

TRANSFORMING OUR SYSTEMS WITH A REGENERATIVE ECONOMY: A COLLABORATIVE JOURNEY

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pressure is rising
transformation

recognize

distributive

participation

silence

How is nature organized?

history of mankind

machine mindset

dead systems

... might die.

Stewardship

incentive

humans inspire humans

hard facts are needed too

indigenous knowledge wholism

living system

return to center

return to source

hosting emergence

life
surrender to the unknown

blind spot

acknowledge

Have we really made an effort to include other voices?

include

WHAT IS
REGENERATIVE ECONOMY?

Generative Scribing:
Marie-Pascale Galimou

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THE STORY BEHIND THE PAPER

This paper is the first outcome of a collaborative project between the BMW Foundation Herbert Quandt, RESPOND, Circle Economy and SYSTEMIQ. Through a series of interactive workshops, we will develop a shared understanding of the 'regenerative economy' and, from our learnings, create tangible actions for changemakers to put the regenerative economy into practice.

Our journey began with a workshop of 70 people: keynote speakers John Fullerton, Kate Raworth and Laura Storm and leading thinkers and practitioners in the field of regeneration—from academia, agriculture, philosophy, business and more. The paper details reflections and understandings on the key tenets of the regenerative economy, which is a radically different way of forming systems, businesses and mutual understandings. It explores how the concept of regeneration can move the economy to better align with nature's principles and processes, while holding a deeper sense of agency and interconnectedness with the ecosystem within which it sits.

This paper is split into three parts. Click on one of the sections below, or keep scrolling to read on:

1 A NEW PARADIGM

2 DEFINITIONS & CONCEPTS

3 BUSINESS LEADERSHIP

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S Y S T E M I Q

“To make regenerative economy tangible and relatable for all, we need peer-to-peer inspiration and permission to start acting.”



Kate Raworth

Renegade economist, creator of the Doughnut of social and planetary boundaries, and co-founder of Doughnut Economics Action Lab

1. REGENERATION: THE NEW PARADIGM FOR OUR TIME

Now is a time of rampant social inequality, resource scarcity, biodiversity loss and warming global temperatures. Without action, climate breakdown could displace hundreds of millions of people by 2050¹. This social and economic system is not fit for purpose. In crafting a way forward for the future generations, humanity is faced with a sizable task: redesigning our systems—and fast. The good news is that changemakers around the world are championing alternative ways of organising, leading and living. Many of these are inspired by nature itself, as well as traditional, Indigenous and pre-industrial practices that hinge on careful resource use and management—necessitating respect for and emulation of the natural environment. This is where the regenerative economy comes in. Now is the time to bring clarity to this transformative concept and move from theory to action. Our journey begins with this insights paper, summarising our workshop of 70 innovators, including keynote speakers John Fullerton, Kate Raworth and Laura Storm.

Business as usual: The degenerative economy

Much of the world has spent the past 50 years refining a 'degenerative economy', and now it faces a triple planetary crisis: climate breakdown, pollution and biodiversity loss. In parallel, inequalities have deepened across most of the world; amid a rising lack of access to basic services such as clean water, food and safe working conditions for many, the income of the top 1% has skyrocketed. In the OECD, which is almost exclusively composed of higher-income nations, income inequality is the highest it's been in several decades.²

The dominant linear and extractive economy fuels both climate breakdown and wider social inequalities. The covid-19 pandemic, for example, exposed the inadequacy of our current system in providing a social safety net for its most vulnerable members. So, even with the introduction of short-term fixes, continuing with this model means inevitable future shocks—from additional pandemics and recessions to worsening climate breakdown—which will continue to diminish our capacity to recover³. The economy must move towards—or return to—a more nature-based, resilient and regenerative approach.

“ We are not living in an era of change. We are living in a change of era. We need to ground the current chaos within the shifts we have every 500 to 1,000 years. We are now living through such a shift.”



John Fullerton

Economist, impact investor, writer and philosopher

An era of change or a change of era?

Hundreds of years ago, technological breakthroughs spurred by sequential industrial revolutions transformed the way many populations around the globe live, work and consume. Businesses and governments played instrumental roles in translating technological advancements, for example, into economic activities and policies. These not only stimulated growth and prosperity, but also environmental degradation and an ideological image that humanity's place is separate to—and above—nature.

