

# Beyond sustainability as usual

How business transformation  
can unlock the new economy

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# FOREWORD



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Following our first publication, *A new economy: Exploring the root causes of the polycrisis and the principles to unlock a sustainable future*, where we set out our views on core principles needed to head toward a more regenerative, new economy, we recognized a need to highlight the role of business in accelerating this transition.

As our New Economy Unit publishes this discussion paper, I wanted to take the time to pay our respects to the researchers and thinkers that laid the foundations for the concepts we cover. While the corporate sustainability space provides increasingly fertile ground to explore these topics today, several decades of research underpin this effort and have informed our thinking.

While we recognize that there may yet be no such thing as a truly sustainable business, in researching and writing this paper, we found numerous examples of businesses organizing themselves and operating in ways radically different from others in their industries. Importantly, rather than attempting to retrofit sustainability initiatives into unsustainable business models and practices, each and every one of them has, in their own way, placed sustainability at the heart of defining or transforming their business.

We draw from these examples to explore a North Star for businesses to strive toward, acknowledging the challenges that accompany transformations of this scale. Our hope is to inspire and challenge businesses to think beyond sustainability-as-usual, but also to contribute to bringing new economy discourse into the mainstream.

To that end, we invite you to share your reactions, thoughts and ideas for action with the team and sign up for updates by emailing [neweconomyunit@uk.ey.com](mailto:neweconomyunit@uk.ey.com) or [through this form](#).

## ＊ About the New Economy Unit

The New Economy Unit (NEU) is a research and insights team within the EY Global Climate Change and Sustainability Services (CCaSS) practice. The NEU focuses on the long-term, systemic shifts toward a new, regenerative economy. We recognize that the scale of the challenge is beyond the remit of a single

company and requires collective effort to address. We want to engage, share ideas and co-create with others doing research in this space, and with anyone who's interested in bringing about a more equitable and livable future.

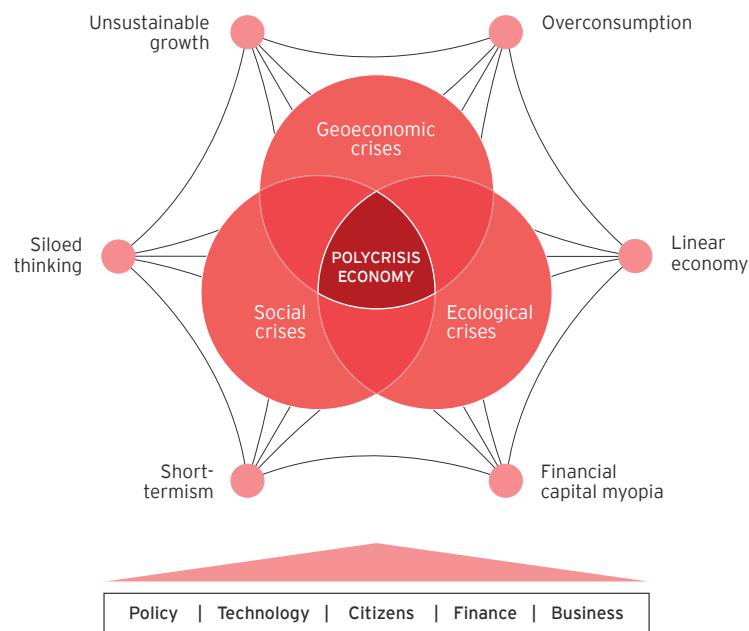


# INTRODUCTION

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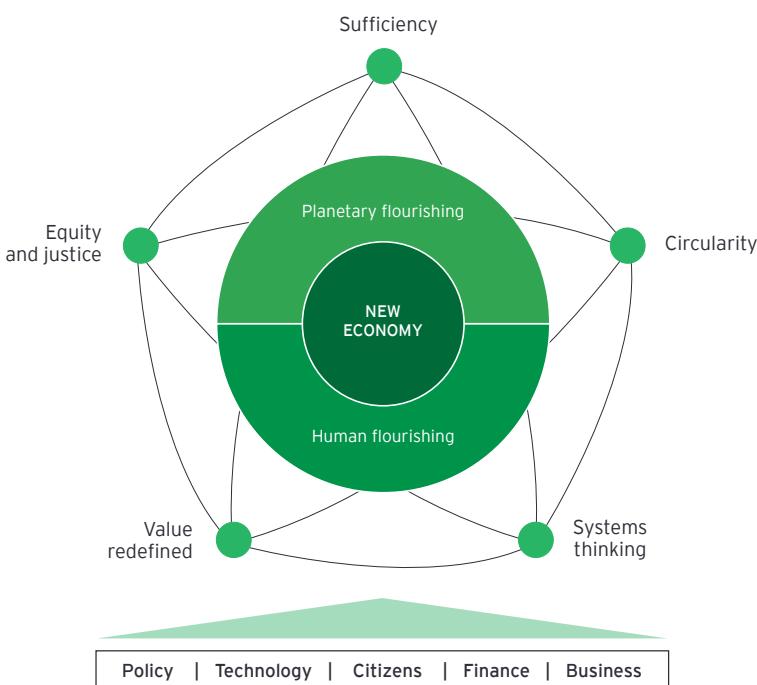
We're at a critical inflection point, where neither the polycrisis already unfolding today nor the new economy slowly emerging are given future outcomes, and where our decisions will likely have far-reaching effects on all of society. In *A new economy: Exploring the root causes of the polycrisis and the principles to*

*unlock a sustainable future*, we set out five guiding principles we believe to be foundational to an economy with human and planetary flourishing at its heart: sufficiency, circularity, systems thinking, value redefined, and equity and justice.



#### A global economic system in polycrisis and the systemic barriers to progress:

- ▶ **Unsustainable growth** – valuing the quantity over the quality and sustainability of growth
- ▶ **Overconsumption** – consuming unequally, beyond our planetary means
- ▶ **Linear economy** – a take-make-waste production and consumption model
- ▶ **Financial capital myopia** – overvaluing the financial and undervaluing everything else
- ▶ **Short-termism** – structural and cognitive focus on the present at the expense of the future
- ▶ **Siloed thinking** – approaching complex, interconnected issues in isolation



#### A new economy and the principles to unlock a sustainable future:

- ▶ **Sufficiency** – enough for a good life within planetary boundaries
- ▶ **Circularity** – aligning production and consumption with nature
- ▶ **Systems thinking** – connecting the dots to catalyze systems change
- ▶ **Value redefined** – putting human and planetary flourishing at the heart of value creation
- ▶ **Equity and justice** – achieving shared and lasting prosperity for all

Diagrams from our foundational report, *A new economy: Exploring the root causes of the polycrisis and the principles to unlock a sustainable future*

The challenge often posed to us in the NEU is to “show me the organization that’s got this right.” This paper aims to start addressing this by outlining how the five new economy principles could be applied across different business areas, and showcasing examples of businesses that bring these principles to life. While it’s hard to point to a single organization that has a truly sustainable business model, these examples show the *art of the possible* from businesses that are putting sustainability at the core of doing business, but also that there is no fundamental conflict between being sustainable and being profitable.

Having said that, it is important to address the elephant in the room. While we mention businesses big and small throughout this document, the case studies we identified through our research nearly always represent businesses that were established with sustainability as a core element of their strategic vision or purpose. This is because, despite progress made in embedding sustainability considerations into corporate ways of working, examples of large, established businesses that have fundamentally transformed their business models with sustainability as the driving objective remain scarce. In fact, despite a ramp up in regulations, standards, and the scientific-economic consensus on the need and societal value for transforming the economy, there are increasing signs of a backlash against those trying to take a more ambitious stance. Against a backdrop of an uncertain geo-economic environment, this could well lead to a plateauing or regression of sustainability ambition in favor of maximizing short-term shareholder returns.

Herein lies the biggest challenge. Without a doubt, the absence of the right policy and market conditions poses tremendous barriers to transformative sustainability action, which is why the transition requires concerted action from all economic actors. In the absence of these enabling conditions, however, businesses must ask themselves whether inaction or delay is justifiable. If the answer is no, this means **that businesses – at the very least, those with significant economic means and influence – have to be willing to consider what trade-offs may be needed on short-term financial returns to meet long-term sustainability objectives.** And shareholders and owners of capital need to be willing to redefine risk and return to enable this. This is imperative if they wish to maximize returns and resilience in an economy on the rise rather than an economy in decline. **As we outline later in this paper, this does not mean becoming unprofitable. But it does mean sharing financial value to preserve or create environmental and societal value.**

This is not new or radical thinking. For example, it is exactly what an internal carbon price effectively does, when implemented correctly, by internalizing the cost of climate change impacts. It also doesn’t mean businesses shouldn’t be looking for the win-win. **For many businesses that have the courage to lead, sustainability transformation will yield financial dividends over and above business as usual, by way of new market opportunities, reduced risk and improved resilience.<sup>1</sup>** But, candidly, this is unlikely to be the case currently for all sustainability initiatives and all businesses, at least until the right policy and market conditions are established. Ultimately, some businesses may have to be willing to accept sacrificing some short-term (but ultimately unsustainable) gains in the current economy, if we are to secure wins for all stakeholders in the new economy.

