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What Doughnut Economics means for business

creating enterprises that are regenerative and distributive by design

Sahan, Erinch; van Winden, W.; van den Buuse, D.J.H.M.; Raworth, K.; Sanz Ruiz, Carlota

Publication date
2022

Published in
Doughnut Economics Action Lab (DEAL)

License
Unspecified

[Link to publication](#)

Citation for published version (APA):

Sahan, E., van Winden, W., van den Buuse, D. J. H. M., Raworth, K., & Sanz Ruiz, C. (2022). What Doughnut Economics means for business: creating enterprises that are regenerative and distributive by design. *Doughnut Economics Action Lab (DEAL)*, 1-25.

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What Doughnut Economics means for business:

creating enterprises that are regenerative and distributive by design

Erinch Sahan, Carlota Sanz Ruiz, Kate Raworth - DEAL
Willem van Winden, Daniel van den Buuse - CET



Centre for Economic
Transformation



Amsterdam University
of Applied Sciences

What Doughnut Economics means for business: creating enterprises that are regenerative and distributive by design

Erinch Sahan, Carlota Sanz Ruiz, Kate Raworth - DEAL
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Executive summary

The 21st century's rapidly compounding crises – from climate and ecological breakdown to extreme social inequities of power and opportunity – make it irrefutably clear that the global economic system must be transformed if humanity and the rest of life on Earth are to thrive.

Doughnut Economics provides an increasingly recognised compass for such a thriving future, and is focused on meeting the needs of all people within the means of the living planet, by creating economies that are regenerative and distributive by design. What are the implications for the role and transformation of business, if it is to be part of this future?

This paper explores how the deep design of business – through a company's Purpose, Networks, Governance, Ownership, and Finance – powerfully shapes its strategic decisions and operational impacts, and ultimately determines whether or not businesses can transform to become part of a regenerative and distributive future. By diving into five layers of deep design, this paper reveals both design blockages that prevent transformative action, and design innovations that can unlock its possibility. In addition, this paper recognises that industry-level and system-wide transformations are crucial for turning the inheritance of a degenerative and divisive economic system into the beginnings of a regenerative and distributive one.

Our central proposition: Transforming the deep design of business – through innovations in its Purpose, Networks, Governance, Ownership, and Finance – is essential for enabling business to become regenerative and distributive in its strategies, operations and impacts, and hence to help bring humanity into the Doughnut.

This paper is accompanied by the [Doughnut design for business tool](#), which guides businesses through a journey of enterprise (re)design, to translate these ideas into practice. In doing so, it aims to enable a host of investments, innovations, actions, and solutions that help create businesses and economies designed around regenerative and distributive dynamics.

We invite business leaders, partner networks, unions, entrepreneurs, think tanks, activists, academics, policymakers, and all others striving to transform business and the wider economic system, to engage with this journey through the tool and this paper. We hope that, together, this approach and accompanying tool will enable many regenerative and distributive possibilities to get turned into action, thanks to innovations in the deep design of business.

November 2022



Centre for Economic
Transformation

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Introduction

There is growing recognition that the current global economic system is driving ecological crises and extremes of social deprivation and inequity.

Doughnut Economics provides one possible compass for turning this situation around, with the goal of meeting the needs of all people within the means of the living planet. The Doughnut consists of two concentric rings: one representing a social foundation, to ensure that no one is left falling short on life's essentials; and the other representing an ecological ceiling, to ensure that humanity does not collectively overshoot the planetary boundaries that protect Earth's life-supporting systems. Between these two sets of boundaries lies a doughnut-shaped space that is both ecologically safe and socially just: a space in which humanity can thrive.

Figure 1: The Doughnut of social and planetary boundaries



Getting into the Doughnut calls for nothing less than a transformation in the dynamics of the global economy. Today's degenerative industrial systems – inherited from the last century – are still using up and running down the living world, and must rapidly be turned into regenerative industries that work with Earth's cycles and within Earth's means. At the same time, today's divisive context – thanks to the concentration of ownership and power in far too few hands – must be turned into distributive outcomes, through an economy that shares value and opportunity far more equitably with all who co-create it.

What, then, does Doughnut Economics mean for business?

It calls on businesses to demonstrate how they are going to transform so that they will belong in this future – aligned to, and in service of, a world where all people and the living planet thrive. For many companies, moving towards such a transformation typically begins with innovations in product design, eliminating single-use plastics and built-in obsolescence, while committing to paying living wages for the supply-chain workers making the products.

Such actions are an important start, but they are far from sufficient if business is to become not just 'more sustainable' but regenerative by design, and not just 'more inclusive' but distributive by design. Reaching this scale of ambition calls for transforming not only the design of products, but the deep design of business itself.

Innovations in the five layers of business design – through Purpose, Networks, Governance, Ownership, and Finance – are essential if business is to become regenerative and distributive in its strategies, operations, and impacts, thereby helping to bring humanity into the Doughnut.

Doughnut Economics is, of course, far from the only initiative calling for business transformation. Many other initiatives and approaches are already underway, with many different points of focus: shifting the mindset of business leaders; promoting consumer and investor action; supporting collective action

by workers, farmers, and communities; promoting democratisation of business; and developing impact measurement to set better targets for businesses. Governments have likewise introduced rules and regulations, taxes, subsidies, new alliances, and innovation programmes intended to promote sustainable and social business practices, such as through ESG (environmental, social, and governance) reporting, carbon pricing, and extended producer responsibility.

These are all important contributions to achieving the change needed in the business world but, as this paper argues, the transformative change required will only be achieved by also transforming the deep design of business itself. Deep design focuses on the ownership and financial structure of an enterprise; how it manages relationships with suppliers, clients, and stakeholders; how it makes and monitors key decisions; and how it sets and protects its purpose. In this sense, enterprise (re)design is foundational for many other transformations, in both business and the wider economy, that can help to bring humanity within the safe and just space of the Doughnut.

Focusing on deep design is a fast-evolving approach to transforming business. New design innovations necessary for business to become regenerative and distributive are now being created and explored; already the scope of what may be possible is emerging. From a regenerative perspective, for example, consider business designs that make Earth the sole shareholder, a board director, or the chief executive of a company. Examples like this already exist: U.S. outdoor clothing company Patagonia has made Earth its 'only shareholder' (see page 15), U.K. based shampoo company Faith In Nature has 'appointed Nature to its board'¹ and Willicroft, a Dutch plant-based cheese company, has shaped the chief executive role to ensure that Nature is the priority.² Design innovations like these can fundamentally affect the likelihood of a business taking transformative regenerative action, for instance by giving the green light to a regenerative agriculture proposal, making significant investments in carbon-positive construction, or achieving beyond a living wage for supply chain workers. While the counterfactual outcome – 'what would have happened without that particular business design?' – is hard to determine, the deep design of a business is certainly a pivotal factor in shaping its key strategies, decisions and actions.