In viewing the natural world as a machine separate from humans rather than something intertwined with its existence, humans have systematised, commodified and exploited natural systems. Land is *owned*, *extracted* from and *profited* from. Recent generations lived through these shifts. Now, current generations

are living through another shift: one where current ways of organisation, thinking and interacting with the natural world are revisited in light of the triple planetary crisis.

But just as humans actively designed their separation from the world around them, they can be designed back in. The regenerative economy calls for deeper integration with nature—as was the case for thousands of years (and still is in many indigenous communities around the world). This, it's hoped, is what we are living through now: the chaos and uncertainty of a change in era. An opportunity to truly rethink the theoretical framework that guides humanity's relationship with the world.

“ Our financial and economic systems need to align to the only system that has stood the test of time, and let that be the guiding principle. That is nature.”



Laura Storm

Regenerative Business & Leadership

Another economics is possible

Our economic system is the basis upon which society is organised, and the common denominator between many crises. Built on extraction and exploitation, today's economy is short-sighted, linear and degenerative. This has made it fragile and deeply exposed to shocks—a model unfit for 10 billion people to live within the boundaries of the planet. However, other economic possibilities exist. Progression and adoption of the circular economy, biomimicry, systems-thinking and regeneration show us that by shifting how economic thinking positions human relationships with the world, and by addressing critical questions around how economic actors consider value, agency and responsibility, a new path for prosperity can be forged.



2. UNDERSTANDING THE REGENERATIVE ECONOMY: ALIGNING DEFINITIONS AND CONCEPTS

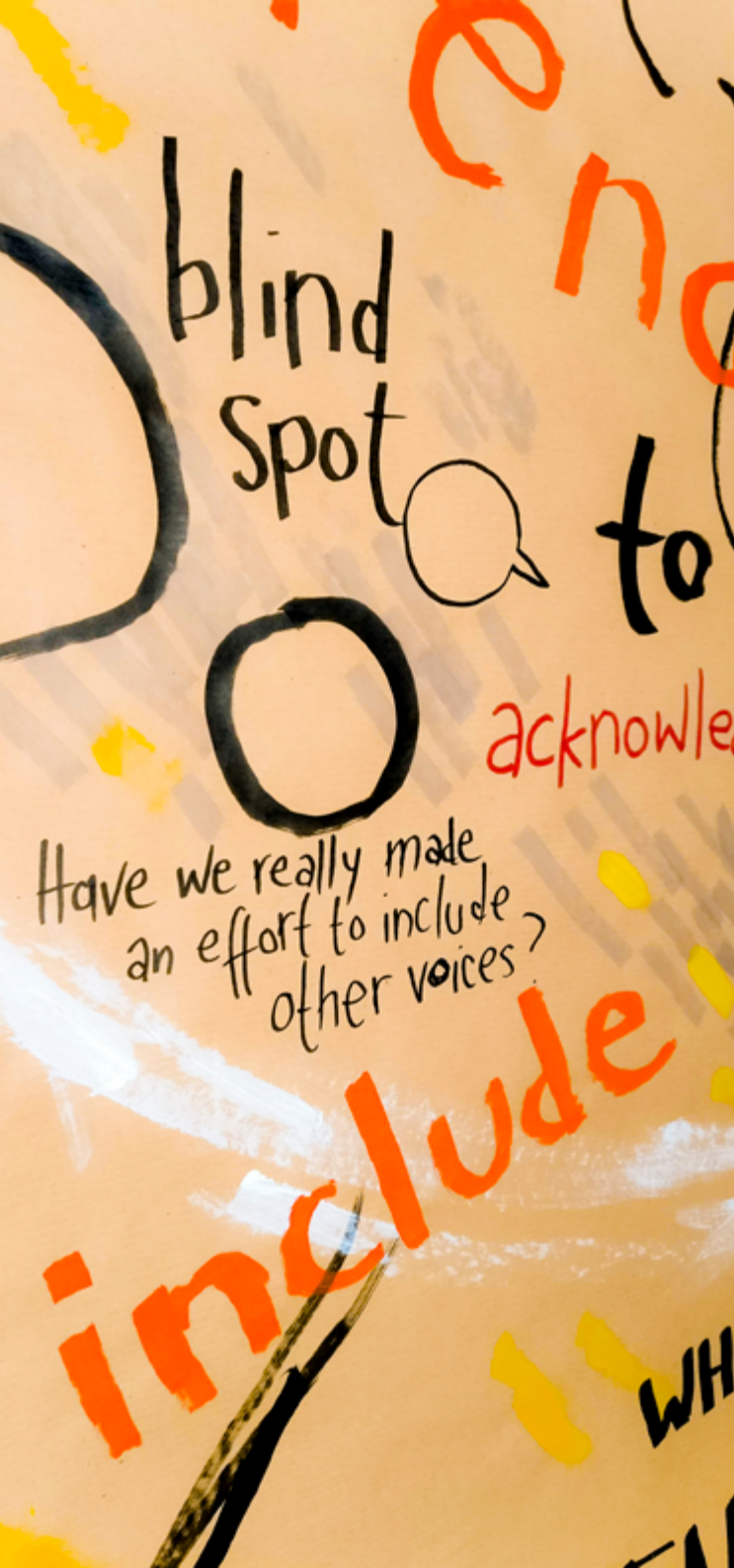
There is no one single definition of the regenerative economy. Instead, it is a concept that has evolved from the fringes of new economic thinking—attuned to the principles of nature and its relevance to systems of finance, economics and industry. In this section, we'll consider two prominent understandings.

