

Entrepreneurs for Sustainable Development

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Central American Institute of Business Administration (INCAE)

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Let me start out by thanking you for the honor you have bestowed upon me on this occasion. The distinction is excessive, but I am very happy to accept it as a sign of recognition of all of our efforts in Latin America. This is INCAE's way of letting us know that we are on the right track, even though we are aware that we have only just begun our journey.

On this occasion, I would like to ask two questions that, as I see it, are of great significance for you and for all of us. First of all: what does the future hold for us; what basic trends are there; and how can we assess the risks and the opportunities? Secondly: what can you contribute to the future; what can you offer to your families and your companies, to your region and to your country? And taking it a step further: what basic long-term goals are there that are worth attaining? I would like to try to clarify both questions from a personal perspective, and from there, invite you to reflect.

I belong to the fourth generation of a family of entrepreneurs. Eighteen years ago, at the age of 28, my father handed me the reins of a multinational business group. In my capacity as general manager, I totally restructured and diversified the group, to such an extent that today, 80 per cent of my business is different from what I first received from my father. Having good employees, sometimes a bit of good luck, and a lot of hard work are the formula that allowed me to expand my business group five-fold over the last 18 years.

Despite the numerous and demanding requirements inherent in my activity as an entrepreneur, I have always been concerned with problems and issues that go beyond the day-to-day scope of business. The most attractive project I have had the good fortune to bring to fruition over these last 10 years is called FUNDES, a foundation devoted to promoting small business in Latin America. Another important project was the creation and leadership of the Business Council for Sustainable Development (BCSD), made up of a group of senior business executives who, as part of an intense joint effort, wrote and published the book *Changing Course* for the 1992 Earth Summit in Rio de Janeiro.

My résumé might also include my time in business school, although I never obtained my diploma. Nonetheless, five years ago, I was elected chairman of the board of the International Management Institute, headquartered in Geneva. No sooner did I assume my duties than I realized that to assure the future of the institute, I needed to negotiate a merger with the IMD, another high-level business school, headquartered in Lausanne. The talks took more than two years and required innumerable rounds of negotiations before the authorities and professors all gave their approval. When you realize that we had only six weeks to negotiate and decide on the merger of ASEA and BBC, which now make up the current ABB, you can understand how astonishing that effort was. My experiences with schools of business administration show that teaching good management is not quite the same as practicing it. INCAE, of course, functions differently.

Trends, risks, and opportunities

What does the future hold for us? I don't have a crystal ball to show me what's in store; however, I do think there are some clear trends that are of significance for businesspeople, including, among them, the following:

1. The growing regional integration in the global environment through progress in:
 - globalization of communications
 - capital mobility

- mobility of human resources and
 - division of labor.
2. The simultaneous increase in the standard of living in the industrialized nations and the endemic poverty in the Third World, which is intensifying at an alarming rate in many of its regions.
 3. The demographic explosion in the Third World, contrasted with stagnant population growth and a rise in life expectancy in the industrialized nations, giving rise to a population of advanced age.
 4. The gradual deterioration of Nature by squandering resources and the resulting destruction of our source of life.
 5. The rapid development of scientific knowledge and the corresponding increase in the level of education in industrialized nations and in developing countries.
 6. The overwhelming technological development, whose practical consequences increasingly compromise features in the dynamics of our lives.
 7. The trend toward mega-businesses that generate structures and procedures that are slow and inflexible, that inhibit creativity and drive.
 8. A new understanding of the role of government and politics in general, yet at the same time, a tremendous difficulty in bringing about change of any kind.
 9. The growing speed with which changes take place and their repercussions; how quickly our learning, knowledge and social structures lose their validity and are replaced.

The facts and phenomena I've just listed are of common knowledge to everyone through the media. However, being aware of them is one thing; understanding, incorporating and accepting the whole range of their consequences, is quite another. The world is in a never-ending process of transformation. We must learn to find the path within our own selves, too.

Mass communication in our times has become a dizzying whirlwind of information, where scale and balance—the most profound qualities of the human being—seem to have become inevitably lost. The communications media frequently offers solutions that are not solutions, that politicians use as pseudo alternatives that, in truth, do not attack the roots of problems and wind up as nothing more than cosmetic fixes.

In this world of rapid change, the business leader or entrepreneur faces new challenges that surpass the requirements of his profession, ones for which traditional education has as yet been unable to provide an appropriate answer.

These successive transformations require mental agility from individuals and an attitude of open-mindedness when confronting challenges. Anyone these days who is responsible for making decisions must be capable of being innovative; and to do so, he must be able to:

- Understand and recognize these social transformations, since the complexity of the problems being faced requires, apart from specialization, global and inclusive thinking, both in the study of, and in the search for solutions.
- Implement change, consistently, within his sphere of influence, overcoming doubt, inertia, misunderstanding and opposition.

It is true that, in this effort, it is impossible not to transcend the boundaries of one's own capabilities, and sometimes even one's own knowledge and powers. Methodical reasoning is no longer enough for finding solutions to problems; intuition and instinct must also come to play a role in supporting and supplementing intellectual and analytical thought.