From a distributive perspective, consider the transformative actions that can be pursued when the interests of the people most connected to, or impacted by, a business are core to its deep design. Examples exist, such as wool and fashion producers Manos del Uruguay, whose profits are always used to generate benefits for its artisans across rural Uruguay.³ Consider Amul, a dairy company in India whose small-scale farmers own the business, thus benefitting both from its profits and from having purchasing practices designed to support their needs.⁴ Likewise consider the rise of affordable community-owned renewable energy suppliers, such as the 1,900 citizen-led energy cooperatives in the REScoop Federation, representing over 1.25 million people across Europe.⁵

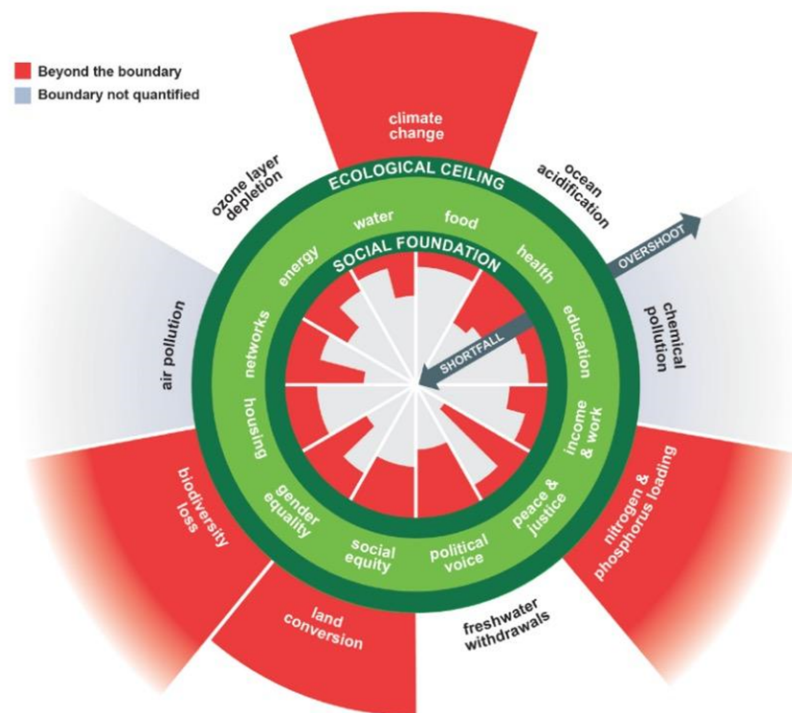
While none of these businesses would yet claim to be fully regenerative and distributive by design, they collectively demonstrate that innovations in the deep design of business – its Purpose, Networks, Governance, Ownership, and Finance – can unlock transformative action to open up far greater scope for business to become part of a regenerative and distributive future.

In order to introduce businesses to Doughnut Economics and facilitate such journeys of redesign for companies of many kinds, DEAL has created the Doughnut Design for Business tool. This is a set of materials, activities, and guidance for individuals and organisations interested in supporting businesses to engage with Doughnut Economics through activity-based workshops. Central to the creation of this tool was a pilot workshop series that DEAL and CET co-created and co-hosted with businesses from across Europe.⁶ Much of this paper presents insights arising from these pilot workshops, along with insights from other businesses whose innovations in their own deep design are enabling them to pursue an ambitious agenda of transformation and to become regenerative and distributive in their strategies, operations, and impacts, and so helping to bring humanity into the Doughnut.

1. Regenerative and distributive business dynamics

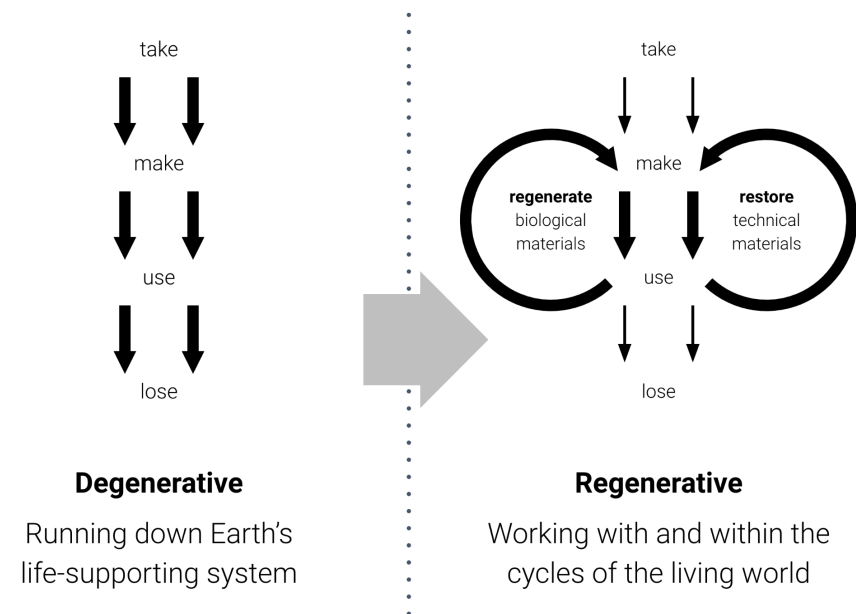
Working with Doughnut Economics helps businesses to understand the scale of transformation that is needed. The global economy is overshooting Earth's capacity to support life, while billions of people are still falling short on life's essentials. For humanity to thrive, it is essential to move into the doughnut-shaped space between the ecological ceiling and the social foundation by creating a regenerative and distributive economy. The implications for business are profound, requiring two major transformations.

Figure 2: A world in double crisis: global shortfall and overshoot



First is the transformation from degenerative to regenerative design. Currently, a large number of businesses take Earth's materials and make them into stuff, which consumers use for a while and then throw away. This linear 'take, make, use, lose' model is still embedded at the heart of business models around the world, yet it does not belong on a delicately balanced living planet. Transition to a regenerative economy is urgently needed, where Earth's resources are not used up but are used again and again, working with and within the cycles of the living world. Examples of businesses moving towards regenerative design include Fairphone, producing modular phones instead of ones with built-in obsolescence, or Interface, whose carpet factories aim to sequester carbon and match the ecological generosity of the nearby forest.

