



Addressing Tipping Points for a Precarious Future

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Perspective of a Global Retailer

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[-] Abstract and Keywords

We are reaching a time when several underlying assumptions about good business practice are becoming undermined. The environment is not tolerant, governments will not back up forever, and customers and citizens are merging. There will be no spare publicly financed money to bail out our environmental damage and social decay. Businesses will have to take their share of these responsibilities and create their sustainability accounts accordingly. Consumers will be more selective, regulation will tighten, and the more farsighted businesses will survive.

Keywords: sustainable business, sustainable leadership, customer choice, sustainability regulation, good business practice

Business is used to the idea of tipping points, insofar as it is exposed to the constant possibility of upheaval. From steam power to the computer, the financial Big Bang in the City of London to the internet, moments of transformational change have always happened in the world of business. We talk of 'game-changing' or 'disruptive' innovations. These might be the arrival of new technologies, of new ways of managing, of new market arrangements, or of radical changes in the operating environments of business. As ever, the strategic challenge to business leaders is to spot these moments before their implications undermine their position and prospects, or to respond nimbly to take advantage of the impacts of major change. In business as in other sectors, it is extraordinarily difficult to anticipate the onset of a transformational change and to assess the implications in a timely way, still more so to respond effectively.

Individual companies have always come and gone in the wake of such developments. Indeed whole sectors (think of manufacturing offshoring in Western economies in the 1980s) can go through seismic shifts. Are we facing such a profound shift now in the business world as a result of ecological and socio-economic 'tipping'? What makes the present moment different, why describe it as a time of tipping points rather than a period of 'business as usual' change?

I would contend that we are now entering a time in which several taken-for-granted fundamentals of business life are being undermined. They are assumptions, values, outlooks, and expectations that have become so embedded in business thinking – and far beyond business – that they are almost invisible. What are they? **(p.238)**

- That ‘the environment’ would always be available as business’s biggest ‘factory’, a constant 24/7 source of bountiful low cost ‘inputs’ (energy, water, raw materials) that business converts relentlessly into economic value whilst avoiding paying for any externalities.
- That Government would always be there as the ‘backer of last resort’, bailing out the financial sector that underpins the economy when things got tough, and a guarantor of progress and security when life was uncertain for business.
- That people would be content to coexist in separable lives as consumers, citizens, and employees, with the economic system sustaining order by giving them a little more of seemingly guaranteed comfort each year.

All these ‘certainties’ are now threatened.

Our bountiful environmental ‘factory’ is running out of capacity. Ecosystems are evidently unable to keep up with the need to provide resources or absorb wastes as global consumption relentlessly mounts. What has been obvious to environmentalists for many years is becoming a reality for businesses coping with high and volatile resource costs and the disruption caused by extreme weather events.

Although governments have stepped in to ‘bail out’ the banks during the economic crises of the last four years, many now can sense that political patience (not to mention financial reserves) is running out. Will the public sector reach its own tipping point in relation to dysfunctional banks and financial systems deemed ‘too big to fail’, and let them go under? More likely, governments will increasingly ask business to pick up the external costs of making and selling its products. This will not be done on the basis of some moral imperative. It will be because the state does not and will not have the cash to pay for the externalities of business practice – climate change, an obesity epidemic, etc. And governments have already sent a powerful signal that they are neither able nor willing to set a policy direction to tackle major environmental challenges such as climate change. A bickering multi-polar world just looks too daunting to corral. So businesses, relying on state action to organize a strategic and coordinated response to ecological disruption, are likely to be disappointed.

The Romans had ‘bread and circuses’ to keep the masses happy. We have strung along through rising income levels and the disarmingly ready availability of products to consume. But in many Western markets real disposable incomes are predicted to flat-line – at best. For many in the US **(p.239)** middle and lower classes, real household wealth and income have been falling for years. The same story is being played out in the EU, as the Eurozone crisis and the impact of high personal debt levels make themselves felt at every level. The slogan ‘We are the 99%’ and the rise of the Occupy movements were signals that the basic compact between business and society is threatened.

No longer can business lazily assume that the griping will come from the edges, from the few who reject a consumerist life. Instead it will come from the mainstream, from citizens whose expectations of rising or at least stable income, wealth, and prospects are being dashed, for themselves and for their children. The disaffection probably won’t manifest itself as violent

revolution. Instead consumers will drift away from intense consumption, starting instead to select more carefully from whom they buy. Increasingly we will see people turning to a 'sharing economy' where goods are no longer possessed and disposed of in the classical sense. Rather they will be shared, bartered, rented, and exchanged in a parallel, not for profit, and often community-based economy.

Rising resource costs, the retreat of government, a re-definition of consumption collectively create an enormous visible tipping point for business. This is not to say that business as we know it will disappear, far from it. But it does mean that for today's incumbents the journey through the next decade will be that much harder and in all likelihood much more destructive of many more traditional business models. But seen another way, the next decade is incredibly exciting. New business models (not just businesses) will have to be developed, based on a much closer relationship with environment and society. They will be based on collaboration, not all-out competition. New technologies will emerge that offer fantastic rewards because they solve these enormous challenges. Tipping points offer opportunities as well as crises and threats. For the private sector, understanding the nature of these changes is a matter of life, death, and urgent adaptation. **(p.240)**

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