A burgeoning field with working definitions

A regenerative economy is **'the application of nature's laws and patterns of systemic health, self-organisation, self renewal and regenerative vitality to socioeconomic systems'**. This definition emphasises the importance of considering socio-economic systems as one entity, not one where social outcomes are seen as removed from the economic system. As humans have navigated complexity by breaking things down and categorising them, the idea of individuals, organisations, and systems as deeply interconnected has been forgotten. Holism is the idea that each part of the whole is connected: individual actions cannot be understood without considering their influence on the whole.

Figure one: The eight key interconnected principles that underlie the regenerative economy.
Created by John Fullerton





It is first important to understand regeneration as a principle-led approach—with eight of the core principles depicted in Figure one⁴. The main universal principle of regeneration is holism, but there are many others that closer align humanity with the workings of the natural world. The principle of dynamic balance, for example, should replace that of eternal growth: balance between efficiency and resilience, collaboration and competition, and diversity and coherence. Regenerative principles focus on honouring the value of actions and behaviours that cannot necessarily be valued in monetary terms—the value of empowered participation and the impact this has on community and social capital, for example. They affirm diversity, adaptation, stewardship and repair—these describe how living systems sustain themselves in the world and so provide the guide as to how humanity should do the same.

Overall, humanity and its new economic system must leverage learnings from natural systems and use them to influence decision-making processes, from the government to the household. And of course, this idea is not new to the world: it is deeply embedded in indigenous wisdom that has provided a blueprint for humans for millennia.

“ If there was one root cause to where we find ourselves now, it’s that we’re trapped in our reductionist ‘scientific’ method, and we’ve lost sight of the whole.”



John Fullerton

Economist, impact investor, writer and philosopher

Finding a dynamic balance where people and planet thrive

To shift from our current economic model that is degenerative and linear, humanity has to move away from a mindset that incremental changes will get us there. A few recycling targets here, a charitable donation there will not deliver us the change of era that is needed.

This transformation must start with a shift in our ideas around what success—economic, social and environmental—looks like. And in an innovative and humorous twist of fate, for many this shift has taken the form of a doughnut. In bringing many of the concepts associated with the regenerative economy to the mainstream, Kate Raworth's Doughnut model⁵ provides another angle through which to view the concept. The Doughnut model aims to transform traditional economics by redefining our goal: considering how to meet the needs of all within the means of our living planet, rather than endlessly pursuing economic growth.

The Doughnut represents a more holistic shape of wellbeing based on dynamism and balance, in which no one falls short on the essentials of life but also not overshooting the life supporting systems of our planetary home. It's a shape that has been used by Indigenous cultures for thousands of years, from the yin and yang to the Celtic double spiral. Since its creation, the model has inspired transformative change at multiple levels, from individual businesses to municipal districts, right up to national level⁶.

