TOWARD A PRELIMINARY DESIGN OF AN INTEGRATIVE ROAD-MAP FOR THE FUTURE

Abstract

This constructive critique attempts to design a sustainable economic system that would be more regenerative and redistributive by design. Through an initial examination of today’s deformed evolution of capitalism, several alternative solutions are presented. Inter alia, an important recommendation is that firms pursue a staged process toward the sustainability imperative through the guidance of an array of players i.e., government, banks, and NGO’s. In particular, governments stand at the forefront of this re-thought interplay, as it is argued that they should act as entrepreneurial orchestrators of the private discourse at both the industrial and financial interface. Overall, this work demonstrates that institutional complementarities across economic and political spheres should sustain and drive key actors that are individually suboptimal, but collectively synergistic. The integrative character of this analysis also resides in the fact that short-term and long-term interventionist manoeuvres are examined complementarily: while, in the short-term, multi-directional collaboration should focus on actualizing the abovementioned revolutionary transformation of established firms, collective efforts must simultaneously capitalize on today’s compatibility of digitalized mobility, communication and renewable energy infrastructures for the long run.

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Concepts of perfect competition and economic equilibrium underpin the prevailing economic theory (Tanzi,2020). However, by lingering upon short-term competitiveness, firms became devoid of a long-term integrative vision, and left ill-equipped to face unexpected industry upheavals. Indeed, the COVID-19 pandemic unearthed major weaknesses of the current economic system, and thus encouraged the upcoming work to re-think the current modus operandi. This analysis was inspired by Fleming & Jones (2012), which disprove, inter alia, the public appellation of ‘Corporate Social Responsibility’ (CSR) as a “panacea”. This work argues that this misconception was caused by blinkered public scrutiny, which failed to examine the role of CSR through a more integrated lens. Therefore, by drawing particular attention upon the implications of firms, policy-makers and educational institutions, this work casts light upon the urgency to draw a more sustainable and collective road-map, some of the challenges that it might entail, along with an integrated depiction of some realistic alternatives.

By conceptualizing economic models as stable and mechanical (Raworth,2017), the prevailing economic discourse struggled to embrace the non-linear and adaptive nature of complex systems. Therefore, while complexity theory, which unearths the role that converging underlying trends play into shaping major events (Gal,2012), might represent a beacon for re-thinking the economic vision, it similarly explains why, presently, it is so difficult to do so. Throughout history, profit-oriented ideologies underpinning capitalism ran unleashed, ramifying across the interconnectedness of social networks and encroaching on earth’s “commodified” resources. Echoing Polanyi’s (1944) work, land, labour and money have been subjected to pressures of market forces, leading to dehumanized human activity and to prioritizing the unsustainable instrumental value of the land (Flomenhoft,2016). The financial sector and industrial sector, consequently, have thrived on short-termism, with asset-holders and executives fixated on embedded incentives. Ultimately, a deformed style of capitalism emerged (Kay,1997), exacerbating what UNCTAD (2017) described as “interconnected” imbalances.

Raworth’s *Doughnut Economics* (2018) casts light upon the interdependence of economic activity and earth’s limited resource endowment. Raworth’s new economic compass acknowledges the embeddedness of “economic externalities” (e.g., carbon emission, water usage) within day-to-day economic activity, viewing them as interdependent and endogenous to complex socio-ecological systems. Raworth continues, “equilibrium economics became fixated on maximizing efficiency and overlooked the vulnerability it can bring” (2018:160). Consequently, a distorted picture of the firm emerged, identified by J. Kay as “mode 2” type of business (1997), centred on exploitative behaviour and stakeholder debasement in the sole pursuit of profit. Furthermore, Zuboff (2019) notes that the neo-liberal enterprise is erroneously perceived as exempted from having to compensate for the damage caused by its profit-driven motives. The severity of this historical mis-conception explains, for example, the 2018 recall of Elkington’s ‘Triple Bottom Line’ management concept (1994). The initiative was not intended to be a mere accounting tool but a catalyst for change of the capitalist system. Yet its purpose was captured superficially; most of times, serving as a masquerade for the pursuit of mere financial considerations. Therefore, it is now imperative to re-integrate in a different dimension. While integrated reporting is today’s most fitting corporate communicational medium, integration must also transpire within day-to-day management. Indeed, the Reporting 3.0 initiative indicate that similar attention must be paid toward a more radical ESG integration at, for example, the business model- and value chain-interface (Blueprint 4 & 7) (Reporting 3.0, 2020).