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For many businesses that have the courage to lead, sustainability transformation will yield financial dividends over and above business as usual, by way of new market opportunities, reduced risk and improved resilience.<sup>1</sup>

As with *A new economy*, this paper does not set out a ten-point plan for the transition. It does, however, define the North Star and offers examples that aim to inspire businesses to ask hard questions of themselves:

How do our current practices align with those outlined in the paper?  
What would it take to align, and where would we start?  
If others are doing this now, how can we learn from them?

We understand that the scale of the change proposed may seem overwhelming for many businesses, particularly large, established ones. **Perhaps achieving everything outlined in this paper might not be within the realm of possibility for your business – but some things will be. Here is where you can start:**

## 1

**Mobilize behind a (truly) long-term vision for your organization**

This seems obvious but is rarely implemented in practice. Beyond net zero, how many businesses have a 2050 vision for themselves and their sector that is aligned with broader sustainability goals? And of those with a vision, how many have a clear roadmap to get there? There is no expectation that businesses will be able to completely overhaul their models in the next five years, but working back from a desired, long-term state to plan and act for the next five years is key, both from an impact and resilience standpoint.

## 2

**Start where it is possible but don't stop there**

Not everything can or must change at once. Certain areas, business units and subsidiaries will be more flexible to explore new models and radically rethink existing practices. But while this is a good place to start, it is not enough. A sustainable pilot or initiative that remains a small part of an otherwise unsustainable business model, or that is disconnected from a broader transition pathway, is not enough in the long term. The ultimate objective must be transformation; otherwise, the scale of investment and associated impact will not be meaningful.

## 3

**Use your influence to mobilize a critical mass**

A cohort of committed first movers is more likely to achieve the scale needed to unlock positive tipping points, compared with a single organization going against the grain. Notwithstanding policy and consumer inertia, businesses are uniquely positioned to coalesce around bringing about a new economy at the industry, advocacy or market level. This is particularly important for listed businesses, which will need to contend with both shareholder resistance on the value from change and the market distortions that allow unsustainable companies to "outperform" the share market. Having said that, we believe that large, systemic businesses are able to mobilize innovation of the scale needed to transform entire sectors. If your business is one of those, challenge yourself in terms of your true influence and your potential for positive disruption.

## 4

**Help bring new economy concepts into the mainstream**

From climate change to human rights, what was once considered fringe is now mainstream, largely through social diffusion. The role of campaigning organizations has been a critical lever in this, but so too has the role of business, policy and other economic actors. If you agree in principle with what is proposed in *A new economy* and in this paper, bring it into the business discourse within and outside of your own organization, even if the way to the end state seems challenging in the current policy and market environment. Change of this scale is expected to be hard; it will never seem realistic when compared with business-as-usual. That does not mean it's not achievable. Rather than getting stuck on present challenges to harmonizing sustainability and business success, we encourage all businesses to explore *what needs to be true* in order for business models to transform, both within the organizational boundary and across the value chain.

Beyond these first steps, **we invite businesses to embrace this transformation as the greatest innovation challenge of our time** – one that will yield dividends not only for the environment and society but also for businesses themselves, by securing their resilience and long-term success.



# NEW ECONOMY BUSINESS CHARACTERISTICS

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**Ultimately, being a new economy business entails taking a holistic approach to operating within planetary boundaries and working toward creating positive outcomes for society – both within a business's direct operations and the network that it exists in.** This means a business recognizes how it can leverage its position to drive progress and influence its stakeholders to enact systemic change: whether aligning on and mobilizing around a shared purpose, rethinking products and services (and eliminating those that are environmentally or socially harmful), collaborating and advocating for market conditions that support these, addressing stakeholders' needs adequately, or distributing the benefits of efforts fairly.

**This is all about impact, both negative and positive, and in itself entails a fundamental rethink of business success.**

In this paper, we focus on six areas: purpose, strategy, customers, people, value network, governance and ownership, which we think are critical for a business seeking to align to the new economy principles. This

does not mean the list is exhaustive, and we welcome commentary on additional areas or builds. We also recognize that there is a layering involved, with areas such as purpose, and governance and ownership, more closely tied to business design; whereas strategy, people, customers and value network are more about execution. Nevertheless, as our primary audience is established businesses, we feel these are all areas where there is an opportunity to redesign existing approaches.

The exact mechanics for individual businesses applying the new economy principles will vary, but every business is able to take each of the elements below and consider how they can form the basis for new business models or take on the challenge of transforming their current business model. The following sections explore each of these elements in more detail and showcase organizations that bring one or more of them to life through their current practices and ambition. A detailed mapping of the new economy principles to the six business areas, which formed the starting point for this paper, is included in the Appendix.

 <b>Purpose</b>	 <b>Strategy</b>	 <b>Customers</b>
Aligns its organizational purpose to the pursuit of human and planetary flourishing as inextricably linked outcomes	Designs products and services to meet societal needs systemically in alignment with planetary boundaries	Takes ownership of both positive and negative customer impacts, empowering and enabling customers to meet their needs sustainably
 <b>People</b>	 <b>Value network</b>	 <b>Governance and ownership</b>
Employs thriving individuals who are empowered and supported through self-determination	Collaborates, co-creates and shares accountability with other value network actors	Adopts inclusive power and decision-making structures that enable it to stay true to its purpose and draw on diverse stakeholders and communities

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When defining business purpose, it's crucial to ask the fundamental questions: What is the organization actually in the business of? What does the business do, who does it create value for and why does it exist?

#### IN PRACTICE

“We're in business to save our home planet.” – Patagonia

“To pursue, systematically, the elimination of the environmental impact of personal transport.”  
– Riversimple

“To do as much good as we can while doing as little damage as possible.” – SHIFT

## PURPOSE

Milton Friedman famously asserted that the main responsibility of a business is to maximize profits, and that those that don't would fail in the long run.<sup>2</sup> More than 50 years later – and despite the emergence of the stakeholder capitalism movement – the balance between maximizing short-term returns and pursuing long-term stakeholder objectives tips heavily toward the former for most businesses. More recently, acclaimed economists have challenged many of these notions, not least because these prevailing economic models tend to discount future events related to the exploitation of profits from unpriced externalities.<sup>3</sup>

In recent times, many companies have argued for taking a broader stakeholder value perspective, as seen in the Business Roundtable's Statement on the Purpose of a Corporation.<sup>4</sup> Taking this as inspiration, many businesses have adopted ambitious purpose statements focused on benefiting society and the environment. But the purpose movement has not come with the necessary transformation of the status quo. When putting purpose into action, well-intentioned initiatives often falter, are deprioritized or struggle to scale, due to their longer-term nature or lower financial returns. We often see that once ongoing – and continually growing – profit is secured, only then does the company focus shift to minimizing harm to the environment and society.

This is particularly worrisome, not only because it reinforces the paradoxical disconnect between financial return and sustainability but also because it continues to treat ecological crises as far-off problems to be dealt with later, when disruptions to the economy and industry are rapidly unfolding today. Even businesses that recognize the proximity and magnitude of these disruptions often justify putting off responding to them on the grounds of short-term constraints. The number of businesses that see the polycrisis as an existential risk and are linking this back to the fundamentals of their business model as a result are few and far between.

As stated in the introduction, we are not suggesting that businesses should not seek to be profitable or pursue growth and broader financial success, but we do believe that **no business should pursue**



**profitability and growth at the expense of the environment and society.** Those that do should re-examine their purpose and the mechanisms (i.e., the business model) through which they bring that purpose to life, including how they define, measure and allocate resources toward success. Ørsted's transformation from a largely coal-based energy company to a leader in renewables is one example of business model transformation beloved by sustainability professionals, not only for the benefits achieved across environmental, social and financial metrics but also because it demonstrates the "art of the possible." If a "black" energy company can transform itself in this way, surely any business can?

Beyond minimizing harm, we believe that **businesses with a purpose geared toward the creation of environmental and societal value** (whether explicitly or implicitly defined) **are best aligned with the new economy principles and ultimately better set up to survive and thrive in the new economy.** From large and well-established companies such as Patagonia ("We're in business to save our home planet") and Natura ("... create and sell products and services that promote the harmonious relationship of the individual with oneself, with others and with nature"), to small and early-stage companies such as Riversimple ("To pursue, systematically, the elimination of the environmental impact of personal transport") and SHIFT ("To do as much good as we can while doing as little damage as possible"), a multitude of businesses are proving that profit through purpose is both attractive and achievable, and are redefining success beyond financial.

It stands to reason that there can be no truly sustainable business within an unsustainable system, and that it would be a monumental effort for a single organization to bring about change of this scale on its own. However, there is also no shortage of companies in history that have single-handedly transformed their sector. Ford's introduction of the moving assembly line in the early 1900s revolutionized the manufacturing world. Microsoft's software innovation and standardization in the 1980s and 1990s shaped how consumers and businesses interact with computers and the internet today. Today's social media, e-commerce, entertainment and transportation giants have each risen to prominence by reshaping their respective sectors or establishing new markets for their services. These examples, while not driven by the pursuit of sustainability, show that **innovators and first movers can use their purpose to create not only tipping points but entirely new pathways or shortcuts to new economy models.** It also highlights that systemically significant organizations, by virtue of their scale and influence, are uniquely positioned to mobilize their industry in the transition and, therefore, be leaders in seeking to align their purpose and activities to creating and sustaining value for the environment and society.

