1. Sustainability for strategy

Vijay Sathe and Urs Jäger

This book is for companies and managers around the world who want to incorporate sustainability into business strategy in order to improve their competitiveness. Our focus is not on sustainability per se. It is on strategy and how solutions to sustainability challenges can be incorporated into a company's business strategy for increased competitiveness. In a nutshell, it is about sustainability for strategy and not about strategy for sustainability.¹

In our view, sustainability is not something that is to be done in addition to strategy. It is a part of strategy and can lead to improved competitiveness. But is this always the case? Some say yes; others say no. In this book, we will explore this question in the context of Latin America and provide an answer.

The obsession with China and India has led to a literature on sustainability that pays little or no attention to Latin America.² This book begins to fill that gap. Latin America can certainly learn from best practices around the world but it can also teach the world about sustainability because it is a resource-rich region with a huge potential for greater resource efficiency, along with cultural dimensions derived from Catholicism and humanism to traditions of corporate paternalism that lend themselves to doing well by doing good.

The work of the World Economic Forum and the Boston Consulting Group on 'sustainability champions' and other surveys underscore the increasing interest of companies in strategies that incorporate sustainability for competitiveness.³ The 2012 BCG/MIT *Sloan Management Review* report 'Sustainability nears a tipping point' provides some interesting statistics: 4000 managers from 113 countries responded to the survey; 70 percent said their company had placed sustainability permanently on their management agenda; 67 percent said this was a competitive necessity; and 33 percent said their sustainability initiatives were contributing to profitability.⁴

ORIGINS OF THE SUSTAINABILITY MOVEMENT

The discussion on sustainability spans human-dominated environmental systems from the earliest civilizations to the present. Beginning with the Industrial Revolution of the eighteenth and nineteenth centuries, the human impact on environmental systems increased substantially and continued to grow exponentially. During much of this period, and well into the twentieth century, businesses in the industrialized countries continued to operate under the assumption that such ‘externalities’ were not their concern – so long as they operated within the law. As Milton Friedman famously pointed out in 1970, ‘the only social responsibility of business is to generate a profit’.⁵

As public pressure mounted, however, businesses began to recognize the damage to their brands and to their reputations that could result from ignoring the ‘externalities’. It became clear to business leaders that they needed society’s ‘license to operate’, which could be withheld if the company was perceived to behave in ways that society deemed to be unacceptable. In short, businesses had to be seen as legitimate and socially responsible in the eyes of society and the local community. It is within this context that Stephan Schmidheiny, the Swiss businessman, popularized the paradigm of ‘sustainability’ in the business world when he founded the World Business Council for Sustainable Development in the 1990s.⁶

NGOs (non-governmental organizations) and others also began putting more and more pressure on businesses with regard to social issues such as child labor and women’s rights. Following in the footsteps of Paul Hawken’s influential book, *The Ecology of Commerce: A Declaration of Sustainability*, in 1997 John Elkington proposed his concept of the triple bottom line, which signaled that business, in its own self-interest, needed to pay attention not only to economic value creation but to environmental and social value creation as well.⁷

As Loew et al. (2004) point out, corporate concern with social issues pre-dated the concern with environmental issues, but social issues were nevertheless seen as disconnected from the core business and the strategy of the firm, and were seen instead as part of corporate philanthropy or corporate social responsibility. But this began to change at the dawn of the new millennium when C.K. Prahalad and Stuart Hart published their work on the ‘Fortune at the bottom of the pyramid’.⁸

In the year 2000, 189 nations made a pledge to free people from multiple deprivations by publishing eight Millennium Development Goals for global reductions in hunger and poverty and improvement in health and education for the poor. In that same year, companies around the world began to embrace the UN Global Compact to support and enact,

within their sphere of influence, a set of core values in the areas of human rights, labor standards, the environment and anti-corruption (Asiedu and Freeman, 2009). Today, with over 8700 corporate participants and other stakeholders from 130 countries, it is one of the largest voluntary corporate initiatives in the world.⁹

Starting with the report of the Club of Rome on 'Limits to growth' in the early 1970s, the Brundtland Commission's report on sustainability in the 1980s, the creation in the 1990s of the World Business Council for Sustainable Development – now representing 200 companies around the world with combined sales of US\$7 trillion – and many similar initiatives, public opinion has shifted public policy toward increasing regulations requiring business to address environmental and social issues.¹⁰ However, leaders are being short-sighted if they wait for regulations to arrive. As we propose in this book, they need to act now to develop strategies that improve all three bottom lines.