In order to engender systemic change that responds to the structural damage at present, multi-lateral and collective action is required; this recalls a systems thinking approach which can lead to an economy of distributive and regenerative nature (Raworth,2018). While “rehabilitating interventions”, supported by scaling up unprecedented technological solutions (e.g., stabilization wedges), might be fundamental to re-defining and re-orienting the vision and role of established economic actors (e.g., governments and corporations), flexible and adaptive ground-up alternatives that collectively embrace evolution must equally emerge. Indeed, it might be that Socolow & Pacala’s (2004) solution alone might be insufficient, since attempting to stabilize CO2 emissions would simply postpone the catastrophic effects of an unsustainable fossil fuel industry to a later time. Indeed, the effectiveness of such colossal investments can be further questioned in light of the proclaimed 2028 collapse of the fossil fuel industry (Rifkin,2019). Therefore, while such solutions should still be pursued, although to a less monumental extent, to assuage the catastrophic climate effects in the short-term, new digitally-networked infrastructure designs, and compatible economic systems, should be collectively established (Rifkin,2019). Harnessing this compatibility is fundamental: for example, Premier Li’s decision to digitalise the state power grid led costs for solar and wind energies to plunge significantly; this gave rise to numerous co-operatives, generating value in monetary form and in social welfare alike. Therefore, sustainable economic alternatives, in terms of their architecture (i.e., distributed co-operatives) and propellant (i.e., renewable energy), can be leveraged if the infrastructure underpinning them re-adjusts to the present digitalization era (Rifkin,2012): with increasing access to cost-effective technological inventions, and sources of green energy, there can be a myriad of more sustainable business solutions originating from an industrial infrastructure composed of converging digitized communication, mobility and renewable energy; electric vehicle-sharing services powered by renewable energy being a prime example (e.g., Luè et al.,2012).

 At the public policy-interface, E. Beinhocker adds to this collaborative vision by noting that “different policy interventions should be tried across a portfolio of villages and regions, the results measured, and successful ones scaled up” (2012:143). This adapting portfolio of collaborative experiments, advanced by rebalancing feedback loops and fuelled by connectivity in digitalized networks, bears great potential in co-shaping the evolution of the economy and society. Moreover, as this evolutionary economic transformation hinges upon re-structuring infrastructures, governmental functions must also be re-visited. Mazzucato’s illuminating work, *The Entrepreneurial State* (2011) depicts the government as a co-shaper of growth rather than as a passive fund provider. However, it might be that the entrepreneurship of governmental action also stands in the governmental awareness of the specific entrepreneurial roles that each level of a country’s government should invest: while the national government is key in supervising and co-ordinating region-based action, regional and local governments should co-shape sustainable growth with their respective community. Rifkin’s initiative carried out in Hawk de France (2019), which draws upon the vital role played by ‘collaborative commons’ in re-organizing today’s economy, demonstrates the importance of empowering local regions with self-sufficiency by educating the “entrepreneurial” government on how to build an integrative infrastructure, i.e. peer assembly, which acknowledges the contributions of all members of society; thus, generating democratized economic growth customized to the real needs of human civilization and to the limits of earth’s resource capacity.