When defining business purpose, it's crucial to ask the fundamental questions: What is the organization actually in the business of? What does the business do, who does it create value for and why does it exist?

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When developing strategy, products and services, the business should ask: Do our products and services serve a genuine need, aligned with our organizational purpose? And are these needs being met optimally, within the limits of the planet?

#### IN PRACTICE

Aside from its own focus on sustainable and transparent sourcing, **Tony Chocolonley**'s Open Chain initiative encourages others in the industry to collaborate openly to transform their cocoa supply chains, including through creative marketing campaigns. For example, in 2022, the brand launched four limited edition bars designed to look like other chocolate brands to encourage them to join the initiative.

## STRATEGY

Just as there can't be truly sustainable businesses within an unsustainable system, any business that explicitly or implicitly has short-term profit maximization as its primary goal will inevitably be tied to a strategy geared toward its realization. This is problematic in the current policy and market system, where profit maximization is uncoupled from the creation of value for the environment and society. As a result, we often see sustainability ambition and associated initiatives retrofitted into existing unsustainable strategies, leading to incremental improvements that do not fundamentally reorient the business. The best outcomes that can be hoped for from these approaches are products and services that are less harmful per unit of production, with the benefits often negated by the sheer increase in volume sold.

New economy businesses carefully examine their strategy-setting approaches, **working backward from desired futures and outcomes, rather than extrapolating historical results to plan ahead, as is common today** – and develop strategies that can bring these futures to bear. When aligned to scientific pathways, net-zero targets are perhaps the most tangible example of this backcasting approach in practice; where not only the end goal but also the transition pathway over time, key levers by sector and systemic challenges to be overcome are all *known variables*. Despite net-zero targets representing only a modest slice of the sustainability pie – compared, for example, with broader nature dependencies and impacts – any business that has attempted to implement a net-zero transition plan will have inevitably come up against a cap to retrofitted approaches, beyond which a fundamental rethink of the entire business strategy is inevitable. Rather than being seen solely as a barrier to doing business as usual, embracing this approach to rethinking strategy opens up tremendous opportunities to direct human ingenuity toward innovation, to meet societal needs sustainably and profitably.

Building new economy businesses with sustainability as a starting point is certainly desirable, but so is revamping existing unsustainable business strategy to incorporate local systems, tipping points and



feedback loops into decision-making processes. In many parts, this will mean not only **designing products and services with purpose in mind but also making the hard choices to discontinue practices that are environmentally or socially harmful, and that cannot be mitigated within science-aligned or moral timescales**. We already see this at the product component level (e.g., cosmetics companies gradually discontinuing the use of microbeads in their beauty products or, more recently, a host of retailers and chemicals companies setting out plans to phase out production and use of “forever chemicals,” or PFAS), but large-scale examples where entire business activities have been phased out due to sustainability considerations remain scarce.

**Designing for the new economy may necessitate using all five new economy principles as criteria for the design – and redesign – of products and services.** Sufficiency and circularity in particular invite a fundamental reconsideration of current design approaches, at their best enabling a transition from mass production of material goods to (material-light) service-oriented business models. This shift in focus from generating demand to fulfilling consumer needs will require a root and branch reorganization of business structure to uncouple profit from production throughput.

At the same time, evolving discourse on business impact on planetary and social boundaries calls for businesses to track progress and redefine the value of their offerings against environmental and social context-based metrics. Sportswear brand Houdini is an example of a business exploring both aspects, including conducting a Planetary Boundaries Assessment to understand the company’s total footprint, and using an impact formula in its design philosophy (i.e., *product impact x volumes produced x lifestyle promoted = company’s impact*).<sup>5</sup>

Lastly, applying systems and justice lenses to strategy entails **not only looking inward but also going beyond a single organization and considering the role the business can play in transforming its entire sector and wider ecosystem**. Tony’s Chocolonely is well known for its mission to make 100% slave free the norm in chocolate. Aside from its own focus on sustainable and transparent sourcing, Tony’s Open Chain initiative encourages others in the industry to collaborate openly to transform their cocoa supply chains, including through creative marketing campaigns. For example, in 2022, the brand launched four limited edition bars designed to look like other chocolate brands to encourage them to join the initiative.<sup>6,7</sup>

When developing strategy, products and services, the business should ask: Do our products and services serve a genuine need, aligned with our organizational purpose? And are these needs being met optimally, within the limits of the planet?

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As business purpose and strategies shift toward sustainability, businesses should be asking: How can we leverage the business's reach and influence to create demand for sustainable lifestyles? How can we design and market our products and services to make sustainability irresistible? And how would this fundamentally change the organization's brand?

### IN PRACTICE

Circular economy pioneers, electronics companies **SHIFT** and **Fairphone**, both empower customers by prioritizing sustainability. They offer modular designs and resources for DIY repairs, encouraging customers to extend the lifespan of their devices and reduce electronic waste.

## CUSTOMERS

Consumption choices are deeply intertwined with personal identity, influencing how individuals perceive themselves and are perceived by others. The interplay between personal identity and consumption behaviors is complex and multifaceted, as various consumer culture movements will attest. Accordingly, companies are not only expected to meet their customers' functional needs but also to align with their values and ethics.

We're now in an era where businesses are increasingly being held accountable for their environmental and social impacts, and as large portions of society call for organizations to work toward the long-term wellbeing of planet and people, businesses need to go beyond traditional understanding of ownership of impacts. While rectifying product safety issues, mitigating digital technology risks or remedying environmental damage are non-negotiable, customers are looking more critically at business models and how they exacerbate or address systemic inequalities and harm.

As such, **new economy businesses need to acknowledge and take responsibility for the positive and negative impacts of their products and services.** They cannot simply pass accountability onto their customers if they want to maintain their social license to operate. Initiatives such as Interface's take back program and Procter & Gamble's cold wash detergents represent positive and innovative steps in this direction, reducing negative impacts while showcasing customer engagement around sustainable choices and harnessing new market opportunities. However, they still represent only a fraction of the market for goods and services. Scaling these practices to become the norm across industries is the key challenge for businesses, recognizing that well-designed regulatory measures such as those focused on extended producer responsibility and eco-design will be critical in providing the right incentives and disincentives.

But it's not all about managing negative impacts, and it would be too simplistic to say that any business is merely responding to demand. **Businesses play a significant role in shaping market demand and consumer behavior, as well as industry practices.**



Not every customer is going to be willing or able to make more sustainable choices, so **companies have a unique opportunity (and a responsibility) not only to create consumer choice by reimagining their offerings but also to inform, guide and motivate customers toward sustainability.** Here lies an opportunity to revolutionize the marketing of products and services: leveraging behavioral tools such as consumer education, nudging, choice architecture and incentives; and pulling away from greenwashing toward radical transparency on impacts. For example, Patagonia is well known for a range of reasons, including its "Don't Buy This Jacket" campaign – encouraging customers to bring their clothing back to Patagonia for repair, rather than throwing them out.<sup>8</sup> Levi's CEO famously said that jeans don't need to be washed, which turned out to be an education in durability and water consumption.<sup>9</sup> Ecover partners with retailers to offer a refill service for customers at a lower cost than purchasing a new product, at locations convenient to them.<sup>10</sup>

**The same tools that businesses have used to be economically successful can be deployed to empower customers to meet their needs most sustainably and to adopt sustainable practices – granted, however, an adequately legislated environment to help drive this behavior is currently lacking.** Still, this comes with an abundance of opportunities for innovation and collaboration, whether through customer consultation and feedback

to understand needs and challenges, or innovating product design and service delivery in ways that are environmentally and socially sustainable and ethical. This could also mean **giving customers agency in their product choices and co-creating sustainable options in ways that make them accessible and affordable.** SHIFT and Fairphone are two players in the electronics industry whose offerings are empowering customers to choose and maximize value from sustainable products. Both companies sell modular personal devices – meaning they can be disassembled easily to their core components for repairs and replacements – and provide customers with the tools and information to upgrade or repair their devices. They also offer repair services and device buyback options to encourage customers to use their devices for as long as possible – or to return them so the materials can be kept in the loop as long as possible.

Most, if not all, businesses will have an existing approach to understanding and meeting the needs of their customers. But as business purpose and strategies shift toward sustainability, businesses should be asking: How can we leverage the business's reach and influence to create demand for sustainable lifestyles? How can we design and market our products and services to make sustainability irresistible? And how would this fundamentally change the organization's brand?

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In developing its people strategy and employee value proposition, the business should consider: How can we engage our people with setting and executing the transition to a new economy aligned business? ... How can we harness the leaders of tomorrow to enable the change needed today?

#### IN PRACTICE

**Patagonia** has provided child care facilities to its employees since 1983, allowing parents to be close to and spend time with their children during their workday. The business takes a systemic view to people strategies when it comes to recruitment, addressing structural inequalities and rethinking working patterns.