In line with the argument of Amartya Sen (2010) in his work on justice, we believe that the task of integrating the three bottom lines is not a theoretical task; nor is it about creating an ideal such as the normative paradigm of sustainability from the enlightenment literature.¹¹ It is about how to perceive and exploit opportunities to improve all three bottom lines (space dimension) and develop and implement business strategies to get to the best possible solutions for the foreseeable future (time dimension).¹²

As we leave the first decade of the new millennium behind, the frontiers between business and the environment, and also between business and civil society, have become blurred.¹³ Business leaders have begun to accept a paradigm of sustainability that calls on them, in their own self-interest, to focus on the triple bottom line of economic, environmental and social value creation. More and more companies are beginning to report on their sustainability performance using guidelines from organizations such as GRI (Global Reporting Initiative), ISO (International Organization for Standardization) and EFQM (European Foundation for Quality Management). The short-cut taken earlier of pretending that economic value creation inevitably leads to environmental and social value creation is no longer credible, especially after the financial meltdown of 2008. Visionary leaders are improving their companies' competitiveness by addressing these issues directly and proactively.

WHAT IS COMPETITIVENESS?

A company's competitiveness is its ability to provide products and services that create as much as or more value for customers than do competitors,

thus leading to above-industry-average financial performance. This is true for companies in the industrialized countries. It is also true for companies operating in the less developed countries such as those in Latin America – but these companies must also deal with two other challenges before they can compete. First, they must be able to function despite informal markets, weak institutions and poor infrastructure such as bridges, roads and security systems. Thus their first challenge is viability. Their second challenge is legitimacy within the local communities and societies. In the less developed countries of Latin America, where more than 30 percent of a country's population lives in poverty, company growth and financial success need to be legitimized in order to secure the social license to operate.¹⁴

The term 'competitiveness' assumes that the company is viable (can function) and legitimate (has society's license to operate). These cannot be taken for granted in the industrialized world and even less so in the developing world. They are the necessary but not the sufficient conditions for being competitive in terms of as good as or better value of products and services, and economic performance, than rivals. It is generally more challenging to secure viability and legitimacy in the less developed countries, such as those in Latin America, than it is in the industrialized countries.

COMPETITIVENESS IN EMERGING ECONOMIES

The literature on sustainability, particularly the strand derived from the European enlightenment, tends to have a normative flavor regarding the relative importance of the three bottom lines, and it provides normative principles for integrating different values (economic, environmental and social) based on the core assumption of human dignity.¹⁵ To a great extent, the discussion on business ethics and corporate social responsibility (CSR) translates these normative principles into political regulations for more sustainable value creation or democratically developed company policies.¹⁶

After World War II, the rise of the European model of welfare states led the developed world to believe that governments can take care of all kinds of social issues. At the end of the last century, the strong development of civil society in the industrialized world strengthened the observation that nonprofits can solve social issues too. However, these are not the realities of the less developed countries in Latin America. As a rule, their governments are weak or ineffective, their nonprofits are small and inefficient, and NGOs from outside the country encounter cultural difficulties in making their services sustainable. This is why companies founded in the

less developed countries sometimes get into the position of being the only institutions with the capacity to help their society with its environmental and social issues by collaborating with public institutions, nonprofits and international NGOs.