Nidumolu *et al.* (2009) develop a five-staged process for companies to integrate the sustainability strategy imperative into day-to-day practices. While stage 4 refers to completely re-framing the business model in a more sustainable dimension, stage 5 concerns harnessing this sustainability lens to radically challenge today’s managerial status quo, giving rise, for example, to next-practice digitalized platforms i.e., smart grids. However, stage 5 sustainability-enabled innovative proneness might even extend to an entire corporate internal re-structuring; favouring laterally-scaled, distributed organizational architectures that better respond to the development of a revolutionized value proposition (stage 4). This extension echoes the aforementioned infrastructure-economic model compatibility, as the internal structure of the organization, analogical to the infrastructure, must be re-adjusted in order to leverage the advantages of a collaborative and regenerative modus operandi. In the past, established firms have demonstrated an ability to re-configure their internal structure in relation to the drastic evolution of technologies (e.g., Unilever in Mees-Buss *et al.,*2019). Particularly, this analysis is a fervid advocate of Haier’s business re-engineering efforts (Ruimin,2007). The company’s transformation consisted in decentralizing across a multitude of micro-enterprises, each one actively invested into co-creating value with their respective customer base. The company’s refined relational dynamics recall Stacey’s complex responsive process theory (2003), which views knowledge as developed through “the joint exploration of patterns of participation in the ongoing flow of communicative interaction” (p.146). Haier’s management innovation model has also empowered employees with a sense of leadership and decision-making responsibilities, which exemplifies, in Polanyi’s parlance (1994), an effective solution to de-commodify labour. Facilitated through the Internet of Things (IoT), the company dismantles self-containment and embraces society: by closely interacting with its consumers, shared interests are recognized, fruitful feedback emerge and a trajectory toward customized innovation is drawn. As Haier exceptionally demonstrates, therefore, businesses should function as well-rounded professional services whose intrinsic commitment is to create value for all stakeholders by pursuing money-making objectives.

 Nowadays, integrating Environmental, Social, and Governance (ESG) issues in financial activities is an imperative increasingly expected by shareholders. Indeed, assessing the quantification of externalized nonfinancial considerations would not only enhance the corporate attractiveness in the eyes of investors, but illuminate management of previously unknown cost-reduction opportunities or even more cost-competitive alternatives. Such ESG-integrated performance metrices, however, achieve refined functionality and effectiveness only through constant experimentation and experience (Eccles & Serafeim,2013); hence, this integrative roadmap design advocates for “entrepreneurial” government interventions that would stimulate such experimentations by mandating the use of such standards. It might be that regulatory compliance should apply beyond stage 1 of the sustainability evolution for companies to strategically anticipate (more systemic) environment-related regulations at various stages of the process. This way, the pace and thoroughness of each stage’s transformation would be greatly stimulated, and this may grant an opportunity for the achievement of significantly greater levels of firm’s competitiveness.

Indeed, in order to firmly enshrine sustainability in corporate governance, the state should act as a transformative investor (Raworth,2018). State interventions are key in re-orienting the growth of firms by, for example, levying re-structured tax and subsidy policies (taxing non-renewable energies and subsidising renewable ones). In light of the COVID-19 pandemic, Mazzucato (2020) emphasised the need for governments to release conditional bail-outs to the airline industry (e.g., reducing carbon emissions) that would help define a mission-led environmental vision for the sector. To further support this government’s interventions, Gond *et al.* (2011) pay extensive attention toward the institutional frameworks wherein corporations operate. As CSR is defined as “the corporate focus on enhancing stakeholder relations while aiming at enhancing social welfare” (*cited in* Gond *et al.,*2011:643), this socio-political hybridization through CSR sheds light upon the re-integrated role of government as a distinctive CSR enabler: their work posits several CSR-government configurations as pursuable options in the systems thinking domain, and each should be enthusiastically explored and actualized.

Additionally, Scheyvens *et al.* (2016) provide a discourse which broadens firms’ responsibilities to include the active pursuit of SDG’s. Albeit Porter & Kramer (2011) note that companies hold distinctive capabilities which would serve useful in achieving such goals, it is also imperative to acknowledge their capacity limitations. Excessively pluralizing the objectives of the firm, blurring the semantics of private objectives with public responsibilities might cause the corporate increased economic, and political, power to override trends of not-for-profit NGO’s (Koehler,2015). Scheyvens *et al.*’s conclusion is that business is not a “magic bullet” that “can simultaneously maximize profits while constructing development policies to regulate potentially adverse activities” (2016:380). Yet the current analysis contends that framing firms at the heart of the development agenda is not unrealistic but should represent the “sixth stage” of their sustainability evolution: while hierarchical and short-terminist firm’s objectives misalign with the long-term vision of SDG’s, distributive laterally-scaled firms, with enhanced agility, adaptivity and refined proneness to sustainability, might be more likely to dovetail a vision for private objectives with one for development policy and planning.

