensuring sustainable progress and equitable human flourishing within the limits of the finite natural resources that our planet can provide. Many varied voices from governments, academics, NGOs and business leaders are calling for a shift in thinking and practices away from a mainstream economic model to replace the premise of unlimited growth (Capra & Henderson 2009; Berger 2010; Sachs 2011; UN 2012; OECD 2012; SNDP 2013). Examples of this shift are the discussions in many corners of the world that promote an approach beyond dualistic and linear thinking towards systems-thinking, particularly in political, economic and even religious systems. There is a thirst for a focus on what really matters to societies progress and flourishing (UNDG 2013), and one key example of this movement is the idea of measuring beyond Gross Domestic Product (GDP) and towards human wellbeing and flourishing. GDP is increasingly recognised as overvaluing the production and consumption of goods and ignoring that which makes life worth living (Kubiszewski 2013; Kennedy 1968).

Hence, the shift to "new economics", "new development" and "Beyond GDP" thinking and practices has seen a flurry of studies and they are being debated more intensely over the last 5 years than ever before. Even though, it should be noted that the idea of "new economics" is not new. The origins of these sentiments and recognition of the limitations of GDP for example can be traced back to the mid 1930s, when the 'father' of GDP, Simon Kuznets himself presented the first data set on income to the US Congress. He presented the data as a way to assess the state of the national economy, but warned that what he called GNP should not be mistaken as a barometer for social policy. Kuznets went on to say that "the welfare of a nation can scarcely be inferred from a measurement of national income" (European Commission, 2013). He explained that GNP could for example not distinguish between the growth of good and bad jobs and that the results would look the same whether workers earned their income from employers who endangered their lives or from employers who guarded their health and safety (Wysham, D. 2011). Despite his warnings, his most important work 'National Income and its Composition' (1941) served as a blue-print and GNP/GDP was adopted by most nations from hereon as their measure of progress and comparison between each other.

Robert Kennedy's speech in 1968 of the limitations of GDP only now, some 45 years later seems to be heard and quoted by many who are working in the field of new economics. He said:

"Too much and too long, we seem to have surrendered community excellence and community values in the mere accumulation of material things. Our gross national product ... if we should judge America by that - counts air pollution and cigarette advertising, and ambulances to clear our highways of carnage. It counts special locks for our doors and the jails for those who break them. It counts the destruction of our redwoods and the loss of our natural wonder in chaotic sprawl. It counts napalm and the cost of nuclear warheads, and armored cars for police who fight riots in our streets. It counts Whitman's rifle and Speck's knife, and the television programs, which glorify violence in order to sell toys to our children. The gross national product does not allow for the health of our children, the quality of their education or the joy of their play. It does not include the beauty of our poetry or the strength of our marriages, the intelligence of our public debate or the integrity of our public officials. It measures neither our wit nor our courage, neither our wisdom nor our

learning, neither our compassion nor our devotion to our country, it measures everything in short, except that which makes life worthwhile.” (European Commission, 2013).

Around the same time, in the early 1970's the recognition that GDP was too limited in its scope also emerged in Asia. His Majesty the 4th King of Bhutan famously coined the phrase “Gross National Happiness is more important than Gross National Product” (GNH Centre, 2013). With this statement he set in motion the principles that have guided the Himalayan Kingdom's holistic development path ever since. Today, Bhutan is working with the UN and a distinguished group of international experts from a wide range of disciplines to co-create a “new development paradigm” that embodies a higher purpose for development.

New economics then started seriously emerging as a movement in the early 1980s. Many of its proponents came together for the first time at “The Other Economic Summit”, held in 1984 in London as a counter-event to the annual G7 meetings. Globally, there are now many government, NGO, Civil Society, academic and business initiatives underway that are using the lingering economic, environmental and social crisis as a source of innovation and inspiration. Many of the emerging ideas of new economic thinking are appearing to be reflected in mainstream sentiments among the general public. A recent “Beyond GDP” survey (GlobeScan 2013) shows strong support for the idea of measuring social and environmental indicators in addition to economic ones as a way of getting a more complete picture of societies and their genuine progress. This was the third survey of its kind since 2007, across 11 countries with a sample size of nearly 11,000 people each time. The study found that on average 68% of the general public in countries like Australia, UK, China, Canada, France, Russia, Brazil, USA, India and Kenya now favour replacing GDP with broader and more holistic measures of progress. In countries like China, the UK and Australia support for this shift reached up to 81%. The countries most skeptical of this shift included India, with 44% supporting a new system for measuring progress, Kenya with 43% and Germany with 57% (GlobeScan 2013). These results will, no doubt, provide some food for thought to the key players engaging with new economics today.

While there are many alternative measures of progress being proposed such as Genuine Progress Indicators (GPI) (Kubiszewski et al 2013), it is the measurements such as happiness and wellbeing that also seem to be gaining increasing levels of interest from policy makers. This includes interest and proactive engagement by world leaders such as German Chancellor Angela Merkel, South Korean President Park Geun-hye and British Prime Minister David Cameron (Helliwell et al, 2013). The World Happiness Report 2013 (Helliwell et al, 2013) claims that *“there is now a rising worldwide demand that policy be more closely aligned with what really matters to people as they themselves characterise their lives.”*

3. Defining “New Economics” thinking and the “New Paradigm”

As result of the increased debate and research in the field of New Economics, there has been a global emergence of many initiatives and organisations that either directly deal with ‘New Economics’ and ‘New Paradigms’ or more broadly are concerned with new approaches to sustainable development, growth, progress and poverty alleviation. For the purpose of this paper “new economics” is considered as an umbrella-term that describes the movement away from mainstream economics and towards new ways of viewing and managing the complex systems that interconnect to function as our global and local economies. It also includes what is called the “Green Economy” and “Blue Economy” movements. Or in other words, the term “new economics” in this paper is about economic activity that promotes improvements in human wellbeing that are delivered in an environmentally sustainable way. This is in line with a definition offered by Seyfang (2010):

“New Economics is an environmental, philosophical and political movement founded on a belief that economics cannot be divorced from its foundations in environmental and social contexts, and that sustainability requires a realigning of development priorities away from the primary goal of economic growth towards well-being instead.”

A ‘paradigm’ on the other hand, is a way of thinking, a pattern or model that makes up the prevailing world-view to which a majority of people subscribe to, due to societal conditioning. The Oxford Dictionary defines a paradigm as “a typical example or pattern of something; a pattern or model; a

world view underlying the theories and methodology of a particular scientific subject” (Oxford Dictionaries, 2013).

Kuhn (1962) quotes Copernicus’ theory, as an example of new paradigm thinking, which caused some of the most revolutionary upheaval of a prevailing paradigm that the world has ever seen during the 16th century. Copernicus proposed that the earth and planets revolve around the sun (the heliocentric model) during a time when the firmly established world-view was that the earth was at the center of the universe and all other planets and the sun revolved around the earth. Kuhn (1962) argues that it took scientific advancements in a *“series of peaceful interludes punctuated by intellectually violent revolutions”* and as a result *“one conceptual world view is replaced by another”*.

It may sound over-dramatic in this context, but shifting the current economic model to a new economic paradigm will require a shift of similar magnitude to that of the 16th century shift towards the heliocentric model. Paradigm shifts therefore require not just scientists, philosophers, political and spiritual leaders to change their minds through evidence-based research and transformational experiences, but it takes entire societies to shift their thinking and beliefs. Kuhn (1962) asserts that *“awareness is prerequisite to all acceptable changes of theory”* and therefore paradigm shifts can take a long time. The idea of the heliocentric view of the universe was first proposed by Greek philosopher Philolaus around 400 BC (Huffman 1993) and took until the mid 18th century to be accepted, when the Catholic Church took ‘heliocentric’ books off the ‘Index of Forbidden Books’ (Heilbron, 2005). This paradigm shift took almost 2,100 years to unfold, which is a luxury that we may not be able to afford today considering the crisis we are facing economically, socially and environmentally. There is an urgency to the paradigm shift that is imminent, however it may challenge our human capabilities of accepting change and revolutionary shifts in world-views and may result in resistance.

One of the foremost contributors to systems-thinking, Donella Meadows (1999), argues that there is *“nothing necessarily physical or expensive or even slow in the process of paradigm change”*. She asserts that a mindset or belief system can change in a millisecond in a single individual, however she agrees that shifting the paradigm of whole societies, is another matter entirely. History shows that societies resist challenges to belief systems and their promoters more vehemently than anything else. Meadows (1999) quotes crucifixion, burnings at the stake, concentration camps and nuclear arsenals as examples of responses by societies that found themselves unable to cope with challenges to their paradigm. John Maynard Keynes (1936) himself said that *“The difficulty lies, not in the new ideas, but in escaping from the old ones, which ramify, for those brought up as most of us have been, into every corner of our minds”*. The best way to change a paradigm therefore according to Meadows (1999) is to step outside the system, observe its patterns and see the whole or bigger picture.

4. Happiness and Wellbeing

Considering the bigger picture of human existence then, one of the paramount questions that emerges is if the purpose of human existence is to ensure the happiness and wellbeing of as many living things on earth as possible? Some describe the pursuit of happiness and wellbeing as a human right and others consider it as flakey to be considering ‘happiness’ as a human goal.

4.1 Defining and measuring happiness and wellbeing

Some of the disagreement with happiness and wellbeing being a legitimate measure of progress, let alone being the purpose of human existence, stems from the lack of a universally agreed definition and interpretation of these terms. In fact happiness has been the topic of debates among societies, philosophers and scientists of all ages even since long before the ancient Greeks. A closer investigation of some of the ways these terms have been interpreted may help to shed some light on the vast spectrum of meanings implied in these terms.

Table 4.1: Happiness and wellbeing defined from different perspectives

Defined by	Explanation	Meaning
Language	Definitions of happiness vary according to languages	Range from luck, to karma, to good life, to pleasure

Indices	Such as Gross National Happiness Index or Better Life Index, which measure various dimensions of people's overall evaluation of their life satisfaction	GNH: Measures across 9 domains BLI: Measures across 11 topics
Genetics	Genetic makeup contributes to certain levels of happiness	Some people are genetically more pre-disposed to certain levels of happiness
Hedonic view	Based on positive and negative feelings and emotions (affect) the intention is to increase pleasure and decrease pain to achieve happiness.	Pleasurable experiences and external conditions create temporary moments of short-lived happiness
Eudemonic view	Aristotle's definition of eudemonia = Greek for "good spirit" or "thriving" and describes the experience of life purpose	Fulfillment of life purpose and higher order meaning produce happiness, wellbeing and human flourishing
Gross National Happiness (GNH) view	Beyond pleasure, happiness is seen as a deep sense of lasting joy and contentment and an innate quality within all human beings that can be revealed	Reaching full human potential and an inner state of happiness depends on the ability to give and contribute to others

There are obviously overlaps in the definitions between the terms happiness and wellbeing and depending on which discipline is trying to define them, they derive at varying interpretations. As seen in Table 4.1 above, the various approaches of interpreting happiness and/or wellbeing distinguish broadly between two ideas. Firstly, the experience of short-lived emotional feelings of pleasure that can vary from day to day or even hour to hour. And secondly, a more profound and stable satisfaction with life overall that results in a positive outlook despite the immediate circumstances we find ourselves in. While this distinction is fairly clear it becomes muddled when some use 'happiness' to describe the latter and others use 'wellbeing' to describe the former or both together.

Despite the absence of a clear and universally agreed definition and understanding, measuring of happiness and wellbeing has been on the radar over the past decade in academia and with policy-makers. It is being considered as an additional dimension to measuring progress that could yield better results for societies and the environment than GDP alone. This intention was most clearly expressed by the United Nations unanimously adopting a motion in July 2011 that 'happiness' of citizens should be one of the goals each member country should strive for.

The smorgasbord of definitions and the process of measuring happiness and wellbeing have therefore attracted much debate about the validity of happiness and/or wellbeing as a holistic indicator of progress. Much of this skepticism has been taken seriously by leading organisations such as the Organisation for Economic Co-operation and Development (OECD) who recently published 'Guidelines on measuring subjective wellbeing' (OECD, 2013). With these guidelines the OECD have taken a clear standpoint about the importance and scientific validity of subjective wellbeing. The guidelines recommend a methodology to be used by national statistical agencies to provide a uniform measure for collecting and publishing consistent data on subjective wellbeing across countries. These guidelines offer a standardization of measuring subjective wellbeing that is similar in significance to Kuznets's standardization of GDP measurement published in 1941.

The OECD definition of subjective wellbeing (based on Diener, 2010) is a generic description that clearly distinguishes between 'happiness' and 'well-being'. The OECD definition recommends three distinct components, which make up subjective wellbeing and they recommended to be measured widely and comparatively (Helliwell et al, 2013). These include:

- 1) *Life evaluations* – reflective assessment on a person's life overall;
- 2) *Affect* - experience of positive and negative emotions at a particular point in time; and
- 3) *Eudemonia* - experience of a sense of meaning and purpose in life.

“Subjective Well-being is taken to be good mental states, including all of the various evaluations, positive and negative, that people make of their lives and the affective [emotional] reactions of people to their experiences” (OECD, 2013).

Other definitions that are insightful in terms of describing the conditions that facilitate happiness and wellbeing include the definition proposed by Dodge et al (2012) that wellbeing is “the balance point between an individual’s resource pool [psychological, social and/or physical] and challenges faced [psychological, social and/or physical].” This implies that when individuals have more challenges than resources or more resources than challenges that their balance point is compromised and therefore their wellbeing suffers.

4.2 Human needs and happiness

This balancing act is also described by Chilean Economist Manfred Max-Neef (1991) who asserts that “the very essence of human beings is expressed palpably through needs in their twofold character: as deprivation and as potential”. Relating this to the definition of Dodge et al (2012), the challenges arise out of a deprived need and the potential out of needs being motivators and therefore are considered a resource. “Understood as much more than mere survival, needs bring out the constant tension between deprivation and potential that is so peculiar to human beings” (Max-Neef, 1991). In Max-Neef’s opinion needs are in constant movement and therefore hard to describe as ever being satisfied or fulfilled. He proposes to consider realizing, experiencing or actualizing needs through time and space as a much more valid approach.

The man who popularized the idea of human needs as motivators for behavior was Abraham Maslow (1943). He expressed his famous theory of motivation as a “Hierarchy of Needs”, which is still used today in many management and organizational planning approaches. He proposed that there are five basic needs (later expanded to eight) that most people experience throughout their lives and once satisfied those needs are no longer motivators. Therefore, suggesting that once a need is mostly satisfied another need will emerge and occupy a person’s attention. He described those needs as being dynamic and being able to act as motivators in a person simultaneously (Maslow, 1943). The visual representation of the needs as a pyramid has often been misinterpreted as implying that one need has to be satisfied before another need will become a motivator and that only people who have fulfilled the lower level needs would be able to move up to the self-actualisation need. Maslow clarified later in the 1960s that self-actualisation was not a forgone conclusion of fulfilling the lower level needs (Maslow, 1967).

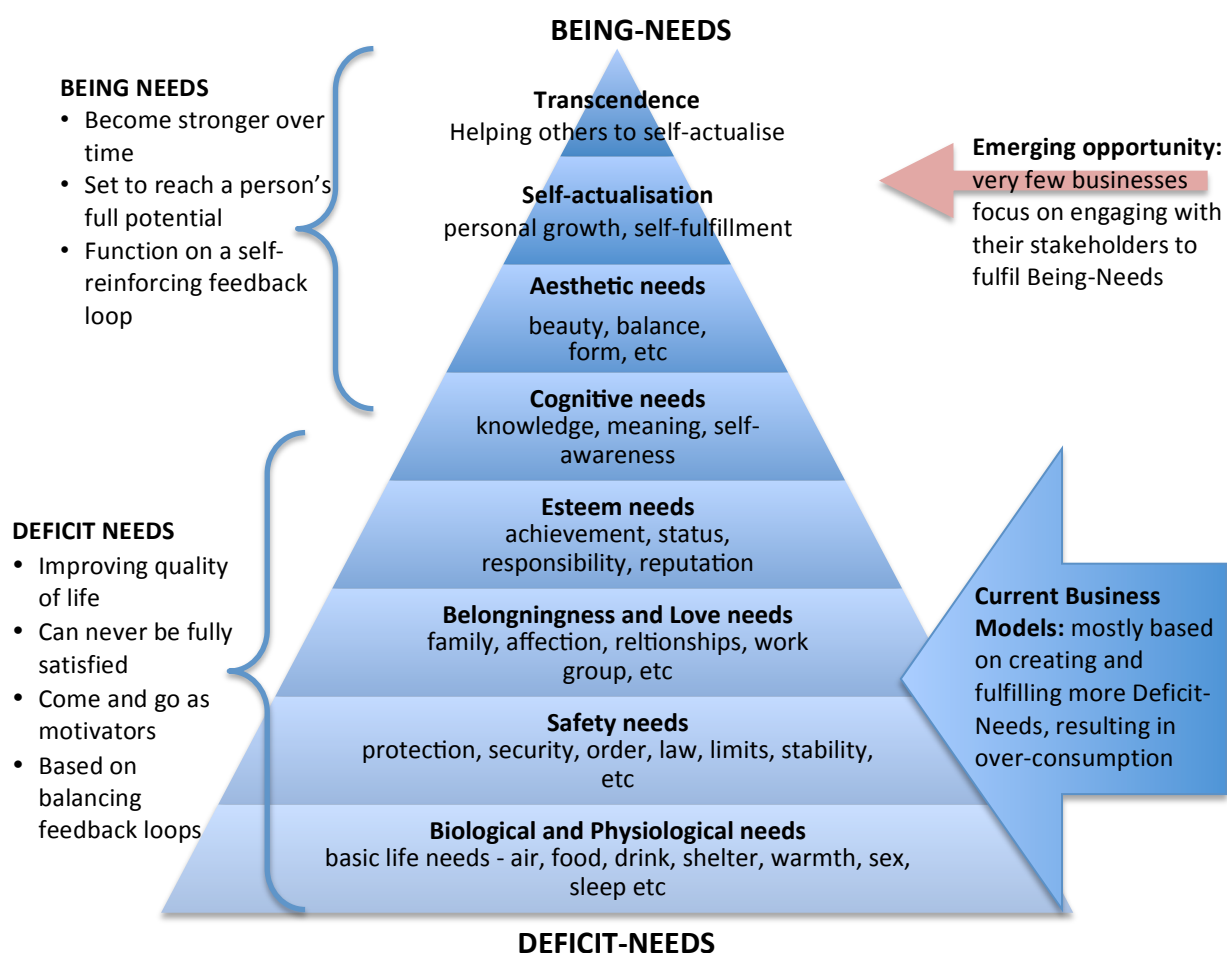
Maslow’s theory of motivation has been criticised over the past decades as being not scientifically rigorous enough to hold true today. Max-Neef’s (1991) ‘Matrix of Needs and Satisfiers’ is considered a much more sound theory and in line with an interconnected systems approach that sees needs and satisfiers interacting in a dynamic play. Despite this fact, business literature and the advertising and organizational management field widely use Maslow’s hierarchy of needs theory as the basis for planning and executing motivational strategies to grow their businesses and to increase sales of consumer products and services. It is for this reason that I am deliberately using Maslow’s theory and the pyramid of needs structure as it is widely recognized and used in the business community. Also, history has shown that incomplete or failed scientific hypothesis have often been the gateway or stepping-stone to new discoveries and therefore should not be discounted.