Consider the example of Natura, the Brazilian cosmetics giant that has expanded into many neighboring markets in Latin America. Serafeim et al. (2013, p. 10) have argued that:

As a result of shortcomings in the Brazilian state . . . (e.g., high levels of poverty and corruption and low levels of education and provision of health care), Natura found itself in the situation many large and prominent companies do that are operating in emerging markets: providing services that would be provided by the government in more developed countries. Such initiatives often fall under the label of ‘corporate social responsibility’ (CSR).

These authors go on to point out that Natura’s efforts to improve education, which is one of its six sustainability priorities, is a CSR activity because it benefits society but at a cost to its shareholders.

But why has Natura continued to make these CSR investments in education at a cost to its shareholders when they are not really needed to recruit its workforce? Natura is considered one of the best places to work in Brazil, jobs there are highly sought after, and Brazil’s poor education system has not prevented the company from growing its pool of direct sales force consultants to 1.2 million people.

We would argue that, even though these CSR investments in education may not have been required to ensure the company’s viability, they undoubtedly helped Natura’s reputation, its brand, its image as a good corporate citizen, and its legitimacy.

In our view, sustainability strategies must ensure the company’s viability (‘we need to do it to be able to function’), legitimacy (‘the company needs to help the environment and society to secure a license to operate’) and competitiveness (‘our products and services create greater value for our customers than do the products and services of our competitors’).

In the less developed world characterized by market failure and institutional weakness (due to less developed capital and financial markets, less educated consumers and lower purchasing power, weaker enforcing institutions and NGOs etc.), strategies to create social and environmental value may incur costs in the short term and the medium term that are not immediately rewarded because the transmission mechanisms or feedback loops from the markets, governments and society’s other institutions are weak or non-existent. In other words, the ‘sustainability market’ may not know or may not care about the improvements in sustainability performance in the short run. But, even if this is the case, investments to improve

the firm's social and environmental performance may nonetheless be necessary in the short run to ensure the firm's viability and legitimacy.

CORPORATE SOCIAL RESPONSIBILITY (CSR) AND SUSTAINABILITY

The terms 'CSR' and 'sustainability' have different historical roots but, as Loew et al. (2004, p.9) point out, they now overlap:

CSR came first and was originally concerned, from the perspective of business at least, primarily with social matters. The idea of sustainable development emerged from the environmental protection debate and was established at the political level as a guiding principle for society as a whole at the UN Earth Summit in Rio de Janeiro in 1992. Work to derive a concept for business did not begin in earnest until the mid-1990s. Today the concepts of CSR and sustainable development overlap.

As the 'R' in CSR makes clear, CSR's concern is with the corporation's responsibility for producing economic outcomes in ways that benefit – or at least do no harm to – society and the environment. Sustainability is also concerned with economic, environmental and social outcomes – not only for a corporation but also for a region, a nation or the whole world – and the focus is on whether these entities will be able to sustain themselves over time.

Our focus in this book is on sustainability at the company level, specifically on sustainability strategies for companies in Latin America. As we pointed out in the previous section, these are strategies that produce economic, social and environmental outcomes in ways that are not only responsible but also effective in securing the firm's viability, legitimacy and competitiveness.

IDENTIFYING THE ENVIRONMENTAL AND SOCIAL OPPORTUNITIES TO PURSUE

In addition to the Global Reporting Initiative (GRI), two separate but related ambitious research programs now provide additional guidance on which environmental and social opportunities are the most important ones to pursue – from the viewpoint of industry and from that of society.

First, the nonprofit organization Sustainability Accounting Standards Board (SASB) is creating 'materiality maps' for 88 industries in ten broad sectors of the economy with a view to helping companies determine which

of their environmental, social and governance (ESG) issues are likely to have the biggest impact on their financial performance. As Robert G. Eccles, who is chairman of SASB, and George Serafeim, who is a member of their standards council, explain (2013, p. 5):

Whether an (ESG) issue significantly affects a company's ability to create long-term shareholder value depends on both the sector the firm operates in (carbon emissions are more material for a coal-fired utility than for a bank) and its particular strategy (human rights are more material for a company using low-cost labor in developing countries than for a firm using skilled workers in developed countries).