Figure 3: From degenerative to regenerative design

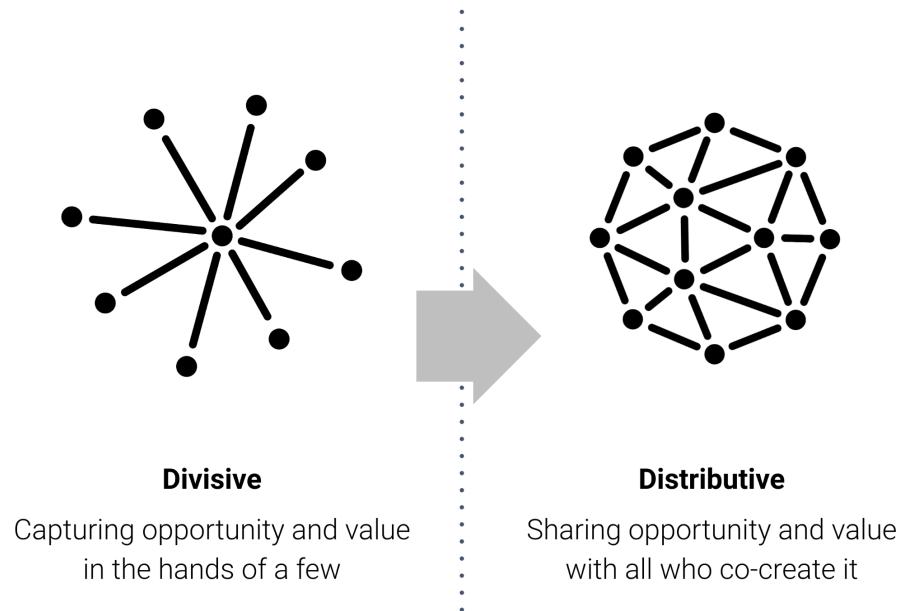


Second is the transformation from divisive to distributive design. Doughnut Economics recognises that current models of business, finance, and trade tend to concentrate value and opportunity in the hands of a few, to the detriment of the many. The majority of the world's population live in countries where inequality has been increasing.⁷ At the same time, the world's richest 1% of people have seen their wealth increase, to the point that they now own almost half of all global wealth.⁸ As such economic inequality grows,⁹ it exacerbates health and social problems, from reduced life expectancy and higher infant mortality to poor educational attainment, lower social mobility, and increased levels of violence and mental illness.¹⁰ To turn this around it is essential to transform towards distributive economic models that share value and opportunity far more equitably, thereby tackling and reducing such extremes of inequity and marginalisation.

Examples of businesses moving towards distributive design include the UK based home entertainment retailer Richer Sounds, making long-term commitments to workers through employee ownership, as an alternative to low wages and precarious employment; or the German food and homewares importer El Puente, and Manos del Uruguay, making long-term commitments to farmers, workers, and artisans in their supply chains through comprehensive fair trade practices. All of these are examples of distributive practices that are made possible by the design of the business.

For businesses, adopting practices, strategies and investments that are both regenerative and distributive is far from easy, but it is possible. Businesses already know many of the actions that they should take, based on human rights, labour rights, circular economy, biomimicry, agro-ecology, fair tax commitments and more. But too many businesses are held back from embracing, or even considering, these actions due to their current design. It is here where the greatest potential, and imperative, for redesign lies.

Figure 4: From divisive to distributive design



2. The deep design of business

The application of Doughnut Economics to business focuses on transforming the deep design of business. By deep design we mean the purpose of the business, how it operates in networks, how it is governed, how it is owned, and the nature of its relationship with finance. The deep design of business is crucial for the creation and implementation of the transformative regenerative and distributive actions which are required to get humanity into the Doughnut.

This is different to the way in which Doughnut Economics is applied to places (see Doughnut Unrolled tools).¹¹ With business, the application of Doughnut Economics is not through developing indicator frameworks, calculating targets, or other such strategies for achieving change; it simply focuses on deep design since this is where the greatest potential lies.

Business redesign is not an alternative to other change strategies: rather, it complements, empowers, and profoundly reinforces them. Changing the deep design of business is crucial in two key respects.

First, business design enables or limits transformative action. One example comes from a product design team in a major footwear company. They designed a lower-priced shoe that would be affordable for millions of children who currently lack good quality footwear. The shoe would also be more durable, as it could be expanded as the child's foot grew, avoiding the need to replace it regularly. This shoe would be both ecologically beneficial (reducing waste and the total production volume) and socially beneficial (providing high quality footwear to children from low-income households around the world). The shoe would be profitable, providing a margin for the business and allowing them to reach new customers around the world who normally could not afford their products. When the idea was pitched within the company, however, it was declined as it didn't meet the standard high margin requirements of the business. Every day, decision-making processes like this one limit what is possible in the world of business. They impose strict financial parameters on margins and internal investment (capital expenditure) that are shaped by the deep design of the business. From supply chains to product pricing, from

employment practices to product design, transformative ideas for more regenerative and distributive practices get blocked by the deep design of a business (see further examples in figure 5). In the next section, we will explore in more depth how business design can enable or hold back such transformative ideas.

Figure 5: How business design can limit transformative ideas



Second, a redesign of business will help to support, foster, and empower a broader transformation of the wider economic system. There are already many initiatives for positive change, including calls for regulating business practices, setting impact targets, fostering enlightened leadership, supporting sustainable finance, and enabling unions and other forms of collective action. Transforming the deep design of businesses will help to create businesses that embrace progressive regulation, ambitiously pursue impact targets, support enlightened leaders, align with sustainable finance, and enable collective action by workers. Aligning the deep design of business with the goals of other transformative strategies will enable business to help create and be part of a regenerative and distributive future.

The vast majority of emerging business designs are adaptations and hybrids of ideas and models that have tailored design features based on standard legal forms of business. Legal forms (such as limited companies or non-profit entities) vary across jurisdictions. A business may benefit from changing its legal form, but that is not always essential for transforming its deep design. Similarly, certifications and established models of business structure can be helpful in raising important questions and providing a source of inspiration. But ultimately, transforming the deep design of a business will require innovation and tailoring for the context of that specific business. Doughnut Economics invites an exploration of business redesign that does not depend on any specific legal form or certification.

3. The five layers of business design

In order to explore the layers of the deep design of business, we have taken inspiration from the work of author and thought leader Marjorie Kelly.¹²¹³ In particular, Doughnut Economics has drawn from Kelly's five "design elements of enterprise ownership". Doughnut Economics summarises these as Purpose, Networks, Governance, Ownership, and Finance.

Here are the five layers of business design that are at the heart of applying Doughnut Economics to businesses.

Design layer	Summary	Examples of design in practice
Purpose	The purpose of a business is the fundamental reason why it exists. It is not only found in a company's words but in its culture and operations, and across its core products and services. It is reinforced by the broader design of the business.	<p>Mission-lock through a social enterprise structure.</p> <p>The stated social and/or ecological purpose is embedded through other layers of the design.</p>
Networks	Businesses create and belong to multiple networks. This includes trading networks across their supply chains, networks with commercial partners, and networks with their staff, customers, and governments. Businesses also belong to networks of peers in their industry and broader business associations.	<p>Long-term and committed partnerships with suppliers.</p> <p>Long-term commitment to staff, upholding all labour rights.</p> <p>Part of progressive business networks.</p>

Governance	The governance structure of a business determines how decisions are made. This covers who is represented on the board, how trade-offs are navigated, transparency of the business, what information and metrics are included in annual accounts, and the use of internal incentives to pursue the company's purpose.	<p>Multi-stakeholder representation on the board.</p> <p>Mission-lock through an NGO or purpose foundation holding veto power.</p>
Ownership	Who owns the business, and to what extent can these owners change or undermine its intended purpose? Deciding which stakeholders are represented in the ownership mix, and the expectations of owners on ecological, social, and financial performance, can be pivotal.	<p>Steward ownership.</p> <p>Employee ownership.</p> <p>Cooperatives.</p> <p>Multi-stakeholder ownership.</p>
Finance	The relationship with finance is a key determinant of a business's ability to become regenerative and distributive. Margin requirements, dividend expectations, and internal reinvestment (capital expenditure) and profit allocation rules are a key part of this. To shape financial parameters so as to enable transformative ideas, the question of a fair return for investors will also arise.	<p>Flexible margins for positive impact ideas.</p> <p>Dividend cap to enable internal investment in regenerative ideas.</p>

Purpose

The purpose of a business is the fundamental reason why it exists. Today, the underlying purpose (despite whatever may be stated in company reports) of many businesses around the world is to maximise profits to grow the wealth of their owners and investors. Yet there are also businesses that have been set up to pursue a fundamentally different purpose, one that is aligned with meeting the needs of all people within the means of our living planet. The purpose of a business is not only found in its words but also in its culture and actions, and across its core products and services. Purpose goes beyond the statements in company reports and marketing campaigns and is found in the shared goals that staff across the business understand and pursue. It is made visible in the way the business navigates trade-offs. It is found not only in what the business does but also in what it decides to stop doing. A business that aims to improve the health of its customers would discontinue unhealthy products. A business that wants to become regenerative would rapidly divest from high-emitting operations. And a business that takes transformative action only when it also maximises profits means that profit maximisation remains the true purpose of the business.