Figure 4.2 illustrates Maslow’s hierarchy of human needs and their differentiation into “Deficit-Needs”, which increase the quality of life and “Being Needs” which increase authentic happiness and a sense of fulfilment. According to Maslow, “Deficit-Needs” can be physiological, safety, belonging and self-esteem needs. The assumption he makes is that if we are deprived in any of these areas we experience the acute motivation to alleviate the deprivation such as finding food or shelter and building meaningful relationships. Maslow proposed that deficit needs are geared towards always searching for perfect balance. Therefore, once any of the deficit needs are satisfied they cease to be motivators, implying that they function with a balancing feedback loop. This basically means if we experience for example cold temperatures we seek out either a warmer space, more clothing or our body responds with a physiological reaction of shivering. As soon as our experience of the temperature stabilises in an acceptable range the motivating aspect of that need ceases to exist.

Maslow proposed that deficit needs are running on a continual balancing feedback loop, meaning they will need to be satisfied over and over again depending on the immediate circumstances we find ourselves in. According to Maslow this phenomenon for balance or equilibrium applies to all of the “Deficit- Needs” such as physiological, safety, belonging and esteem needs but not to “Being Needs”. He claims that once Being-Needs are activated, they continue to become stronger as they engage a self-reinforcing feedback loop that keeps driving a person to reach their full potential, potentially leading to self-actualisation.

“It refers to the person’s desire for self-fulfilment, namely, to the tendency for him/her to become actualized in what he/she is potentially. The specific form that these needs will take will of course vary greatly from person to person. In one individual it may take the form of the desire to be an ideal mother, in another it may be expressed athletically, and in still another it may be expressed in painting pictures or in inventions” (Maslow, 1943, pp. 382– 383).

Figure 4.2: Maslow’s Hierarchy of Deficit and Being Needs



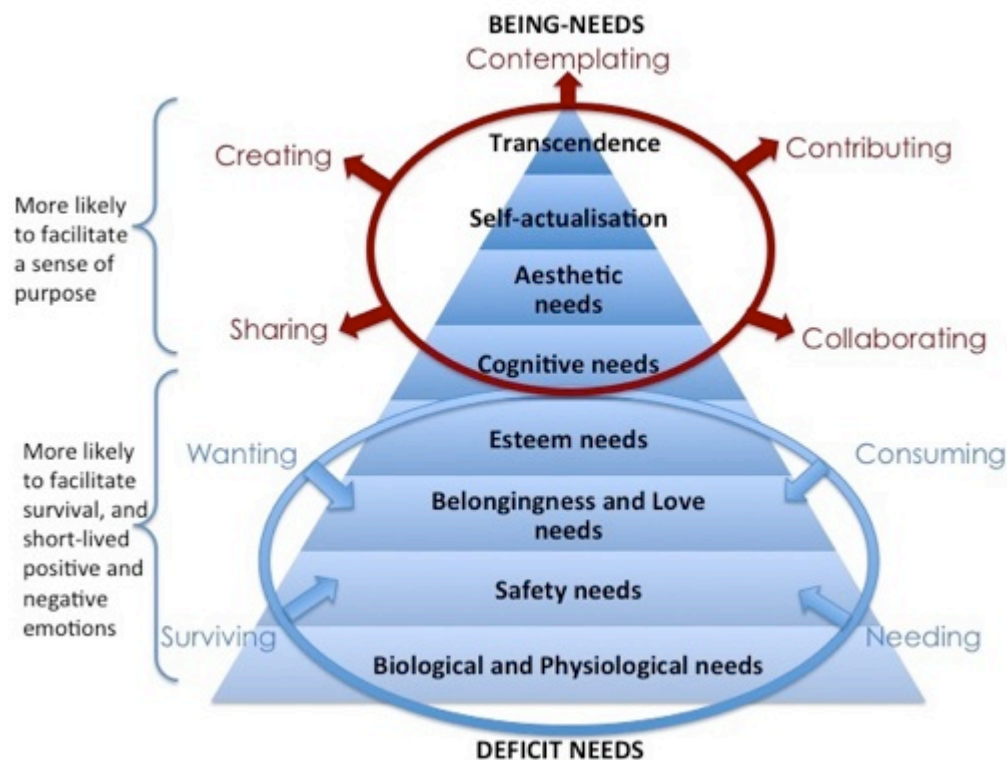
Source: Eight-staged model of Maslow’s Hierarchy of Needs (1970)

The hierarchy of needs is used in this context to demonstrate how business models are currently based on mostly satisfying the deficit-needs but neglect the fulfillment of the being-needs. Many business models today seem to concentrate on Maslow’s assumption that the ongoing balancing act of deficit-needs can be fulfilled with products and services, which has led in many developed countries to overconsumption without increasing happiness and wellbeing. Yet the fulfilling of deficit needs delivers only a momentary experience of happiness and wellbeing until a deficit is experienced again. Interestingly, there are few business models that aim at helping people to explore and expand their Being-Needs. Some examples of industry sectors that are more aligned with helping people fulfill

their being needs are ecotourism, the arts, the knowledge and self-development sectors. However, it is important to note that in developing countries over 1 billion people are still struggling to improve their standard of living to climb above the poverty line. For them it is essential to keep fulfilling deficit-needs until a good quality of life can be achieved. This may be the reason why many multi-national companies are seeing low growth rates between up to 5% in developed markets and often above 10% growth rates in emerging markets.

Figure 4.3 provides another interpretation of Deficit and Being-needs in relation to how these needs are expressed in behaviors and experienced as emotions. Satisfying Deficit-Needs engages people in action such as consuming and produces emotions such as surviving, needing and wanting and leaves a feeling of more is never enough. On the other hand, satisfying Being-Needs is often displayed in behaviors such as sharing, collaborating, creating, contributing and contemplating. A key question here is if the business community was to think about customers, staff, shareholders, suppliers and communities in this way and wanting to help people fulfill more of their Being-Needs, how would this influence business strategy?

Figure 4.3: Maslow's Hierarchy of Deficit and Being Needs and their expression in behaviours



Source: Eight-staged model of Maslow's Hierarchy of Needs (1970)

4.3 World Happiness Report results

The most recent 'World Happiness Report 2013' (Helliwell et al, 2013) highlights a range of interesting findings using data from 156 countries across the world. The report uses available data and is focused on only one out of the three aspects recommended by the OECD to determine a nation's wellbeing. The World Happiness Report results are primarily based on 'Life Evaluation' data informed by the World Gallup pole. Data measuring affect and eudemonia is largely not available yet in most countries. It is therefore important to note that what the World Happiness Report calls 'happiness' is one third of what the OECD considers to make up 'wellbeing'. Following is a brief summary of some key results:

- 1) Rankings of citizens happiness across 156 countries revealed that the happiest five countries are all based in Europe with Denmark leading as the happiest country in the world followed

- by Norway, Switzerland, the Netherlands and Sweden. (Appendix 13.4 shows regional maps of the world with the rankings of a selection of countries).
- 2) The unhappiest countries are all found in Africa with the bottom five being Rwanda, Burundi, Central African Republic, Benin, and Togo.
 - 3) The six most important determinants of happiness that explain the differences between countries happiness rankings were identified as GDP per capita, years of healthy life expectancy, having someone to count on in times of trouble, perceptions of corruption, prevalence of generosity and freedom to make life choices.
 - 4) Mental health is the single most important determinant of individual happiness and mental illness such as depression and anxiety disorders are the single most important cause of unhappiness affecting some 10% of the world population.
 - 5) The objective benefits of subjective wellbeing include that happier people are more likely to have better health, live longer, be more productive and socially connected. But rather than extreme bliss, early evidence suggests that a moderate level of happiness seems to produce optimal benefits.
 - 6) Happiness does not imply the total absence of negative feelings. Happy people experience negative feelings occasionally, in appropriate situations and they know how to process these feelings.
 - 7) The report recommends giving wellbeing center-stage in policy-making so that governments provide the conditions that allow their citizens to flourish.
 - 8) Pre-modern philosophies of virtue ethics such as Buddhism and Aristotelianism asserted that happiness and life satisfaction is determined by a person's values and character rather than material wealth.
 - 9) Virtue ethics are currently neglected by policy-makers in the debate on wellbeing.
 - 10) There appears to be a growing consensus among government and international organisations that GDP is an incomplete measure of progress and that citizen's subjective wellbeing plays an important role in helping to define what success and progress means for societies.
 - 11) The UN's Human Development Index and life evaluation as a measure of progress are both motivated by a desire to go beyond GDP to more fully describe human development.
 - 12) There is considerable overlap between the determinants of happiness and the goals of human development as defined in the Human Development Index.

While the World Happiness Report is aimed at informing and convincing policy-makers of the importance of happiness and wellbeing as a measure of progress for nations, it does not spell out any direct implications for the business sector. However, there are many initiatives being developed by business organisations and the new economics movement that have implications for the business sector. Section 7. of this report outlines some of those organisations and the key solutions they identify to create a shift to a more *responsible economy*.

4.4 The dilemma with happiness

It appears from the research in the field of happiness and wellbeing that there is no evidence that continued consumption, or full-filling Deficit-Needs beyond their motivating capacity, would increase happiness and wellbeing. Yet the economic system and most business strategies are based on increasing consumption as being the answer to increased wellbeing of the economy and therefore by implication for society.

Much of the research from the last 40 years on happiness and wellbeing continues to point towards an interesting phenomenon that has been observed in developed countries. It has shown that increasing incomes have not delivered the expected increases in happiness and wellbeing. The research supports though that income improves wellbeing up to a certain point until people are able to reach a comfortable standard of living. However, beyond this point more income loses its positive effect on wellbeing.

As highlighted in the results from the World Happiness Report, the objective benefits of subjective wellbeing include that happier people are more likely to have better health, live longer, be more productive and socially connected. But rather than extreme bliss, early evidence suggests that a

moderate level of happiness seems to produce optimal benefits.

Further research has also found that people who are seeking happiness are often unhappier than people who are not concerned with their own happiness. Other research on happiness and giving indicates that people who share their wealth and contribute to others, report higher levels of happiness than people who spend their money on themselves.

Putting all these pieces together raises the question of further research being required to explore the optimum levels of happiness and wellbeing in relation to satisfying Deficit and/or Being Needs.

5. What is the role of the business sector?

In the context of systems-change it is important to understand the significance, reach and impact of the business sector in the current economic system. In most economies across the world, the business sector is a significant driver of economic activity and therefore it has significant potential as a key change agent during this unprecedented time in human history. Pavan Sukhdev provides compelling evidence about the size and importance of the business sector globally in his book *Corporation 2020* (Sukhdev, P. 2012):

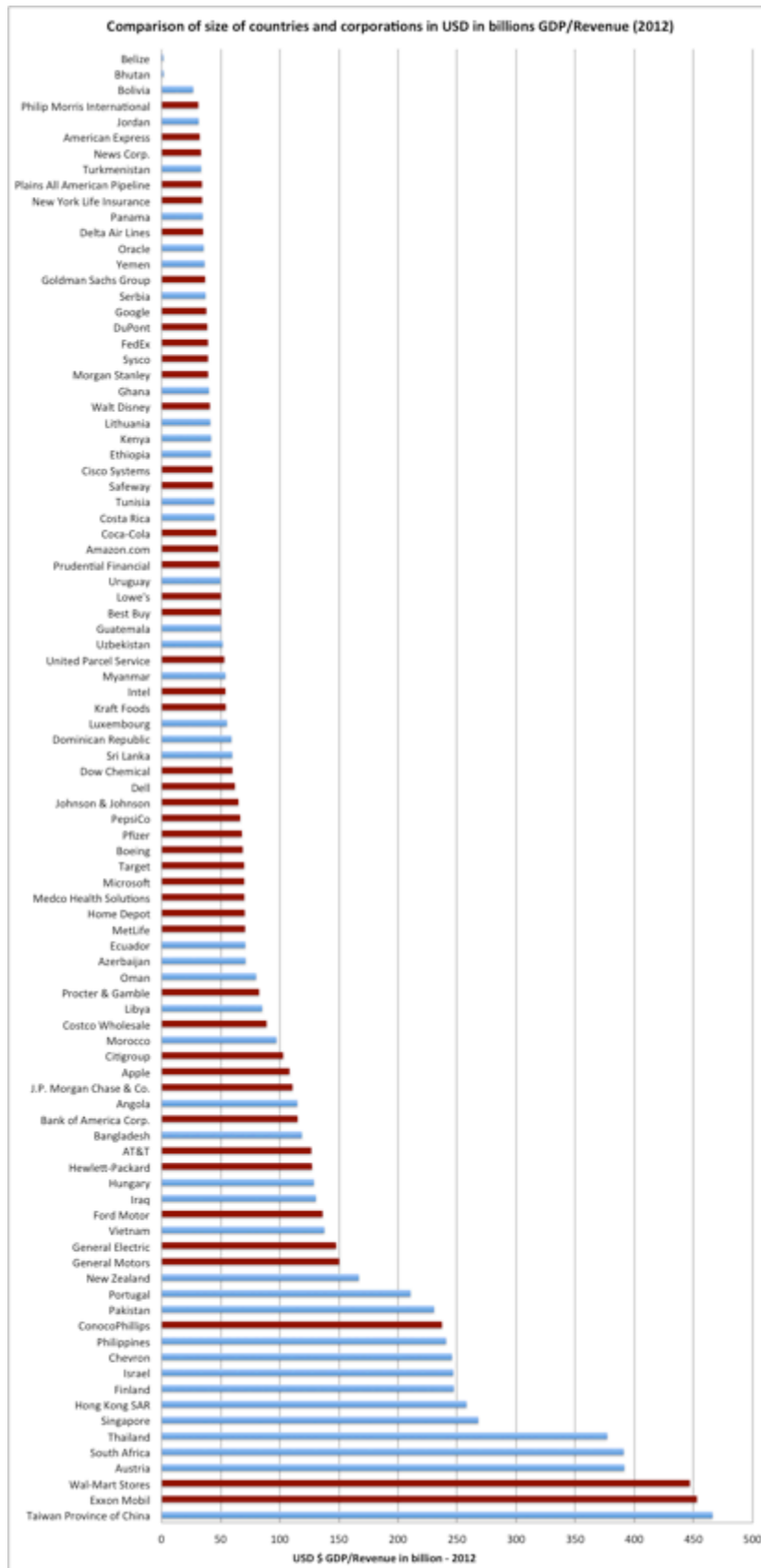
"The private sector delivers nearly 60% of GDP worldwide... Employs 70% of workers ... and corporate taxes comprise a significant slice of government revenues". He also found that "The number of corporations whose revenues exceed one-tenth of a percent of global GDP ... rises from under 20 in 1970 to over 120 in 2010... if we look at absolute size, the trend is even more startling; the number of corporations with sales exceeding \$25 billion (inflation adjusted 2010 US dollars) increased from fewer than 20 in 1970 to 320 in 2010."

Corporations, whether large multi-nationals or micro, small and medium-sized enterprises (MSMEs), have a vast global impact on their employees and are engaging with customers every day through billions of transactions. The business sector is at the forefront of engaging communities, effecting families and individuals all over the world. Business therefore has the potential to play a major role in an imminent shift and in accelerating the adoption of new economics thinking and in defining progress and success in new ways.