## PEOPLE

Organizational strategies geared toward delivering the most profit with the greatest efficiency mean that businesses often adopt strategies that see people as resources to be deployed – most productively to achieve the greatest output – in the pursuit of commercial gain. While placing focus on employee engagement and wellbeing are considered standard practice, this is commonly done through the lens of enabling better productivity and outputs. The consequences of this approach became starkly apparent in the aftermath of the COVID-19 pandemic. Though most businesses have bounced back from the financial downturn, employee engagement has not, with stress and burnout on the rise, and employees' sense of purpose and belonging decreasing.

Changing this paradigm requires businesses to shift from viewing people as resources to draw from, moving on from the traditional overreliance on motivating and managing people extrinsically through commercial targets and incentives, to focusing workplace environments, operating models and cultures on cultivating the deep human drivers for meaning, purpose and belonging. This forms the basis for an environment in which people thrive and are enlivened by their capacity to use their professional role to make a positive difference in the world.

Before innovating, businesses will need to first cover the basics. An equitable and just transition predicates the **fair treatment of all employees in an organization's ecosystem, including wages and benefits, recruitment practices, human rights and safety**. This seems obvious but unfortunately remains a key challenge for most of today's businesses. Living wages represent a key example, crucial to providing a decent living to workers and their families. Despite a sluggish uptake, a growing number of businesses are making commitments to secure living wages for their employees or going further to cover their supply chains. For example, in 2019, Fairphone became the first electronics company to support its direct suppliers with a living wage bonus, a premium paid directly to the workers, that has provided the equivalent of an additional month's salary each year to those impacted.<sup>11</sup> Yet despite living wage initiatives growing in importance, adoption across complex supply chains



remains insufficient. There are lessons here to be learned from the global evolution in health and safety standards, which started out as addressing basic safety compliance and progressed to targeting holistic improvements to workers' lives. The advancements that we see today (and that are continuing to evolve) are the result of a combination of key drivers: legislation, labor movements, evolving social values and technological advancements, all converging toward a culture of continuous improvement.

Once the basics are in place, businesses are better positioned to go beyond zero harm to approaches that seek to enrich the human experience, **reimagining the role of people in the workforce to maximize wellbeing and adopting a broader definition of value than the wage we take home**. This includes building capacity and local resilience by fostering a culture of learning and skills development across the value network; creating synergies between work and employees' values and broader priorities (e.g., Patagonia has provided child care facilities to its employees since 1983, allowing parents to be close to and spend time with their children during their workday); and taking a systemic view to people strategies when it comes to recruitment, addressing structural inequalities and rethinking working patterns. This is especially important as we move into a phase of acceleration toward both sustainability and artificial intelligence (AI) / digital transformations.

Given the degree of change many businesses need to undergo in the transition to a new economy, people and workforce strategies will also play a critical role in proactively managing the shift to alternative organizational structures. Executing on strategies with sufficiency and circularity at their core will require different mindsets, capabilities and operating models to succeed. Businesses will need to embed new economy principles throughout the organizational DNA, going beyond today's sustainability training modules, advisory committees and centers of excellence to **making sustainability a core competence of everyone within the organization**, starting with a deeply knowledgeable and vocal leadership. Internal collaboration structures will also need to transform to **break down persisting organizational silos and invite open sharing of knowledge and capability between departments and with partners across the value network**. Lastly, the transition will open up a world of opportunities for sustainable products and services, meaning businesses seeking to stay competitive will need to invest in cultivating skills and talent that are in short supply today to deliver their strategy in the long term.

In developing its people strategy and employee value proposition, the business should consider: How can we engage our people with setting and executing the transition to a new economy aligned business? How can we use people processes to build the business of tomorrow? To what extent are we cultivating intrinsic motivations of purpose, meaning and belonging? How can we harness the leaders of tomorrow to enable the change needed today?

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When developing its value proposition, a business will need to reflect on the questions: Where does our business fit into its ecosystem? What unique value does it bring? And how can we engage with others to jointly advocate for, develop and mobilize sustainable solutions?

#### IN PRACTICE

**Natura**'s long-standing partnership with over 40 Amazonian communities brings benefits to both the company, in the form of resources and knowledge, and to the communities through income, investment in production technology, education and conservation.

## VALUE NETWORK

The explosion in reporting standards globally might feel in many ways like an exercise in compliance but, at its heart, is a call for businesses to **understand, own and address their impacts, both positive and negative, across their ecosystem or value network**. We say network because, within a value chain, businesses create shared value for stakeholders in the communities directly affected by their operations. Meanwhile, in a value network, all stakeholders jointly pursue progress for the ecosystem as a whole, even those not directly linked to business activities.<sup>12</sup>

Engaging within a single value chain has already proven to be incredibly complex for most businesses, particularly those with a geographically spread and diverse footprint. This is, therefore, perhaps the most challenging shift outlined in this paper, as it requires businesses to fully embrace the concept of outward materiality beyond a compliance exercise. Any business interested in contributing to systemic solutions will need to **transition to multi-stakeholder collaboration and co-creation as default approaches to delivering its value proposition and achieving its purpose**. This involves shifting the understanding of success away from solely the financial growth of an individual business, instead normalizing the idea that change and innovation are successful when they benefit the broader ecosystem.

Many of the businesses showcased in this paper see their value network as a fundamental route to delivering on their purpose by transforming their industry. Triodos Bank has a dual goal of financing the transition and transitioning finance, pursuing the latter through radical transparency, research and industry engagement. Similarly, Tony's Chocolonely bases its business activities on five sourcing principles (traceable beans, higher price, strong farmers, the long term, and better quality and productivity), with approaches and learnings shared with the rest of the industry through the Tony's Open Chain initiative.<sup>13</sup> And beyond yielding tremendous benefits to a business's ecosystem through capacity and resilience building, co-creative approaches can provide a route for benefits to make it back into the business. Natura is a great example of this outward to inward flow. Its long-standing partnership with over 40 Amazonian



communities brings benefits to both the company, in the form of resources and knowledge, and to the communities through income, investment in production technology, education and conservation.<sup>14</sup>

Here, we must acknowledge that this kind of sharing process can be extremely time consuming, often frustrating and even quite costly. This is largely because it requires not only changing established business practices but also doing so in a policy and market environment that is currently lacking the foundations that would make these approaches more successful and cost-effective when compared with business as usual. This goes back to the elephant in the room we mentioned in the introduction to this paper and brings us to one of the most important levers at businesses' disposal: advocacy. First of all, **creating a cohort of first movers within industry, committed to advancing the solutions we need for a regenerative future, is key to building momentum and mainstreaming their adoption.** Secondly, the transition to a new economy relies on the establishment of effective and well-regulated market infrastructure and policy incentives and disincentives. **Businesses wield significant power and influence**

**that, if strategically applied, can create formidable coalitions in support of the reforms needed.** A recent example includes an open letter, penned by many of the businesses showcased in this paper, to the President of the European Commission, advocating for stronger regulation to support responsible businesses and protection of the environment and society.<sup>15</sup> While, for many businesses, this presents a deviation from today's lobbying practices and may conflict with short-term return and growth targets, it is critical to establishing the long-term enabling conditions for the new economy to scale with business as a driving and thriving economic actor within it. It also helps create a level playing field for companies more proactive in driving such sustainable business models.

When developing the value proposition, a business will need to reflect on the questions: Where does our business fit into its ecosystem? What unique value does it bring? And how can we engage with others to jointly advocate for, develop and mobilize sustainable solutions?

“

When reflecting on governance and ownership structures, businesses should ask: Does the governance structure adequately represent its stakeholders and their best interests? ... And how can the business explore governance and ownership structures that enable it to stay true to its purpose over the long term?

#### IN PRACTICE

Regenerative farming cooperative **Andelsgaarde** pairs distributive governance and ownership with a planet- and people-oriented purpose by pooling member funds to buy and convert conventional farms into regenerative practices.

**The Walker Group's** Perpetual Purpose Trust is designed to preserve the company's original business purpose. By transferring company shares into a trust focused on this purpose, rather than individual beneficiaries, all decisions are made to benefit the company's original goals.

## GOVERNANCE AND OWNERSHIP

A business's governance and ownership structure profoundly influence who has the power to make decisions on all aspects explored in this paper and, ultimately, who stands to benefit from the success of the company in the short and long term. While a multitude of models exist, dominant approaches in most businesses today involve centralized governance, typically with a board of directors, and ownership structures that are concentrated on a few individuals (e.g., founders, partners and top management) as well as their financiers. This means that decision-making power on the direction of the business tends to be disproportionately (albeit not wholly) guided by the interests of a small number of parties, even though the outcomes of its activities may influence a much larger group of stakeholders.

As greater accountability, transparency and stakeholder representation are being asked of businesses, alternative models that break away from traditional hierarchical or centralized power and decision-making constructs are gaining visibility. These models are a critical resource for businesses seeking to transform for the new economy, either as direct alternatives to existing structures or inspiration on taking a more distributive approach.

Good governance structures steer companies in the right direction by giving stakeholders a seat at the table, establishing leadership values that embed sustainability into company culture, and putting in place the right incentives that support and sustain the organizational purpose. For new economy businesses, **inclusive participation is the default, encompassing not only its workforce but also all stakeholders** affected by, and interested in the impact of, the organization. This typically includes noncommercial stakeholders such as the environment, employees, communities and NGOs, through appointing directors and executives who bring **different perspectives, actively seeking input from communities and stakeholder groups, or giving stakeholders a place on decision-making bodies**.