“ We've been told that the shape of success in the modern era is endless accumulation, from GDP to an individual company's journey. The goal has always been consistent growth. [Moving away from] this is the big transformation we first need to achieve.”



Kate Raworth

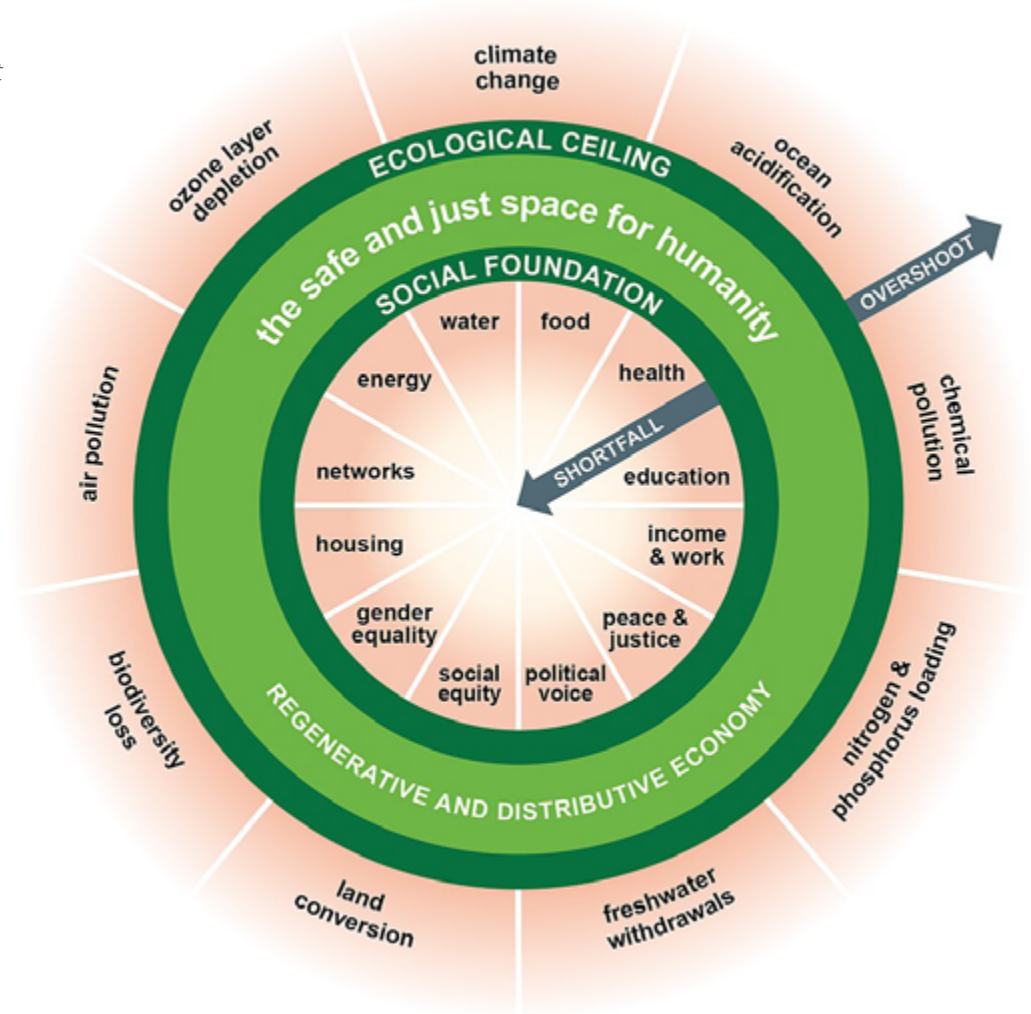
Renegade economist, creator of the Doughnut of social and planetary boundaries, and co-founder of Doughnut Economics Action Lab

Money matters in a regenerative economy: From accumulation to circulation

Where capitalist economic logic centres on accumulation, regenerative finance centres on circulation. It views money as a tool through which to address systemic problems—regenerating communities and valuing natural environments as part and parcel. They are to be respected as a whole, rather than viewed as something to extract, exchange and profit from. A truly regenerative economy has a drastically different view of value: from extraction and exchange to the embedding ecological, social and cultural value into the economy. Things like true cost accounting (calculating business impacts on natural and social capital, as well as financial) and natural capital accounting (calculating the stocks and flows of natural resources) provide highly significant examples of where this is done well.