The importance of the business sector on people's lives all over the world becomes evident when comparing the world's largest 100 company revenues in US \$ billion with the GDP figures of entire countries. Appendix 2 shows this comparison in a graph and also the data sources which were used to compile it. It is apparent from the graph and this comparison that:

- The world's two largest companies (Exxon Mobile and Wal-Mart Stores) have annual revenues similar to the GDP's of the entire countries of Taiwan or Austria;
- General Motors, General Electrics and Ford Motor Company have annual revenues similar to the GDP's of New Zealand or Vietnam;
- Microsoft, Boeing, Target, PepsiCo, Johnson & Johnson have annual revenues similar to the GDP's of Ecuador or Sri Lanka; and
- Amazon.com and Coca-Cola have annual revenues similar to the GDP's of Uruguay or Costa Rica.

Figure 5.1: Comparison of countries' GDP (in blue) with the worlds largest 100 companies revenues in US \$ billion (in red)



Source: International Monetary Fund, World Economic Outlook Database, October 2012 and Fortune 500 list at CNN Money, 2012 rankings

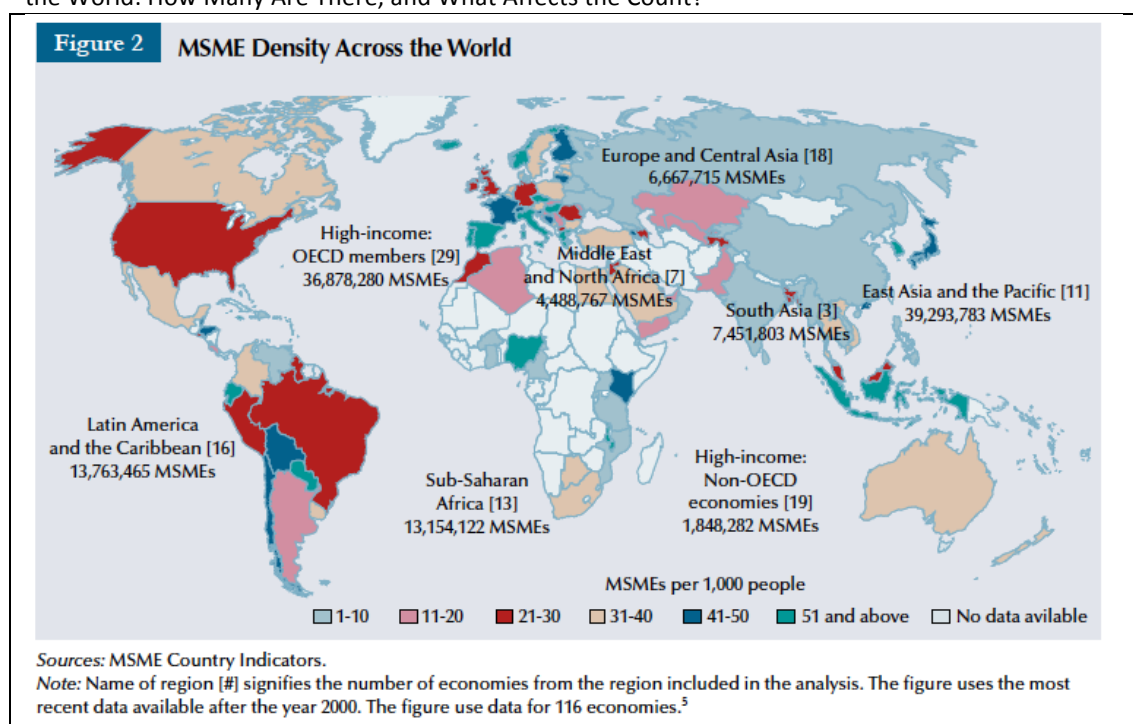
While this comparison tells one part of the business sector story, it is important to note that there are some 125 million micro, small and medium size enterprises (MSME) across 132 economies of the world (Kushnir et al, 2010). The classification of MSMEs applies to businesses with up to 250 employees. Almost 72% of those businesses operate in emerging markets and they employ more than 33% of the world's work force (Kushnir et al, 2010). The map in Figure 5.2 shows the density of MSMEs per 1,000 people across 132 nations. Interestingly, when comparing the top 20 countries from the rankings in the World Happiness Report 2013 (Helliwell et al, 2013) with the MSME density map, 13 of the happiest countries have a density of more than 30 MSMEs per 1,000 people and only 6 of the happiest countries have a small business density of less than 30 MSMEs per 1,000 people as illustrated in Table 5.1 below. While there are no studies available that show evidence of a correlation between the happiness levels in a country and the number of MSMEs, it could be useful to conduct further studies to investigate this relationship.

Table 5.1: Top 20 countries ranked in the World Happiness Report and their density of MSMEs

1 – 20 MSMEs per 1,000 people	21 – 30 MSMEs per 1,000 people	31 – 40 MSMEs per 1,000 people	41 + MSMEs per 1,000 people
Costa Rica (12)	Israel (11)	Denmark (1)	Norway (2)
United Arab Emirates (14)	USA (17)	Netherlands (4)	Switzerland (3)
Venezuela (20)	Ireland (18)	Sweden (5)	Finland (6)
		Canada (6)	Iceland (9)
		Austria (8)	Luxembourg (19)
		Australia (10)	
		New Zealand (13)	
		Mexico (16)	
3	3	8	5

Note: The numbers in brackets (#) indicate the ranking of those countries in the World Happiness Report 2013. Panama ranked 15 in the World Happiness Report but there was no data available in the MSME study.

Figure 5.2: Map from a World Bank /IFC report titled “Micro, Small, and Medium Enterprises around the World: How Many Are There, and What Affects the Count?”



Source: (Kushnir K. et al 2010)

6. Global mega trends with implications for business

Another way of stepping outside of our economic system is by looking at global mega trends, which are emerging and that lend themselves to predicting possible future scenarios. Appendix 13.5 summarises some of the major mega trends that have been identified by 10 selected government and business organisations from the UK, Europe, US and Australia with an outlook for the next 20 to 30 years. The summary table in Appendix 13.5 sorts the megatrends into 12 different categories out of which seven appeared to be the most commonly identified by the various organisations. From this analysis, some of the key trends that will have major implications for businesses and business leaders include:

1. Power and economic growth shift: from West to East and North to South; (BITC 2013; Kent 2012; Skoll 2011; US National Intelligence 2012; Hajkowicz et al 2012; GACGC 2011)
2. Resource scarcity: particularly water, food and energy will require us to do more with less; (BITC 2013; US National Intelligence 2012; Hajkowicz et al 2012; GACGC 2011)
3. Climate Change & Loss of ecosystems: will require us to act preventatively, be adaptable and build resilient communities; (BITC 2013; Skoll 2011; Hajkowicz et al 2012; GACGC 2011; WBCSD 2010)
4. Population growth and aging: will put increasing pressures on resources and will fuel innovation and collaboration; (Kent 2012; Skoll 2011; US National Intelligence 2012; Hajkowicz et al 2012; WBCSD 2010)
5. Consumers in charge: reflects shifting consumer values and expectations on products and services that matter; (BITC 2013; Kent 2012; TW 2013; BDO 2013; Hajkowicz et al 2012; WEF 2011)
6. Changing Business Models: will require business to be genuinely engaged with their customers to deliver value; there will be a shift from product to majority service economies; (Kent 2012; TW 2013; BDO 2013; Skoll 2011; US National Intelligence 2012; WEF 2011)
7. Innovation & Technology: will play an important role in enabling many sustainable living solutions (TW 2013; BDO 2013; Skoll 2011; US National Intelligence 2012; WEF 2011).

The most challenging part of observing these mega trends and trying to make sense of them is to consider them as interconnected phenomena in a complex system. All of these trends influence each other and rather than being seen as separate issues with distinct solutions, they need to be considered as an interconnected systems in a network of new paradigm thinking.

7. An overview of selected 'new economics' organisations

Another way of gaining a different perspective on drivers and potential leverage points for change in the current economic system is by analysing lobby groups, government programs and business networks that focus on 'new economics'. This part of the report particularly explores the proposed solutions and objectives, which these organisations believe can achieve the most important changes.

The following section 7.1 profiles those organisations that are concerned with the broader context of progress and development for humanity. This is intended to provide the bigger picture in which the Happiness & Wellbeing research and the global mega trends are emerging. Secondly, a selection of 26 key organisations directly working on new economics is profiled in sections 7.2 and 7.3. Nine of these organisations are engaging with policy-makers and 17 are with business leaders.

The organisations that are profiled in this report were selected due to their visibility of their work in attempting to shift the thinking of policy-makers and business leaders. They include initiatives, programs and organisations that display 3 key characteristics:

1. They have a clear focus either on policy-makers, business leaders or both;
2. They have contributed major pieces of work or are engaging with a large number of agents in their target group; and
3. Their voices are loud and clear and their contributions visible and broadly distributed via the internet.

7.1 International efforts concerned with progress, development and sustainable growth

The following international institutions and initiatives are spurring on the debate in relation to new economics by working on the broader global issues such as climate change, poverty alleviation, equitable distribution, human flourishing and well-being, societal progress and leadership development. These are profiled here to provide insight into the implications for the business sector in this debate.

7.1.1 United Nations' Post-2015 process – 'Shaping the World we Want'

One of the key initiatives fuelling the global interest and conversations on development of "a world we want", is the UN's Post-2015 process. Triggered by the imminent expiry of the UN's Millennium Development Goals (MDGs) in 2015, the UN has embarked on an inclusive global consultation process since August 2012 to develop a new development framework and hear the views of people from across all nations. Apart from 83 national dialogues there are also eleven thematic topics being discussed:

1. Addressing inequalities;
2. Conflict, violence and disaster;
3. Education;
4. Energy;
5. Environmental sustainability;
6. Governance;
7. Growth and Employment
8. Health;
9. Hunger, Food security and nutrition
10. Population dynamics
11. Water

Preliminary results from the consultation process that has reached at least 200,000 people globally so far "suggests an appetite for fundamental and transformational change" (UNDG, 2013). However, at the same time the MDG issues agreed upon by the UN member states in 2000 still resonate strongly with people across a wide range of countries and regions. Issues such as poverty reduction, access to quality education, health, water and sanitation and equality between women and men are still high on the agenda. Other issues still of high priority are reducing hunger and malnutrition, addressing inequalities of different forms, ensuring environmental sustainability and fostering partnerships at national and international levels.

In addition, the online consultation tool, the 'MyWorld' survey has been completed by some 70,000 people, from a cross-section of men and women from low- and high- Human Development Index countries. The interim report found that they displayed similar priorities with access to good education, an honest and responsive government and better health care consistently ranked among the top three issues, regardless of gender, age and country of origin (UNDG, 2013). The final report of the consultation process is due to be published in mid 2013.

The result from this process and the next set of UN development goals to be announced in 2015 will mostly impact policy makers, donor agencies and NGOs in developing countries but will also have implications for the business sector.

7.1.2 Beyond GDP measures and indicators

The term Beyond GDP first emerged from the 2007 European Parliament conference that explored new ways of measuring progress (EC, 2007). Over the last 10 years a wide range of new progress measures and indicators have been developed and applied by decision-makers and policy-makers with the intention of measuring the progress of societies and nations using a wider set of more inclusive indicators. These indicators provide additional information about the state of societies and their environment that GDP does not. Some of these measures were developed by governments such as National Statistics agencies, others by academic institutions or NGOs, others by lobby groups such as the New Economics Foundation and others by business networks. A recent analysis of over 100 'Beyond GDP' indicator initiatives compared them by looking at their producers/promoters, their socio-economic and environmental domains used, whether they used objective or subjective data,

whether they presented an index or a dashboard of indicators, what level of impact (global, national, regional or local) they have had and where they have been applied (Hák T. et al, 2012). The list of over 100 initiatives was not meant to be exhaustive and therefore only represents a selection of the major nine categories of indicator initiatives that emerged from the analysis:

1. Subjective well-being initiatives (Gross National Happiness);
2. Quality of Life initiatives (New Zealand Social Report and Human Development Index);
3. Combined social approaches (Happy Life Years and Eurostat Well-being Indicators);
4. Environmental indicators;
5. Sustainable development indicator sets (many arising since the first Rio conference in 1992);
6. 'Progress' approaches (Happy Planet Index, Progress Index and Well-being of Nations);
7. Adjusted-GDP approaches (Genuine Progress Indicators GPI, Index of Sustainable Economic Welfare ISEW);
8. Community Indicator approaches; and
9. Children's wellbeing (Good Childhood Index).

One of the key findings from the analysis was that not many of these complimentary progress measures gave much focus on economic indicators and mostly focussed on social and environmental indicators. One interpretation of this gap could be that the producers of these indicator initiatives found economic measures to be sufficiently recorded and reported on elsewhere, considered economic indicators not as important as social and environmental ones or that they did not have the expertise to develop economic indicators (Hák T. et al, 2012). This may limit the application of those indicator initiatives that were specifically developed to replace GDP while those that intended to supplement GDP reporting would be justified in emphasizing social and environmental indicators more.

In this context, it is therefore useful to consider Beyond GDP indicator initiatives in four distinct groups as identified by the European Parliament (EC 2007):

1. Indicators adjusting GDP (GPI, ISEW);
2. Indicators replacing GDP (Human Development Index, Happy Planet Index);
3. Indicators supplementing GDP by expanding Systems of National Accounts; and
4. Indicators supplementing GDP by positioning social and environmental information in relation to GDP (Sustainable Development Indicators, Millennium Development Goals indicators).

7.1.3 OECD's 'Better Life Initiative'

The OECD has been engaged in researching wellbeing and societal progress using complementary progress measures to GDP for almost 10 years now (OECD, 2013). One of the key results of this work has been the 'Better Life Index' (BLI), which was launched in 2011 with the aim of measuring 34 OECD member countries' progress across eleven domains of wellbeing. This is achieved by assessing the relative importance that people in those countries attribute to housing, income, jobs, community, education, environment, civic engagement, health, life satisfaction, safety and work-life balance in their overall well-being. There is no country ranking given to encourage people to interact with the BLI data on the dedicated website which allows comparison of countries with ones own priorities in life. While the BLI website was created for the general public, it attracted a lot of interest from policy-makers. It has been termed a 'tool to connect policies with people' as it allows policy-makers to get an understanding of what citizens in their own countries think is important for a good life (Hák T. et al, 2012). According to the analysis by Hák T. et al (2012) the BLI initiative is classified as an initiative that seeks to replace GDP.

More recently though in March 2013, the OECD published 'Guidelines on measuring subjective well-being' (OECD, 2013) in an attempt to provide international recommendations on collecting, analysing and reporting on subjective well-being data. The guidelines were prepared to provide National Statistics agencies with the evidence and tools to develop reliable and consistent standards for measuring subjective wellbeing that can be used to inform policy makers to be able to make decisions that improve societal well-being. The guidelines summarise a wide range of evidence demonstrating that measures of subjective well-being provide indeed valid and meaningful information for policy-makers as long as the measurement methodology observes key issues. The guidelines, recognised as a

work in progress by the authors, marks the beginning of the possibility of standardised reporting across a wide range of countries to provide comparable data on nations wellbeing, similar to the comparability of GDP.

7.1.4 Genuine Progress Indicators (GPI)

Another indicator initiative that is worth profiling due to its current popularity is the Genuine Progress Indicator (GPI) approach. GPI refers to a specific method that subtracts human and natural capital degradation and losses from the benefits of consumption to provide a better approximation of societal progress than GDP. Figure 7.1.4 illustrates the inclusions in the GPI calculations. In other words, GPI embodies the sustainable development principle of balancing social, environmental and economic needs with each other for sustainable outcomes in the long term (Talberth, 2007). GPI was based on the Index of Sustainable Economic Welfare (ISEW) (Kubiszewski I. et al, 2013) and has been used in some states of Canada, USA as well as Australia since the late 1990s. More recently there has been a renewed interest particularly in the USA by States like Maryland, Oregon and California to develop GPI initiatives as a way to monitor their societal progress in a more holistic way. The criticism of the GPI approach mostly revolves around how valuable and accurate it is to represent societal and environmental degradation in monetary terms. While this is a valid point, it is also a useful approach to be able to directly compare \$ GDP per capita with \$ GPI per capita and therefore providing an equal basis for comparison. A map identifying global and Australian GPI initiatives is attached in Appendix 13.1.