This mission-led integrative solution must be equally explored at the grassroots level, i.e., education. In keeping with the dynamic role of government proposed above, governmental departments of education should also display entrepreneurship in mobilizing the re-structuring of teaching methods and curricula of such schools. For example, educating students on the managerial implications of integrating dynamic complex systems in economic models should be highly advocated (e.g., the integrated Reporting initiative, co-operatives, social enterprises, Haier’s business model etc.). Furthermore, imparting awareness of the causes underpinning their recent emergence becomes fundamental: e.g., explaining that the fossil fuel industry is decaying and proximate to its end (Rifkin,2019), would further enhance justification, credibility and purpose of pursuing “greener” alternatives. Business schools should thus equip students with integrated and mission-led knowledge to develop alternative sustainability road-maps; this type of training would complement the training discussed by Haidt's (2001) which concerns the elephant-rider thinking transformation, as it would educate students on how to change endogenously their cognitive and affective domain.

Hartman & Stafford’s (2006) case study on Greenpeace’s development of the eco-friendly ‘Greenfreeze’ refrigerant, and on the NGO’s attempts to make the technology a mainstream solution, shed light upon the much-needed integrative character of an alternative-roadmap and relative key obstacles. Specifically, emphasis on the industry resistance to leapfrog to a new technology is indicative of a lethargic industry infrastructure, inept to dynamism and fixated on short-termism: manufactures dis-interest mainly derived from the realization that the solution held limited commercial value as it could not be patented. Additionally, rather than entrepreneurial, state interventions were passive and, at times, impeded the diffusion of Greenfreeze: the American Environmental Protection Agency’s approval process was ripe with such excessive bureaucracy that it di-incentivized the private sector in pursuing the green alternative (Crane & Matten,2010). However, Greenpeace’s ample collaborative demeanour with corporations and governments, accompanied by the orchestration of numerous protests and emotive accusatory media campaigns, frame the organization as a co-creator of mission-led innovation, leading Greenfreeze to enter the market by substituting environment-adverse HFC-based refrigerants. Echoing Haidt’s (2001) analysis, Greenpeace’s ability to mobilize the public through an emotive-oriented approach, bolstered by scientific evidence and a greener alternative, is a riveting example of how training the “elephant” and the “rider” can be much more effective when there is such technology as Greenfreeze that concretizes a feasible alternative road-map.

Albeit non-governmental, Greenpeace demonstrated to act as a dynamic CSR enabler, recalling the self-governance configuration discussed in Gond *et al.*’s(2011). Yet, in light of trans-boundary anthropogenic climate change, centrally imposed governmental mandates also become essential (Ostrom,2009), and should not be seen as simply replaceable by NGO’s interventions: while the rules and norms imposed by the latter benefit from trans-border flexibility, the localized interventions of the former, imbued with greater contextual intelligence (Khanna,2014), should operate complementarily (e.g., via taxation or subsidization to incentivize long-term investment). Indeed, Kumi *et al.* (2014) explain that government interventions to simply “enable” the environment for the private sector to thrive is insufficient to guarantee inclusive and regenerative growth. In Greenpeace case, government co-operation is further advocated by examining the NGO’s limitations: the organization’s inability to bail-out Foron (Greenpeace’s initial product manufacturer) suggests that public finance should have intervened cooperatively. Moreover, while Greenpeace’s aimed at diffusing its “green” practices as broadly as possible, corporations opposed to such broad-based diffusion as it would disrupt the solution’s competitiveness. However, both public and private investment could have enabled companies to acquire additional technologies and enlarge their bundle of capabilities: by configuring the Greenfreeze solution with existing corporate repertoire, despite the solution being mainstream, its dynamic integration is what would have made it competitive, echoing Teece & Pisano’s (2003) dynamic capabilities. Therefore, in order to ameliorate the precarious nature of Greenpeace’s tactic, further integration might involve NGO’s, with their R&D repertoire, co-operating with governments in devising fitting environmental regulations while supervising and assisting corporations with their implementation.