Some companies, such as Faith in Nature and Willicroft, have appointed nature as a stakeholder, which entails acting in nature's best interests by



formally embedding it into a company's decision-making structures. B Lab, Earth Law Center and Nyenrode Business University have collaborated on an Onboarding Nature Toolkit, which shows the different ways businesses of all types can do this.<sup>16</sup> Similarly, Riversimple's Future Guardian model includes the environment, customers, community and staff in its six shareholders, whose voice in the governance of the company is equal to those of investors and commercial partners. Patagonia has gone further, making the Earth its only shareholder; in practice, this means profits not reinvested into the business are distributed as dividends to The Holdfast Collective, a nonprofit working to fight the climate crisis.<sup>17</sup>

Alternative ownership structures complement stakeholder representation by giving employees a formal stake in the running of the business and a **more equitable share of accountability for its activities and, ultimately, the risks, rewards and benefits that derive from them.**

The employee stock ownership plan (ESOP) model is one of the most common expressions of this approach: a form of employee ownership that enables employees to own part or all of the company they work for. For instance, Amsted Industries<sup>18</sup> is one of the largest 100% ESOP-owned companies in the US.<sup>19</sup> Through its ESOP, the industrial manufacturer instills a sense of purpose and alignment with the company's goals and addresses wealth inequality over the long term. ESOPs are far more mainstream than they may seem. Approximately 14 million people are estimated to be part of ESOP-based businesses in the US alone,

representing over US\$2 trillion in assets.<sup>20</sup> Huawei, a global leader in information and communications technology (ICT), is a privately held company entirely owned by its employees.<sup>21</sup> KKR & Co., one of the largest global private equity firms, has implemented its broad-based ownership model for some companies within its investment portfolio. This model, though different from an ESOPs, includes ownership plans for employees and aims to boost engagement and reduce turnover, ultimately leading to better company performance, higher selling prices at exit and payouts for owner-employees during the sale.<sup>22</sup>

Cooperatives are another structure that democratizes governance and ownership by mobilizing membership behind a shared suite of goals. MONDRAGON Corporation is perhaps the most shining example of a successful employee-owned cooperative federation, encompassing over 70,000 people across 92 cooperatives, proving that the cooperative model is not only scalable but also structurally sound.<sup>23</sup> Regenerative farming cooperative Andelsgaard pairs distributive governance and ownership with a planet- and people-oriented purpose by pooling member funds to buy and convert conventional farms into regenerative practices. Building and architecture firm South Mountain Company is going further than its own members in sharing benefits, by donating 20% of its profits through in-kind services and financial contributions, to support the community in which it operates.

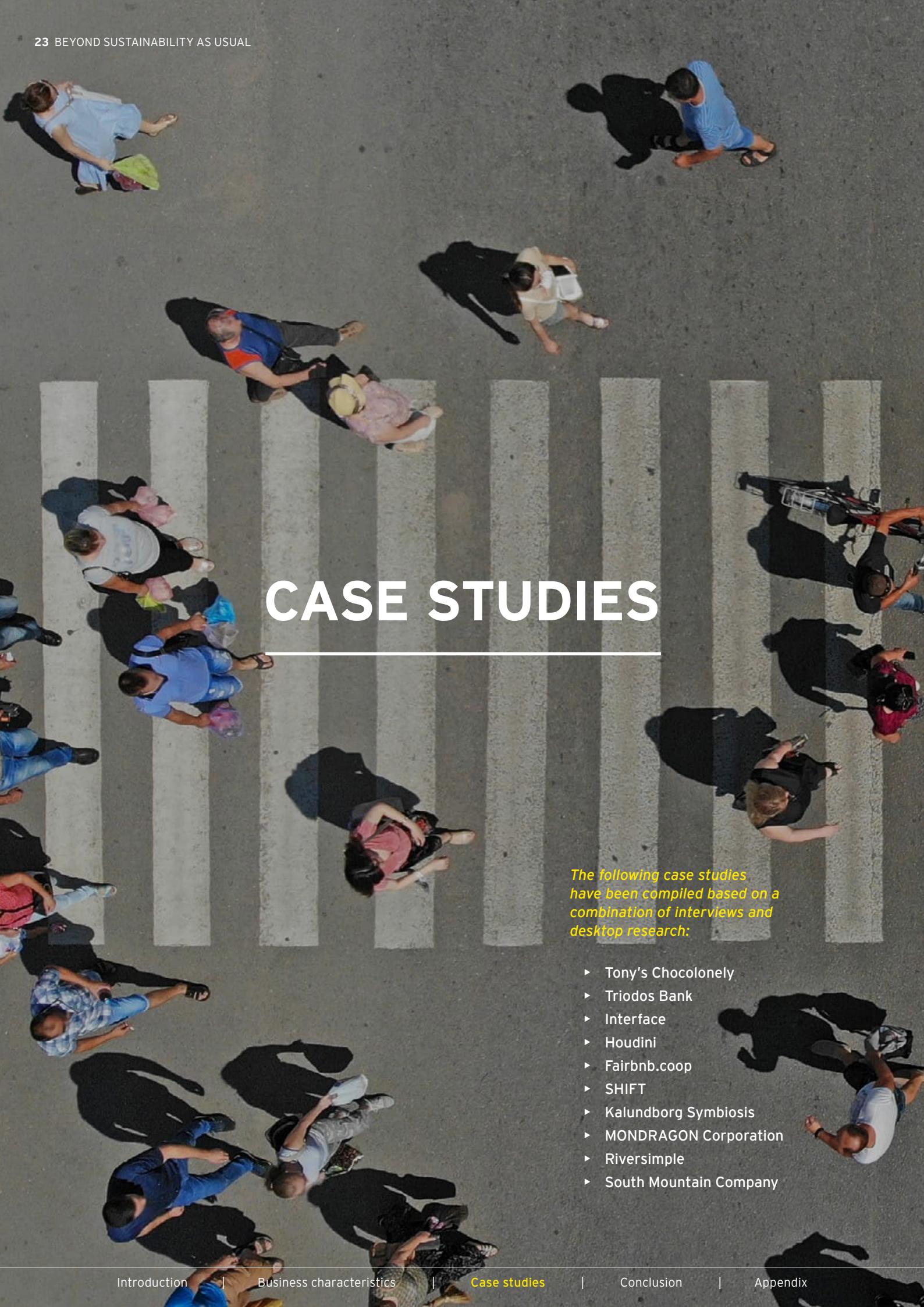
Lastly, **alternative governance and ownership structures can help to embed the company's**



**purpose in its DNA – legally preserving its vision over the long term.** Stewardship ownership models provide safeguards against the pressure to maximize short-term returns at the expense of pursuing long-term environmental and social objectives. The way they do this is two-fold: preventing a business's external investors or future owners from diverting from its original purpose; and aligning governance and financial incentives with long-term goals. This model is employed by a significant number of businesses, including Carlsberg and Patagonia, which use foundations that act as stewards of the organizational purpose, or legally separate the control of money and power. Others, such as Ecosia, apply a "veto-share" approach, where an independent nonprofit entity has the right to veto actions affecting the principles of steward-ownership.<sup>24</sup> Perpetual purpose trusts (PPTs), such as the one employed by The Walker Group, entail transferring the shares of the business into a trust set up for the benefit of a purpose rather than an individual, with all decisions made in a way that enforces the original business purpose.

These alternative ownership and governance models prioritize purpose and impact, redefining fiduciary duties and aligning stakeholder motivations both internally, across all levels of the business, and externally. Through them, businesses are enabled to pursue strategies which more closely align with new economy principles and preserve the original mission of the company in the long term.

When reflecting on governance and ownership structures, businesses should ask: Does the governance structure adequately represent its stakeholders and their best interests? What can the business do to more equitably distribute the benefits from its activities? And how can the business explore governance and ownership structures that enable it to stay true to its purpose over the long term?



# CASE STUDIES

*The following case studies have been compiled based on a combination of interviews and desktop research:*

- ▶ Tony's Chocolonely
- ▶ Triodos Bank
- ▶ Interface
- ▶ Houdini
- ▶ Fairbnb.coop
- ▶ SHIFT
- ▶ Kalundborg Symbiosis
- ▶ MONDRAGON Corporation
- ▶ Riversimple
- ▶ South Mountain Company



## CASE STUDY

# Tony's Chocolonely

Mobilizing toward a slave-free chocolate value chain

**New economy business areas highlighted:**

	<b>Strategy</b>
	<b>People</b>
	<b>Value network</b>

Tony's Chocolonely is known for its mission to create 100% slave-free chocolate, encouraging the rest of the chocolate industry to join its cause. Since its founding in 2005, the company has worked to improve standards across the industry. This is in line with its mission, which is founded on three pillars: raising awareness, leading by example and inspiring wider change.

Tony's uses its influence to activate these three pillars across the key stakeholders in the chocolate industry: cocoa farmers (children's rights and agricultural practices), chocolate companies (fair prices and responsible cocoa sourcing), retailers (product selection), consumers (consumption choices) and governments (standards of corporate behavior). Over the years, Tony's has also used several provocative marketing campaigns to encourage conversation, such as designing wrapping that imitates that of its competitors.