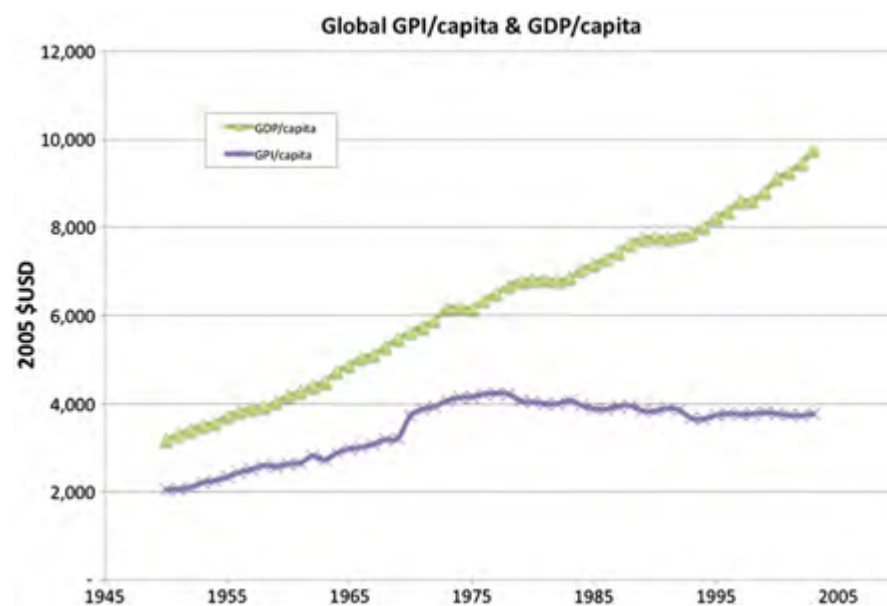
Figure 7.1.4: An illustration of what is included in calculating GPI, by Berik, G. and Gaddis E. (2011)



A recent study conducted by Kubiszewski et al (2013) analysed GPI estimates from 17 countries over a 55-year period representing some 53% of the world's population. Figure 7.1.5 illustrates how the study graphed GDP per capita in comparison with GPI estimates per capita for the time period from 1950 to 2005 and found initially in most of the 17 countries that GDP growth correlated to GPI growth. However, around 1978 for most of the 17 countries the GPI/capita started levelling off and even decreased in some cases, while GDP continued to increase. The study therefore confirms Max-Neef's 'threshold hypothesis', which proposes that all societies enjoy improvements in quality of life

as economic growth continues but only up to a threshold point, after which, quality of life starts to deteriorate even as economic growth continues (Max-Neef, 1995).

Figure 7.1.5: Excerpt from Kubiszewski et al (2013) comparing GDP and GPI over a 55-year period



Richard Easterlin described the same phenomenon in the 1970s as the Easterlin paradox, which found evidence that within any given country, the people who are wealthier tend to be happier than the people with lesser incomes. However, Easterlin also found that this was only true up to a certain threshold beyond which people in wealthier countries were not much happier than the people in less wealthy countries. He also found that overall happiness within any given country did not increase beyond the threshold even when income increased (Daly H, 2004)

7.1.5 Australian National Development Index (ANDI)

One example of a GPI initiative being developed and promoted for an entire country is under development in Australia with the Australian National Development Index (ANDI). It is being driven by a member-owned organisation of some 60 community organisations, networks of researchers, businesses and faith-based organisations working together to develop a tool that will measure what matters to Australians.

At its core the process for developing this tool is based on an extensive consultative approach, engaging half a million citizens in the development of the indicators that will measure what should make up national and sustainable wellbeing. The consultative process is supported by trans-disciplinary research that will explore the factors that contribute to and detract from the wellbeing of people, communities and society at large (ANDI, 2013). After the 3-year development phase of the index as a comprehensive measure of wellbeing of Australians, outreach programs are planned to catalyse change in policy-making and empower Australians to achieve the best possible quality of life for all.

7.1.6 Gross National Happiness Index (GNH)

The guiding development philosophy of Gross National Happiness (GNH) originated from King Jigme Singye Wangchuck of Bhutan in the mid 1970s. The then 4th King of Bhutan declared in an interview with a journalist that “GNH is more important than GDP”. It was an expression of the understanding that measuring GDP alone was not enough to create a happy and sustainable society. The United Nations (UN) recognized this fact in June 2011, when the General Assembly unanimously adopted ‘Happiness’ as the 9th Millennium Development Goal.

Bhutan's government sees its role as providing the conditions for its citizens to be able to pursue their own and other's happiness. As a first step to measuring the levels of happiness among Bhutanese society, a GNH survey was first developed and conducted in 2007 and repeated in 2010. For the purpose of measuring the GNH Index of Bhutan, the country's GNH values that contribute to happiness of Bhutanese society were defined in 9 domains:

1. Living standard
2. Good Governance
3. Education
4. Health
5. Ecology
6. Community vitality
7. Time use and balance
8. Cultural diversity
9. Psychological wellbeing

The GNH index is a compound indicator based on a questionnaire of 250 subjective questions, which are compiled into 33 indicators within the 9 domains. The GNH index is produced as a gauge of the overall happiness levels of the population in Bhutan. According to the figures from the first trial GNH survey the index increased from 0.622 in 2007 to 0.743 in 2010. The index ranges from 0 to 1 with the higher numbers reflecting a higher GNH Index (CBS, 2012).

The results of the GNH surveys are being used by policy-makers in Bhutan much like a compass to determine where intervention and support is most needed in the country to allow the GNH index to increase. The GNH Commission (formerly the Department of Planning) uses a policy-screening tool developed specifically to assess proposed policies and whether they are likely to increase, decrease or have no effect on the GNH index.

Bhutan also reports on its annual GDP performance and it was never intended that the GNH Index or indicators would replace GDP reporting. The intention seemed to be a complimentary one, however so far, GDP and GNH have never been reported together or in relation to each other in Bhutan. Part of the reason for this could be the difficulty of comparing \$ GDP values with GNH indicators that measure a wide variety of correlated values. However, as more longitudinal data of GNH indicators and the index become available over time, it will be possible to chart GDP performance and GNH indicators performance and compare the trends.

With the recent change of government in Bhutan, in July 2013 it is likely that a major focus will now be to implement grass-roots initiatives that will improve economic development with the aim to increase Bhutanese living standards in all parts of the country but particularly for the 15% of the population who live below the poverty line.

An initiative undertaken by a private business operator in Bhutan in 2010/11 saw GNH wisdom and principles incorporated in a Corporate Social Responsibility (CSR) program in a structured way for the first time in Bhutan. While providing an expanded version of what a CSR program can look like, this initiative coined the term 'GNH in Business' which opened a whole new perspective on how tools like GPI and GNH can be used in the business sector (Sebastian, 2012).

7.2 Selected new economics organisations engaging policy-makers

Looking then more specifically at organisations that are focussed on engaging policy-makers, there are a wide range of efforts globally in forwarding the ideas of new economics and a new development paradigm among NGOs, charities, businesses, academic and government initiatives. The following nine organisations have been profiled in this paper to highlight what is considered most important in driving new economics and the new development paradigm from a policy-makers perspective. Results from analysing and comparing the objectives and solutions of these nine organisations engaging policy-makers with 17

organisations engaging business leaders are shown in section 8.

7.2.1 The Institute for New Economic Thinking, US/UK/Global

The Institute for New Economic Thinking (INET) reason for being is “that our 20th century economic thinking is not fit for life as we know it in the 21st century” (INET, 2013). The Institute was established in 2009, by economic and financial thinkers as a collaborative research institute to rebuild a responsible economics profession. They agreed that the time had come to seize the opportunity of the lingering financial crises and to get on with reshaping economic thinking from within the discipline itself. INET’s vision is “to accelerate changes in economic thinking, theory, practice and policy by empowering next generation of economists”(INET, 2013). It provides a forum and grants for interdisciplinary academic research.

INET is a not-for-profit private foundation funded by Hungarian-American business magnate, investor and philanthropist George Soros to the tune of \$50 million. This funding supports a grant program that attracts academics and researchers from all over the world, many with interdisciplinary approaches involving physics, mathematics, social science, psychology, philosophy and a wide range of others to create new economic tools that use radically new ways of economic thinking.

The projects that have received funding over the past three years are a testament to INET being well on its way of delivering its mission: “To nurture a global community of next-generation economic leaders, to provoke new economic thinking, and to inspire the economics profession to engage the challenges of the 21st century” (INET, 2013). Most of its work has implications for policy makers, the financial sector and the education of future generations of government and business leaders but the greatest contribution it seeks to make is to renew the economics profession from within.

7.2.2 The Secretariat for the New Development Paradigm (SNDP), Bhutan

The SNDP was established in Bhutan in June 2012 by the United Nations as a think tank of international experts from government, academia, civil society organisations, NGO’s and consultants on co-creating a new development paradigm guided by Bhutan’s development philosophy of Gross National Happiness (GNH). Its vision is to inform the UN Post-2015 process with policy advice on a new economic development paradigm. Its scope is not purely economic but an interdisciplinary approach to answering some very ambitious questions: what will be the institutions, structures, governance mechanisms, financial and trade regulations, measurements and accounting systems of a new development paradigm? (SNDP, 2013).

Drawing on Bhutan’s development philosophy of the past 30 years, GNH is used as the foundation and purpose of the new development paradigm. The SNDP describes in its Foundation Document from the Jan 2013 Working Group meeting, three dimensions that differentiate its approach from any others. Firstly, the new paradigm is defined by having a “higher purpose” than either material abundance or survival. The intention is to provide a goal that speaks to and draws out the true human potential. This is a distinct feature that emerges out of the GNH philosophy. Secondly, the new paradigm itself and the SNDP’s approach to its design are intended to be “holistic” and based on an understanding of the interdependent nature of reality. This approach points at the cross-roads of systems and design thinking with Buddhist philosophy, where the mutual causality and the complexity of endless variables influencing each other, represents the world view behind the new paradigm. Thirdly, the SNDP sets out to define “wellbeing and happiness” rigorously and meaningfully in the context of the new development paradigm.

The mission of the SNDP therefore is to promote happiness and wellbeing of all life forms through defining measurement and accounting systems and regulatory policy mechanisms. Most of the work of the SNDP relates to policy makers and regulators. The SNDP also submitted a document to the UN General Assembly in September 2013 as a contribution to the post-2015 Millennium Goals consultative process.

7.2.3 New Economics Foundation (NEF), UK

The NEF was created in 1986 as a result of “The Other Economic Summit” conference held in London during that year. Since then it has developed into one of the main think-tanks globally that challenges mainstream economic thinking, conducts research and proposes practical initiatives that promote an economy “that puts people and planet first” (NEF, 2013). The NEF’s vision is “to promote innovative solutions to the major economic, environmental and social challenges and to challenge mainstream thinking to inspire and demonstrate real economic well-being” (NEF, 2013).

Some of the ideas that NEF has helped to make mainstream over the past 25 years include green taxes, alternative economic indicators (the Happy Planet Index), ethical investment, time banking, social return on investment, community development finance institutions and local money flow analysis. The key focus areas for the NEF that defines its view of new economics now include:

1. Reforming the financial sector
2. Building a new campaign that promotes transition
3. Demonstrating the benefits of a healthy environment
4. Working towards a fairer society through reforming social/public policy
5. Improving economic decision-making by valuing what matters
6. Measuring and valuing well-being

The NEF’s ‘Happy Planet Index’ measures wellbeing using the ‘happy life years’ divided by the ‘ecological footprint’. It has been a widely popularised measure and has done much in progressing the idea of alternative progress measures. It is criticised though for not including education and income as some key indicators of life satisfaction (Bergheim, 2011).

7.2.4 New Economics Institute and New Economics Network (NEI / NEN), US

The New Economics Institute (NEI) and the New Economics Network (NEN) in the USA offer another interpretation of ‘new economics’. The NEI was formerly the E.F. Schumacher Society since the early 1980s and recently transformed into the NEI in 2012. It is primarily a student movement driven by the ‘Millennial’ generation within University campuses across the US. The Institute is fostering a generation of young leaders to work together for a “solidarity economy from the ground up” (NEI, 2013). The interpretation of new economics from this group focuses on strategies and tools that address inequality, poverty, climate change and corporate control of democracy, which they claim are the symptoms of interconnected economic, political and ecological system failures (NEI, 2013).

The New Economy Network which is a collaboration of some 44 organisations, including the NEI defines the new economy as “an emerging system of values, practices, institutions, policies and laws that support an economy designed to maximize current well being and social justice without sacrificing the natural world or the resources available to future generations” (NEN, 2013).

7.2.5 New Economy Working Group (NEWG), US

Other groups with interesting perspectives on the new economy include the New Economy Working Group in the US. The NEWG is an informal alliance of four organisations spanning research, media and advocacy groups including the Institute for Policy Studies, Yes!Magazine, Living Economies Forum and the Democracy Cooperative. Their vision is “to contribute to reframing the economic policy debate to address the social and environmental imperatives and opportunities of the 21st Century”. NEWG seeks to achieve this by “optimising long-term health and well-being through a healthy planetary system of cooperative, equitable, locally rooted, rule-based market economies.”

Their definition of new economy focuses on the economic policy debate and is organised around nine action clusters which include:

1. Redefining a new story of economics;
2. Using new measures of progress (beyond GDP);
3. Redesigning the financial system;
4. Equitable wealth distribution – shared prosperity;
5. Creating community wealth through locally owned enterprises;
6. Redesigning democratic systems;
7. Promoting regionally self-reliant economies;

8. Redesign global rules and institutions to ensure universal rights and protect a healthy biosphere; and
9. Promoting peace through national self-reliant economies.

7.2.6 Beyond GDP, Europe

'Beyond GDP' is an initiative by the European Commission (EC), European Parliament, WWF, Club of Rome and the OECD that resulted from a high-level conference held in 2007 by these partner organisations. In 2009 the EC released a roadmap for five key actions to develop indicators that measure progress of nations beyond GDP. The vision of the Beyond GDP initiative is "to develop indicators that are as clear and appealing as GDP, but more inclusive of environmental and social aspects of progress to address global challenges of the 21st century such as climate change, poverty, resource depletion, health and quality of life" (EC, 2013).

The five key actions of the initiative identified in the new economics context include:

1. Complementing GDP with environmental and social indicators;
2. Near real-time information (on environmental and social indicators) for decision-making;
3. More accurate reporting on distribution and inequalities;
4. Developing a European Sustainable Development scoreboard (including sustainable production and consumption); and
5. Extending National Accounts to environmental and social issues.

These key actions focus on policy makers at a national and international level within Europe and highlight the need for complementing GDP with statistics that address broader economic, social and environmental issues.

The Commission on the Measurement of Economic Performance and Social Progress (Stiglitz, Sen, Fitoussi report) commissioned by the French government in early 2008 contributed much to the current agenda and debate that is going on in relation to 'Beyond GDP'. The aim of the Commission was to identify the limitations of GDP as the only measure of economic performance and social progress. The final report resulting from the commission was released in late 2009 and strongly recommended that new metrics be developed that give a complete set of wealth accounts showing a comprehensive picture of assets (natural, human and man-made), as well as debts and liabilities as a more comprehensive measure of societies.

The report states upfront that it is intended to focus on the measurement debate rather than making policy recommendations (Stiglitz et.al , 2009). The report was criticised by the social indicators research community (Noll, 2011) who observed that the report ignored some of the available approaches to measuring wellbeing and quality of life. Despite its shortcomings, the Stiglitz-Sen-Fitoussi report has had a major impact on the way many of the European countries now consider the measurement of wellbeing and social progress. Joseph Stiglitz is also a board member of the European 'Beyond GDP' initiative.

7.2.7 Australian Conservation Foundation (ACF) – Better than Growth, Australia

The ACF has been active in Australia as an NGO advocacy group focused on ecological sustainability since its founding in the mid 1960s. Much of its work in the past has focussed on the expansion of protected areas and Climate Change issues in Australia. More recently in 2010 the ACF launched an initiative called "Better than Growth" which resulted in a report and the foundation of a New Economic Advisory Service. The vision for ACF's work in the area of new economics is "to build a new, progressive approach to Australia's quality of life that complements and informs economic growth". It also seeks to foster new economic thinking and practice that reassesses the way society's health and happiness is measured.

The report identifies eight key objectives and solutions as instrumental in the Australian context of new economics (ACF, 2013):

1. Improving quality of life, not quantity of wealth;
2. Balancing time use;

3. Making a circular economy (cradle-to-cradle production) a reality;
4. Promoting sustainable consumption;
5. Aligning market prices with social and environmental costs;
6. Matching business incentives with long-term public goals;
7. Optimising taxation that rewards work and not waste; and
8. Designing an improved cost-benefit analysis process for policy decision-making.

The target audience for the report are policy makers at national government level. However, the Advisory Service is offered to community groups, local governments and green businesses and social entrepreneurs within Australia.

7.2.8 Post Growth Institute – Australia & Global

The Post Growth Institute is an international group exploring and inspiring paths to global prosperity that don't rely on economic growth. Its mission is "To build and empower a broad-based global movement for identifying, inspiring and implementing new approaches to global well-being.

7.2.9 BrainPOol Project - by the European Union

The BrainPOol Project was funded by the European Union in 2011 to establish a collaborative project among three leading Universities and three non-profit groups in Europe concerned with alternative measures of progress. The project has a number of objectives of which the first one was to catalogue over 100 Genuine Progress Indicator Initiatives from across the world. The key aim of the project is "To help increase the influence of Beyond GDP indicators in policy, by improving knowledge transfer between those creating and promoting such indicators and their potential users" (BrainPOol, 2013). The key objective identified by this project is to make Beyond GDP indicator measurements more accessible and widely used by policy makers.

7.3 Selected new economics organisations engaging the business sector

Similar to the organisations engaging policy-makers, the following 17 organisations are profiled for their contribution to the current debate in new economics thinking and action that is particularly focussed on engaging the business sector and its leaders.