A regenerative financial system affords social enterprise, community projects, and cultural and environmental initiatives resources to flourish. It eliminates predatory repayment terms and requirements to create a relationship-based form of finance, rather than a transactional one. Regenerative finance builds communities and ecosystems by reimagining models of ownership and recentring local economies under more stringent democratic oversight. More and more community wealth building endeavours and ‘commons’ initiatives are showing how to improve both social and environmental outcomes by viewing finance as a transformative lever, and not as a means to extract profit.

Figure two is Kate Raworth's Doughnut Economics model that shows us how the world could meet the needs of all within the means of the living planet.



Beyond policy and government, a mindset shift is needed

An overarching theme in conversations with regenerative economy practitioners is the immense shift in mindset that is needed. Regeneration is an inquisitive and principle-led approach. In this way, it cannot be determined by policymakers and business leaders alone. Rather, to truly inhibit a change of era, a change in mindset must happen so that the mistakes and failures of the past are not repeated.

To do so, the entire community engaged with the regenerative transition must also re-evaluate its own ambitions and agency. And this starts with moving beyond sustainability as the 'North star'. Where sustainability was introduced as an approach to 'do less bad' and meet our own needs without compromising the ability of future generations to do the same, this is no longer satisfactory in the regenerative movement. Humanity must shift to a mindset of 'doing more good,' and in doing so, build businesses and institutions that create the conditions for life to be restored and flourish.

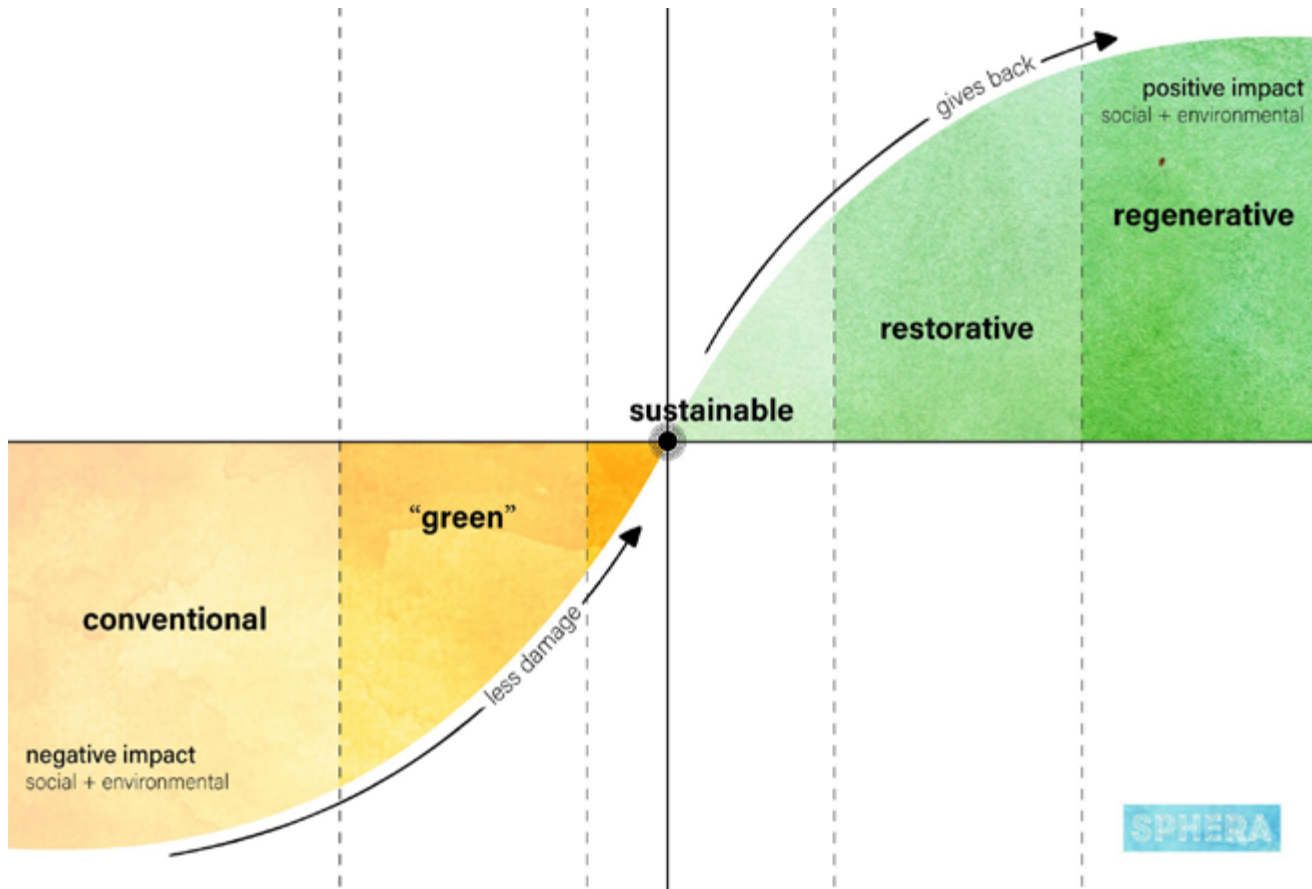
But it also requires us, even in our passion for a new economic paradigm, to be aware of the 'machine mindset' that is ingrained in linear ways of thinking—and prevent it from taking over. A true regenerative economy will require us to move from mechanistic and rigid to living and flexible; from exclusive and extractive to inclusive and replenishing; and from command and control to involving and empowering.