For instance, Manos del Uruguay is a fashion business that makes all of its design, production, and marketing decisions with the goal of creating maximum benefits for the women artisans who own and democratically govern the company. In contrast to fast fashion brands, it plans all production, costing, and pricing in a way that maximises benefits to the communities of producers behind the business. Likewise, Houdini is a sportswear brand based in Sweden that demonstrates its purpose of reconnecting with nature by opening up the use of its circular product designs and textile innovations to its industry peers.¹⁴ By making its designs open source, Houdini bucks the trend of aggressively protecting intellectual property and instead promotes the circular textile ecosystem that a regenerative future needs. Both Manos del Uruguay and Houdini demonstrate that the purpose of the business shapes core commercial decisions and strategies, even where it presents trade-offs with profit maximisation.

Exploring the purpose of a business through Doughnut Economics means posing questions such as:

- What is the gap between your company's stated purpose and its day-to-day culture and actual operational impacts?
- If you were to write a desired purpose from a Doughnut perspective, rather than a financial perspective, what would it be?

Networks

Businesses create and belong to multiple networks including trading networks across supply chains and with commercial partners, service providers, and customers. Other networks include relationships with staff, communities, and governments, as well as networks of peers in their industry, or business networks that speak on behalf of the broader business community. Depending on its purpose, a business will shape how it relates to all of these relationships and networks. In a business's trading relationships, for instance, Kelly proposes that, "instead of commodity networks, where goods are traded based solely on price," a business can instead be, "supported by ethical networks—which offer collective support for social and ecological norms."¹⁵ Fair trade is a model that has proven that this is possible, by promoting long-term trading partnerships that share social and ecological goals, including through prices that can enable these goals.¹⁶ The relationships with staff, communities, and governments can also take many shapes, ranging from uncommitted low wage, low tax approaches to committed long-term relationships that, for instance, result in fair tax, upholding labour rights, and forging partnerships that are committed to shared goals. Often, the networks that emerge at industry level are critical to transforming practices in that industry.

To achieve broader economic transformation, it is also pivotal that businesses join and play an ambitious and progressive role in industry initiatives to enable industry-wide efforts to achieve social and ecological goals. More broadly, businesses can also reshape their industry networks, for instance by leaving regressive associations (e.g. Chambers of Commerce that lobby against

regulations to protect human and labour rights, or against environmental protections) and joining more progressive business networks.

Examples of businesses embracing long-term and committed trading networks are numerous, including the licensees of the Fairtrade International certification and members of the World Fair Trade Organization. There are also many pioneering businesses such as Dr. Bronner's in the U.S., and the Body Shop's Community Trade programme, both demonstrating exceptional efforts to forge multi-decade partnerships with specific producer communities around the world, based on fair trade principles. In addition, there are examples of businesses embodying regenerative and distributive design in their networks, by joining business communities that lobby for progressive action on human rights and climate, as well as businesses which join initiatives such as the Fair Tax Mark, living wage organisations, and regenerative agriculture networks. All of these, when combined with other layers of deep design, help to ensure a business can pursue the goal of helping bring humanity into the Doughnut.

Exploring the networks of a business through Doughnut Economics means posing questions such as:

- How will you achieve long-term committed partnerships with your suppliers and other commercial partners?
- How will you join and support progressive networks of businesses collaborating and advocating to drive necessary transformations?

Governance

The governance of business “identifies who has power and accountability, and who makes decisions.”¹⁷ It sets the objectives of a business and shapes how these are pursued. It shapes the strategies and plans of a business, determining the processes for its decision-making. These may be decisions around the future products and services of a business, how it allows or prevents particular strategies, and whether it is able to invest in them. Within governance, transparency on decisions and impact is pivotal, and so is transparency and breadth of financial reporting. There are a broad range of

governance models across the business world, but currently the dominant model focuses on rules and processes that ensure corporate decisions result in maximum returns to shareholders.¹⁸ The structure of the board is central to determining who has power and accountability in the governance of a business. There are many alternatives to models dominated by financial interests alone, and new innovations in the design of governance are fast emerging.

An example of innovation in governance comes from Riversimple, makers of a hydrogen-powered electric car. The company's corporate structure has been designed so that a broad range of stakeholders have a stake in the business.¹⁹ The Riversimple board's duty is to balance and protect the benefits that it delivers to six critical stakeholder groups: environment, users, neighbours, staff, investors, and commercial partners. The business is answerable to six ‘custodians’ who represent each of these stakeholder groups and, as such, hold the voting shares.

Another example of multi-stakeholder governance comes from the German food and homewares brand and distribution business El Puente. Their suppliers, employees, customers, and founders each have equal shares and representation on the board. For instance, El Puente's suppliers (who are long-term business partners committed to Fair Trade and the goal of supporting economically marginalised farmers, workers, and artisans worldwide) elect among themselves a representative for the El Puente board.²⁰ When crises hit, the boards of Riversimple and El Puente can consider a broad range of perspectives; this allows them to shape commercial decisions in ways that are distinct from their competitors which only have investors represented on their boards.

Such a difference in approach is summed up by Marjorie Kelly: “while extractive ownership involves governance by markets – with control by capital markets on autopilot – generative designs have mission-controlled governance, with control by those focused on social mission.”²¹

Exploring the governance of a business through Doughnut Economics means posing questions such as:

- Who should be on your board? Who will represent the interests of all those who are affected by your business?
- How do your approach to governance navigate trade-offs between ecological, social, and financial goals?
- How should decision-making processes engage with transformative ideas?

Ownership

Owners of a business typically hold the power to decide what the purpose and goals of the business should be. However, who owns businesses and their rights over the business can vary greatly, resulting in a range of ownership models that have a significant impact on the ability of businesses to pursue social and ecological goals. Businesses can be owned by individuals and families, by foundations and trusts, by workers and farmers, by venture capital and private equity funds, and they can be owned by a mix of institutional and individual shareholders through listing on stock exchanges. There are also many other ways business ownership can be structured. The priorities of these many different kinds of owners can vary, and so can the rights they have in the governance of the company (e.g. in board rooms or annual general meetings).