7.3.1 Business Alliance for Local Living Economies (BALLE), US & Canada

The alliance was established in 2001 and comprises some 80 local self-determined business networks, representing some 30,000 small to medium-sized enterprises in the US and Canada that share a commitment to revitalising local economies through local business ownership, local financing including lending and investing, healthy community life and environmental sustainability. BALLE's vision is to establish "a global system of human-scale, interconnected local economies that function in harmony with local ecosystems to meet the basic needs of all people, support just and democratic societies, and foster joyful community life." BALLE seeks to achieve this by "catalysing, strengthening and connecting networks of locally owned independent businesses dedicated to building strong Local Living Economies" (BALLE, 2013).

BALLE principles for a new economy are focussed on six key principles:

1. Communities producing and exchanging locally and cooperating regionally;
2. Public policies that support decentralised business ownership and benefit local economies and environments;
3. Consumers who buy locally and recognise the value of premium prices to secure the benefits for the community;
4. Investors who value the local businesses that benefit the community and accept a return that's enough but not necessarily the maximum;
5. Media that provides independent news to empower communities to make informed decisions; and
6. Businesses that are independent and locally-owned with a commitment to service the needs and interests of all stakeholders.

7.3.2 B-Team, US & UK

The B-Team was established in July 2013 as a not-for-profit initiative in the US by Sir Richard Branson and a group of global business leaders to create a future “where the purpose of business is to be a driving force for social, environmental and economic benefit”. The mission is “to deliver a “Plan B” that puts people and planet alongside profits”. The idea being that Plan A, or the business model of the past where companies have been driven purely by profit alone, is no longer acceptable. The B-Team include some of the most progressive contemporary business leaders such as Paul Polman, CEO of Unilever, Ratan Tata, former Chairman of the Tata Group, Jochen Zeitz, former Chairman of Puma and Arianna Huffington, President and Editor-in-Chief of the Huffington Post.

While this approach is promoting collaboration across industry sectors and even among competitors it is potentially challenging for the business world. However, such a challenge seems to be best brought forward from the business sector itself. Therefore, the aim of getting millions of business leaders committed to a better way of doing business has great potential, particularly with the following objectives and believes that are the B-Team’s compass for its activities (BTeam, 2013):

1. The Right Aspirations: Incentives that promote business models that integrate people, planet and profit.
2. New Structures: new corporate forms that enable conditions to mandate a people, planet, profit agenda.
3. True Accounting: Business account to society and the planet for the true cost.
4. True Returns: Finance to flow to businesses that pursue a multi-bottom line.
5. Wellbeing: Business as a primary driver of holistic wellbeing.
6. Level Playing Field: eliminating any incentives that destroy wellbeing of people and planet.
7. Full Transparency: about better product, better companies, better investment and better leaders.
8. Redefined Education: Next generation is taught that purpose of business is to benefit society and environment and not just financial gain.
9. Nature’s Model: Business to work with nature rather than against it.
10. The Long Run: Thinking and planning for the long-term.

7.3.3 Ellen MacArthur Foundation, UK

The Ellen MacArthur Foundation was established in 2010 in the UK by solo long-distance yachtswoman Ellen MacArthur, who broke the world record for the fastest solo circumnavigation of the globe in 2005. She established the foundation with the mission to “work in education, business innovation and analysis to accelerate the transition to a Circular Economy” (Ellen Macarthur Foundation, 2013). The Foundation focuses on three key areas:

1. Thought leadership – The opportunity for a re-design revolution
2. Education – Inspiring a generation to re-think the future
3. Business – catalysing business innovation

Business innovation is believed to be at the heart of any transition to a circular economy that is resource-efficient and ultimately regenerative in its production and manufacturing processes. Reports published by the Foundation highlight that companies that make the transition to a circular economy approach are able to save a combined annual US \$1 Trillion in net material costs.

One of the key initiatives by the Foundation targeted at the business sector is the Circular Economy 100 (CE100) project. This project aims to bring together at least 100 of the top manufacturing companies in the world with emerging innovators and regions, with the aim to collectively solve the problems of resource use where nothing is lost and everything is transformed into something new. The CE100 project provides three levels of support by:

1. Creating a mechanism for collective problem solving;
2. Building a library of best practice guidance to help businesses fast track success; and
3. Providing a scalable mechanism for building circular economy capabilities within businesses.

7.3.4 B Corporation and Certification, US

The B Corporation was established in 2006 in the US as a non-profit organisation. The mission of the B Corporation is “to serve a global movement of entrepreneurs using the power of business to solve

social and environmental problems.” (B Corporation, 2013). It first started certifying B-Corporations in 2007 and today certifies 830 companies in 60 industries across 27 countries of the world.

The B Corporation serves entrepreneurs in three ways:

1. Providing B-Corporation Certification;
2. Lobbying for changes to legalise benefit corporations in the US; and
3. Accelerating impact investment through GIIRS ratings & analytics.

The certification is available to start-ups and existing companies large or small and follows a three-step process. Firstly, any company applying for B Corp Certification will need to meet performance requirements in the areas of accountability, transparency, relationship with employees, impact on the local community and suppliers as well as exemplary environmental performance. A minimum score of 80 out of 200 is required to be eligible for certification. The next step encourages the company to adopt benefit corporations status (particularly relevant for companies in the US). The final step involves the signing of the B Corp Declaration of Interdependence. Annual certification fees are based on a tiered structure ranging from \$500 to \$25,000 per year depending on the size of the company. The certification is renewable every 2 years provided the companies continue to meet the required standards and criteria.

7.3.5 Accounting for Sustainability (A4S), UK

Accounting for Sustainability (A4S) was established by the Prince of Wales in 2004 in the UK to bring the finance and accounting community from business, government, academia and capital markets together. “The Prince’s A4S Project works with businesses, investors, the public sector, accounting bodies, NGOs and academics to develop practical guidance and tools for embedding sustainability into decision-making and reporting processes to help build a sustainable economy” (Accounting for Sustainability, 2013). Its work focuses mostly on ways to integrate measures of environmental health, social wellbeing and economic performance to provide a ‘future-proofed’ framework for decision-making, and build capacity for businesses to take action. The four main areas of work identified for 2012 & 13 were:

1. Sustainable Economy – embedding sustainability into policy and performance measures;
2. Integrated Thinking – embedding sustainability into decision-making and strategy;
3. Integrated Reporting – redefining corporate reporting;
4. International Network – promoting A4S work overseas; and
5. Communications and Engagement – engaging accounting and finance community.

7.3.6 Business in the Community, UK

Business in the Community was established in 1982 in the UK as an initiative supported by the Prince of Wales. It is a non-profit ‘charity’ representing a business movement with some 800 members promoting responsible business, CSR and corporate responsibility, which is committed to building resilient communities, diverse workplaces and a more sustainable future. Its mission is: “We work locally, nationally and internationally with members to transform businesses and transform communities. We believe that responsible leadership is the ability to balance doing both” (BITC, 2013)

7.3.7 Sustainable Brands, US & UK

Sustainable Brands (SB) is a membership organisation, which was established in 2006 and is supported by 28 of the world’s biggest brand names such as Coca-Cola, Unilever and Ford Motor Company and 380 solution providers. The organisation is mostly active in the US and UK and has the mission “to inspire, engage and equip today’s business and brand leaders to prosper for the near and long-term by leading the way to a sustainably abundant future.”

Some of the key areas that SB is addressing on behalf of its members include (Sustainable Brands, 2013):

1. Brand Innovation;
2. New Metrics;
3. Behaviour change;

4. Communications;
5. Green Chemistry;
6. Brand Leadership;
7. Sustainable Design;
8. Supply Chain;
9. Social Enterprise;
10. Employee Engagement;
11. Beyond Waste;
12. Food Systems; and
13. Retail Innovation.

7.3.8 The Natural Step International, Sweden + 12 other countries

The Natural Step International (TNSI) was established in 1989 and offers a framework and initiatives across 21 business sectors to understand and make meaningful progress towards sustainability. The TNSI specifically focuses on fostering high-leverage initiatives for systemic social change towards sustainability driven by business. Its vision is: “A good world in which human society thrives within nature’s limits”, which it aims to achieve through “enabling the actors within society to use sustainability as a set of design principles to innovate, succeed and co-create vibrant futures together” (TNSI, 2013).

7.3.9 Tomorrow’s Company, UK

Tomorrow’s Company (TC) is a membership organisation based in the UK as a think-tank of some 54 multi-national companies including British Airways, Tata, PWC, Marks & Spencers and Prudential Financial. TC mainly works on projects with businesses, investors, civil society, government, research and academic institutions that lead to sustainable business success. Its mission is: “We believe businesses can and should be a force for good. We inspire generations of business leaders to shape the way they do business. Our work today will restore the licence for business to operate and for businesses to be successful tomorrow” (TC, 2013).

7.3.10 Global Reporting Initiative, Netherlands and global

The Global Reporting Initiative (GRI) is a global network established in 1997 of over 30,000 members offering guidelines and a framework to measure and report economic, environmental, and social performance of corporate businesses, public agencies, smaller enterprises, NGO’s, industry groups and others. In 2013 some 5,528 organisations, across 38 industry sectors, in 60+ countries are using the GRI framework for integrated reporting. Its mission is: “To mainstream sustainability reporting as a standard practice for all organisations” (GRI, 2013).

7.3.11 Global Compact, global

Global Compact (GC) was established in 2000, by the UN as a strategic policy initiative for businesses committed to aligning their operations with ten principles in the areas of human rights, labour, environment and anti-corruption (GC, 2013). It now engages with over 10,000 corporate participants from over 130 countries, possibly one of the largest corporate responsibility initiatives in the world. Its main focus is on mainstreaming the ten GC principles into business strategies and operations across the globe as well as being a catalyst for business action in line with the UN goals.

A major piece of research was recently published in a collaborative effort between GC and Accenture in the report “The UN Global Compact – Accenture CEO Study on Sustainability 2013” (GC, 2013). The research involved interviews and surveys with more than 1,000 top executives from 27 industry sectors across 103 countries with the aim to accelerate sustainable business initiatives and strategies that contribute to global priorities. One of the major finding of this study was that while sustainability has become firmly established on the leadership agenda of almost every leading business, collectively they seem to have reached a plateau in the advancement of sustainability (GC, 2013). The CEOs are calling for “radical, structural change to markets and systems” otherwise “business may be unable to lead the way toward the peak of a sustainable economy” (GC, 2013).

7.3.12 *Blue Economy, Europe*

The concept of the Blue Economy (BE) was first proposed by Gunther Pauli of ZERI in 2001 as a proposition beyond the 'Green Economy' and beyond business models based on cost cutting and economies of scale. The BE promotes a philosophy and business model that uses innovation and technology "to develop businesses that generate multiple benefits for business and society".

7.3.13 *Corporation 20/20 Alliance, US*

Based at the Tellus Institute, Corporation 20/20 was established in 2004 as an alliance of individuals from the legal, labour, business, civil society, government, journalism, governance and investor sector. Its goal is "to create a forum of leading thinkers, practitioners and advocates; construct positive and plausible visions of the future corporate form, and translate such visions into broad-based advocacy." (Corporation 20/20, 2013)

7.3.14 *World Forum for a Responsible Economy, France*

The World Forum for a Responsible Economy was established in Lille, France in 2007 under the guidance of former French Minister, Philippe Vasseur. It is a think tank to foster studies and research regarding Corporate Social Responsibility. It conducts an annual event in Lille with the objective "to advance a *Responsible Economy* through showcasing best practices adopted by corporations (whether SMEs or large corporates) that exercise their activities responsibly, anywhere in the world" (WF, 2013). The theme of the 2013 event is "Yes we change: another ways to doing business and consuming" focussing on what creates positive and effective change for a sustainable future.

7.3.15 *Global Union for Sustainability, Brazil*

This initiative came about in 2012 through discussions among Brazilian civil society organizations, business leaders and subnational governmental actors in the wake of the Rio +20 Summit. It is based in the Instituto Ethos and has the following intention: "The driving force behind this initiative was the need to break loose of the global institutional paralysis of pending decisions, particularly regarding climate change and the 2008 financial crisis" (GUFS, 2013)

7.3.16 *Fourth Sector Network, US*

The Fourth Sector Network (FSN) was established in 1998 and to describe an emerging organizational sector that transcends sectoral boundaries of business, non-profit and government. It is a sector that integrates social purposes with business methods, exemplified in 'For-Benefit Corporations'. The "FSN has been an expanding cross-sectoral, cross-disciplinary network of networks, enterprises, supportive organizations and individuals whose work contributes to the development of the Fourth Sector. As a network of collaboration, FSN is an enabling environment for the development of Fourth Sector enterprises and the infrastructure that supports them" (FSN, 2013)

7.3.17 *The Third Metric – Arianna Huffington, US*

The Third Metric was established in 2013, by Arianna Huffington as one of the Huffington Post UK initiatives. Its aim is to source stories and real life examples of ways to redefine the current metrics of success beyond money and power. It seeks to engage readers and leaders in writing about the idolisation of money and power can be to the detriment of so much else human beings hold as important. The initiative seeks to carve out a place for wellbeing, giving back, mindfulness, health and happiness at work and in life in general.

8. Analysis of new economics objectives and solutions identified by the profiled organisations

The 26 organisations profiled above in sections 7.2 and 7.3 have identified a set of 29 objectives and solutions that they perceive to be the most powerful points for intervention to shape a new economic system. Some of the objectives overlap while others diverge between the various organisations. The tables in Appendix 13.3 categorise these objectives and solutions and shows the frequency of how many of the 26 profiled organisations above have dedicated their efforts to each particular solution. The following section 8.1 highlights some of the key findings and insights from analysing these categories. This is followed in section 8.2 by Donella Meadows (2009) scale of effectiveness of leverage points to analyse if the new economics solutions promoted by the various organisations have the potential of creating effective change in the economic system.

Meadows (2009) refers to leverage points as being the points that have the greatest potential to create whole systems change. For the purpose of this analysis, the objectives and solutions proposed by the new economics organisations are considered to be levers for change or leverage points in the existing economic system.

8.1 Analysis of leverage points identified by the profiled organisations

Figure 8.1.1, 8.1.2 and Graph 8.1.1 below show a visual representation of priorities given to the range of 29 solutions or leverage points they identified by the 26 new economics organisations. Following is the list in order of priority from most to least often identified solutions or leverage points according to the 26 organisations profiled in this report.

Figure 8.1.1: Ranking of most to least often identified solutions or leverage points by 26 new economics organisations

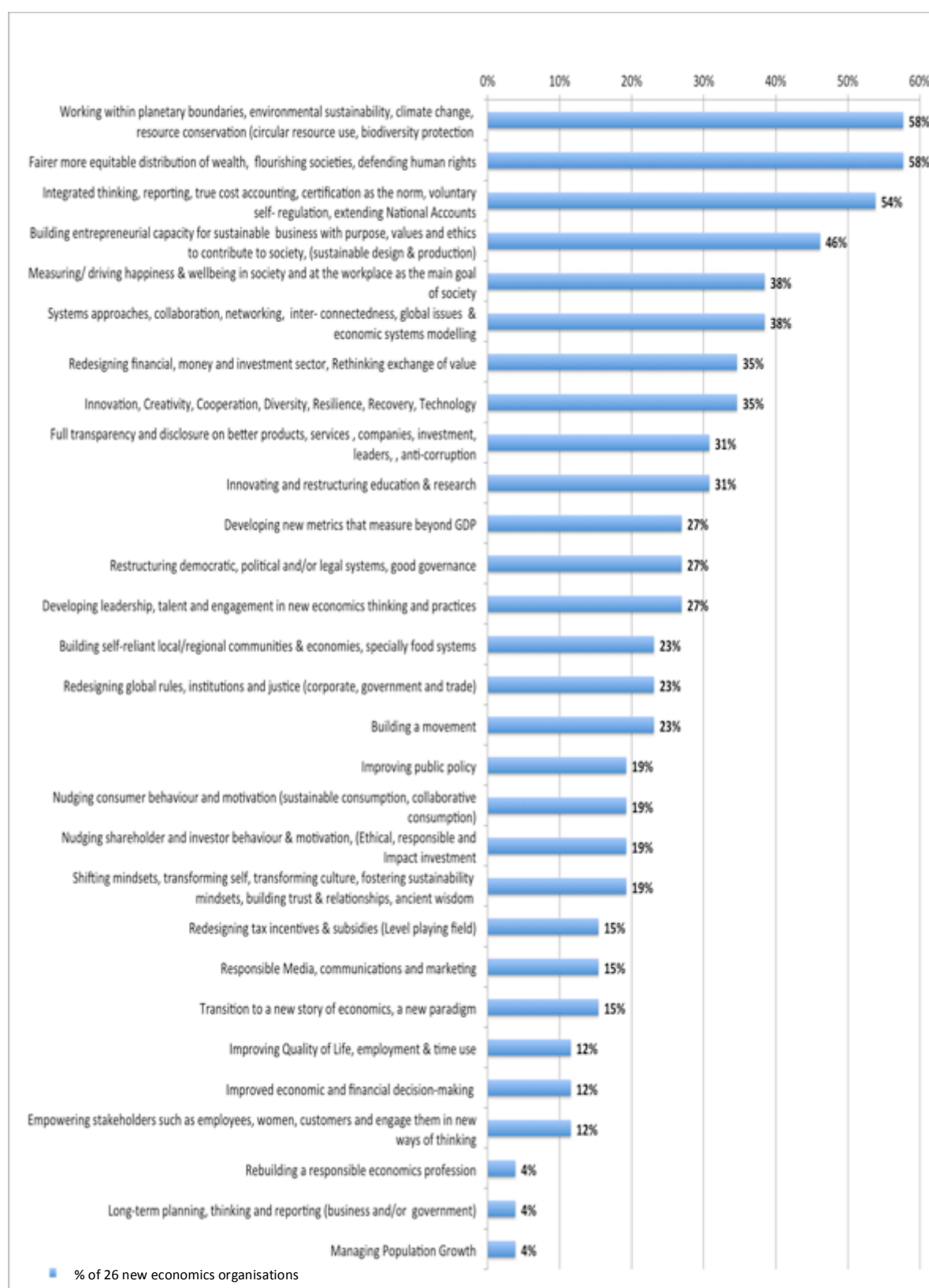


Figure 8.1.2: The relative importance given to the new economics solutions by the organisations engaging with business (% in brackets indicates the percentage of organisations engaging with business that identified the particular solution)

1 Working within planetary boundaries ... (65%)	2 Fairer more equitable distribution ... (47%)	9 Full transparency and disclosure on better companies ... (41%)		10 Innovating and restructuring education ... (35%)		12 Restructuring democratic, political systems ... (29%)	
3 Integrated thinking and reporting ... (65%)	6 Whole systems approach, collaboration ... (41%)	13 Developing leadership and talent in new economics ... (29%)	5 Measuring / creating conditions for happiness and wellbeing ... (24%)	7 Redesigning financial, money and investment sector ... (24%)		14 Building self-reliant local communities & economies ... (24%)	
		19 Nudging shareholder and investor behaviour ... (29%)	16 Building a movement ... (24%)	15 Redesigning global rules & institutions ... (18%)		18 Nudging consumer behaviour ... (18%)	
4 Building entrepreneurial capacity ... (59%)	8 Innovation, creativity, cooperation, technology ... (41%)	20 Shifting mindsets, transforming self & culture ... (29%)	11 Developing new metrics ... (18%)	21 Redesigning tax incentives ... (18%)		26 Empowering stakeholders ... (18%)	
				22 Responsible media and marketing ... (18%)		24 Improving decision-making (6%)	
				23 Responsible media and marketing ... (18%)		25 Improving quality of life (6%)	
						28 Long-term planning & thinking (6%)	

Note: The solutions ranked 17th "Improving public policy", 23rd "Transition to a new story of economics, a new paradigm", 27th "Rebuilding a responsible economics profession" and 29th "Managing Population Growth", did not appear as solutions among the organisations engaging businesses.

