

1.1 What is a business?

The Doughnut Economics Model

Concept

Sustainability

Sustainability is “meeting the needs of the present without compromising the ability of future generations to meet their own needs” (United Nations, 1987). Business decisions should consider their impacts on people, planet and profit (the “triple bottom line”).

- **Sociocultural sustainability (people):** businesses provide for human needs and are deeply connected with the communities they serve. They have a responsibility to support the wellbeing of all stakeholders.
- **Environmental sustainability (planet):** businesses should do more than minimise the negative impact of their activities on the planet. Instead, businesses should work to improve the ecosystems on which we all depend.
- **Economic sustainability (profit):** businesses/entrepreneurs are risk-takers and seek to make a profit and to continue their businesses. Sustaining business activity is especially important when businesses are providing for human needs, supporting the wellbeing of varied stakeholders in the community, and providing tax revenue to support public services.

The most important challenges now are related to meeting human needs in a way that respects the health of the planet. Businesses have a key role in these challenges. So, it is helpful for you to understand what we mean by human needs and a healthy planet. The Doughnut Economics Model (see **Figure 1**) is a framework for this.

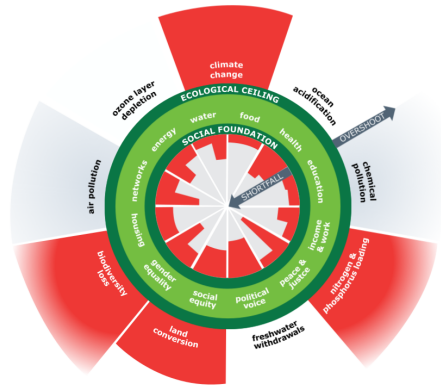


Figure 1. The Doughnut Economics Model

Credit: [Kate Raworth \(http://www.kateraworth.com/doughnut/\)](http://www.kateraworth.com/doughnut/), CC-BY 4.0
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Planetary boundaries / Ecological ceiling

The outer ring of the Doughnut Economics Model is focused on the natural environment. There are important natural systems that work together to keep the planet stable for life. These include fresh water, land and atmospheric systems, which you can see in the outer ring of the model. But humans are constantly disturbing these systems. If we disturb Earth's systems too much, we can cause permanent damage. This damage can make the planet unfit for life. The limits of these systems are called planetary boundaries, or the ecological ceiling (see **Figure 1**).

The red areas of **Figure 1** show that we are already putting too much pressure on several of Earth's systems. These are in climate change, biodiversity, land use and nitrogen and phosphorus flows from fertiliser use in agriculture. You can hover over the diagram to find out more information about these pressures.

Making connections

If you are interested in learning more about planetary boundaries, the film [Breaking Boundaries](https://youtu.be/Gb6wQtNjblk) (<https://youtu.be/Gb6wQtNjblk>) gives an overview of the nine Earth systems. It also explains why protecting those systems is important for the stability of the planet and human life.

Getting into the 'Doughnut'

The goal is to meet human needs while respecting the health of the planet. It means getting into the safe space in the green area of **Figure 1**.

At the moment, we are not in that space. Globally we are not meeting human needs AND we are not respecting the health of the planet (see **Figure 1**). We are taking and using too many resources and not putting those resources to the best use in order to meet human needs. There is red inside and outside the Doughnut.

The Doughnut Economics Model in **Figure 1** shows the global situation but it is also possible to see how individual countries are doing in meeting human needs and respecting the health of the planet. The [Leeds Good Life](https://goodlife.leeds.ac.uk/national-trends/country-trends/#GBR) (<https://goodlife.leeds.ac.uk/national-trends/country-trends/#GBR>) project collects data for countries on human wellbeing and planetary boundaries. The project has created individual Doughnut Models for countries where you can also see trends over time. There you can see that no country is yet in the 'safe space' of the Doughnut.

Activity

Learner profile: Inquirers

Approaches to learning: Research skills (information literacy); Thinking skills (critical thinking)

Access the University of Leeds Good Life project which collects data on the social foundation and planetary boundaries for many countries. See the relevant links below.

1. [Find your country](https://goodlife.leeds.ac.uk/national-trends/country-trends/#GBR) (<https://goodlife.leeds.ac.uk/national-trends/country-trends/#GBR>). What has happened to the social foundation and the country's pressure on planetary boundaries over time?
2. [Select two countries to compare](https://goodlife.leeds.ac.uk/national-snapshots/countries/) (<https://goodlife.leeds.ac.uk/national-snapshots/countries/>). Which country seems to be doing a better job at meeting the needs of all while at the same time respecting the health of the planet?

Businesses have a key role to play in helping us meet human needs while respecting the health of the planet. Meeting human needs is not just something that 'social enterprises' ([Subtopic 1.2 \(/study/app/y12-business-management-a-sl-may-2024/sid-352-cid-174703/book/the-big-picture-id-36838\)](/study/app/y12-business-management-a-sl-may-2024/sid-352-cid-174703/book/the-big-picture-id-36838)) should be doing. All businesses should examine their products and consider whether they are really delivering something valuable to human beings.

If a business is working to meet human needs, then it also needs to consider how to respect the health of the planet as it operates. This is not an easy task. Almost all products we consume require resources from the Earth and create waste, both of which disrupt natural systems. So, businesses need to be creative to find ways to leave the world in a better place than it was when they found it.

If you would like to hear more about the Doughnut Economics Model, the creator of the Model, Kate Raworth, explains it in the TED Talk below.

A healthy economy should be designed to thrive, not grow | ...



Video 1. Economist Kate Raworth explains the Doughnut Economics Model.



Figure 3. A local business is an ideal place to explore the basics of business.

Credit: Maskot, Getty Images

Activity

Consider a small business that you are aware of in your neighbourhood. Choose a format (writing, illustrations, video, photographs, audio or other) to explain some or all of the information from the following questions:

- What inputs are used in the business?
- What processes are used in the business?
- What outputs are used in the business?
- What feedback might further affect the business's inputs?
- How does the business need to be creative to serve its customers or stand out among its competition?
- What evidence have you seen of change in the business?
- What ethical issues or questions might the business face?
- What human need is being served by that business? To help you identify a human need, you could consider the social foundation of the Doughnut Model or the social SDGs.
- What impact does the business have on environmental sustainability? Again, you could consider the Doughnut Model to identify the planetary boundaries that might be affected.