“ At this epochal hour in the regenerative paradigm, we need to be aware of the 'machine mindset' taking over.”



Laura Storm

Regenerative Business & Leadership



“ Systems thinking is a discipline for seeing wholes. It is a framework for seeing interrelationships rather than things, for seeing “patterns of change” rather than “static snapshots.”



Peter Senge

Systems scientist, senior lecturer at the MIT Sloan School of Management and founder of the Society for Organizational Learning

Figure three shows the ‘diagram of impact’: from conventional design to regenerative design (source: Sphera)

3. BUSINESSES AS ACTORS IN THE REGENERATIVE ECONOMY: HOW TO LEAD REGENERATIVELY

Theories of the past cannot be relied on to turn the story of the degenerative, linear economy around. Let's transform the approach and direction. Key here is in the leadership and deep design of our businesses. So, what does it mean to lead regeneratively and why is it important?

Leading 'regeneratively'

Businesses are not only complicit in many modern challenges—they also suffer from them. Business leaders must cope with the challenges of our change of era—pandemics, resource scarcity, social inequality, fragile supply chains, political instability, and more—but they have influence here, too. Businesses have the agency to shift the direction of the system as a whole. Taking charge within the current competitive and consumerist economy may be daunting, but changemakers around the world are paving the way. Regenerative leaders and businesses demonstrate that the uptake of regenerative attitudes grows like muscles with exercise—through each little change or action, frontrunners are carving out new ways of operating, leading and living within a wider regenerative ecosystem.

Pioneers in regenerative leadership focus on their organisations having both an 'inner' and 'outer' approach to regeneration. The 'inner' focuses on the internal culture of the organisation: style of working, levels of hierarchy, feedback loops and diversity. Meanwhile, the 'outer' focuses on the value propositions: stakeholder

relations, supply chain partners, product design and external communications. This way of thinking captures the interconnected dynamics of regeneration, looking inward to provide a caring and enabling environment for staff, but also outwards as a steward to stakeholders, wider society and the environment.

Another fundamental, and often overlooked, element is aligning work patterns with natural rhythms. Regenerative leadership emphasises the importance of operating in cycles—like nature's cyclical seasons. While taking downtime is not always celebrated in some business environments, it is part of a vital change in mindset. Time should be attributed for slowing down and reflecting on things—as there is often little space for innovation and adaptation in constantly busy and rushed environments.

Deep designing regenerative business

Where the overarching linear ‘take-make-waste’ model has delivered strong profits to many businesses and nations, it runs counter to the living world. Circular businesses, however, take nature itself as a model, mimicking life’s cyclical processes of take and give, death and renewal. Businesses that are designed to recapture value at each stage of production and use processes not only minimise their resource usage, but can also give back positively to the planet.