Second, the nonprofit Social Progress Imperative has released its framework, methodology and data on an initial set of 50 countries using the beta version of its social progress index (SPI), which measures the extent to which a country provides for the social and environmental needs of its citizens. (Appendix 2 of this book includes data and analysis of the triple bottom line performance of 21 Latin American countries from 1990 to 2010, and describes how these data compare with those provided by the SPI.) The SPI is based on 52 indicators (outcomes or results, *not* inputs) in the areas of basic human needs, foundations of wellbeing and opportunity for all individuals to reach their full potential. A country's social performance can be compared with that of other countries not only on the SPI score, but also on each of its 52 components. *The Economist* reported on this initiative as follows (April 13, 2013):

Several indexes already try to go beyond GDP, such as the Human Development Index and the Happiness Index. But none . . . specifically tracks social and environmental outcomes. These include access to schools, healthcare, a clean environment, sanitation and nutrition. The idea came out of a working group of the World Economic Forum, a think-tank and conference organiser. Its members wanted to interpret progress differently and were influenced by the writings of Amartya Sen, Douglass North, and Joseph Stiglitz, three noted economists.

Critics have pointed out that, although the SPI includes some indicators of ecosystem sustainability (for foundations of wellbeing), it does not include others that may have critical longer-term effects on the environment but are not perceived as important for human wellbeing in the short term.¹⁷ So a company should use the SPI for guidance on where it can contribute the most to the social and environmental needs of the people in the countries in which it operates (i.e. in those areas where these countries are furthest behind) and look for data such as in the ESG 'materiality maps' for guidance on which environmental outcomes should be given priority because they have the biggest impact on the company's

financial performance, or are the most important ones from a long-term perspective.

TRADE-OFF OR NO TRADE-OFF?

The term ‘no trade-off’ has two different meanings. One meaning is that an increase in one dimension of performance is accompanied by an equal increase in all other dimensions of performance (all +es are equal). So, if a company improves its economic performance and also increases its environmental and social performance, but by a lesser amount, this implies that the firm has made a trade-off in favor of economic performance – since economic performance increased more than did environmental and social performance (one + is bigger than the other +es). But to make this determination, improvements in all performance dimensions must be translated into a common metric for comparison (usually in monetary terms). This has been done in some studies,¹⁸ but it is not always possible to measure performance on all these dimensions with a common yardstick such as money.

The other meaning of ‘no trade-off’ – and this is how the term is used in this book – is that an improvement in one dimension of performance is not associated with a decrease in performance on the other dimensions. The virtue of this definition is that it does not require a common metric for assessing and comparing performance on the economic, environmental and social dimensions. All that is needed is to determine that an improvement on one dimension of performance is not accompanied by a decrease on one or more of the other dimensions of performance.

Even after the meaning of ‘no trade-off’ is clarified per above, there is still controversy about whether trade-offs between economic versus environmental and social value creation are inevitable or not. Some have argued that trade-offs are not inevitable and support this claim with examples of companies that have increased all three bottom lines simultaneously. In his book *Capitalism at the Crossroads*, Stuart Hart credits Gordon Enk with first bringing ‘no-trade-off’ thinking to his attention in the late 1970s, and he builds on this notion in his book.¹⁹ In 2000, Jed Emerson proposed the notion of ‘blended value’, which views value more broadly to include economic, environmental and social value.²⁰ Taking this further, Stuart Hart and Mark Milstein (2003) and Chris Laszlo (2003) maintained that by doing good for people and the planet, the company can do *even better* for its customers and shareholders than it otherwise would, thus improving all three bottom lines. This idea has been more recently formulated as ‘shared value’ by Michael Porter and Mark Kramer (2011).

