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The article series based on
- **CHANGING THE GAME** -

*SUSTAINABLE MARKET TRANSFORMATION STRATEGIES TO UNDERSTAND AND TACKLE THE
BIG, COMPLEX SUSTAINABILITY CHALLENGES OF OUR LIFE TIME*

Article series volume 1:

Accelerating Sustainable Market Transformation is possible! But we have to stop with just doing anything

The problem is not the problem, we have to change the system!

Most of us would agree that Climate change, Pollution, loss of Biodiversity and Poverty are some of *the* most pressing sustainability challenges of our generation. But solving them actually starts with accepting that these problems are not the problems to be solved. These problems are mere symptoms and natural outcomes of the underlying system that produces these problems. An underlying system in which the incentives and interest are placed such that sustainable behavior is punished and unsustainable behavior is being rewarded. And as long as we continue to play according to the current rules of the game, we will continue to reward the same behavior and that will lead to the same outcomes. Therefore solving these problems means changing the underlying system in such way that you get different outcomes.

After decades of spending billions on Corporate Social Responsibility, Developing Aid, Charities and countless of well-intended projects and pilots we are slowly coming to the realization that more of the same will not be the solution.

Instead, Governments, Corporates and NGOs start to realize that if we want a different outcome than we have to change the rules of the game. The call for systems change and market transformation is becoming louder and louder.

What is Market Transformation and System change?

But what does system change and market transformation actually mean and how does it work? This is where quickly the confusion starts. There are different definitions and theories about how systems can change. Many of which contradict in different ways.

The secret of market transformation is to understand in what phase the change is, to know who should be doing what, and to ensure that different stakeholders actually do the right things at the right time

“You cannot predict nor manage system change. You can only drive innovation and renewal, and from

that the new world order will emerge, whatever that may look like” is one theory we often hear. Another one is that the markets and the corporations are the guilty ones. They are relentless in their quest for power and profits and are the cause of all of the problems and therefore we have to stop them. Others think almost the opposite as they will tell you that the market is the solution, as markets will solve the problem

efficiently as soon as consumers start demanding it and businesses can make a profit in doing so. And then there are those who claim that the solution lies with Governments and the Multilaterals like the UN and the World Bank. They should take leadership and must enforce the change we need, because, without strong leadership and enforcing it, nothing will change. Again others who believe charity and NGOs will help solve the problems if we would just do more of it.

Honestly, this all sounds a bit confusing, doesn't it?

The three principles of sustainable market transformation

Based on decades of experience of actually changing markets and years of academic research by universities and business schools we would like to present an strategy that is more consistent and more actionable.

The strategy is called Sustainable Market Transformation and it is described in detail in our new book *Changing the Game* which launched in November 2020.

Sustainable Market Transformation is built on three powerful principles:

1. Yes, it is possible to accelerate, steer and even manage system change and market transformation. It is very much possible and even necessary to work towards a shared vision of what it is you trying to achieve in the future.
2. There is not one party that to blame for creating the problems. We wish it was that simple. All parties – Governments, Corporates, Banks, even NGOs - are all part of the cause of the market failure and for the fact that we haven't solved them by now and

It is not a lack of action that causes us to fail, it is the fragmentation, the division and arbitrariness of it. There is not an overarching strategy. We just do

therefore all of them are also part of the solution.

3. Changing the rules of the game is a matter of getting organized and knowing and ensuring each stakeholder does the right thing at the right time, and also understands what not to do anymore.

We are not really organized to deal with the level of complexity

The last principle is getting to the heart of it. Changing systems and markets is a matter of getting organized. This is also immediately our biggest short coming. We are not organized, we are not following a strategy and we do not understand who should play what role in this strategy. In our attempt to do good and solve the problems we all too often just do whatever we think is needed or what we believe the others wants us to do.

The result is a cacophony of projects and initiatives that cost a great, great deal of time and money and that in no way helps solve the problem, can actually delay the solution or make the problem even worse.

Take for example issues like climate change, renewable energy, circular agriculture, green buildings or whatever the topic is you are working on. In each topic you will find organizations that start projects and pilots, the other one starts a campaign in favor or against. Yet another one calls for subsidies, while another starts an investment fund. At the same time one calls for collaboration and partnerships and starts a platform, while yet another one launches yet another certification program with a label to differentiate in the market and compete. Then there are those who call for strong Government interference and lobby in favor of making it mandatory, compliant and lawful. All while the Government itself starts the next round of subsidy money and calls for an industry wide

covenant and self-regulation. And of course then there are those who call for more research because we haven't yet have all the data and knowledge we need.