There are a broad range of ownership forms that have emerged to pursue particular social or ecological goals, such as the cooperative model and employee ownership models. One model to draw growing interest is the Steward Ownership model,²² which creates different share classes in order to determine how power and priority should be divided among different kinds of shareholders. Stewards have voting rights and are involved in the day-to-day running of the business (e.g. employees). Separately, golden shares are given to those who don't have a financial stake in the business, and who can prioritise the overarching purpose of the business. Often, these golden shares

(non-dividend collecting but holding a veto right) are held by foundations that have a social or ecological purpose underpinning them.

One example of this model is Ecosia, a search engine that uses its profits to plant trees in deforestation-impacted places.²³ In order to protect the privacy of its users, Ecosia also avoids selling data to advertisers and has no third-party trackers. It also uses 100% solar energy for its servers. It has a steward ownership model through a 1% share that the Purpose Foundation holds, which includes veto rights but no dividend rights. The Purpose Foundation can use this share to block any efforts to sell the company and any changes to the charter that would undermine its core purpose.

Exploring the ownership of a business through Doughnut Economics means posing questions such as:

- What expectations do owners have on the ecological, social, and financial performance of the business?
- Which stakeholders could become part owners? And how could voting rights among owners best be distributed to protect the purpose?

Finance

The relationship that a business has with its investors and other financiers can profoundly block or unlock its ability to pursue regenerative and distributive strategies. The financial parameters that are enforced in the business shape its approach to how products or services are developed and offered (e.g. by setting required margins). This can enable or hold back ideas such as paying suppliers the full cost of sustainable production, setting prices which make the product or service more affordable, or discontinuing products that are inherently harmful to human or planetary health. Investment is likewise shaped by financial parameters; many regenerative and distributive ideas will require capital expenditure, but owners' expectations on returns and dividends too often prevent such internal investments. The way in which a business is financed is pivotal to the ultimate financial parameters that shape the purpose of the business. In the words of Marjorie Kelly, "Instead of investments that

involve casino finance, alternative approaches involve stakeholder finance, where capital becomes a friend rather than a master.”²⁴

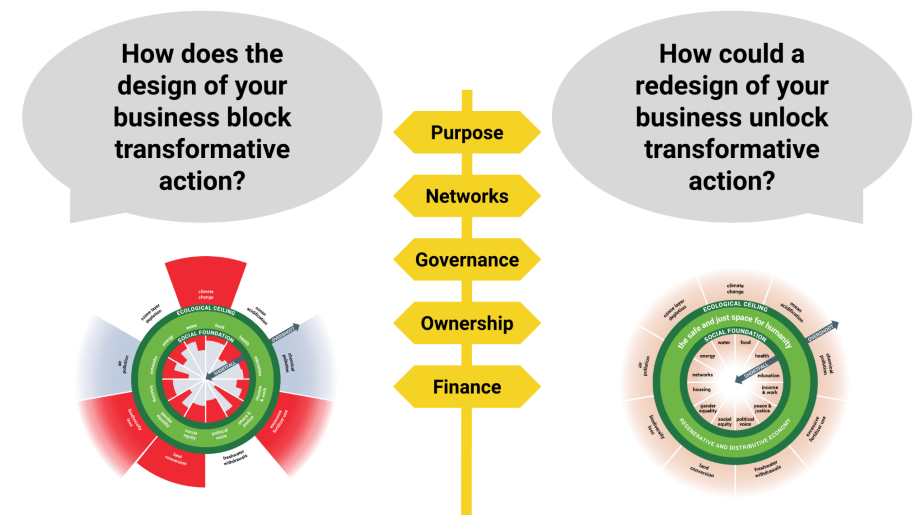
One example of a business that has actively shaped its financial parameters to pursue social and ecological goals is the family-owned California-based soapmaker Dr. Bronner’s. It has built into its model both significant profit sharing with employees and a policy to give away a large portion of its profits.²⁵ In practice, this results in a set of incentives across decision-makers that allows for a more balanced approach. Navigating trade-offs becomes more nuanced when the pressure to extract dividends for owners is removed or significantly reduced. Investments in regenerative agriculture and fair trade supply chains suddenly become possible, even if it’s unclear whether this leads to higher financial returns to its owners. The financial parameters of a business are a core layer of its deep design and are critical to enabling the regenerative and distributive ideas that are urgently needed across the business world.

Financial parameters can also block or enable transformative partnerships. This is demonstrated in the partnership between the Body Shop and the social enterprise Plastics for Change. Through the Community Fair Trade Programme of the Body Shop, the partnership created the world’s first large-scale Fair Trade recycled plastic, achieving improved and more stable livelihoods for waste-pickers in India who collect plastic waste.²⁶ In order to meet the high volumes, consistency and cosmetics-grade quality that the Body Shop required, a strong commercial commitment, support, and investment was critical. Senior leaders at the Body Shop, as well as the founder and CEO of Plastics for Change acknowledge that if the proposals had been assessed purely from a cost or margin perspective, the partnership would have struggled to meet typical financial hurdles.²⁷ To make the partnership work, the financial parameters needed to be adapted to consider broader perceptions of value, going beyond immediate financial value. This unlocked the needed commitment and investment from the Body Shop in this supply chain.

Exploring the financing of a business through Doughnut Economics means posing questions such as:

- How is the business currently financed, and what does that finance expect and demand?
- Should margin requirements adapt to enable transformative ideas?
- How can reinvestment be enabled? Should there be a dividend cap to enable it?
- What is a fair return for investors and how can exits (if needed) be managed to retain the purpose?

Figure 6: Five layers of business design



The five layers of business design highlighted above are deeply connected. For example, rethinking the ownership structure of a business will likely reshape its governance and the way it is financed. Meaningfully reformulating the purpose will require significant changes across most of the other design layers. The framework above invites a holistic perspective on the deep design of business, helping businesses identify possible substantive changes across the five layers of design. According to Kelly:²⁸

“Each of these can be used in an extractive or generative way... Not every model has every one of these five design elements. But the more generative elements are employed, the more effective the design...[They] combine to create balancing feedback loops that keep these enterprises rooted in the real world, serving the aims of living communities. Because they are less addicted to growth than the extractive model, generative models may have a key role to play in a post-growth economy.”

One example of business redesign that cuts across purpose, governance, ownership and finance is the redesign of Patagonia that was announced in September 2022.²⁹ The shares that control the company were transferred to the Patagonia Purpose Trust, which was created to protect the values of the company. These shares hold all the voting rights, but have no dividend rights. The design channels Patagonia’s profits into a nonprofit organisation dedicated to “fighting the environmental crisis and defending nature”. This redesign fundamentally changes the governance, ownership and financial parameters of Patagonia, in pursuit of its stated purpose to “save our home planet”. It potentially enables even more ambitious and transformative ideas in product design, supply chain management, production, and marketing - allowing tradeoffs to be navigated differently to its peers.

Another example is Breedweer, a Dutch provider of facility cleaning services, which has a strong purpose-driven market approach combined with a dividend cap and reinvestment policy that enables them to create social value. Breedweer has an impact-first value proposition (“we sell impact” is its credo³⁰), and strives for a society in which everyone has the opportunity to create sustainable livelihoods through employment, especially people in vulnerable positions with a distance to the labour market. This is reflected in awarded certifications and its Breedweer Academy which supports, trains, and develops employee skills. A dividend cap ensures reinvestment of 50% profits into activities that support the social mission of the business, and this locks in its purpose over time, which allows the business to create continuous and lasting social impact.