Others have argued that trade-offs are ultimately unavoidable. For example, as Serafeim et al. (2013, p. 10) point out:

There are indeed cases in which ‘low-hanging fruit’ can be plucked and ‘shared value’ can be created for multiple stakeholders. In these instances, a company can indeed do well by doing good. The more common and more challenging situation, however, is when trade-offs are involved – at least in the short term. In these circumstances, an effort to improve nonfinancial performance comes at the expense of financial performance. It is also fairly common for tradeoffs to exist across different dimensions of nonfinancial performance, like between environmental and social objectives.

The two editors of this book believe there is great value in exploring and pursuing no-trade-off solutions, but these do have limitations.²¹ For instance, Edward Hume’s book on the greening of Wal-Mart describes how the company improved its economic and environmental performance simultaneously with no trade-offs, but a review of this book by one of the editors of the book you are reading (Sathe, 2011, p. 134) draws attention to the upper limit for these win–win gains at any point in time:

Is there no limit to how far the company can go in improving the bottom line with initiatives that also help the environment? The ‘and’ thinking (versus ‘either/or’ thinking) underlying the win–win approach to sustainability at the heart of the book is also what helped us (courtesy of Japanese management) in other areas. For example, we learned how to improve the quality *and* reduce the cost of our products with total quality management, and how to reduce inventory *and* improve delivery service with just-in-time inventory management. But there is a limit (the productivity frontier) beyond which further improvement on one dimension must come at the cost of the other. What happens when Wal-Mart has exhausted all the opportunities for making money with initiatives that also help the environment? The available evidence suggests that Wal-Mart is not going to sacrifice profit for the sake of the planet.²²

When it comes to the challenges facing companies operating in the less developed countries such as those in Latin America, trade-offs in favor of environmental and social performance – and at the expense of short- or medium-term profit – may be necessary for reasons of viability and/or legitimacy as well as long-run competitiveness. An anonymous critical reader of an early draft of this book put it eloquently:

Even though it is highly desirable to create simultaneous economic and social values, sometimes, because of the expectations that society has of private firms in light of government failures, companies are forced, in a long-term view of business, to forgo economic value and create social value instead. In areas of conflict, in remote regions, in poorer areas, the ideal of no-trade-offs may not be a suitable long-term strategy and the firm is forced to balance economic and

social value creation over time, not just at a single point in time. Thus, there have to be trade-offs between economic, environmental and social value creation over time.

THE SUSTAINABILITY FRONTIER

During the conference on sustainability that gave birth to this book, Dennis Young (author of Chapter 2) drew a figure on a whiteboard (see Figure 1.1) based on the notion of the ‘efficiency frontier’ or the ‘productivity frontier’ from the literature in microeconomics. The editors later renamed it the ‘sustainability frontier’²³ and developed the nomenclature for the sustainability map shown in Figure 1.1 with the help of Dennis Young and others, and this became the book’s conceptual framework.

For ease of communication, all the authors of this book use the following terminology to describe a company’s position and direction of movement on the sustainability map. If a company is creating both economic and environmental/social value, it is located in Quadrant I, and any

Figure 1.1 The sustainability map: directions, quadrants and sustainability frontier

moves that increase both economic and environmental/social value will be referred to as Direction 1. Clockwise from Quadrant I, if a company is creating economic value but destroying environmental/social value, it is located in Quadrant II, and any moves that increase economic value but destroy environmental/social value will be called Direction 2. Quadrant III represents destruction of both economic and environmental/social value and moves in this direction will be labeled Direction 3. Finally, companies that destroy economic value but create environmental/social value are located in Quadrant IV, and moves that do this are Direction 4.²⁴

The explanation Dennis Young gave at the conference (which he develops more fully in Chapter 2) clarified the debate on trade-offs and when they may be necessary. Trade-offs between economic value creation on the one hand, and environmental and social value creation on the other hand, are necessary if a firm is located on the sustainability frontier itself (SF-0 in Figure 1.1). But trade-offs can be avoided if a firm is located inside the frontier (the non-shaded area in Figure 1.1) and its strategy moves it outward in Direction 1. Dennis Young further explained, and this is the crucially important point: Once this firm moving in Direction 1 reaches the sustainability frontier (SF-0), trade-offs will have to be made *unless* the frontier can be pushed outward in Direction 1 (from SF-0 to SF-1 in Figure 1.1). Then the current location of the firm will fall inside the new frontier (SF-1) and trade-offs can be avoided once again as long as the firm moves outward in Direction 1 and has not yet reached the new sustainability frontier (SF-1).