It is a complete mess and everybody claims to be right and has nice reports, pictures and website to prove it.

Does this sound in anyway familiar?

This is where we go wrong. This is where we lose the battle. It is not a lack of action that causes us to fail, it is the fragmentation, the division and arbitrariness of it. We are simply not organized. There is not an overarching strategy. We just do.

The difference between music and noise

The good thing is that it is not about whether we need subsidies, or certification programs, or projects, or campaigns or platforms or policies and investments. They are all good interventions and we need all of them. But not at the same time!

The real question is when do you take what actions and who should do that and when should you stop taking that action?

Higher complexity calls for higher levels of organization and coordination. That is the secret of market transformation

If we wish to make music than we have to avoid all instruments playing at once. Music is created when we agree which instruments plays what and when and when it should stop playing and be quite. It is the coordination and conducting of good players that noise is turned into music and symphony. If we wish to play soccer at world cup level than we cannot come with a team that start to play 'catch me if you can', lies on the field, or all start running after the ball. World class soccer is only possible when there is a team of great individual soccer players who understand the goal of the game and each player has their role and place in the field. This makes the winning team.

In short, if we want to solve complex problems we have to get organized and come up with a game plan, great players and with clear coordinated roles and responsibilities. Higher complexity calls for higher levels of organization and coordination.

This is the secret of market transformation.

- 1- Agree on where you want to go
- 2- What needs to be done to get there
- 3- Understand who needs to do what, when and what should stop.

The different phases of market transformation are like the phases of children growing up

If we accept that you cannot change markets and systems in one instance because of its complexity and embedded interests. Than you accept that it has to go through a change process. And every change process goes through different phases.

For example, we know from experience that raising children goes through phases as well. And each phase calls for different actions and support. A baby has different needs and requires different care from the care takers than for example a teenager. And again a young adult has different need and wishes than a adult. This we all know and intuitively understand.

Solving complex sustainability problems is not that different. The change process goes through similar maturity phases as well, from the baby phase – to the teenager phase – to the young adult phase to the mature adult phase. And each phase requires different actions, strategies and behavior from different stakeholders.

Let's take a look at what the four phases of market transformation are:

- 1) In the first phase (the baby phase) the sustainability problem is recognized for the first time after having been denied for too long. Now we need to learn what principles for the solutions entail through projects and

pilots. Don't stay in the project and pilot phase too long. It's a very, very expensive mistake to think that with only more projects and pilots the problem will somehow be solved.

- 2) The second phase (the teenager phase) is to make sure the market starts to compete on the solutions we identified in phase 1. Competition is the best way to stimulate innovation, make the solution efficient and seek value creation. The name of the game now is creating first mover advantage for those who come with solutions and to call out laggards. You will know when this phase is at its natural end when it doesn't lead to innovation anymore but to 'me too' behavior, confusion in the market and a race to the bottom in the offered solutions.
- 3) The third phase of market transformation (the young adult phase) is the phase where besides competition there is a conscious effort for the leaders in the sector to come together in an understanding that more competition alone will not lead to the solution. We also have to work together on a pre-competitive agenda. This phase is about discussing how we can collaborate between companies, governments and other stakeholders to articulate the desired future and to remove barriers to scale. Six important questions to answer in this phase are: 1) What are we trying to achieve and what will a sustainable sector look like? 2) How will we get there? 3) Who should be doing what? 4) How can we create the new business models that reward the right behavior? 5) How can we remove barriers to scale and 6) How will we get organized so this becomes a reality? This is perhaps the most delicate phase of all. It requires neutral and skilled brokering that is trusted by all parties.
- 4) The Fourth phase is the adult phase. Now the time has come to take the measures from the third phase and turn them into the new normal. This is the phase where policies, laws, norms and institutions are changed and the old behavior is no longer expected. This is

when the market tips. And the desired change is institutionalized.

Unfortunately this is not the end. It is merely the end of one cycle. By the time we are discussing the institutionalization of the new, we are already confronted with new problems, new crises and a new cycle of change has already started. It is the never ending cycle of system change that keeps bringing us to higher levels of sustainability with an ever increasing amount of topics and stakeholders.