The focus of redesign will be different for start-ups, large corporations, family businesses, and those that already identify as ‘ethical’ businesses. For instance, many ethical businesses have a ‘benevolent founder’ model, relying on the founder as the controlling owner to ensure the business retains its purpose. Retaining a key role for the founder may be important in such instances, with redesign reinforcing efforts to pursue the purpose without relying solely on the founder in terms of governance. For other ethical businesses, the core products and services of the business may themselves be the greatest focus of its mission (e.g. the provision of organic food). Ensuring that the design embeds this central purpose will help to ensure that future products or services remain consistent with this purpose.

Business redesign will vary for a range of other types of businesses. For family businesses, the redesign may need to focus on retaining a role for the family while broadening the governance and ownership to reinforce the values and legacy of the business. For larger corporations, it may be critical to unlock ambition and innovation across the business. This could, for instance, be achieved through bringing together senior people who have meaningful agency to influence the design of the business, with people who generate transformative ideas that typically aren’t approved. For start-ups that need to attract investors and significant finance, their design options may be limited to models that can meet the needs of investors who are aligned with the vision of the business. The journey will be different for every business and should be tailored based on the impacts, challenges, and aspirations of each one.

Transforming business design using this framework can achieve a number of objectives for a business:

First, it can ensure that the business has a clear purpose that is consistent across its design. This can ensure that the business is pulling in the same direction across teams and departments, and can embed regenerative and distributive goals and practices in its DNA.

Second, it can lock in the mission and protect the legacy of the business. Without this, a business can be vulnerable to hostile takeovers or a loss of mission through changes in ownership and control.

Third, it can enable the business to develop resilient partnerships with suppliers, partners, communities, staff, and others. The design can embed long-term commitments that help protect critical relationships.

Fourth, it can unlock investments that are essential for the long-term relevance and impact of the business. These may be held back by financial parameters and other aspects of business design, but design can intentionally promote a long-term perspective and foster internal investment.

The idea of diverse business designs is not new: a range of business forms have existed for as long as businesses have. These include businesses owned and governed by churches, not-for-profit organisations, cooperatives, clubs, foundations, universities, communities, and more. Throughout history, these have served as alternatives to the idea that business exists primarily to create maximum profit in order to grow the private wealth of its owners. Recently, new designs – such as social enterprise, platform cooperatives, benefit corporations, and steward ownership – have emerged to join the centuries-old cooperative model, the inspiration for many emerging models of enterprise design. Some of these new designs are captured in specific legal forms that a business can take (varying across legal systems and jurisdictions). Others are verified by certification or membership bodies (e.g. national or regional social enterprise and cooperative organisations).

The academic literature relating to business design is broad ranging in scope. It includes work on social enterprise,³¹ social and solidarity economy,³² for-benefit enterprise,³³ cooperatives,³⁴ fair trade,³⁵ and shareholder primacy.³⁶ It also includes a raft of ideas and concepts exploring alternatives to shareholder capitalism, attempting to redefine the role of business in society and in relation to the living planet.^{37,38} In recent years, this need to transform business has become an increasingly recognised topic, with businesses of all kinds exploring ideas around purpose through initiatives such as the World Business Council

for Sustainable Development³⁹ and 'Blueprint for Better Business'.⁴⁰ Mainstream business publications such as Harvard Business Review⁴¹ and Forbes⁴² are also starting to address the question of purpose, for companies large and small. But, as this paper argues, the exploration of business redesign must go far beyond purpose alone. Regenerative and distributive business design calls for deeper innovation and greater diversity in the way that businesses are designed, leading to opportunities for practitioners and researchers alike to create the business designs that can help humanity into the Doughnut. Doughnut Economics proposes that to enable and unlock much-needed transformative action from business, it's essential to transform the deep design of businesses around the world.

As the statistician George Box once said, "all models are wrong, but some are useful".⁴³ This applies to the Purpose, Networks, Governance, Ownership, and Finance framework described above. The framework can certainly be useful to identify the ways in which businesses are held back from pursuing regenerative and distributive ideas, and the ways in which these ideas can be unlocked through changes in their deep design.

4. Lessons for the business redesign journey

The previous sections explored the five layers of design, and how they can be harnessed to realise transformative regenerative and distributive ideas; this sets the context for what a business redesign can encompass. Undertaking such a redesign can present a broad range of challenges; in this section, we explore the bumpy road of redesign, covering many dilemmas, questions, challenges, and breakthroughs. Drawing from the experience of businesses that participated in a range of pilot workshops conducted by DEAL, we suggest seven lessons for the business redesign journey.

1. Put the most transformative ideas on the table

The ideas that will help humanity into the Doughnut will have to be bold and ambitious. They will challenge and stretch what currently seems viable, and will require our imagination to go beyond today's possibilities. The big idea may be regenerative, such as integrating circular product design across main product lines (for instance by switching to modular design or eliminating single-use products). Or it may be distributive, such as paying a fair share of tax, ensuring accessible pricing for essential products and services, or ensuring workers across operations and supply chains earn at least a living wage and gain a share in the profits of the business. It may transcend both, for instance through decommodifying supply chains through long-term commitments to suppliers, with prices that cover the sustainable cost of production (e.g. to ensure living wages and regenerative agriculture). Critically, it may be about what the business is willing to stop doing, such as discontinuing product lines or services that harm human or planetary health. Currently, such transformative ideas seldomly reach the drawing board, let alone the implementation stage, as they are considered too radical or out of reach, in the short-term at least. But

ideas that seem impractical or unfeasible must not be unduly held back by today's financial hurdles, decision-making processes and culture of short-termism. Resist self-censorship and embrace the ambition that the future demands.

2. Explore the limits of your current business design

The deep design of an existing business is often taken as given and fixed. Yet it is here, at the foundational DNA level of a business, where change matters most. Questioning the deep design of a business includes asking questions about power and money, and this can feel uncomfortable for those who currently control the business (such as majority owners). It can also feel challenging for staff who have limited control over the existing design of the enterprise, and who sense a resistance to this conversation from senior managers. It is tempting to dismiss the need to explore enterprise design, by stating that the design of the enterprise already provides sufficient power to act. But don't succumb to the urge to shut down the exploration of your current design. Instead, go deeper, and persist in exploring how your current deep design might both enable and hold back the most transformative ideas.

3. Remember that redesign can ensure business resilience

Business can be designed to enable long-term investment and to forge deep committed relationships with employees, consumers, communities, and suppliers; this can make it easier for a business to weather crises and future challenges with greater resilience. It can ensure that the business has products, services, and operations that fit the economy of the future. Redesign can enable the regenerative and distributive ideas that will meet the expectations of society at large, well into the future, and can have the added benefits of meeting future regulations and satisfying future investor and consumer expectations. In

short, a redesign can ensure that the business has a 'social licence to operate' well into the future.⁴⁴ Redesign can unlock investment in new product or service categories and new applications for sustainable technologies, and can launch new impact-driven concepts. All of this can foster a culture of ambition across the business and can even help to steer the industry and broader market system towards more distributive and regenerative goals and practices.