In conclusion, this work explained some of the complementarities that could be achieved if systems thinking rested at the centre of this re-thought economic interplay. This analysis opts for the conclusion that the unconstrained evolution of the capitalist enterprise is reflective of the historical reluctance to operate in unison.The feasibility of an alternative road-map should survive in the truth that never before has humanity been empowered with such a vast amount of sharable knowledge and unprecedented technological innovations. The analysis concludes that the ponderousness of large-scale, vertically-integrated enterprises should be dismantled through dynamic decentralization that harmonizes with public interest more finely. Indeed, this work’s expansive amendment of Nidumolu *et al.*’s stage 5 of the sustainability evolution urges enterprises that have already pursued prior stages to ultimately adopt a more flexible and adaptive networked structure. Indeed, COVID-19 was nature’s ultimate verification that dynamic distributed enterprises are more resilient to such natural upheavals than vertically-integrated giants. Emphasis on this economic model-infrastructure compatibility that attunes to today’s digitised networks finds further inspiration in Schumacher (1973:249), where one reads that, “there can be no hope unless the logic of production itself is brought under control”. Platform business models, which democratize value-creation opportunities across the network, are riveting examples of how the logic of production can be re-thought. Rifkin’s (2014) work on collaborative commons also demonstrates that concepts of property exchange and ownership are being progressively replaced by sharable networked goods and services. Therefore, such initiatives are intrinsically driven to re-configure capitalist ideologies of excruciating production pressures upon earth’s endowment and must, therefore, be pursued in a large-scale collaborative fashion. As a result, fiscal and legislative interventions should not act statically or sporadically, but should actively guide, stage-by-stage, the firm toward establishing such “humanized” forms of corporate architectures. The financial sector must also equally contribute: by standing in “right relationship with the whole economy” (Raworth,2018:235), it should focus on long-term productive investments that generate social and environmental value. Therefore, governmental interventions must rein in short-term speculative finance and fund the proliferation of state-led development banks. Overall, this road-map design was adamant about state “entrepreneurship” that would help forge an alignment of long-term vision amongst the industrial, financial and educational sector. However, from an institutional theory perspective, these developments need to be sustained by a deeper cognitive revolution which can only be fully captured in the educational domain. Contemporary young generations grow empowered with refined digital fluency and growing social consciousness and should, therefore, be guided along the path of drawing their own alternative road-map. Indeed, by acknowledging the dynamism of complex systems in economic thinking, Raworth’s inspiring conclusions are that we are all economists and that we can all contribute to a green new deal; yet this will “require an effort of the imagination and an abandonment of fear” (Schumacher,1973:131).

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Appendix

Assignment brief

**SUMMATIVE ASSIGNMENT**

**Preamble:**

As the critical stage of the climate crisis looms ever closer, political action has thus far failed to make significant advance in tackling an existential crisis threatening survival of life on earth. The hope that someone will do something about it before it is too late (the tipping point is predicted to be 2030) has now all but evaporated. Since the first Climate Change Convention agreed in 1992 at the international Earth Summit in Rio, “there has been plenty of talk, but, when it comes to walking the talk, how is it that there’s suddenly no one in the room?” (Mazzucato, 2020). Raworth (2018:8) and Parker (2018) blame business schools for inculcating “an economic mindset rooted in textbooks of 1950 that in turn are rooted in theories of 1850” and Elkington (2018) concludes that “we have a hard-wired cultural problem in business, finance and markets.” As Chomsky & Pollin (2020) contend, “market-driven proposals to tackle the crisis are doomed to failure.” Similarly, Elkington agrees that “despite all the sustainability frameworks, *none* of them will be enough” without “radical intent” to transform capitalism. He recalled his triple bottom line (TBL) due to its failure to catalyse this, and urged business schools to “stop teaching students things that will only equip them for a world which will soon no longer exist.” Raworth states that “everybody is saying..we need a new economic story [mindset], a narrative of our shared economic future that is fit for the 21st century” (p.12). However, Fleming and Jones (2013:84) suggest that both public and academic unwillingness to countenance this is due to the fear that without business-as-usual society will collapse (and Covid-19 may now be putting that to the test). In order to overcome such fears, and “provoke deeper thinking about capitalism and its future” (Elkington, p.3), Raworth declares that everyone needs a more “optimistic vision of humanity’s common future: a global economy that creates a thriving balance thanks to its distributive and regenerative design” (p.286). She claims that “Doughnut Economics” provides just such a new economic framework for the world, which complements, in multiple ways, Rifkin’s (2014) vision of a “Zero Marginal Costs Society” and his (and many others’, e.g. Chomsky & Pollin (2020), Attenborough (2020)) conviction that a global Green New Deal is the only viable solution to save life on earth. However, the key question is whether such a radically disruptive vision will only be dismissed as utopian and delusional, particularly by business and management theorists and practitioners wedded to “market managerialism” (Parker, 2018:ix) and “strategic choice theory” (Stacey, 2003). If so, without a coherent road-map and successful transformational business model (e.g. Haier) to demonstrate its potential practical application, it could be destined to suffer a fate similar to that of Elkington’s TBL.

