Foreword

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We have come a long way since the mid-1990s, when I first introduced the Sustainable Value Framework and the distinction between business strategies for ‘greening’ versus those for ‘beyond greening’ (see Hart, 1997). In a nutshell, the argument was as follows: there are two types of business strategies that can move us toward a more sustainable world and also contribute to financial performance and improved competitive position for firms:

1. *Greening strategies*, which employ the logic of continuous improvement and aim to incrementally reduce negative social and environmental impacts associated with current products and processes; and

2. *Beyond greening strategies*, which are premised on the logic of creative destruction and seek to make obsolete current products and processes through disruptive, clean technology innovation and new, more inclusive business models to lift and serve the poor at the base of the income pyramid.

It should come as no great surprise that the majority of business sustainability initiatives over the past two decades have been focused on the Greening Agenda – indeed, probably 95 percent or more of corporate human, technological and financial ‘sustainability’ resources have been directed this way. Eco-efficiency, stakeholder engagement, corporate social responsibility and reporting initiatives have represented the proverbial ‘low-hanging fruit’ and helped to establish the ‘business case’ for sustainability by demonstrating how such initiatives can reduce cost and risk, and build reputation and legitimacy for existing company businesses.

But as we approach the mid-point of the second decade of the new millennium, it is becoming increasingly apparent that the Greening Agenda is now delivering diminishing returns. Global economic growth, especially among the emerging economies of the world, has swamped whatever incremental reductions in impact were achieved by greening. Natural capital has continued to erode and income inequality has only increased.
almost everywhere in the world. This is especially true in Latin America. Clearly, the next 20 years will not be like the last 20.

The time has arrived for beyond greening strategies to move to the forefront. What we are now experiencing is the process of transformation to a more sustainable form of capitalism – and, ultimately, a more sustainable world. In the past decade, two exciting new commercial developments have burst on to the global scene. One revolves around the commercialization of new ‘clean’ technologies; the other around better serving and including the poor at the base of the income pyramid. Both are exciting, but the problem is that they have evolved as separate communities. The clean technology community proclaims, ‘Just give us the venture capital, and we’ll invent the disruptive, sustainable technology of tomorrow,’ as if it would then spring magically into commercial reality.

Proponents of the base of the pyramid approach seek to address poverty and inequity in developing countries through a new form of enterprise. They say, ‘How do we innovate business models, extend distribution, and become embedded in the community to build viable businesses from the ground up?’ But such ‘pro-poor’ business advocates often lose sight of the environment, as if all this new economic activity will automatically create a sustainable form of development at the base of the pyramid. Tragically, that way of thinking could take us all over the cliff, if we end up with 9 billion people consuming like Americans.

The challenge of our time, therefore, is to figure out how to bring these two worlds together to enable a global ‘Green Leap’. Indeed, emerging clean technologies, including distributed generation of renewable energy, biofuels, point-of-use water purification, biomaterials, wireless information technology, point-of-care medical devices, 3-D printing and sustainable agriculture hold the keys to meeting many of the world’s global environmental and social challenges.

Because these small-scale clean technologies are often ‘disruptive’ in character, the base of the pyramid is an ideal place to focus initial commercialization attention. China’s towns and small cities, India’s rural villages, and Latin America’s slums and favelas present such opportunities. Once established, such technologies can then ‘trickle up’ to the established markets at the top of the pyramid – but not until they have become proven, reliable, affordable and competitive against the incumbent infrastructure.

In my view, the Green Leap is a key point of leverage in transforming the global economy toward sustainability. It is for this reason that I am so excited about this new book edited by Urs Jäger and Vijay Sathe. Because Latin America possesses critical stocks of natural capital, and simultaneously displays some of the most unequal societies in the world, it makes
the perfect laboratory for incubating ‘beyond greening’ solutions for the world.

Even more importantly, this book provides the analytical lenses, tools and cases to chart the course to a sustainable future, starting in Latin America. The concept of the ‘sustainability frontier’, which provides the integrative framework for the book, is an important conceptual and practical advance. It effectively reconciles the longstanding debate as to whether the challenge of sustainability demands that trade-off decisions be made by companies or reveals possibilities for win–win ‘triple bottom line’ outcomes, variously described as sustainable value, blended value, mutual value, and (more recently) shared value.

The answer, of course, is that there is no necessary trade-off regarding these two options! The sustainability frontier shows us that we enter the trade-off zone when we approach the existing frontier (like the efficiency frontier in economics), but that we can dissolve trade-offs between economic and environmental/social value creation by pushing the frontier outward through new awareness, technological innovation and institution building. The various chapter authors provide clear alternative strategies for addressing the challenges associated with the sustainability frontier.

Jäger and Sathe also provide a clear articulation of how emerging and developing economies (such as those in Latin America) differ from developed and mature economies. The former are characterized by informality and weak institutions, requiring that firms focus not only on the competitiveness (function) of their product or service, but also on the viability and legitimacy of their business strategies. Strategies for sustainability must therefore simultaneously overcome institutional voids, address the challenges of informality and ensure that local communities benefit from the business in ways that matter to them. Sustainability in the emerging markets of Latin America (and the world) thus require companies to learn how to co-create and offer wider and more compelling value propositions than the simple provision of affordable products or services.

The many cases used to illustrate the models and tools are drawn from a short list of the most innovative and interesting companies in Latin America. Given the historically heavy focus on India, Africa and China when it comes to emerging markets and sustainability, this book and these cases provide a fresh and important perspective on a challenge that will only increase in importance in the years ahead.