Available online at http://cadmusjournal.org/

Cadmus

Promoting Leadership in Thought that Leads to Action

Volume 4, Issue 4 - June 2021

System Change Investing

Frank Dixon

Fellow, World Academy of Art and Science; Sustainability & System Change Consultant, USA; Author, Global System Change series of books

The Sustainable/Responsible Investing (SRI) market is over $30 trillion and growing faster than traditional investments. Over the past 20 years, SRI and the sustainability movement in general have provided large benefits to business and society. But in spite of this good work, environmental and social conditions are declining rapidly in many areas. Clearly, new approaches are needed.

"As has occurred throughout history, all flawed systems change, usually by collapsing. Keeping current systems the same is not an option. Either we will change them voluntarily or nature and reality will change them involuntarily, probably through collapse."

Nearly all SRI and corporate sustainability strategies focus on changing companies and addressing symptoms, such as climate change, poverty and other major environmental and social challenges. This work is essential, but not enough. Root causes must be addressed to resolve the major challenges in the UN Sustainable Development Goals (SDGs).

Reductionistic thinking and resulting flawed systems are the primary root causes. Flawed economic and political systems unintentionally compel companies to degrade the environment and society. Sustainability cannot be achieved unless the cause of unsustainability is effectively addressed.

A growing number of financial institutions are addressing system change. Approaches include assessing the portfolio, sector and economy-wide impacts of investing, addressing the SDGs, assessing impacts relative to planetary limits and science-based targets, investing in ecosystem restoration, and addressing poverty, gender equality and other social issues.

These approaches are highly beneficial, but still mainly focused on symptoms. For example, the solution to climate change and deforestation largely does not involve addressing these problems directly. It requires resolving the systemic factors that created the problems in the first place.

System Change Investing (SCI) switches the focus of SRI from company change and symptoms to system change and root causes. Over the past 20 years, investor interest through SRI encouraged nearly all large companies to implement sustainability strategies. SCI uses the same proven approach. The process involves rating companies on system change performance, and then using this research for positive screening, negative screening, engagement and other ESG/SRI strategies.

SCI represents one of the most powerful short-term system change strategies available to humanity. It uses investing to engage the financial and corporate sectors in the most important sustainability issue. SCI represents the first investment approach that has the potential to achieve the SDGs because it focuses on root causes.

A large and growing number of investors want their investments to benefit society. SCI can provide the highest possible sustainability benefits. This will attract new investments and position asset managers as global SRI leaders. SCI also can substantially increase investment returns. It identifies systemic risks and opportunities that are not assessed by traditional financial and ESG analysis, and provides strong indicators of superior management and stock market potential.

System change traditionally has not been the responsibility of the financial and corporate sectors. But flawed systems are causing large problems for business and society. As has occurred throughout history, all flawed systems change, usually by collapsing. Keeping current systems the same is not an option. Either we will change them voluntarily or nature and reality will change them involuntarily, probably through collapse.

COVID-19, growing political division, and many other problems strongly indicate that our flawed systems already are in the process of changing. We probably do not have much time left for voluntary system change. Investors and companies are far better off taking a seat at the system change table and helping to guide the process in ways that protect business and society.

Author Contact Information
Email: fdixon@globalsystemchange.com