

The Creative Destruction Revolution

By Wayne Visser

One of the key theories on creativity is creative destruction. The concept is most associated with Joseph Schumpeter, following his 1942 book *Capitalism, Socialism and Democracy*, in which he described creative destruction as 'the process of industrial mutation that incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one ... [The process] must be seen in its role in the perennial gale of creative destruction; it cannot be understood on the hypothesis that there is a perennial lull.'

The idea, of course, is much older. In Hinduism, the goddess Shiva is simultaneously the creator and destroyer of worlds. In modern times, the German sociologist Werner Sombart described the process in 1913, saying 'from destruction a new spirit of creation arises; the scarcity of wood and the needs of everyday life ... forced the discovery or invention of substitutes for wood, forced the use of coal for heating, forced the invention of coke for the production of iron.' Even Marx and Engels had a go at describing the process in their *Communist Manifesto*, stating that 'constant revolutionizing of production, uninterrupted disturbance of all social conditions, everlasting uncertainty and agitation distinguish the bourgeois epoch from all earlier ones. ... All that is solid melts into air.'

The idea of melting solids is very similar to the metaphor used by sustainability and social enterprise thought-leader, John Elkington, to explain the disruptive changes going on in the world. In an interview with him, he explained: 'What happens in an earthquake? The land become thixotropic; what was solid suddenly becomes almost semi-liquid. I think we are headed towards a period where the global economy goes into a sort of thixotropic state. Key parts of our economies and societies are on a doomed path really, and I think that's unavoidable. I think we're heading into a period of creative destruction on a scale that really we haven't seen for a very long time, and there are all sorts of factors that feed into it. The entry of the Chinese and Indians into the global market, quite apart from things like climate change and new technology.'

As to what this means for business, Elkington believes that 'all of these pressures are going to mobilise a set of dynamics which are unpredictable and profoundly disruptive to incumbent companies, so some companies will disappear. I think most companies that we currently know will not be around in fifteen to twenty years, which is almost an inconceivable statement. But periodically this happens and there's a radical bleeding of the landscape. We'll find this sort of reassembly going on. Over a period of time we're going to have some fairly different products, technologies, business models coming back into the West, and I think it's going to be quite exciting, but quite disruptive.'

We see all kinds of examples of creative destruction in corporate sustainability and responsibility. For virtually the whole of the 20th century, the biggest companies in the world were the oil and motor giants – companies like Exxon, BP, General Motors and Toyota. But the 21st century, with growing concerns over energy security and climate change on the one hand and the rising geo-political and economic power of the East on the other, are ushering in a new era. Already in 2006, the richest man in China was reported to be Shi Shengrong, CEO of the solar company Suntech, and the richest woman, Zhang Yin, made her fortune from recycling. A 2010 report published by the Pew Environmental Center found that in 2009, China invested \$34.6 billion in the clean energy economy, while the United States only invested \$18.6 billion.

This explosive growth was brought home to me when, at an event of the Women In Sustainability Action (WISA) in Shanghai where I was speaking in June 2010, I got talking to a supplier of wind turbines to Europe. Simply put, he cannot keep up with the demand. He is turning customers away because there is already 12 months of orders in the pipeline. Even Germany, an early leader in the

clean-technology space, can no longer compete with China in this sunrise industry. It is no coincidence that while Obama's energy reform bill was being scuppered by the U.S. Congress, Malaysia was creating an Energy, Green Technology and Water Ministry. And while the British company BP was virtually on its knees, in May 2010, the Korean company unveiled an eye-watering investment plan to 'future-proof' the company by sinking \$21 billion into its green technology and healthcare businesses. It claimed that the investment would generate \$44 billion in annual sales and 45,000 new jobs by 2020.

Make no mistake – creative destruction is happening. The only question is which companies will survive the sustainability and responsibility purge and surge?

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