How can company leaders push the sustainability frontier outward in Direction 1 and seize opportunities that currently lie in the shaded area of Figure 1.1? There are at least three challenges they must strive to overcome in order to do so:

1. **Awareness challenge.** Forty years ago, 'green' was not recognized as a business opportunity, so it remained in the shaded area of Figure 1.1. Another example: when businesses recognized the poor as customers, and not just as poor people – through the work of C.K. Prahalad and Stuart Hart on the 'Fortune at the bottom of the pyramid' cited earlier – the sustainability frontier was pushed outward in Direction 1 and the poor were included as business opportunities.
2. **Technology challenge.** When companies develop new skills and new technologies and push the frontier out with radical innovation, they seize opportunities that were previously in the shaded area of Figure 1.1.
3. **Institutional challenge.** Some business opportunities cannot be pursued because the institutions required for a functioning market are missing.

The work of Tarun Khanna and Krishna G. Palepu (2006) provides guidance on how such opportunities can be seized by finding ways to fill these ‘institutional voids’ or circumvent them. In effect, such actions push the sustainability frontier out to seize opportunities that are in the shaded area of Figure 1.1.

The third challenge, and arguably the second challenge, are greater in developing countries than in the developed world. This observation makes the concept of the sustainability frontier particularly important for Latin America, because the greater challenges imply a larger untapped potential for value creation that can be unlocked by pursuing sustainability strategies.

What all this means for business leaders and their organizations, using Peter Drucker’s notion that every environmental and social problem is a business opportunity in disguise²⁵ is this: turn these challenges into business opportunities (a) by increasing your awareness of new markets and the available technologies, particularly at the base of the pyramid; (b) by building your skills and acquiring new technologies to pursue radical innovation; and (c) by learning to circumvent or fill institutional voids.

To be more precise, Figure 1.1 should show creation or destruction of economic value, environmental value and social value on three separate axes, with the sustainability frontier as a three-dimensional curved surface rather than as a two-dimensional curved line. But to keep it simple, in this book we will fold the environmental and social dimensions on to one axis.

The sustainability map can be used to develop strategies that improve all three bottom lines. For a firm located inside the frontier, initiatives that move the firm outward in Direction 1 represent what Stuart Hart calls ‘greening’, and what we call ‘low-hanging fruit’ in this book.²⁶ Firms should be able to pick these fruits with no trade-offs until they reach the sustainability frontier. For further improvements on all three of the bottom lines and with no trade-offs, the firm must push the sustainability frontier outward from SF-0 to SF-1 (‘beyond greening’), or what we call building ladders (with new awareness, new skills and technologies for radical innovation, and new competence to circumvent or fill institutional voids) in order to pick the higher-hanging fruit.

According to Stuart Hart’s *Harvard Business Review* article (1997), ‘greening’ reduces waste, energy use and the environmental footprint while also increasing profit. This is possible because the firm has not yet reached the sustainability frontier; thus trade-offs are not necessary. ‘Beyond greening’ refers to disruptive innovation and use of clean technology, including at the base of the pyramid (BoP), to push the sustainability frontier outward in Direction 1 and allow for no-trade-off solutions once

more. Similarly, ‘embedded sustainability’ refers to the incorporation of social and environmental value into the company’s core business without charging a higher price, that is, no social or green premium, and without offering a lower-quality product or service; hence without trade-off.²⁷

Consider strategies that move the firm in other directions:

If a company’s strategy takes it in Direction 2, the economic value creation is accompanied by the destruction of environmental and social value. Although this is not desirable, it might be justified if this is a short-term environmental and/or social cost that will eventually lead to bigger and more sustainable long-term gains for people and for the planet. If so, this may be seen as a strategy of creative destruction of environmental and social value.