Doing the right things at the right time

Every phase has a clear purpose and every phase is necessary to prepare the ground work and awareness for the next.

- The purpose of first phase is to accept the fact that there is a problem and to learn the key elements of the solution.
- The goal of the second phase is to take the elements of the solution, to innovate on it, to make it market relevant and efficient.
- The goal of the third phase is to collaborate, agree on what it is we want to achieve and to remove barriers to scale together.
- The goal of the fourth phase is to make the desired behavior and goals the new normal and institutionalize it in the way we work.

Just like with children growing up, every phase is necessary for the next. This insight is crucial. Every phase is needed and every phase is different from the previous one. Market Transformation is like growing up and is therefore a process to be managed consciously!

Managing this process of market transformation and making sure the right interventions are taken by the right stakeholders at the right time is the difference between noise and music, between catch me if you can and world class soccer, and between just doing and actually solving the problem.

And what about you? What are you doing?

Are you wondering if your organization is taking the right actions at the right time? Then answer the following questions and take a look at the matrix below.

- What sustainability topics are you working on?
- What solutions are there to solve the problems.
- In what phase of maturity is each solution? (different solutions are in probably in different phases of maturity)
- Is your organization doing the right thing?
- Are you helping to play music or noise?

The stakeholder matrix© from Changing the Game (2021) – Lucas Simons & André Nijhof	1. Inception	2. Competitive advantage	3. Pre-competitive collaboration	4. Institutionalization
Industry	<ul style="list-style-type: none"> • Stop denying the issue • Partner with NGOs • Pilots, CSR projects • Identify solutions 	<ul style="list-style-type: none"> • Business models • Use labels • Engage value chains • Rankings and benchmarks 	<ul style="list-style-type: none"> • Communicate a non-competitive agenda • Join platforms • Be inclusive • Sector strategy 	<ul style="list-style-type: none"> • Lobby new normal • Recognize politicians • Comply legislation • Take on subsequent issues
Government	<ul style="list-style-type: none"> • Embrace the crisis • Long-term vision • Experiments and fund projects • Solution principles 	<ul style="list-style-type: none"> • long-term vision • Challenge companies • Launching customer • Recognize leaders 	<ul style="list-style-type: none"> • Develop measures • Support platforms • Influence behavior of consumers • Tax incentives 	<ul style="list-style-type: none"> • Political leadership • Announce legislation • New normal • Remove the laggards
NGOs	<ul style="list-style-type: none"> • Raise awareness • Join projects • Campaign against laggards • Argue for next steps 	<ul style="list-style-type: none"> • Reward first movers • Support frontrunners • Name and shame • time to move on 	<ul style="list-style-type: none"> • Engage frontrunners • Join platforms • Be a watchdog • Transparency about desired future 	<ul style="list-style-type: none"> • Lobby • Policy developers • Monitor progress • Shift attention to new issues
Financial Institutions	<ul style="list-style-type: none"> • Donate to charity • Finance projects • Apply negative screening • Clear positioning 	<ul style="list-style-type: none"> • Provide funding • Financial benefits • Engage all clients • Best-in-class screening 	<ul style="list-style-type: none"> • Join platforms • Collaborate • Create financial solutions for scaling • Invest long-term 	<ul style="list-style-type: none"> • Lobby • Investment criteria • Exclude clients • Potential risks linked to new issues
Research Institutions	<ul style="list-style-type: none"> • Prioritize issues • Study system loops • Study practices • Identify good practices 	<ul style="list-style-type: none"> • Showcase good practices • Investigate failures • Develop benchmarks • Research agenda 	<ul style="list-style-type: none"> • Change agenda • Be objective • Calculate potential impacts • Scientific evidence 	<ul style="list-style-type: none"> • Provide overview • Argue policies • Monitor impact • Identify new and emerging issues

About the authors

Lucas Simons is an award winning expert in sustainable market transformation. He is the founder and CEO of NewForesight Consultancy and SCOPEinsight. He is the author of *Changing the Food Game* (2014) en co-author of *Changing the Game* (2021).

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Curious about Market Transformation?

Do you want to learn about market transformation and how this can benefit your organization than the 5 day training ***Changing the Game*** is for you. This in class or in-company training will teach you what the patterns are behind unsustainable markets, how you can build a market transformation strategy and how to become an effective change maker. For more information about this training, the book and hiring us as a speaker visit www.leadsustainablechange.org.