**Assignment:**

Explain why the climate crisis and related systemic disorders necessitate a new economic vision and road-map rather than just “greening business-as-usual”, andconsider what other, if any, realistic alternatives there are. Critically discuss the business and management implications (for policy-makers, companies and business schools) of such a road-map comprising Raworth’s Doughnut Economics and Embedded Economy framework, Rifkin’s Zero Marginal Cost Society and Green New Deal vision, Stacey’s Complex Responsive Process theory, and Ruimin’s transformed Haier business model. Critically evaluate, from a “critical political economy perspective” (Fleming & Jones, 2013), the challenges of gaining a mandate for and implementing such a road-map. Finally, draw your own conclusions as to whether such a road-map has any realistic potential for remedying the triple bottom line’s failure to catalyse systemic change and the transformation of capitalism by “breakthrough change, disruption, asymmetric growth (with unsustainable sectors actively sidelined), and the scaling of next generation market solutions….spurring the regeneration of our economies, societies and biosphere” (Elkington, 2018).

**Overall word limit: 4000**

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Assignments should be typed, using 1.5 spacing and an easy-to-read 12-point font. Assignments and dissertations/business projects must not exceed the word count indicated in the module handbook/assessment brief.

 The word count should:

* *Include* all the text, including title, preface, introduction, in-text citations, quotations, footnotes and any other items not specifically excluded below.
* *Exclude* diagrams, tables (including tables/lists of contents and figures), equations, executive summary/abstract, acknowledgements, declaration, bibliography/list of references and appendices. However, it is not appropriate to use diagrams or tables merely as a way of circumventing the word limit. If a student uses a table or figure as a means of presenting his/her own words, then this is included in the word count.

Examiners will stop reading once the word limit has been reached, and work beyond this point will not be assessed. Checks of word counts will be carried out on submitted work, including any assignments or dissertations/business projects that appear to be clearly over-length. Checks may take place manually and/or with the aid of the word count provided via an electronic submission. Where a student has intentionally misrepresented their word count, the School may treat this as an offence under Section IV of the General Regulations of the University. Extreme cases may be viewed as dishonest practice under Section IV, 5 (a) (x) of the General Regulations.

Very occasionally it may be appropriate to present, in an appendix, material which does not properly belong in the main body of the assessment but which some students wish to provide for the sake of completeness. Any appendices will not have a role in the assessment - examiners are under no obligation to read appendices and they do not form part of the word count. Material that students wish to be assessed should always be included in the main body of the text.

Guidance on referencing can be found in the programme handbook and on DUO.

**MARKING GUIDELINES**

Performance in the summative assessment for this module is judged against the following criteria:

* Relevance to question(s)
* Organisation, structure and presentation
* Depth of understanding
* Analysis and discussion
* Use of sources and referencing
* Overall conclusions

**PLAGIARISM AND COLLUSION**

Students suspected of plagiarism, either of published work or the work of other students, or of collusion will be dealt with according to School and University guidelines.

**END OF ASSESSMENT**