If a company’s strategy takes it in Direction 3, it is destroying both economic and environmental/social value relative to its present situation. It is hard to see how this could be justified, unless it is truly an ‘investment’ that will eventually lead to big and sustainable gains on all three dimensions.

If a company’s strategy takes it in Direction 4, the economic value destruction is accompanied by environmental and social value creation. A nonprofit whose losses are covered by benefactors who value the accompanying environmental and social gains might pursue such a strategy. And, as indicated previously, a for-profit company may choose to move in Direction 4 to ensure the firm’s viability and/or legitimacy. It may also do so to secure long-term economic performance by creating environmental and social value that enhances the firm’s reputation, its brand equity, or its ability to attract superior talent or other resources.

If a company’s strategy takes it in Direction 2 and it engages in cross-sector partnerships with nonprofits and/or government agencies that follow strategies moving in Direction 4, all these strategies may complement each other in such a way that there are net gains in economic value, environmental value and social value when all these impacts are combined.

To illustrate one such move with an example, consider what happened at Wal-Mart. Why pick Wal-Mart? Because many critics view the company that they call the ‘beast of Bentonville’ as a monster bent on devouring everything it wants, destroying anything that stands in its way, and in general being as far from creating social and environmental value as one can imagine.²⁸ Wal-Mart was already one of the world’s most efficient corporations before embarking on its sustainability drive in 2005. In terms of Figure 1.1, it was located on the sustainability frontier (SF-0) in Quadrant II – positive economic performance but negative social and environmental impacts. However, it was able to use the new lens of sustainability to further reduce its packaging and waste, improve its energy efficiency and pick other low-hanging fruit. Wal-Mart also successfully

built ladders (by developing new skills and sustainability networks as the new technology) to pick the higher-hanging fruit, thus pushing the sustainability frontier outward (SF-1). Wal-Mart moved in Direction 1, improving its economic and its environmental performance.

And thus we arrive at the goal of this book: to explore business strategies that increase profits, are better for people and also better for the planet. In short, we examine strategies that improve all three bottom lines. But we also take the manager's everyday constraints into account. We identify the sustainability frontier as the current limit for no-trade-off options, and explore how it may be pushed out further to secure no-trade-off solutions once more.

DO COMPANIES IN LATIN AMERICA HAVE THE RESOURCES AND CAPABILITIES TO PURSUE SUSTAINABILITY?

Research by Vives (2006b) provides valuable insights about firms in Latin America:

1. Ninety-five percent of the 1330 firms he surveyed in eight Latin American countries were small and medium-size enterprises (SMEs), and accounted for between 40 percent and 60 percent of jobs, depending on the country, and contributed 30–50 percent of GDP.
2. The single most consistent reason given for engaging in CSR practices was ethics and religious values, followed by the desire to improve profits via reduced energy use, reduced waste, and similar cost-saving initiatives.

Based on the findings of this study (Vives, 2006b), a major challenge for the vast majority of companies in Latin America is their lack of resources, financial resources in general and managerial talent in particular, which are used intensely by sustainability practices, especially the competitive kind. So we must ask: do most companies in Latin America have the resources and capabilities needed to create environmental and social value in addition to economic value?

The cases cited by the various authors in this book – and the 24 illustrative cases analyzed throughout this book – suggest that it is indeed possible for Latin American companies, even SMEs, to pursue social and environmental value creation in ways that also create short-term economic value (Casanova, 2010). As C.K. Prahalad demonstrated so persuasively in his book *The Fortune at the Bottom of the Pyramid* (2004), such examples do

not constitute definitive research evidence but are suggestive of what companies in the region can accomplish once their minds are opened to new possibilities. There are no guarantees, of course, but it pays to seek out the opportunities and the potential solutions. This book shows the reader where to look and how to go about doing it.