Graph 8.1.1: Percentage of 26 profiled new economics organisations and their proposed solutions and objectives



Graph 8.1.2 illustrate the variation of the focus given to the various solutions by the profiled organisations engaging with business and policy-makers. Of particular interest are the following observations:

- a) The top most often identified solution or leverage point of “Working within planetary boundaries, environmental sustainability...” seems to be more strongly recognised by the organisations engaging business (65%) compared to the organisations engaging policy-makers (44%).
- b) The second most identified solutions of “Fairer more equitable distribution of wealth...” is more strongly recognised by the organisations engaging policy-makers (78%) than those engaging business (47%).
- c) The third most identified solutions “Integrated thinking, reporting, true cost accounting...” is more strongly recognised by the organisations engaging business (65%) than those engaging policy-makers (33%).
- d) Not surprisingly, the fourth most identified solutions of “Building entrepreneurial capacity...” shows a large variation of focus between organisations engaging business (59%) and those engaging policy-makers (22%).
- e) The fifth most often identified solution was “Measuring and creating conditions for happiness and wellbeing in society ...” which had the largest variation between the organisations engaging policy-makers and business. Recognition among organisations engaging policy-makers for this solution was high with 67% compared to the organisations engaging business of which only 24% identified it as a solution for whole systems change.

Large variations between the efforts of organisations engaging policy-makers compared to those that are engaging business can be observed in the following solutions offered for systems change:

- a) “Redesigning financial, money and investment sector; Rethinking exchange of value” was by far more important to the organisations engaging policy-makers (56%) than it was to the organisations engaging with business (24%).
- b) Interestingly, the solution of “Full transparency and disclosure... anti-corruption” was much more prominent in the organisations engaging business (41%) than in the organisations engaging policy-makers (11%).
- c) “Developing new metrics that measure beyond GDP” was more often part of the solutions offered by the organisations engaging policy-makers (44%) than it was part of the organisations engaging business (18%).
- d) The two leverage points or solutions of “Shifting mind-sets, transforming self, building trust and relationships” as well as “Nudging shareholder and investor behaviour & motivation towards ethical and impact investment” only featured among the organisations engaging business (29%) and did not appear at all among the organisations engaging policy-makers.
- e) On the other hand, the solution “Transition to a new story of economics and a new paradigm” only featured among the organisations engaging policy-makers with 44% of them recognising this as a key leverage point for change. While the solution of “Transition to a new story of economics and a new paradigm” did not feature at all among the organisations engaging business, this could simply be a reflection of different language being used by the organisations to describe a similar leverage point. Both the “Shifting mind-sets” and the “Transition to a new paradigm” leverage points are about changing believe-systems and therefore could also easily be combined into one category. In that case it would appear fairly evenly among the organisations engaging policy-makers and those engaging business. It is interesting therefore to observe how different language is used to describe similar areas of work among the new economics organisations depending on whether their audience are policy-makers or the business sector.

There were also some other solutions that were either only identified by the organisations engaging policy-makers and others that were only mentioned by the organisations engaging business. Following are the key examples:

- a) “Improving public policy” was only recognised by the organisations engaging policy-makers with 56%, and not at all by the organisations engaging business.

- b) On the other hand, “Nudging investor behaviour ...” , “Shifting mind-sets ...” , “Empowering stakeholders ...” and “Long-term planning...” were only identified by the organisations engaging business and not at all by those engaging policy-makers.
- c) Other leverage points only covered by the organisations engaging policy-makers and not at all by those engaging business were “Rebuilding a responsible economics profession” and “Managing population growth”.

Since this report focuses on happiness and wellbeing and its importance to the business sector, it is relevant to list the organisations that are recognising Happiness & Wellbeing as a leverage point to create change in the current system. They include:

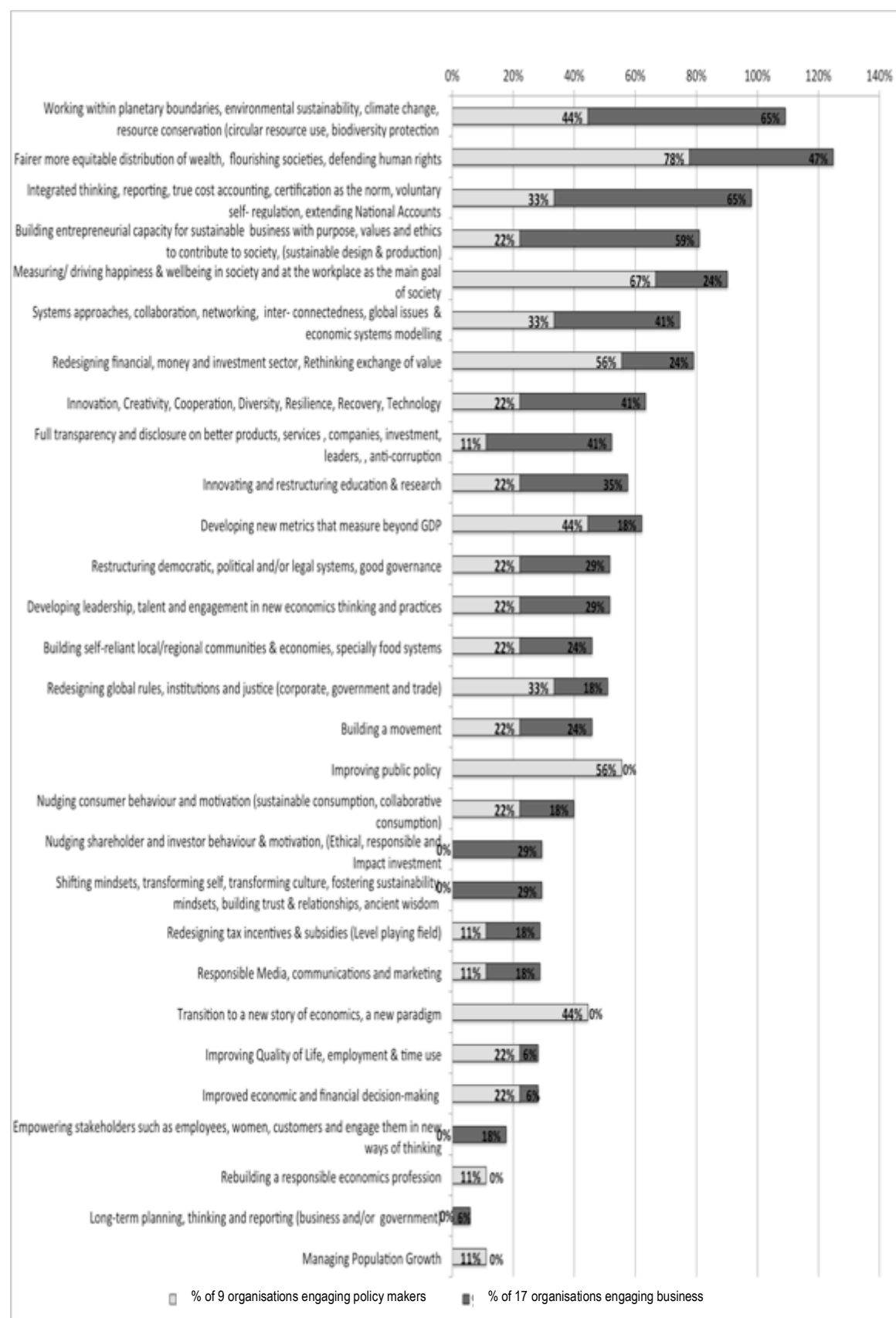
Organisations engaging policy-makers:

- New Economics Institute (US)
- Secretariat for the New Development Paradigm (Bhutan)
- Beyond GDP (European Commission)
- New Economics Foundation (UK)
- Post-Growth Institute (Australia & Global)
- Brain-Pool (Europe & Global)

Organisations engaging business:

- Accounting for Sustainability (UK)
- Business in the Community (UK)
- Sustainable Brands (US & UK)
- 3rd Metric (US & UK)

Graph 8.1.2: Percentage of organisations engaging business versus those engaging policy-makers and their focus on particular solutions and objectives



8.2 Complex systems and leverage points

Using the results from section 8.1 and assessing them against the scale of effectiveness of leverage points in producing change in a system, as proposed by Donella Meadows (2009), provides a different perspective on the efforts by the organisations promoting new economics thinking and practices.

Meadows (2009) proposed scale of effectiveness for leveraging change in complex systems is not a hard and fast rule. It is based on over 30 years of Meadows experience in the field of systems dynamics and was proposed by her for further testing and evolving over time. The scale of effectiveness is used here as a framework to compare and assess the solutions or leverage points identified by the 'New Economics' organisations in the context of global mega trends and the happiness and wellbeing research. Figure 8.2.1 and 8.2.2 illustrate how short levers are the less powerful points to intervene in a system compared to higher order leverage points that can be highly effective points of influence in creating systems change.

Figure 8.2.1: Lower order leverage points are less effective at creating systems change

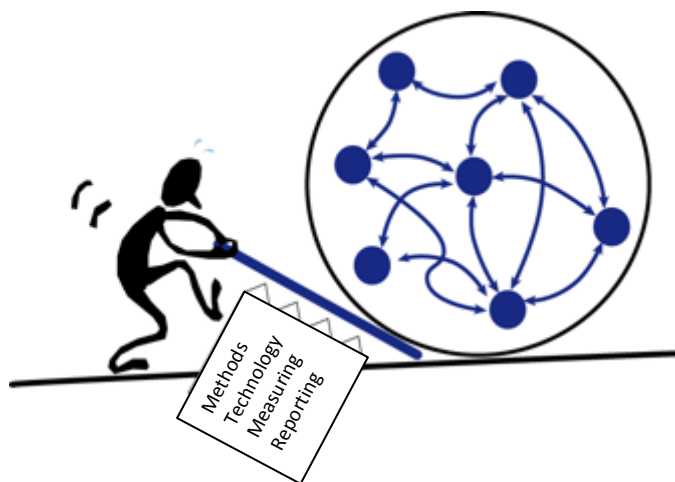
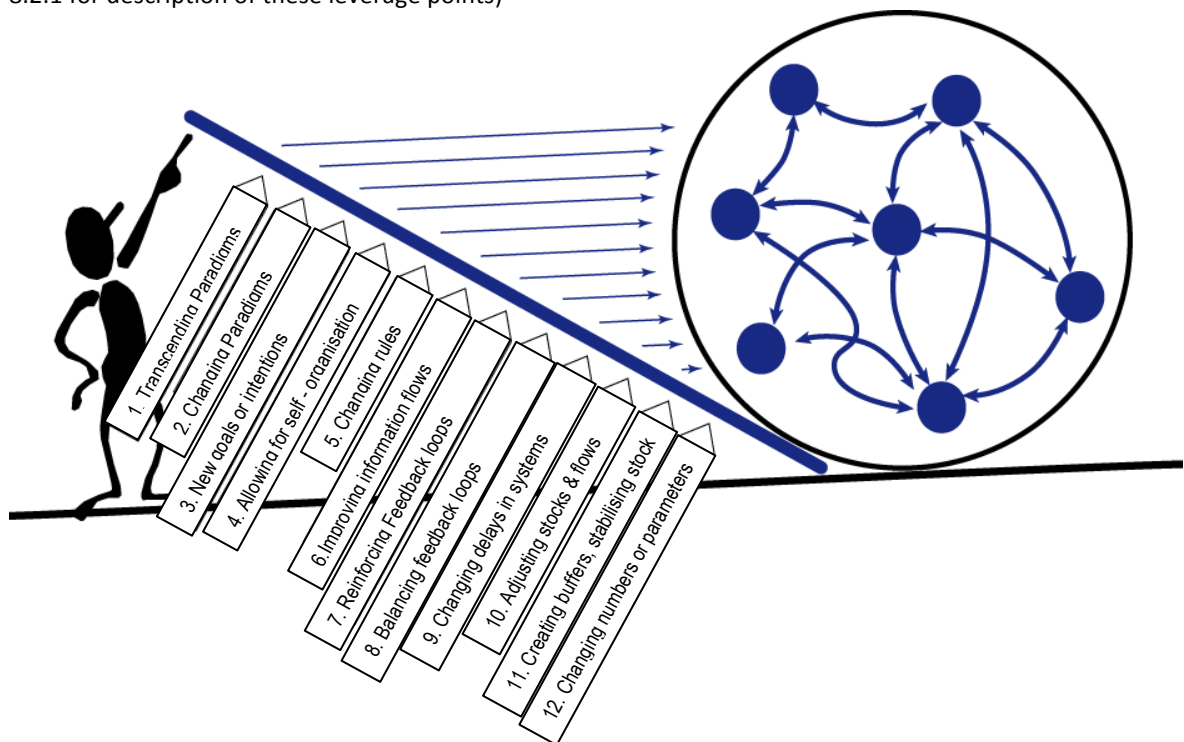


Figure 8.2.2: Higher order leverage points are more effective at creating systems change (see Table 8.2.1 for description of these leverage points)



Source: Graphics from Wandelweb.de http://wandelweb.de/galerie/00_Management/index.php

Table 8.2.1 is an attempt at allocating the 29 issues or leverage points, which were identified by the new economics organisations profiled in this report, against the scale of effectiveness as outlined by Meadows (1999). The purpose of using Meadows framework is to assess how likely these proposed leverage points are to produce significant shifts towards a *responsible economy*.

Table 8.2.1: Effectiveness of leverage points (adapted from Meadows, 1999 and 2009)

Leverage points in a system (1 = Most effective, 12 = Least effective)		Explanation of leverage points (Information sourced from Meadows , 1999 & 2009)	Perceived effectiveness (Information sourced from Meadows, 1999 & 2009)	Leverage points identified by 26 new economics initiatives (1 = most often identified to 29 = least often identified) Note: (#) indicates ranking of solutions identified by 26 new economics organisations
12	Constants, Numbers, Parameters, Subsidies, Taxes, Standards	<ul style="list-style-type: none"> Describes the conditions of a system (such as air quality, company profits, national debt or tax income to government); Monitors and reports the stocks and flows of a system (ie inputs and outputs). 	<ul style="list-style-type: none"> Adjustments to this leverage point may be effective in the short-term and to individuals Considered as points of least leverage, similar to “re-arranging the deck chairs on the Titanic” They rarely change behaviours Can be more powerful leverage points if they are used in conjunction with other leverage points further down this list 	Developing new metrics that measure beyond GDP (11)
11	Buffers, stabilising stocks	<ul style="list-style-type: none"> A system with large stocks relative to its flows is more stable than a system with small stocks; For example large ‘stocks’ of higher quality of life (or wealth) in a population will make it more resilient to sudden changes in flows (ie loss of income) 	<ul style="list-style-type: none"> Can be used to stabilise a system by increasing the capacity of the stabilising stock, in other words by creating a buffer; If the buffer is too big though, the system becomes inflexible and slow Changing the size of a buffer can have major impacts on a system However, most buffers are usually physical entities and not easily changed 	Improving Quality of Life, employment & time use (24)
10	Stock and flow structures and nodes of intersections	<ul style="list-style-type: none"> When the structures are physical (like roads, airports, schools or hospitals) they are slow and expensive to change; When the structures relate to social, political, organisational or interconnected systems structures like banks, they are complex and linked to believe systems. 	<ul style="list-style-type: none"> Physical structures are important cornerstones in systems but rarely a powerful leverage point. There is more leverage in proper design up front; After structures have been built, the leverage is in understanding its limitations and bottlenecks; There is not much leverage in trying to change non-physical structures such as political or organisational structures without addressing the believe system (see 11. Paradigms) 	Systems approaches, collaboration, networking, inter-connectedness, global issues & economic systems modelling (6)
9	Delays in systems change	<ul style="list-style-type: none"> Changes to system flows often result in oscillations due to delayed adjustments caused by delayed information. Delays in feedback as to the system state can therefore frequently results in overcapacity or under-capacity 	<ul style="list-style-type: none"> Awareness of delays in a feedback process is crucial in understanding systems and changing delays can have big effects on a system; While delays in a system with a threshold of irreversible damage seem a powerful leverage point they are not easily changeable; 	No leverage points were identified in this category.

