Foreword

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The growth and competitiveness of corporations from emerging economies becomes more important for global markets every day. Companies from emerging economies – such as Tata, from India – have become strong competitors in global markets. In the same way a strong contingent of Latin American corporations, or ‘multilatinas’, have become important competitors in their industries at global level. Business leaders throughout the world have been awakened to this reality and understand that they now have to compete with this new group of ‘emerging giants’, very much as they had to learn to compete with Japanese or South Korean firms in the past.

What makes this more interesting is that many of these companies are not just forerunners in an economic sense. A recent study by the World Economic Forum and the Boston Consulting Group analyzed more than 1000 firms rooted in emerging nations, based on criteria such as sustainability, innovation and scalability. They selected 16 organizations that showed best practices in these areas. Among them we find Chilean-based Masisa, a forestry multilatina with productive and commercial operations throughout the region whose major shareholder is Grupo Nueva, the corporate branch of Viva Trust, an organization I founded ten years ago to ensure the sustainability of my productive and philanthropic investments in Latin America. Along with Masisa, two other Latin American corporations were recognized for their performance: Natura, from Brazil; and Florida Ice & Farm, from Costa Rica, both organizations with which I had contact through executives in my previous organizations. These three companies have been appointed ‘Sustainability Champions’ in Latin America and are recognized as global leaders in relevant dimensions of sustainability.

Business schools are also responding to these trends and changes. As a member of the Board of INCAE Business School and former member of the advisory council of IMD, both world-leading business schools, I am impressed to see how more programs search for new contents and methods to include business in developing countries, business at the base of the
pyramid, social responsibility strategies, green marketing, and courses on sustainability and eco-efficiency management, among many relevant innovations, into their mainstream curricula.

Emerging economies are also affected by their own trends and circumstances, such as the scale of their informal sectors. The informal sector needs better guidance and support in developing capacities to take advantage of its opportunities and better preparation to meet its challenges in this era of globalized competition. This is a huge challenge and one that affects millions of small producers and their families. Informal business is also a source of unfair competition for formal companies. It has been like this for decades.

These are just some examples of trends that determine the challenges and opportunities that corporations face today: increasingly sophisticated competition from corporations in developed and emerging nations; creation of competitive advantages based on innovative concepts that change the dynamics of markets, such as sustainability, social progress and shared value; and challenges from informal competitors who in some cases enjoy unfair advantages but at the same time face serious limitations to their own sustainability. These trends will spill over into the social, environmental and economic policy areas, and will also affect the dynamics of prosperity, sustainability and equity. As firms and strategies start dealing with social responsibility, sustainability and social impact, corporate leaders will redefine their roles in the community, their organizations, their strategies, and, through all that, their impact on development and sustainability.

This book highlights the special role of corporate leaders in emerging markets by focusing on the decisions and options managers face when leading those companies, trying to adapt, innovate and meet the challenges and opportunities that emerge from these and other trends. Some of the hurdles they face – like the huge number of poor or the lack of key technological resources – are often gigantic in their impact on strategy, and are often hard to imagine for leaders of corporations from more developed nations.

To make these challenges more transparent and comparable between countries, new measures of performance and new ways to design and evaluate strategies are needed. This is why in the past I have supported initiatives like the Global Footprint Network, the World Resources Institute and the Environmental Performance Index, organizations created to measure environmental performance and its impact on the development process. More recently Fundación AVINA, a foundation I created in 1994, along with partners like the Skoll Foundation; two global corporations, Deloitte and Cisco; and the Harvard Business School, launched the Social Progress Index, a measuring tool that provides a holistic, objective,
outcome-based measurement of a national population's wellbeing, independent of economic indicators. These new measures show that at all levels of economic development some countries clearly outperform others with similar income per capita, demonstrating that the quality of social and environmental policies, and the responsible performance of corporations and value chains, matters in determining the welfare of a nation's population and the sustainability of its development process.

Strategy and Competitiveness in Latin American Markets: The Sustainability Frontier is a continuation of this research and logic from the perspective of Latin American corporations. In the year 2000, Banrisul and Natura were the first Latin American firms to publish reports following Global Reporting Initiative (GRI) standards. The GRI standards support sustainability reporting for businesses around the globe, with the goal of strengthening firms' capacity and providing incentives to measure and manage social and environmental performance. In 2000, just two of 44 firms using these standards were from Latin America. By 2013, the number had risen to 72 out of 480 firms.