4. Build momentum and commitment for your business redesign

For leaders and managers in all businesses, redesign requires building momentum and commitment across the organisation and with core partners. It encompasses continued exploration of what holds back transformative ideas, and how changes in the design of the business can unlock them. Ongoing and repeated conversations about the relationship between design layers and transformative ideas will be needed. The journey will mean the business goes beyond business as usual and the short term. This means thinking beyond creating economic value and financial returns in isolation, and embracing ecological and social value as a core tenet of the vision, purpose, and goals of the enterprise. It can require difficult decisions such as the discontinuation of or divestment from products or services that are profitable today but will not belong in the regenerative and distributive economy of tomorrow. All of this is challenging, and a deep conviction will be needed to pursue the changes in business design and overcome the internal resistance that may emerge.

5. Decide on the right size and scope for the business

What will this business need to become in the next ten years, to belong in a regenerative and distributive economy? What products and services would it provide? How and where would it operate? And, critically, how large should it be? This question can help determine whether the business is currently

designed to endlessly pursue growth in sales, market-share, and profits, or whether it has the capacity to mature and thrive. It can help a business to pivot its design to focus instead on generating as many benefits as possible. Some businesses will need to grow their sales and operations departments, while others may need to shrink; a business can be resilient without growing. Some businesses may want to scale their impact by inspiring others, going for replication of their ideas, to be taken forward by a myriad of businesses spread across the world. Whatever the context, growth should not be pursued for its own sake, and the design and scale of the business should be based on a vision that belongs in a regenerative and distributive economy.

6. Tailor the redesign journey and start where it is possible

Each business faces a unique set of circumstances, with specific impacts, challenges and aspirations. As such, its journey of redesign should be tailored to its own context. For many businesses, fundamentally changing ownership and board structures can seem out of reach; they may feel trapped in the current model of finance and commercial networks. Even when business redesign seems out of reach, there are small things that a business can start to do. It may propose 'observer seats' on the board, to represent impacted stakeholders such as employees, suppliers, or communities. It can create small funds to enable some transformative ideas that are regenerative and distributive to get started. It can set long-term goals for deeper design changes such as employee or supplier share ownership. More involved and ambitious design options can be planned for the future, as the business and its design evolves.

7. Steer towards systemic change and industry transformation

Businesses are embedded in a wider systemic context that influences their ability to pursue particular strategies.⁴⁵ The broader system can significantly limit their ability to pursue regenerative and distributive ideas. It can also limit their ability to ambitiously change their business design. For this reason, playing a role in driving systemic change is also critical. While the pace of systemic change can be slow and grinding, requiring input by many actors with differing interests, pioneering businesses can speed this up by demonstrating new possibilities.⁴⁶ Businesses can inspire peers and actively advocate for a paradigm shift towards designs that create maximum social and ecological benefits. One way of thinking about industry-level transformation is the Three Horizons framework (see box). Governments can also be influenced by the creation of alliances of progressive businesses that advocate for changes in laws and regulations, to ensure that organisations pursuing degenerative and divisive business practices are not advantaged in the market. These alliances can also promote public procurement practices, innovation policies, financial market reforms, business incubation, and funding by governments to support a transition towards businesses which embody regenerative and distributive goals in their deep design. Progressive businesses can play a constructive role in influencing every level of government, to help transform their industry and broader economy.

Embarking upon business design can seem overwhelming at first, and can have major implications, both strategic and operational. But it is only through a transformation of its design that a business can truly pursue the regenerative and distributive ideas and actions that are essential to help bring humanity into the Doughnut. The journey of enterprise redesign is one of innovation, ambition, and transformation, and can be pursued by any business.

Three Horizons

One way to assess such industry-level transformation is through Three Horizons Thinking.⁴⁷ The Three Horizons framework, pioneered by Bill Sharpe, is a method for exploring the dynamics of change in an industry. It helps with visualising how disruptive innovations can shape an emerging future, but can also be captured by vested interests. It also helps you to ask the right questions about your industry: where it is now, where it is heading, what innovations are happening, and how these can be harnessed to move towards regenerative and redistributive practices.

Three Horizons reminds us that all businesses belong to an industry that is evolving. In many industries, there are efforts to transform, to support the emergence of a regenerative and distributive future; these efforts can come from a broad range of people and organisations. It could be pioneering businesses trying to demonstrate an alternative way of doing business, it may be certifiers or industry bodies attempting to drive industry-wide changes, it may be researchers and thought-leaders creating innovations to change industry practices, or it may be consumer groups or activists shedding light on specific issues and challenging businesses to change. Each industry can be shaped and reshaped by disruptive innovations.

5. Starting the business design journey – what you can do

If you work in or with businesses in any way, there are actions you can take to explore and catalyse innovations in the deep design of business. Here are some entry points.

For entrepreneurs, business leaders, and business networks

- Run workshops within your business or with peers (or other businesses in your networks)
- Promote awareness of how the deep design of your business can evolve, in ways that could unlock transformative action
- Speak up for the systemic change that is needed for a more regenerative and distributive economy
- Support disruptive innovations which drive industry transformations that are regenerative and distributive
- Write up an honest and open case study of your business (see Annex 2)

For academics and business schools

- Research how different business designs can enable bold regenerative and distributive action in business
- Develop new teaching material around enterprise design, embedded in wider perspectives on business and sustainability, and teach this to students
- Collaborate with other business schools on research, teaching materials, and business engagement
- Embed enterprise design in (student) incubator programmes

- Run workshops with students and businesses in your network
- Write up case studies of businesses you're engaging with (see Annex 2)

For those supporting and working with businesses (e.g. start-up incubators, accelerators, certifiers, investors)

- Run workshops with businesses in your network to explore how their design can evolve to embed regenerative and distributive goals
- Raise awareness of the need to create and embrace new innovations in enterprise design
- Generate insights on different enterprise design options for different kinds of businesses
- Write up case studies of businesses you're supporting (see Annex 2)

For policy-makers

- Generate new innovations in policy to support regenerative and distributive enterprise design
- Support local companies in their redesign journey
- Help identify and spread bold regenerative and distributive ideas
- Raise awareness of the importance of enterprise design as a key enabler to reach social and ecological goals (e.g. climate targets)

Contributors

About DEAL

Doughnut Economics Action Lab (DEAL) is part of the emerging global movement of new economic thinking and doing. Our aim is to help create 21st century economies that are regenerative and distributive by design, so that they can meet the needs of all people within the means of the living planet. We call this Doughnut Economics. We work with changemakers worldwide – in communities, education, cities and places, business and government and more – who are turning the ideas of Doughnut Economics into transformative action and aiming to bring about systemic change. Our name is very intentional: we are focused on action and always learning through experiment. DEAL was founded in the UK as a Community Interest Company in July 2019, and connects changemakers through our community platform.