			<ul style="list-style-type: none"> There is more leverage in slowing down the rate of change or growth for technology and prices to keep up than trying to eliminate delays. Then the inevitable feedback delays won't cause as much trouble. 	
8	Balancing Feedback Loops	<ul style="list-style-type: none"> Balancing feedback loops are inherent in complex systems to keep important stocks fairly constant and in safe bounds; Often applies to the information and control parts of a system rather than the physical parts; Balancing feedback loops need a goal, a monitoring mechanism that signals a variance from the goal and a response mechanism. For example, as consumer spending and mortgage demand falls, the federal banks lower interest rates as a feedback loop to encourage more consumers to take out loans to increase spending and consumption Another example is prices in a market system are self-correcting and respond to variations in supply and demand to keep the balance. 	<ul style="list-style-type: none"> Companies and governments often use balancing feedback loops as a leverage point to effect change, but unfortunately in the wrong direction using subsidies and taxes that can cause confusion in a system. Strengthening balancing feedback controls to improve a system's self-correcting abilities is important but needs to occur relative to the impact it is designed to correct. Global economy makes necessary a global government. Because balancing feedback loops are concerned with information and control parts of a system they provide more leverage for change. 	<p>Long-term planning, thinking and reporting (28)</p> <p>Managing Population Growth (29)</p> <p>Redesigning tax incentives & subsidies (Level playing field) (21)</p> <p>Working within planetary boundaries, environmental sustainability, climate change, resource conservation (circular resource use, biodiversity protection) (1)</p>
7	Reinforcing Feedback Loops	<ul style="list-style-type: none"> Reinforcing feedback loops are self-reinforcing and the more they work, the more they gain power to work some more. Reinforcing feedback loops are the source of growth, explosion, erosion and collapse in systems and a system with an unchecked reinforcing feedback loop will ultimately destroy itself. For example, the more money one has in the bank, the more interest one earns, the more money one has in the bank. Another example is soil erosion, the more erosion the less vegetation it can support, the fewer roots and leaves to soften rain and run-off, the more soil erodes. 	<ul style="list-style-type: none"> Reducing the gain around a self-reinforcing feedback loop (ie slowing the rate of growth or degradation) is usually a more powerful leverage point in systems than strengthening balancing feedback loops and much preferable to letting the self-reinforcing loop run its course. Slowing economic growth for example is a good leverage point as it gives the balancing feedback loops (ie technology, markets and other forms of adaptation) time to function. The most interesting behaviour that rapidly turning balancing feedback loops can trigger is chaos when a system starts changing much faster than its balancing feedback loops can react to it. Preventing chaos therefore must involve slowing down the reinforcing feedback loops such as birth rates, interest rates, erosion rates. 	<p>Nudging consumer behaviour and motivation (sustainable consumption, collaborative consumption) (18)</p> <p>Nudging shareholder and investor behaviour & motivation, (Ethical, responsible and Impact investment) (19)</p>
6	Information Flows	<ul style="list-style-type: none"> Creating new loops through delivering information to places where it wasn't going before and thereby changing people's behaviour. Missing feedback or information flows is the most common cause of system malfunction. For example the overfishing of the world's fish supplies (and depletion of most commons) occurs because there is no 	<ul style="list-style-type: none"> Adding or restoring information can be a powerful intervention in changing systems behaviour and usually much cheaper than rebuilding physical infrastructure. If the missing feedback can be restored to the right place and in compelling form it will enhance accountability for our own decisions. Due to the lack of 	<p>Responsible Media, communications and marketing (22)</p> <p>Innovating and restructuring education & research (10)</p> <p>Integrated thinking, reporting, true cost accounting, certification as the norm, voluntary self-regulation, extending National Accounts (3)</p>

		<p>feedback about the fish population to the decisions to invest in fishing vessels. The price of fish does not provide this feedback. The more scarce fish are, the more expensive they are and the more lucrative it will be to invest in fishing vessels. In this case the price of fish provides perverse feedback, or a self-reinforcing feedback loop that leads to collapse.</p>	<p>accountability many feedback loops are missing.</p> <ul style="list-style-type: none"> Information flows have therefore become a popular and effective leverage point with the masses and unpopular with the powers that be. 	
5	Rules	<ul style="list-style-type: none"> The rules of a system define its scope, its boundaries and its degrees of freedom. Many nations constitutions are strong social rules. Government acts and regulations set out rules of conduct and processes. Laws, punishment, incentives, constraints informal social agreements and rules of a game are progressively weaker rules. 	<ul style="list-style-type: none"> Rules are highly effective leverage points as they can change people's and systems behaviour very quickly and powerfully. That's why lobbyists congregate when new laws are written to influence the rules of the 'game'. Power over the rules is real power. The deepest malfunctions of systems can be understood by observing its rules and by identifying who has power over them. 	<p>Improved economic and financial decision-making (25)</p> <p>Improving public policy (17)</p> <p>Redesigning global rules, institutions and justice (7)</p> <p>Full transparency and disclosure on better products, services, companies, investment, leaders, anti-corruption (9)</p> <p>Redesigning financial, money and investment sector, Rethinking exchange of value (7)</p>
4	Self-Organisation	<ul style="list-style-type: none"> One of the most surprising characteristics of living systems and social systems is their ability to change themselves completely by creating whole new structures and behaviours – also called self-organisation For example, evolution, technical advance or social revolutions. When systems self-organise, the aspects of systems as listed above from 1 – 8 change, such as adding new physical structures, new feedback loops and making new rules. Self-organisation is the combination of an evolutionary raw material that provides highly variable stock (ie DNA and spontaneous mutations) and a means for experimentation for selecting and testing new patterns (ie Darwinian selection). 	<ul style="list-style-type: none"> Any system, biological, economic, or social that becomes inflexible to the point that it cannot self-evolve, a system that is reluctant to experiment and wipes out its raw material of innovation is destined to fail over the long-term on this highly variable planet. Giving a system the space, time and enabling conditions to self-organise is a powerful leverage point. The ability to self-organise is the strongest form of system resilience – a system that can evolve can survive almost any change, by changing itself. 	<p>Building self-reliant local/regional communities & economies, specially food systems (14)</p> <p>Building a movement (16)</p> <p>Innovation, Creativity, Cooperation, Diversity, Resilience, Recovery, Technology (8)</p>
3	Goals or intentions	<ul style="list-style-type: none"> The goal of a system reflects the purpose or function of a system. System goals can be for example keeping the bathwater at the right level, or keeping the room temperature comfortable or keeping inventories stocked at sufficient levels. Another example is if a company's goal is to dominate the market share for its products then everything from physical structures, stocks and flows, feedback loops, information flows and even self-organising behaviour will work towards that goal. 	<ul style="list-style-type: none"> Goals of a system are powerful leverage points superior to any of the previous ones because they will all twist to confirm to the ultimate goal of a system. In simple single loop systems such as keeping the room temperature it is easy to see why changing the goal (ie another 2 degrees warmer on the thermostat) is the most powerful place to intervene. It is the goal of every living population to grow, control and dominate, which only becomes a bad goal when it 	<p>Rebuilding a responsible economics profession (27)</p> <p>Empowering stakeholders such as employees, women, customers and engage them in new ways of thinking (26)</p> <p>Restructuring democratic, political and/or legal systems, good governance (12)</p> <p>Developing leadership, talent and engagement in new economics thinking and practices (13)</p> <p>Measuring/ driving happiness &</p>

		<ul style="list-style-type: none"> Whole system goals are more complex and often relate to power or growth. They can usually only be observed by how a system behaves such as survival, resilience, differentiation, evolution are system-level goals. 	<p>isn't subject to higher level balancing feedback loops.</p> <ul style="list-style-type: none"> Therefore in ecosystems for example, the goal of keeping populations in balance and evolving has to trump the goal of each population to reproduce without limit and control all the resource base. This leverage point combined with changing the leader of a system who can influence the system's goals can introduce very powerful and changes in a system. 	<p>wellbeing in society and at the workplace as the main goal of society (5)</p> <p>Building entrepreneurial capacity for sustainable business with purpose, values and ethics to contribute to society, (sustainable design & production) (4)</p> <p>Fairer, more equitable distribution of wealth, flourishing societies, defending human rights (2)</p>
2	Paradigms	<ul style="list-style-type: none"> Paradigms are the source of systems. Paradigms are the shared ideas in the minds of societies, the mindset out of which a system – its goals, structure, rules, delays and conditions - arise. It is the believe system about how the world works and is made up of unstated assumptions (unstated because everyone grows up with those believes) Some of those assumptions of our current culture (particularly western) are that infinite growth is good, nature is a stock of resources to be converted to human purposes and that we can 'own' land. 	<ul style="list-style-type: none"> People who have managed to intervene in systems at the level of paradigm have hit a leverage point that totally transforms systems such as Copernicus, Einstein and Adam Smith. It may seem that paradigms are harder to change than anything else about a system, however there is nothing necessarily physical or expensive or even slow in the process of paradigm change. In a single individual it can happen in a millisecond. Whole societies are another matter and often resist challenges to their paradigms with all their might. Changing societal and cultural paradigms requires consistent pointing at the anomalies and failures in the old paradigm, keep speaking louder and with assurance from the new one, insert people with the new paradigm in places of public visibility and power. Don't waste time with reactionaries, but work with active change agents and with the vast middle ground of people who are open-minded. 	<p>Transition to a new story of economics, a new paradigm (23)</p> <p>Shifting mindsets, transforming self, transforming culture, fostering sustainability mindsets, building trust & relationships (20)</p>
1	Transcending Paradigms	<ul style="list-style-type: none"> Staying unattached in the arena of paradigms, to stay flexible, to realise that NO paradigm is true and that this in itself is a paradigm. Recognising that our own worldview is a limited understanding of the laws of the universe that are far beyond human comprehension. Being fully aware that paradigms are a construct of our minds and being able to let go of them with a sense of humour and be comfortable in the humility of Not Knowing. 	<ul style="list-style-type: none"> This is the most effective leverage point to introduce change in a system, as it requires individual transformation and mastery over the paradigms we live by. At this level of leverage people have the power to throw off addictions, live in constant joy, bring down tyrannies, found religions, get locked up or "disappeared" or shot, and have impacts that last for millennia. In the end, it seems that power has less to do with pushing leverage points than it does with strategically, profoundly, madly letting go! 	<p>No leverage points were identified in this category.</p>

Note: Numbers in brackets (#) in the last column indicate the ranking of importance by the 26 new economics organisations profiled in this report in section 8.1.

8.3 Analysis of new economics leverage points against Meadows's 12-point scale of effectiveness

It is important to note that the method used in the Table 8.2.1 above to allocate the solutions identified by the new economics organisations against Meadows' 12-point scale of leverage point effectiveness is at this stage purely based on the author's subjective judgment. It therefore is highly likely that the outcomes of this analysis could differ greatly after it has been discussed, pulled-apart and put back together again as a result of some consultation and empirical study. For now though, following are some preliminary insights from using this framework to assess how effective the leverage points are that some key organisations in the area of new economics are working on. Out of the top five most widely identified solutions proposed by the new economics organisations studied here, three appear in Meadows' third most effective category of 'changing goals and intentions'. This category of solution is rated high on Meadows' scale of effective leverage points as she concludes that lower level leverage points will conform to the ultimate goal of a system. The three solutions that could fall into this category and are considered by Meadows as powerful levers for change include:

- "Fairer, more equitable distribution of wealth..." (ranked as the 2nd most often identified solution);
- "Building entrepreneurial capacity ..." (ranked as 4th most often identified solution); and
- "Measuring and creating conditions for happiness and wellbeing in society ..." (ranked as 5th most often identified solution).

This could be an indication that the new economics organisations working on these solutions are focusing their energies in the right direction and on effective levers that could drive real change. Interestingly, the solution identified by most new economics organisations as the most pressing issue to address "Working within planetary boundaries..." could be rated much lower on Meadows effectiveness scale on eight's place out of 12. It fits into Meadows' category of 'Balancing Feedback Loops' and while environmental sustainability is paramount for human survival, it does not seem one of the most effective places to work on to create whole systems change.

The other leverage point ranked by the New Economics organisations as the third most important "Integrated thinking, reporting..." fits into Meadows' category of improving 'Information Flows' which is considered of medium effectiveness at place number six out of 12 categories. It is an important area to pursue as more information flows allow more of the balancing and reinforcing feedback loops of a system to function more effectively.

The second highest category suggested by Meadows that can achieve effective realignment in a system is to shift the existing 'paradigm'. Interestingly, the solutions identified by the new economics organisations that match this category are not widely pursued neither by the organisations engaging policy-makers nor by those engaging businesses. "Transition to a new story of economics, a new paradigm" and "Shifting mindsets..." received little recognition from the New Economics organisations studied for this paper. They ranked 23rd and 20th respectively out of the 29 solutions that emerged. The organisations assessed for this study, which engage with these two topics include among the organisations engaging policy-makers:

- Institute for New Economic Thinking (US/UK/Global)
- New Economics Foundation (UK)
- New Economics Working Group (US)
- Secretariat for a New Development Paradigm (Bhutan)

Organisations engaging business:

- The Natural Step (Sweden & Global)
- Tomorrow's Company (UK)
- Global Reporting Initiative (Netherlands & Global)
- 3rd Metric (US & UK)

It would be beneficial to study these organisations more closely to get a clearer understanding of the depth and breadth of their commitment and their approach to 'shifting mindsets' and creating 'a new paradigm' of economics.

Lastly and may be most interestingly, the most powerful leverage point in Meadows scale that has the greatest potential to create a shift in a complex system is the “Transcending Paradigms” category. None of the organisations analysed in this study explicitly addressed this way of catalysing change in the complex economic system. This is possibly due to the reason that this category introduces major uncertainty, complexity and potentially chaos that is beyond human comprehension and would require relinquishing some of the control over the system. As Meadows points out, working at this level of systems change requires individual transformation and mastery, or in other words complete awareness of and non-attachment to the paradigm we live by. Her profound conclusion is that *“In the end, it seems that power has less to do with pushing leverage points than it does with strategically, profoundly, madly letting go!”* (Meadows, 2008).

9. Business pioneers or mavericks – pushing the boundaries of complexity and uncertainty

It seems, that there are two schools of thought emerging among the business community. Both identify the idea of ‘growth’ as the crux of addressing the socio-economic crisis. The first one is asserting that the existing business mantra of infinite growth is possible and necessary to ensure increased standards of living. While the other school of thought is questioning and exploring whether ‘growth’ is the right goal to have. Those in the latter category are pushing the boundaries as described by Meadows in the ‘Transcending Paradigms’ category. They are pushing to explore what happens when old paradigms are let go off. Between those two schools of thought or ends of the spectrum, lie many nuances of approaches that embrace growth together with a purpose of using it for good.

Some business leaders are able and willing to adapt to uncertainty, volatility, complexity and risk by letting go of old mind-sets are in the process of creating a space for something new to emerge. They include some high-profile business leaders who deliberately step into this space of exploration of the unknown and therefore allowing for a different future to emerge. They seem comfortable working with not-knowing how to create systems change but they are willing to explore and innovate rather than just ‘rearranging the deck chairs’.

Yvon Chouinard, founder of Patagonia, Paul Polman, CEO of Unilever, Ray Anderson, former founder and CEO of carpet manufacturing company Interface, and Sir Richard Branson, Chairman and founder of the Virgin Group are four note-worthy examples of pioneering entrepreneurs who are pushing the boundaries of the traditional business mind-set. There are undoubtedly many other examples among the small enterprises and large corporates of the world that would provide for rich case studies. However for now these are just four examples exploring the nuances between the two different schools of thought on growth.

9.1 Looking to deliver long-term benefits - Paul Polman, CEO Unilever

Paul Polman, CEO of Unilever, has been stepping into uncertainty and unknown territory over the past 3 years. He removed quarterly reporting in an attempt to attract more long-term investors and to allow the company to have a more long-term outlook. He is not concerned about notice given to investors that short-term profits may be below forecasts. A recent article in the Guardian Sustainable Business said that he is “considered by many to be the leading light in the corporate sustainability movement.... He recognises the power of partnerships as well as greater diversity and inclusiveness in driving change in what he describes as a Vuca world; volatile, uncertain, complex and ambiguous” (Confinio, 2013).