Within the business, Tony's developed its five Sourcing Principles to create more equitable business relationships. The five principles are: using only traceable cocoa beans, paying a higher price, investing in farmers, nurturing long-term relationships, and focusing on quality and productivity. These principles apply not only to Tony's. Through Tony's Open Chain Initiative,<sup>25</sup> the company invites participation to lift practices across the industry to eliminate modern slavery and illegal child labor. There are currently 14 members<sup>26</sup> in the Initiative, including Tony's.

In 2023, Tony's updated its mission to extend beyond "slave-free" and now covers other forms of exploitation, such as farmers not being able to earn a living income, child labor and deforestation. Tony's has secured this mission through "Mission Lock" – a governance structure and legal mechanism to secure its mission in perpetuity, preventing any changes to the definition of the mission, regardless of changes to shareholder structure.

In addition to using its influence to create positive change across its ecosystem, Tony's Chocolonely now impacts 17,740 farmers across its value network, each of whom receive a Tony's premium on top of Fairtrade and other premiums. Tony's also dedicates 1% of its annual net revenue to the Chocolonely Foundation, which supports initiatives and projects aligned with its mission.<sup>27</sup>



## CASE STUDY

### Triodos Bank

Financing change and changing finance

**New economy business areas highlighted:**

	<b>Purpose</b>
	<b>Strategy</b>
	<b>Value network</b>

Triodos Bank is a pioneering institution in sustainable finance, founded in the Netherlands in 1980 with the dual goal to finance change and change finance. Triodos consists of a bank, an asset manager and the regenerative money center, which enables it to finance activities with different risk appetites, from bank financing to gift money. Triodos's unique business model, distinct from traditional banks, is grounded on the principle of maximizing impact over profit. Over the years, the bank has evolved its portfolio to ensure its financing is tied to real economic outcomes, delivering fair returns by investing in companies and activities that deliver "useful value"<sup>28</sup> and contribute to a more sustainable future. This entails excluding a wide range of socially and environmentally harmful practices, such as fossil fuel producers, fast fashion, and companies involved in illegal deforestation or controversial logging activities in protected areas. It also entails focusing financing on five interlinked transition themes: food, resources, energy, society and wellbeing.

Delivering on this strategy is labor intensive and complex, but Triodos embraces this challenge. Where other banks' portfolios can be vast and opaque, Triodos pursues radical transparency in its investments and financial performance, publishing details of every organization it finances. Beyond building trust and accountability, this means the bank fosters real relationships with its clients, leading to a community bound by the same objectives. Indeed, Triodos's clients seek to partner with the bank with sustainability in mind. As a result, dialogue around sustainability issues is welcome, and Triodos's events enjoy high demand and engagement. The same applies to other stakeholders. Employees choose to work at Triodos for the mission rather than the money. And, as the bank prepares to list on Euronext, potential future shareholders are clear on the bank's mission to deliver healthy returns but not maximize profitability at the detriment of making a positive impact.

Triodos pursues its second goal of changing finance through its leadership as an impact-oriented bank. Its financial products and approaches have been replicated by other more traditional banks, while its portfolio transparency showcases examples of sustainable projects and businesses for others to engage with. While this transparent approach has meant the bank is opening itself up to increased competition, Triodos sees value in positioning itself as a first mover, providing a proof of concept for others to follow and advocating for change within its value network. Alongside its sustainable financing activities, the bank engages in research, thought leadership and open dialogue around transitioning the financial system as a whole. Triodos's latest long-term investment outlook<sup>29</sup> makes a bold and comprehensive argument for a post-growth economic transition, outlining pathways and implications for different economic sectors, and exploring the regulatory and institutional reforms needed, as well as the role of financial institutions themselves in creating the enabling conditions for this transition to unfold.



## CASE STUDY

### Interface

Embedding circular and regenerative practices throughout the product lifecycle

**New economy business area highlighted:**



Strategy

Interface is a global manufacturer of commercial flooring known for its commitment to environmental and sustainability leadership. Starting with founder Ray Anderson's "spear in the chest" moment in 1994, Interface has become one of the longest-standing and most significant global companies actively pursuing sustainability as the core goal of its product offering. This pursuit has catalyzed decades of innovation across the product lifecycle, with Interface leading by example, not just in sustainability but also in efficiency and functionality across many products.

Circularity is a core pillar of Interface's sustainability strategy and a key driver of innovation. One of the ways the company is helping create a circular economy is by investing in increasing the bio-based and recycled content of its products as a route to reduce emissions and support primary resource cuts. One of its key breakthroughs has been the commercialization of a carbon-negative carpet tile product, achieved through the use of bio-based elements, that stores carbon. This development has contributed to Interface announcing a shift away from offsets as part of its commitment to be "all in" on solving the climate crisis and focus on carbon reductions and storage. Interface is opting to complement emissions reductions toward its 2040 carbon-negative target by both scaling up bio-based products and making strategic investments throughout its own value chain.<sup>30</sup> Alongside reducing its reliance on carbon-intensive virgin materials, Interface is exploring new circular business models, including piloting a leasing model in one region of operation and exploring ways to extend the use of its products through take back initiatives. Interface has experienced some success in scaling circular solutions, having collaborated with its suppliers to establish a supply of 100% recycled yarn. Despite ongoing challenges, particularly in creating robust networks for sourcing recycled materials and the financial viability of collecting and transporting materials for recycling and reuse, Interface continues to push the boundaries of circularity in its industry.

The company is also well known for embracing biomimicry as a design and operations principle. Learning from nature's patterns of imperfection, it developed a carpet product that is designed to be modular and "imperfect" in aesthetic, so that if there is damage, a small area can be replaced without needing to remove the entire flooring space. Nondirectional carpet tiles have since become commonplace in commercial flooring. Building on this principle, Interface's TacTiles™, inspired by the remarkable way geckos adhere to surfaces, facilitate glue-free carpet installation, further simplifying the use of its modular systems while reducing the emission of volatile organic compounds compared with traditional glues and reducing waste during the installation process.<sup>31</sup> Beyond product innovation, biomimicry has also been a source of inspiration in Interface's operations. Interface led an initiative<sup>32</sup> that uses nature as a model to create a replicable system for how factory facilities can mimic the operations and processes of a high-performing ecosystem: for instance, taking inspiration from natural water cycles to optimize water capture and reuse.

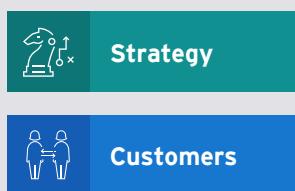


## CASE STUDY

### Houdini

Inspiring healthier and happier lifestyles within planetary boundaries

#### New economy business areas highlighted:



Houdini is a Swedish sportswear brand that has its roots in the mountaineering community. Established in 1993, the brand's purpose is to reconnect to nature: enabling people to lead healthier and happier lifestyles in partnership with nature, and to form a prosperous society on a thriving planet.

Houdini's design philosophy is based on sufficiency and circularity principles. Its design checklist comprises seven questions, including: Does this product deserve existence? Nothing is added that isn't needed, right? Does it have a next-life solution? Its garments are designed to be minimalist so they have a timeless design and repairs are simpler. They are also designed to be circular at the materials level, never mixing natural and synthetic fibers, so each can be kept as pure as possible and treated separately when returning to the cycle.

The company is innovative not only for its design philosophy but also for its Planetary Boundaries Assessment and how it uses the results from that assessment. First undertaken in 2018, the assessment helps quantify Houdini's environmental performance and informs the company's product strategy. Houdini applies an impact formula in its design philosophy (i.e., *product impact x volumes produced x lifestyle promoted = company's impact*) to understand the garments' and the company's total footprint, and uses this to make decisions on its product strategy.

For instance, in 2023, 85% of styles were circular, i.e., made from recycled and recyclable fibers or from renewable and biodegradable fibers. This figure was up from 61% in 2015 thanks to the substitution of 79% of fabrics and technologies that Houdini found to be unsustainable. Where alternatives were not readily available, the company undertook development of new materials and process innovation. And where there were no suitable alternatives for substitution, Houdini canceled entire product series. This includes phasing out PFAS and being entirely PFAS-free since 2018.<sup>33</sup>

As well as selling garments, Houdini offers repairs for products that are damaged or worn down over time, reuse via reselling marketplaces hosted by Houdini stores and, since 2012, a rental service, which allows customers to take the rental cost off the retail price should they eventually choose to buy the garment outright.<sup>34</sup>



## CASE STUDY

### Fairbnb.coop

Making sustainable tourism a driver for positive local change

**New economy business areas highlighted:**



**Purpose**



**Strategy**

Fairbnb.coop is a cooperative that provides an alternative platform to mainstream home-sharing options. The idea was initially born out of the desire to change the local and regional laws around home-sharing, and to protect areas from the negative impacts of overtourism. Airbnb.coop operates largely in Europe but has expanded globally since the booking platform was launched in 2019. The cooperative is governed by workers, funding members and local community representatives.