About CET

The Centre for Economic Transformation (CET) offers a platform where new ideas on economics take shape in practice-oriented research and education. CET focuses on redesigning business - on advancing new, sustainable approaches in finance, marketing, governance and the labour market, supported by state-of-the-art digital technologies. It is primarily aimed at companies and organisations that want to accelerate towards a thriving, regenerative and distributive economy that serves the needs of society while respecting planetary boundaries. CET is closely affiliated with the Faculty of Business & Economics (FBE) and is part of the Amsterdam University of Applied Sciences (AUAS), and part of a wider array of AUAS centres of expertise that closely collaborate with partners in the 'quadruple helix': the professional field (business and social organisations), government, citizens and knowledge institutions.

About the authors

Erinch Sahan is the Business and Enterprise Lead at DEAL. He is the former CEO of World Fair Trade Organization, and has spent 15 years working to support social enterprises and cooperatives around the world.

Carlota Sanz is the co-founder and Strategy Lead at DEAL. She is a regenerative economist who worked for 10 years as a management consultant in the financial sector. Carlota was also co-director of Economy for the Common Good UK.

Kate Raworth is the co-founder and Conceptual Lead at DEAL, and author of *Doughnut Economics: seven ways to think like a 21st century economist*. She is also Professor of Practice at Amsterdam University of Applied Sciences.

Dr. Willem van Winden is Professor of Urban Economic Innovation at the Amsterdam University of Applied Sciences, and has been leading the CET as Director since the centre of expertise was launched in 2021.

Dr. Daniel van den Buuse is Associate Professor of Corporate Sustainability at the Amsterdam University of Applied Sciences, and is involved in various CET projects on economic transformation and sustainable innovation.

Acknowledgements

The authors would like to thank all colleagues at DEAL and CET that have supported us in making the pilot program on *Doughnut design for business* happen, and all leaders of participating companies that have been part of the pilot program for their invaluable input in shaping the tool and concepts of how to do business in the doughnut. We especially thank Marjorie Kelly for the inspirational starting point provided by her work.

Design and artwork by Ruurd Priester.

More information

For more information, contact CET (cet@hva.nl) and DEAL (via <https://doughnuteconomics.org/contact>)

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Annex 1: Doughnut Design for Business tool

The Doughnut Design for Business tool was created to support businesses interested in applying Doughnut Economics to their business. It is a set of materials, activities, and guidance for a broad range of individuals and organisations interested in running Doughnut Economics workshops with businesses. The suggested duration of workshops is 4-5 hours.

Over 300 businesses participated in the creation of this tool, through 22 pilot workshops co-hosted by Doughnut Economics Action Lab and collaborators including: All organisations who co-hosted 22 pilot workshops with DEAL in the development of this tool: Centre for Economic Transformation at the Amsterdam University of Applied Sciences (main partner), 200 Million Artisans, Accelerate2030, Also Festival, Basel Area Business & Innovation, Bold Foundation Switzerland, Bristol Green Capital Partnership, British Retail Consortium, Change Makers Magazine, Coest, Ecosystem Incubator, Employee Ownership Association, FLO's Oxford, Good Market, Impact Hub Basel, Impact Hub Kings Cross, Purpose Capital New Zealand, Purpose Economy, Social Enterprise UK, Start-up Foundation Finland, The London School of Economics and Political Science and Ubiquity University. Through these pilots, the concepts and activities were developed and refined.

The tool can be used by a range of individuals who facilitate workshops with or within business networks: by start-up incubators, founders, intrapreneurs, trade unions, business schools, accelerator programmes, impact investors, community groups, and anyone able to engage businesses in their deep design. Users can apply the tool to a single business or a group of businesses participating in a workshop.

The main goal of the tool is to facilitate an exploratory journey for businesses interested in Doughnut Economics. It is not a means for providing technical advice. As such, a facilitator need not be an expert in every aspect of enterprise design, nor should they expect to provide technical advice. What's important is

that the individuals facilitating the workshop and those participating in it are interested in pursuing regenerative and distributive ideas through transformations in the deep design of business.

A pivotal part of the *Doughnut Design for Business* tool is to explore the boldest possible ideas, even if they may currently seem unfeasible or unrealistic for a business to pursue. These ideas may include discontinuing a product line or a relationship with certain clients, or fundamentally redesigning a product or service. A transformative idea may be to completely transform a production process and invest so that factories go beyond zero emissions to sequestering carbon. Another could be to pay workers above a living wage and provide them with a share of the profits. It could mean deliberately paying a fair share of tax, becoming completely transparent, or lobbying for strong regulation of the industry. What's important is that imagination is not held back by what *currently* seems plausible. The limits imposed by the current design of a business are often well understood, and it is not easy to generate ideas that test assumptions about margin and dividend expectations, or ability to invest to facilitate the transformations.

The tool guides users through a journey of looking at their business through the perspective of Doughnut Economics. It guides businesses through a process of identifying the boldest regenerative and distributive ideas they should be pursuing, to eventually look at the way the deep design of their business enables or holds back such ideas. It then invites businesses to look at ways in which they could redesign their business in order to unlock and enable a broader range of actions, investments, and strategies that help humanity into the Doughnut.

Annex 2: Creating case studies and publicly communicating

To balance openness with protecting the integrity of the concept of Doughnut Economics, DEAL has created a [policy applying to businesses](#) (including consultants in their work with business clients). This policy contains seven main principles:

1. Focus on the deep design of business
2. No 'company doughnuts'
3. Public facing claims only about redesign of business
4. Doughnut trainings or events based on the tool
5. Additional guidance welcome, but no new tools related to business
6. Share back learnings from using the tool
7. Propose case studies of businesses

Some of the most relevant parts of the policy are listed below. For those using the *Doughnut design for business* tool, see also the Dos and Don'ts contained at the beginning of that tool.

Public facing claims only about redesign of business

Any business that has been inspired by Doughnut Economics to make or explore substantive changes to its deep design (including by using the *Doughnut design for business* tool) is welcome to communicate publicly about this.

We ask that any communication is limited to Doughnut Economics serving as inspiration for changes in its deep design, through addressing its Purpose, Networks, Governance, Ownership, and Finance. The concepts and images of Doughnut Economics cannot be used for any other public communication by businesses.

We also ask that there are no public facing claims or communication that suggests any business is within the Doughnut, a Doughnut Business, aligned with Doughnut Economics, endorsed by DEAL, or similar.

The above also applies to consultants in their work with business clients.

Propose case studies of businesses

DEAL would like to select and share some compelling case studies that demonstrate how the most transformative regenerative and distributive ideas can be unlocked through business design and redesign. We invite businesses to share stories with us that focus on the following:

- the most ambitious regenerative and distributive ideas to pursue
- how the current design of the business currently blocks or enables these ideas
- how a redesign of the business can unlock and enable these ideas.

To submit a case study, please share it through the [DEAL contact form](#), choosing the category 'Tools and Stories' and theme 'Business and Enterprise'. To retain the integrity and ambition of Doughnut Economics, DEAL itself will post these on the platform, and we ask that case study stories of individual businesses are not posted directly to the DEAL platform.

For more information about DEAL's policy for businesses, and to see the latest version of the policy, see: <https://doughnuteconomics.org/themes/2>

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