As I believe there are no successful corporations in failed societies, it is absolutely key that firm leaders become aware and understand the reality of their context; of how corporations need to adapt their strategies; of how sustainability in environmental and social terms can be achieved; how to deal with informality; and how to identify the many challenges and opportunities that global markets and emerging contexts offer as challenges and opportunities to visionary and innovative corporations.

The book I co-authored and edited in 1992 for the World Business Council for Sustainable Development – Changing Course – analyzed more than 50 cases and tried to deduce patterns to show what companies could do to become successful in terms of their competitiveness and sustainability. We introduced the concept of 'eco-efficiency' as a natural link between business excellence and environmental responsibility. From these and other efforts emerged the concept of a triple bottom line – economic, social and environmental – performance measurement system, as academics, consultants and practitioners searched for better ways to incorporate these ideas and trends into their own strategic thinking and process.

As greater consciousness of the need to deploy triple bottom line strategies emerged, strong external pressures to 'walk the talk' were created for these firms and for their local and international competitors. But while there is significant agreement on what needs to change, that many new opportunities arise, and on which direction firms' strategies need to take, how to do it remains unclear to most business leaders and corporate executives.

Attempting to explain the logic behind all these efforts to measure and
create social and environmental sustainability, a good friend gave it the name that I think best explains it. The basic argument is that powerful individuals and governments should invest in the welfare of the less fortunate and in the environmental sustainability of the developing process because this is the best way – maybe the only way – for them to sustain their own positions and create a more prosperous and equitable world for all. He called it ‘enlightened self-interest’, a clear understanding that the impact on social progress and on the environmental sustainability of the development process is fundamental for the long-term continuation of any human endeavor.

This logic is clearly shared by the authors of this book. In their view, a good performance by a corporation in social and environmental terms affects the social progress, sustainability and prosperity of the community around it and maybe even of the entire host country. The authors even take this one step further. Based on the observation of 24 Latin American case studies, they argue that firms need to deploy viability and legitimacy strategies before they can launch a sustainable competitive strategy. They argue that firms need to create measurable social value to legitimize their position in society. In emerging economies, as companies become more successful in economic terms, this becomes more urgent as the gap between the firm’s prosperity and the socioeconomic situation of its surrounding community can expand and become self-evident and uncomfortable – or unacceptable – for all.

The conceptual cornerstones of the book are the sustainability frontier and the relation between the viability, legitimacy and competitive strategies of successful companies. The strategies shown in the case studies share ways in which successful management teams identify opportunities for viability, legitimacy and competitiveness by working on their knowledge and understanding of the relevant context – what they call the sustainability frontier. Despite these rather clear-cut concepts, the book deals with tough questions and never offers simplistic answers.

Although the book focuses on institutional solutions, to become a leader in sustainability is first of all a personal challenge. As a pioneer in the sustainability movement and an entrepreneur committed to walk the talk, I have tried to innovate every step of the way.

Thirty years ago, Archbishop Marcos McGrath of Panama and I created FUNDES, an international non-profit organization designed to help micro and small enterprises to gain access to capital, to grow in their capacity to generate employment, to compete in formal markets, to improve their management skills and practices, and to become integrated into well-structured and more sustainable value chains. In a globalized economy this is key to their long-term survival. The investment
in FUNDES, and the knowledge and trends it has generated, have shown what is feasible in terms of competitiveness, sustainability and social impact at the level of small enterprises, and how large corporations can interact with them in a way that is constructive for both.

My main institutional solution in the region is Viva Trust, launched in 2003, an organization that combines productive endeavors, managed and executed by Grupo Nueva and Masisa, with philanthropic endeavors, executed by Fundación AVINA and FUNDES, and which recently includes a powerful knowledge management tool, the Centro de Intercambio de Conocimientos, designed to document and share the knowledge and experience of hundreds of successful social, environmental, productive, and institutional leaders and projects with a new generation of social and productive entrepreneurs in the region and the world.

The book in hand, edited by Jäger and Sathe, provides a new way of understanding the path to social and environmental sustainability, a guideline for entrepreneurs and corporate leaders to actively engage in creating their triple bottom impact strategies. These corporate leaders might be initially misunderstood by their peers and competitors, as I often was; but this is common among innovators. Leaders take new and uncommon paths to reach worthy goals. In the end, if they do it right in terms of reaching true sustainability, they will benefit the many – investors, clients, suppliers, collaborators and relevant communities – as they achieve their own enlightened self-interest.