The Airbnb.coop model takes some of the challenges of tourism and turns them into an economic opportunity for local communities. The platform works like a mainstream accommodation booking platform but with a couple of differences: In critical places, hosts are limited to only one rental property to filter out mass hosts (though they may list the property on multiple platforms), and profits from booking fees are redistributed into the community. Half of the profit goes to running the platform and the other half goes to funding for community projects, which are nominated by the local community and selected by the hosts and guests during the booking process. This redistribution of profit creates a circular flow of money from tourism back to the community, thereby creating system value.

The platform has faced its share of setbacks with the COVID-19 pandemic's impact on tourism and the challenges that come with changing policy and market scale, which is currently going through a deep restructuring process. However, it presents an alternative to existing models and, in providing its services, factors in the limits of the ecosystem in which it operates. Airbnb.coop operates only in regions where there is local support for the business. It begins by negotiating with a local host who acts as an ambassador to establish how many tourists the community might want or is able to support. It also collaborates with local authorities and municipalities to advocate for laws and taxation regimes to limit over-tourism.

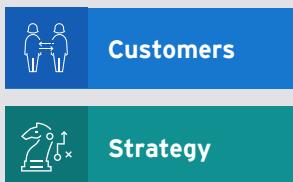


## CASE STUDY

### SHIFT

Empowering consumers through modularity and durability

**New economy business areas highlighted:**



SHIFT is a German technology company that has modularity and repairability, sustainable materials and universality as its core design concepts across its range of personal devices: phones, tablets, peripherals, headphones and speakers. The company is an example of how embedding these principles can create system value for different stakeholders.

SHIFT devices are all modular and repairable. Its products do not use glue, so they can be taken apart, repaired or upgraded easily by the customer without voiding their warranty. SHIFT offers repair tutorials online and, for customers who prefer the assistance of a professional, it also has a repair shop. Universality is another key design concept for the company. For example, SHIFT's phone battery is compatible with the keyboard and is the same size as that used for current and previous phones. This creates an incentive to keep investing in this battery, in contrast to mainstream practices where companies cease to invest in components for products no longer being sold.

The focus on modularity and repairability exemplifies how SHIFT's business model is founded on strong customer relationships and product stewardship: It's in the company's interest to make high-quality products that don't require repairs or upgrades often, and to provide customers with the knowledge and skills to make their own repairs. Should a customer decide that they no longer need or want a SHIFT device, they can send it back to the company. SHIFT pays the customer the residual value of the device, then recycles the components to resell it as a new device. In doing so, the device's life is extended beyond a single user.

The electronics supply chain is complex, with several tiers between the phone and the mine, and refining in aggregate creating challenges for traceability. SHIFT takes a mass balance approach to sourcing: As much as possible, it uses responsibly sourced minerals. It takes the same approach when it comes to mining. SHIFT accepts that mining is unlikely to go away, so instead it focuses on working with partners to incentivize sustainable mining. This could mean, for example, assessing what is best for the communities, which may mean closing a mine if other sources of income have been secured for local workers.



## CASE STUDY

### Kalundborg Symbiosis

Creating sustainable development through systemic collaboration

**New economy business areas highlighted:**



**Value network**

In a small corner of western Zealand, Denmark, lies Kalundborg, home to Kalundborg Symbiosis, a pioneering initiative that has been promoting sustainability and industrial collaboration for over 50 years. This innovative symbiotic and circular approach to production brings together large industrial companies in the region to share resources such as energy, water and waste materials. The success of Kalundborg Symbiosis is rooted in the interconnectedness of public and private enterprises. Surplus from one company becomes valuable input for another. Today, over 30 distinct streams of surplus flow between partners, contributing positively to their bottom lines while reducing environmental impacts and creating an ecosystem that benefits local residents, employees, skilled students and prominent researchers.

Kalundborg Symbiosis stands as a testament to the idea that sustainability and profit can coexist harmoniously. With a commitment to expanding its impact, the organization actively seeks new partners both within and outside Kalundborg who are interested in experimenting, innovating and sharing resources. The aim is simple: All it takes is surplus to build a thriving symbiosis. The initiative has achieved remarkable milestones, having recycled a total 62,000 tonnes of waste materials and avoided 586,000 tonnes of CO<sub>2</sub> emissions to date, and saving four million m<sup>3</sup> of groundwater annually. Members' emissions reduction efforts, coupled with the conversion of Ørsted's Asnæs Power Station to a bioenergy facility,<sup>35</sup> have helped Kalundborg partners collectively reduce their CO<sub>2</sub> emissions by 80% since 2015 and achieve a carbon-neutral local energy supply. With funding from the Danish government, a carbon capture facility is currently being constructed at the site (the first for Denmark), with one million tonnes of carbon removals to be sold to Microsoft over ten years.<sup>36</sup>

Kalundborg's global private sector companies work in concert with local businesses and authorities across various sectors, collectively employing around 5,000 people. Key players in this collaborative effort include APM Terminals, Argo, Avista Green, Boehringer Ingelheim, Gyproc, Intertek, Kalundborg Bioenergy, Kalundborg Utility, Kalundborg Municipality, Kalundborg Refinery, Meliora Bio, Novo Nordisk, Novonesis, Schultz Shipping Group, Unibio and Ørsted.

Kalundborg Symbiosis is not merely a local project. It operates as a nonprofit organization with its own secretariat and has dedicated more than half a century to renewing and expanding existing partnerships, connecting as many surplus streams as possible, and sharing the symbiosis mindset both locally and globally. By creating sustainable development through local partnerships, Kalundborg Symbiosis exemplifies how industrial practices can be transformed by a circular approach, making it a model for other regions and industries seeking to enhance their sustainability efforts.



## CASE STUDY

# MONDRAGON Corporation

Fostering societal transformation and wealth creation through collective ownership and democratic collaboration

**New economy business areas highlighted:**

	<b>Governance and ownership</b>
	<b>People</b>

MONDRAGON Corporation is a voluntary association of 81 independent cooperatives representing over 70,500 people.<sup>37</sup> The corporation operates worldwide but originated in Spain in 1956. It works across sectors including banking, food, infrastructure, manufacturing and mobility.<sup>38</sup> Key features of the cooperative structure are democratic governance, participatory management and wage equity.

Each cooperative within the group has its own organizational structure and legal status. The governance structure of each MONDRAGON Corporation cooperative is highly participatory and democratic: Each employee is able to become a member-owner after a probation period, at which point they will be entitled to receive a share of their company's profits (as well as losses) and to vote in all major decisions on issues such as strategy, salaries and company policies. This participation in the decision-making process promotes a sense of ownership and accountability.

There are no outside shareholders, and a managing director acts as a CEO within each cooperative, but the cooperatives are structured as one member, one vote, regardless of position within the company. This democratic approach ensures that decisions benefit the workforce and the community, rather than distant shareholders. One of the key features of the governance structure is the equitable pay scale. MONDRAGON cooperatives follow a 1 to 6 pay scale, resulting in the salary differential between highest- and lowest-paid employees at each of the companies to be capped at 1:6.<sup>39</sup> This helps distribute wealth more equitably among members, reducing income inequality and promoting social cohesion.

MONDRAGON Corporation's governance structure is not without its challenges (for instance, putting every decision to a vote can mean less agility), and there is no guarantee of its broader value network taking the same approach to governance and equity. However, the benefits for its employee members are clear, and this model of shared ownership and profit distribution demonstrates the viability of cooperatives in creating resilient and socially responsible businesses.



## CASE STUDY

### Riversimple

Pursuing the elimination of the environmental impact of personal transport

**New economy business areas highlighted:**

	<b>Purpose</b>
	<b>Governance and ownership</b>
	<b>Strategy</b>

Picture: Courtesy of Riversimple

Riversimple is an English automotive company that designs and manufactures hydrogen fuel cell vehicles. Riversimple's purpose is to be socially, environmentally and financially sustainable. The company demonstrates how aligning and agreeing on purpose across the business and ecosystem can lead to outcomes that are both more sustainable and more profitable. Its approach to pursuing this purpose is three-fold: products, the ecosystem and corporate governance.

Riversimple designed its current trial vehicle, the Rasa, by backcasting from the vision of a 100% sustainable car. It does so by offering the vehicle as a service, covering all the running and repair costs over the duration of the rental. After the term is over, the customers return the vehicle to Riversimple, which then has the opportunity to refurbish and upgrade the car with more sustainable materials and technology. Riversimple's technology also allows the fuel cell to be sized for constant cruise rather than acceleration. This means it has a fuel cell 80% smaller so the car can be lighter, uses fewer materials and is more efficient.

To help deliver on its purpose, Riversimple engages with the network, specifically government, road safety and air quality bodies, and refueling stations, to develop the necessary infrastructure and garner funding. It also makes the Rasa's design open-source to encourage innovation in the industry – creating a driver to excel rather than taking a compliance-based approach to innovation.

The company's corporate governance has been built from the ground up, in parallel with the car, to integrate sustainability into every facet of the business. Its governance structure ingrains environmental and social considerations in all decision-making processes by making the company answerable to six custodians: customers, investors, staff, local communities, the environment and commercial partners. Riversimple's duty, therefore, becomes to balance and protect all benefit streams, not prioritizing one over the other. It does this by giving an equal 17% representation to each stakeholder and no veto rights, which makes cooperation essential, as influence is achieved necessarily through collaboration.