Kate Raworth emphasises the importance of deep design in our businesses in order to make them truly regenerative. Tapping into the inquisitive nature of regeneration, businesses must ask themselves a series of questions about the design traits to which they adhere. In doing so, businesses both begin to shift the lens through which the approach challenges and changes, but also adopt a significantly more regenerative stance to processes and operation.

1. The **purpose** of the organisation. Is it in service to holism?
2. How has it **networked** with its own employees, its suppliers and with its customers? How can these relationships be leveraged to build its values and fulfil its meaningful purpose?
3. How is it **governed** in all the full richness of what governance can mean, from the metrics of success, to the hard rules, to the soft culture of the place?
4. How is it **owned** or stewarded, and how are these critical sources of wealth creation distributed?
5. How is it **financed**, and what is demanded and expected from the value that’s generated?

“Businesses can be islands of transformation in a sea of the same. It’s hard, but these examples of success lead the way for others.”



Kate Raworth

Renegade economist, creator of the Doughnut of social and planetary boundaries, and co-founder of Doughnut Economics Action Lab

LEARNING FROM THE PAST TO SECURE OUR FUTURE: NEXT STEPS

This report summarises the beginning of our journey to explore what a regenerative economy is. In this first step, our aim was to explore the what, i.e. the core concepts and fundamental principles of regenerative economy, while in the future, we are going to further explore the how, i.e. how to bring these ideas into practice. Instead of trying to provide all the answers, this report aims to bring about inspiration, trigger reflections and offer some key guiding questions for those who wish to start their regenerative journey.

Key guiding questions moving forward

Our next workshop in June 2022 will seek to answer some of these questions with a host of different businesses. The following report will develop these in greater detail, and seek to build a more workable approach to embracing regeneration.

- **What will it take** to bring into being the regenerative economy paradigm at scale?
- **How might we increase** our individual capacity to become active agents of regeneration, and how can we do the same for others?
- **How should we define** and measure value and progress in a regenerative economy?
- **What does it take** for businesses to implement regenerative principles as a basis for transformation?
- **How can leaders assess** the level of regeneration in their businesses today, and how can they build in cultures of resilience and resistance to change?
- **How can we incentivize** and scale innovation that drives regeneration, both in terms of our institutions and within our businesses?
- **What are the critical barriers** to scaling regenerative models of value creation and how can we remove them?

Partners

RESPOND, a platform by the BMW Foundation, operates at the intersection of tech-innovation and Responsible Leadership. One of the main activities is the RESPOND Accelerator Program, facilitated together with UnternehmerTum in Munich, where coaches and mentors work with a carefully selected group of impact-driven entrepreneurs to scale their businesses globally. Besides a unique Accelerator Program, RESPOND encompasses a thriving ecosystem of changemakers collaborating on projects, reports and new approaches on how to speed up the transformation of our economic system.

The BMW Foundation promotes Responsible Leadership and inspires leaders worldwide to work towards a peaceful, just, and sustainable future. Through its activities, the Foundation aims to advance the Sustainable Development Goals of the United Nations 2030 Agenda. It inspires leaders, providing them with a platform for personal and professional development, and connects them across communities, cultures and countries through its global Responsible Leaders Network. The third component of the Foundation's work is to endorse the economic and financial system transformation through impact investing and actively support entrepreneurs seeking to solve humanity's social, political, and environmental challenges.

Circle Economy is a global impact organisation with an international team of passionate experts based in Amsterdam. Circle Economy empowers businesses, cities and nations with practical and scalable solutions to put the circular economy into action. Our vision is an economic system that ensures the planet and all people can thrive. To avoid climate breakdown, our goal is to double global circularity by 2032.

SYSTEMIQ was founded in 2016 to drive the achievement of the Paris Agreement and the UN Sustainable Development Goals, by transforming markets and business models in four key economic systems: regenerative land use, circular materials, clean energy and sustainable finance. A certified B-Corp, SYSTEMIQ combines high-level research with high-impact, on-the-ground work, and partners with business, finance, policymakers and civil society to deliver change.

For more information about RESPOND
respond-accelerator.com

For more information about the BMW Foundation
bmw-foundation.org

For more information about Circle Economy
circle-economy.com

For more information about SYSTEMIQ
systemiq.earth

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