On the other hand, Paul Polman’s approach also attracts much criticism as just another public relations exercise of a company that set out, under his leadership, to double product sales in a decade. It seems that the infinite growth business mind-set has brought much of the improvements in the quality of life for billions of people but at the same time has also been fuelling the over-consumption and some aspects of the socio-economic and environmental crisis that the world faces

today. Again, this brings up the question of 'growth', how it is currently defined and used as the most important indicator of success in a business context.

If we were to rank the effectiveness of Polman's focus on 'long-term planning, thinking and reporting' as a leverage point for change, using Meadows' 12-point scale once again, it could be considered as 'balancing feedback loops' and therefore would be ranked at the lower end of the scale of effectiveness in eighth place out of 12.

9.2 Nudging consumer behaviour and shifting mindsets - Ray Anderson, former CEO, Interface

There are many proponents of theories about how to shift mind-sets and create new world-views or paradigms. All of them have one thing in common. They call for greater personal and individual awareness, more mindfulness, an expansion of responsibility, a sense of connectedness and the understanding that what we do to the environment and others, we do to ourselves. Ray Anderson was one of the most powerfully outspoken business leaders about shifting mindsets:

"I believe that a sustainable society depends totally and absolutely on a new mind-set to deeply embrace ethical values. Values that, along with an enlightened self-interest, drive us to make new and better decisions. I also believe that it doesn't happen quickly ... it happens one mind at a time, one organization at a time, one building, one company, one community, one region, one new, clean technology, one industry, one supply chain at a time." (Ray Anderson, 2011)

Ray Anderson, considered by many industrialists a radical voice from an investor-owned corporation, declared his vision of a business sector that delivers *"more happiness with less stuff, made sustainably"* (Anderson, 2011). He made his conviction unashamedly clear when he urged consumers to use their power and influence through their daily choices to produce three key outcomes:

- a) The sale of services should grow and sale of products should shrink;
- b) Applied brainpower should grow and applied force should shrink; and
- c) Market shares of sustainable companies should grow and unsustainable companies should shrink to zero.

Anderson considered that 'nudging consumer choice' as a key leverage point to change the current paradigm and acknowledged that this will require a vast mind-shift. On Meadow's scale of effectiveness for creating systems change 'nudging consumer behaviour' could be categorised as a way to 'strengthen reinforcing feedback loops', which ranked sevenths in effectiveness in creating systems change. Changing mind-sets also falls into the second most effective category of 'shifting paradigms'.

9.3 "Screw Business as Usual" – Sir Richard Branson, Chairman of the Virgin Group of Companies

Branson's business approach has been extremely successful over the last four decades. The Virgin Group now employs some 50,000 people and generates revenues of US \$24 billion (2012) per year (Virgin, 2013). His business mantra has always been:

"Doing good can help improve your prospects, your profits and your business; and it can change the world." (Branson, 2011)

He is an outspoken and unrelenting advocate for changing the way business is done because he is convinced that the 'business as usual' approach is what is causing much of the current socio-economic and environmental crisis. He is committed to dispelling the myth the business world believes in, which is that doing business in an ethical and transparent way at the same time as achieving good financial results are incompatible goals and intentions. Branson believes that business entrepreneurs can be a force for good and help solve many of the world's problems by contributing to create a fairer and flourishing world for everyone.

Branson's solution and choice of leverage point to create systems change is clearly to build entrepreneurial capacity to use values and ethics as a force for good in society, the environment and business community. On Meadows' scale of effectiveness for creating systems change, Branson's approach could fit into the third most effective category of leverage points, 'changing goals and intentions'.

9.4 *Wrestling with the elephant in the room - Yvon Chouinard, Founder, Patagonia*

The founder of the outdoor-clothing brand Patagonia, Yvon Chouinard has had a career of daring moves and pushing boundaries in the area of sustainability in the clothing industry. It therefore does not come as a surprise that he recently launched a new campaign for a 'Responsible Economy' that pushes the boundaries of businesses, their purpose and their responsibility in treating people as citizens rather than consumers. He says about Patagonia and its ethos:

"... Making things in a more responsible way is a good start, and many companies like us have started doing that, but in the end we will not have a "sustainable economy" unless we consume less. However, economists tell us that would cause the economy to crash" (Patagonia, 2013).

Yvon acknowledges that he does not know what it will mean for his company to promote responsible consumption, which may result in less sales, but he is convinced that this is the issue the manufacturing sector needs to tackle head-on to allow powerful leverage points to emerge that could accelerate a paradigm shift in the right direction. Chouinard explains, over the next two years Patagonia will try to face and explore the question of:

"Can we even imagine what an economy would look like that wouldn't destroy the home planet? A responsible economy? ... Most of all, we are going to feel our way into how this question affects how we do business. Can Patagonia survive a responsible economy? Our other environmental campaigns have addressed travesties such as the depletion of the oceans, pollution of water, and obstacles to migration paths for animals. But these are all symptoms of a far bigger problem; the Responsible Economy Campaign addresses the core... What we are reaching toward is an economy that does not rely on insatiable consumerism as its engine ... An economy with less duplication of consumer goods, less throw-away-and-close-your-eyes. We don't know exactly how this will play out. But we do know that now is the time for all corporations to think about it and act." (Patagonia, 2013)

Skeptics see this as just another Patagonia marketing ploy aimed at generating a buzz around the company. Even if this is the case, it is nonetheless a strategy that embraces uncertainty and steps into an exploratory and emergent space that many mainstream businesses will consider dangerous territory and foolish play. It is however at these edges of order and chaos where most innovation, evolution and paradigm shifts emerge.

Rick Ridgway, Patagonia's VP of Environmental Initiatives recently described in an article how most of the genuine CSR efforts by the large global corporations have achieved modest reductions in their companies' environmental footprints over the past decade. However, he points out that during the same time every global environmental indicator has continued to worsen. Rick believes that businesses continued dependence on annual, compounded growth is overriding the incremental benefits new technologies and CSR efforts can make. In a discussion with executives from other companies he said *"It's interesting no one has mentioned it!"* and the reply from his colleagues was *"But everyone knows it's the elephant in the room"*. As a result Patagonia will be exploring the topic of 'growth' for the next couple of years as part of their current environmental campaign (Patagonia, 2013).

While risky and uncertain, Chouinard's approach of questioning the very belief system of 'infinite growth' for business, it also falls clearly into the top two categories of most effective ways to create change in a system. According to Meadows', the second most effective lever one can pull to produce

systems change is questioning and shifting prevailing mindsets or paradigms. It is noteworthy that Patagonia's approach is also crossing over into the most effective category of 'transcending paradigms'. Meaning, not knowing and letting go of old concepts is clearly stepping into the space where individual and collective transformation is required and according to Meadows, this is the largest game changer and most effective way to trigger system's change.

10. Reflections

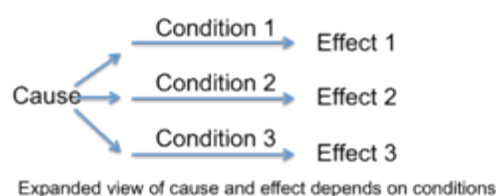
As Wheatley (1999) points out, failing systems structures that are disturbed by the tiniest change can use those disturbances to help self-organise into a new form of order. She claims that structures, which are dissipating *"demonstrate that disorder can be a source of new order, and that growth appears from disequilibrium, not balance"* (Wheatley, 1999).

All of the trends, leverage points and ideas explored in this report point towards the increasing disequilibrium that societies, the economic system and our environment are facing today. How will the business sector be able to adapt and thrive on the opportunity that this complex disorder presents today? What role can happiness & wellbeing play in shifting mind-sets and producing large-scale systems change?

The following reflections present some preliminary ideas for further exploration and study. Most importantly though, these reflections are intended to fuel discussion and debate and are not intended to provide answers.

Clearly, none of the proposed leverage points identified by the new economics organisations or the business pioneers can create system's change on their own. Unless, there was a critical mass of people ready to question and give up existing mind-sets as suggested by Yvon Chouinard of Patagonia. Until that point is reached though, it will require an array of levers to be activated together to start shifting the current economic system. However, due to the interconnectedness of change in a complex system it will be difficult to predict what outcome all of the leverage points together will have. Figure 10.1 illustrates how a particular cause or action in different conditions can have different outcomes. For example, introducing a carbon tax (cause) in different countries where subsidies and policies create vastly different conditions will most certainly create vastly different outcomes. In a country where subsidies (condition 1) are supporting the expansion of fossil fuel energy generation the effect of a carbon tax could be that investors start channelling their money away from fossil fuels (effect 1). In another country, where nuclear power is considered as a 'clean energy' option (condition 2), a carbon tax may produce a swing towards further public support for nuclear power (effect 2). Therefore, the same cause or action, applied in different conditions can create vastly different outcomes.

Figure 10.1 Expanded view of cause and effect



However, the challenging aspect of complex systems is that different causes under different conditions create vastly different results, which in turn can influence other causes or actions and change the conditions and therefore produce entirely unpredictable outcomes. Figure 10.2 illustrates the interplay of what is also called 'dependent origin view' of cause and effect (Macy, 1991). Using the same example of a carbon tax (cause 1) introduced in a country where investment in renewable energy sources is supported (conditions), renewable energy projects are mushrooming (effect 1). At the same time, elections are called (cause 2), where carbon tax fuels political debate and is used to create uncertainty about its effectiveness (conditions) resulting in a government change (effect 2). As

a result of effect 1 (more renewable energy projects), after the first year of the carbon tax, results are published of the decrease in CO₂ emissions and further acceleration in renewable energy projects (cause 3). Under the new government, which opposes a carbon tax (conditions), the tax is abolished and support for renewable energy sources is withdrawn (effect 3). This story could be continued with endless numbers of causes, conditions and effects all interacting with each other, making it virtually impossible to predict how systems change will play out.

Figure 10.2: Dependent origin view of cause and effect



10.1 Which of the tough questions are the most beneficial to answer?

If a focus on changing mind-sets becomes recognised as a key lever to start producing change for good, the most important activity by the business community will need to be to step out of the safe spaces and start discussing the tough questions. But not all of the tough questions are necessarily beneficial to debate as real systems leverage points can often seem incredibly obscure, frustratingly subtle and very surprising. A big question here is then: could increasing happiness and wellbeing as a goal and measure of success in business be one of those powerful counter-intuitive leverage points? This may possibly be one of the first tough and beneficial questions to ask. Some other big and tough questions to explore that could contribute towards a shift to a *responsible economy* could include:

- a) Can growth be infinite or not? If not why not?
- b) What examples from nature can shed light on this question?
- c) What is beneficial or optimum growth?
- d) Can we create a new definition of growth that goes beyond growing profits and material goods?
- e) How do companies currently define success and growth, and how does it need to shift to produce a *responsible economy* with a sustainable future?
- f) Can increases of happiness and wellbeing of societies and communities be a measure of success for business?
- g) If so, can improvements in happiness and wellbeing of companies' stakeholders be considered a capital gain for a business and could this be incentivised through tax breaks?
- h) Which companies are willing to empower consumers to consume less products and encourage them to only buy necessary products from sustainable companies;
- i) Are companies willing to assess their product-range for duplication and superfluous products that do not contribute any value to the quality of life or happiness and wellbeing of society?
- j) Are companies willing to abandon production of products that are not contributing to the happiness & wellbeing of societies?
- k) How will product manufacturers transition to replacing unnecessary products with services and experiences that help people fulfil their "Being-Needs" (refer to section 4.1)?
- l) Are companies willing to begin their internal discussion over how much profit is enough or optimum for their company?
- m) How do businesses engage with their shareholders to consciously plan and deliver long-term value and a shift in mind-set?
- n) What are the capabilities that business leaders and their teams will need to future-proof their businesses?
- o) Does the business sector have the capacity to ride the storm of 'disorder and chaos' to allow the self-organising phenomenon of a *responsible economy* to play out?
- p) How can responsible business ethics and values be reinjected into societies and companies all over the world?
- q) How can businesses survive a *responsible economy*?

Wrestling with the elephant of 'growth' will require New Economics organisations for the business sector such as the B-Team to facilitate open dialogues and discussions among business leaders to prototype ideas for shifting mindsets of consumers and business leaders. Other key influencing organisations that could greatly accelerate the permutation of these discussions and the modelling of impacts of change on the complex economic system could include the World Economic Forum, representing over 1,000 of the largest companies in the world, the World Bank and the vast range of New Economics organisations. The key purpose of this dialogue should be to build awareness of the current mindsets, propose a different version and develop paths to transform them allowing for a paradigm shift. This would have the potential to create a far-reaching reorganisation of the current economic system as identified by Meadows' (2009) as the second most effective way to lever change.

10.2 Measuring subjective well-being of company staff, consumers and shareholders as a key performance indicator for business

As the earlier analysis of global mega trends, the happiness and wellbeing research and consumer studies indicate, there are some major trends converging. Consumers are said to take charge of their choices and to use their influence in more effective ways and wanting expanded measures of success (Globescan, 2013). At the same time, policy-makers interest in measuring subjective wellbeing (Helliwell et al., 2013) as a way to evaluate progress and development could provide a major challenge as well as an opportunity for the business sector.

Businesses that take proactive steps to measure subjective wellbeing of company staff, customers, supply chains and shareholders on a regular basis will be in a far better position to redefine their success and achieve greater goals than just profit. Their success could be based on achieving three core goals:

1. Achieving enough profits that allow a company to keep employment at optimum levels and to reinvest into the company to innovate services that contribute to fulfilling 'being-needs' in societies (refer to section 4.2);
2. Achieving improvements in stakeholders' happiness and wellbeing beyond merely satisfying 'deficit-needs';
3. Achieving reductions in environmental footprints to the level where they provide enough space and time for the renewable resources used in production to regenerate. Non-renewable resources should be sourced entirely from the existing stocks of materials available through a circular economy approach.

In this context it would be useful if organisations such as the OECD support existing business networks in developing guidelines for measuring subjective wellbeing among their business stakeholders. Redefining the goals and intentions of a business or entire sector is a powerful lever to start systemic change and provides high order leverage. Together with a change of leader this can be a potent catalyst for creating change in complex systems. It is considered by Meadows (2009) as the third most effective way. Many of the lower level leverage points would realign with the new goals.

10.3 Empowering consumers to understand their needs and the power of their choices

Many companies use Maslow's hierarchy of needs as the foundation of their sales strategy. It supports the infinite growth mind-set that the business sector is built on and fuels the idea that people are seeking to fulfil their reoccurring 'Deficit-Needs' and that they have needs that they were not even aware of. In this view people are seen as consumers whose choices can be influenced through advertising. For many multi-national companies the experience of the slow growth rates in developed markets may be an indication that 'consumers' in those markets have reached a saturation point, therefore requiring fewer goods to satisfy 'Deficit-Needs'. At the same time, many companies' growth rates in emerging markets are still above 10%. This is potentially due to people in emerging markets still working on improving their quality of life through consumption of products and accumulation of material wealth.

In either case, this is potentially an opportunity for companies like Patagonia who see it as their responsibility to help reduce over-consumption of goods and products to work with their customers

to increase awareness of their 'Being-Needs' and the causes of happiness and wellbeing. The power of advertising could easily be used to nudge people's behaviour to fulfil higher level needs rather than over-consuming in an attempt to gain satisfaction from fulfilling Deficit-Needs. This may be the gap that needs to be explored if the business sector is to face up to the challenge of "more happiness, with less stuff all made sustainably" as promoted by Ray Anderson (2011).

10.4 Build new service business models that help fulfil Being-Needs

One way of accelerating the shift to a *responsible economy* could be to create incentives for new business start-ups to create knowledge and service offerings instead of production of more consumer goods made from non-renewable natural resources.

Business models that are seeking to support customers in fulfilling their 'Being-Needs' will most likely achieve this by involving their customers in the collaborative design, production and/or delivery of those products or services. As an example, a furniture manufacturer could engage their customers in the furniture upcycling or recycling process by offering a service where people can bring old pieces of furniture and learn how to redesign and remodel existing pieces. By adding the element of artistic appreciation and teaching craftsmanship the company would be able to help those customers who are interested to engage with their 'Being-Needs' at the same time as generating revenue from offering the service and engagement.

10.5 The role of the individual in a complex system

Applied on their own, any of the leverage points identified by the New Economics organisations will most likely not be able to achieve the shift in mind-sets that is required to reorganise the current economic system to a more responsible one. Measuring happiness and wellbeing will only be useful if it is combined with other activities such as changing the goals and intentions of business and changing our mindsets about what defines success, happiness and wellbeing.

In the end it all comes down to how each of us as individuals see ourselves as part of the complex system that is the web of life. Each and every one of our world-views creates the system we live in and the rules we live by. It is this awareness that is required before any change can happen. To quote Kuhn (1962) once more "Awareness is prerequisite to all acceptable changes of theory".

It seems therefore that one of the biggest challenges ahead of creating a responsible economy is to nourish the awareness that happiness of ourselves is only possible if happiness of others is ensured and vice versa. In a complex system it is the interaction and interrelationship between individual actors such as between business leaders, their staff, suppliers, investors and customers, which create the dynamic behaviour of the system. A more sustainable future and a more responsible economy are possible if we individually recognise our part we play in improving people's happiness and wellbeing.

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