### CASE STUDY

## South Mountain Company

Striving to uplift employees, the community and the environment through design and innovation

### New economy business areas highlighted:



**Governance and ownership**



**People**

South Mountain Company is an integrated architecture, engineering, interior design and solar energy company based in Massachusetts, US. The company originally had a sole-proprietor ownership structure but switched to being employee-owned in 1987 to reflect its employees' desire to have their involvement in, and commitment to, the company formally recognized and rewarded. Many employee-owners have stayed with company for the duration of their careers, demonstrating how this model can have clear benefits for long-term professional development and talent retention.

South Mountain Company currently comprises 18 owners, with a further 20 on the path to ownership. In the cooperative structure, decision-making, profits and risks are shared more equally, and employees can genuinely set the course of the business. To manage scale and effectiveness of decision-making, the South Mountain Company has evolved over time to adopt a more traditional model for decision-making, while reserving major decisions involving governance and policy for regularly scheduled meetings of their board (a subset of owners) and their owners (all owners).

In addition to sharing the benefits from the business with employees, South Mountain Company is deeply connected with its local community – through individual involvement, volunteering and the company's projects. The company also donates 20% of its profits through in-kind services and financial contributions, to support the community in which it is based. In doing so, it redistributes value throughout its community.

# CONCLUSION

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As the most economically powerful and environmentally impactful bloc on the planet, the actions of businesses, both in transforming their own business models and advocating and engaging for change within their wider ecosystem, are critical to building momentum toward a more just and livable future.

In *A new economy* we outline the principles to accelerate the transition to an economy with human and planetary flourishing at its heart. This transition is necessary, feasible, desirable and already underway; but just as the current polycrisis is not inescapable, so the advent of a new economy is not inevitable.

As the most economically powerful and environmentally impactful bloc on the planet, the actions of businesses, both in transforming their own business models and advocating and engaging for change within their wider ecosystem, are critical to building momentum toward a more just and livable future.

The concepts and case studies presented in this paper are a fundamental deviation from business as usual and involve challenging the norms, policies and regulatory constructs that our current systems are based on. This will be essential if we are to create the enabling conditions for new economy business models to scale and for businesses to survive and thrive in a new economy.

While scale of this change will seem overwhelming for most established businesses today, embracing the new economy as a long-term vision, starting where it is possible on this transition vision, helping to mobilize a critical mass and bringing new economy concepts into the mainstream represent tangible first steps that any business can take.

The examples and case studies presented in this paper can act as a source of constructive challenge and inspiration for businesses to draw from as they take these steps, asking themselves:

- How do our current practices align with what the paper outlines?
- What would it take to align and where could we start?
- If others are doing this now, how can we learn from them?

Beyond these first steps, we invite businesses to embrace this transformation as the greatest innovation challenge of our time; one that will yield dividends not only for the environment and society but also for businesses themselves, by securing their resilience and long-term success.

# APPENDIX

Mapping the New Economy Principles to six key business areas

	 <b>Purpose</b>	 <b>Strategy</b>	 <b>Customers</b>
<b>Sufficiency</b>	<ul style="list-style-type: none"> <li>Pursues activities that draw only what is truly needed of the environment and society, which may result in growth and profit, provided this does not erode environmental or social value</li> <li>Pursues opportunities that add economic, environmental and social value, even if they deliver lower or slower returns or growth</li> </ul>	<ul style="list-style-type: none"> <li>Markets products and services that focus on meeting needs through sustainable types and levels of production and consumption, aligning its sales and marketing strategies accordingly</li> </ul>	<ul style="list-style-type: none"> <li>Engages customers to raise awareness and promote positive narratives and practices around sustainable consumption</li> </ul>
<b>Circularity</b>	<ul style="list-style-type: none"> <li>Aligns activities within and outside the organization so that they draw as little from the natural environment as can be regenerated</li> </ul>	<ul style="list-style-type: none"> <li>Pursues new business and revenue models that use circularity as a lens for innovation, minimizing use of finite resources and waste, and regenerating nature</li> </ul>	<ul style="list-style-type: none"> <li>Provides customers with choice of circular products and empowers them, through information, marketing, design and pricing, and infrastructure, to choose sustainably</li> </ul>
<b>Systems thinking</b>	<ul style="list-style-type: none"> <li>Extends its purpose beyond its own operations by using its influence to help effect positive change across its ecosystem</li> </ul>	<ul style="list-style-type: none"> <li>Develops strategies that work back from a desired future, taking a long-term lens to guide short-term decisions, considering how the business, its sector and wider ecosystem can be transformed to meet human needs optimally, within planetary limits</li> </ul>	<ul style="list-style-type: none"> <li>Engages customers around systems thinking, raising awareness and seeking feedback and input around impacts, dependencies and barriers, to create effective and lasting solutions</li> </ul>
<b>Value redefined</b>	<ul style="list-style-type: none"> <li>Actively focuses on creating and sustaining value for society and the environment, and incorporates environmental and social outcomes into the organizational understanding of value and its value proposition</li> </ul>	<ul style="list-style-type: none"> <li>Considers environmental and social value created or destroyed, to measure the success of its strategy</li> <li>Discontinues products and services where negative social or ecological impacts cannot be eliminated, even if they are delivering attractive returns</li> </ul>	<ul style="list-style-type: none"> <li>Takes ownership of both positive and negative customer impacts of products and services</li> </ul>
<b>Equity and justice</b>	<ul style="list-style-type: none"> <li>Pursues its purpose through the lens of inter- and intra-generational equity</li> </ul>	<ul style="list-style-type: none"> <li>Works to eliminate activities, products and services that breach human rights or perpetuate social and ecological injustice and inequity across the value chain and the wider ecosystem</li> </ul>	<ul style="list-style-type: none"> <li>Considers diverse customers, including marginalized and vulnerable groups, in the design, pricing and marketing of products and services</li> </ul>

# APPENDIX

Mapping the New Economy Principles to six key business areas

	 <b>People</b>	 <b>Value network</b>	 <b>Governance and ownership</b>
<b>Sufficiency</b>	<ul style="list-style-type: none"> <li>Embeds sufficiency within organizational culture and operations, promoting sustainable lifestyles and considering sufficiency, both from a floor and ceiling aspect in workforce compensation and performance targets</li> </ul>	<ul style="list-style-type: none"> <li>Collaborates across the value network to develop innovative solutions and promote a needs-based approach to products, services, practices and policies</li> </ul>	<ul style="list-style-type: none"> <li>Invites stakeholder input and participation in defining sufficiency for the organization and its ecosystem, in order to develop solutions that are fit for purpose</li> </ul>
<b>Circularity</b>	<ul style="list-style-type: none"> <li>Promotes circular practices in and out of the workplace, particularly in the innovation and design of products and services</li> </ul>	<ul style="list-style-type: none"> <li>Collaborates across the value network to develop innovative circular products, services, practices and policies</li> </ul>	<ul style="list-style-type: none"> <li>Invites stakeholder input and participation in the design of circular products and services, to develop solutions that are fit for purpose</li> </ul>
<b>Systems thinking</b>	<ul style="list-style-type: none"> <li>Explores organizational structures that streamline systemic collaboration and integration, addressing structural issues in people practices and reimagining ways and patterns of working and managing talent</li> </ul>	<ul style="list-style-type: none"> <li>Focuses its products and services and broader strategy toward systemic interventions that extend beyond single issues and linear solutions</li> <li>Uses its voice to rally others behind the transition, and advocate for the required policy and market reforms</li> </ul>	<ul style="list-style-type: none"> <li>Explores alternative governance structures that distribute solution leadership beyond the organization's centralized control</li> <li>Promotes knowledge diffusion, shared ownership of solutions and open collaboration to increase resilience across its ecosystem</li> </ul>
<b>Value redefined</b>	<ul style="list-style-type: none"> <li>Redefines company success, placing multidimensional, nonfinancial value above financial targets, reflecting this in decision-making, finance allocation, scorecards and incentives across all levels and processes</li> </ul>	<ul style="list-style-type: none"> <li>Pursues ownership, accountability and visibility of dependencies and impacts across the whole value chain, and on the systems and stakeholders the organization influences</li> </ul>	<ul style="list-style-type: none"> <li>Explores models for decision-making and power dynamics that can support the organization to deliver financial success and fair returns, while staying true to its mission statement over the long term</li> </ul>
<b>Equity and justice</b>	<ul style="list-style-type: none"> <li>Ensures fair and equitable treatment of all employees, including in recruitment and talent development practices</li> <li>Fosters a culture of continuous learning, upskilling, re-skilling internally and open sharing of knowledge and capability to build capacity and resilience across the value network</li> </ul>	<ul style="list-style-type: none"> <li>Embraces a default approach to designing and delivering its value proposition through multi-stakeholder, open collaboration and co-creation with other system actors</li> </ul>	<ul style="list-style-type: none"> <li>Adopts initiatives and models that promote fairer distribution of benefits across the workforce and wider ecosystem</li> <li>Invites the empowered participation of diverse internal and external stakeholders in decision-making, including in board structures and committees</li> </ul>

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The New Economy Unit (NEU) is a research and insights team within the EY Global Climate Change and Sustainability Services (CCaSS) practice. The NEU focuses on the long term, systemic shifts toward a new, regenerative economy.

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