The speed and magnitude of change require that our capacity and inclination for learning remain intact throughout our lifetimes. As such, anyone who holds the responsibility of making decisions is obligated to remain always up to date, even after finishing academic training. We must find a way to ensure our continuing education, not just in the disciplines that are the focus of our profession, but also in the major sociopolitical fields.

The complexity of the links and the relationships in the economic order, both on the micro and the macroeconomic levels, demand that businessmen and businesswomen have a solid grasp of the political order, for them to understand their work and perform it comprehensively and thoroughly. What is the government's role in society and in the economy? What responsibility lies with the private sector? Only when we accept and understand our function in the world in which we operate and develop can we take into account the rules that go beyond those of supply and demand. The endless struggle to ensure that our own interests are in keeping with the rules of the game is a task that consumes a great deal of energy; however, this task can also help detect and fix mistakes in a timely manner in the relationships between business and society.

Any established order is only as solid as the human beings upholding it. An honest and responsible approach by businesspeople to weighty political matters—such as the environment and social problems—is an indispensable element for the functioning of a market economy. To represent a business premise such as this with credibility requires understanding, flexibility and the capability of transmitting the ideas and submitting them to public debate.

Why do I place so much emphasis on the future, on the long term, when political and economic decisions are being made thinking in terms that are increasingly shorter? The reason is simple. The more uncertain future conditions become, the more important it is to look at long-term trends. Only a systematic confrontation of uncertainty can help us to minimize it, or at least to be better prepared for its surprises. This is an important requirement for business activity.

Ensuring the future, however, will always be an incomplete effort, in that absolute safety does not exist; nor is it even possible. Anyone who advocates attaining "zero risk" when discussing development is going against the laws of Nature: safety exists only in the past; everything in the future is risky. As a general rule, we tend to think that risks will be smaller, and that it will therefore be safer to stick with known solutions. But this can be a dangerous mistake. A critical situation frequently requires a radical change in direction to prevent, or at least control, what may be greater risks.

The work of business is determined by the tension generated between safety and risk. Conscientious search, calculation, assumption and control of risks make up the *leitmotiv* of business activity. To the extent the businessperson is concerned with risk, with trying to prevent it and planning to control it over the long term, he is seeking to make the future safe. Optimum risk management favors innovation and progress; failed risk management can lead to disaster.

The search for safety is a basic and certainly a legitimate need of human beings. But if we make it our highest priority and try to achieve it—whether individually or as a society—through a static and conservative approach, the chances for success will diminish considerably whenever there is a change in the surrounding conditions. In a world that is constantly undergoing transformation, relative safety can only be achieved through behavior that is dynamic and flexible, capable of recognizing in risk the way to changing our own positions and adapting them to these changes.

Big business, with its centralized and hierarchical structures, is not generally in a position to react quickly to changes in its surroundings, because that requires decentralized and participatory procedures to counter the slow pace of its mechanisms and structures. In this respect, small businesses are more flexible and innovative, and have a good chance of succeeding on the market, if they decide to make use of these advantages.

I believe that this applies especially to Latin America. After many decades of protectionism, most of its markets are opening up to international competition. This transformation in surrounding conditions inevitably leads to profound social change, with winners and losers. A correct assessment of risks and possibilities, a distinct leaning towards innovation and a long-term strategy are prime factors for ensuring lasting business success.

The Contribution of Entrepreneurs to the Future

Following the dramatic fall of real socialism, the principles of market economies received an enormous boost in the global milieu. Macroeconomic adjustments, privatization and greater competition are the flagpoles of extensive reform, which has been making manifest progress, particularly in Latin America. Private economy is beginning to gain space and flexibility with unlimited possibilities, but also with much greater responsibility. Will we, that is, you and all of us, the generation of the next few decades, be in a position to confront this challenge?

The position you have attained could not be better. The education you have received is among the best in the world. You are part of a small *elite*, and you have many reasons to be proud of what you have achieved. The academic world has provided you the best it has to offer in knowledge and learning.

Nonetheless, from here on in, you will have to go back to school and start in the very first grade. I am referring to the school of life, where “cases” are not described in studies, but rather lived. Life does not conform to a textbook, since it is lived by real live human beings; and contrary to belief, human beings are frequently guided not by reason, judicious decision-making and behavior, but by their feelings. Human beings trust and despair; they love and they hate; they sympathize and envy. Because of this, the real world, in business as well as in politics and in the media, is not just a reflection of knowledge, intelligence and reason; it is also a mirror reflecting all human emotions. This may be the most difficult lesson you will need to learn in your first forays to the business world. I do not believe I’m off base when I say that only those of you who are able to connect with both human feeling as well as reason will be successful.

How can we, as business leaders and entrepreneurs, contribute to a better future for our children and our children’s children? How can we combine our economic success with a positive contribution to sustainable development in our country and in Latin America? In what way can the private sector contribute to the creation of economic and social structures that are better and more reliable from a policy standpoint, so that a long-term outlook and long-term investment will be the rule and not the exception?

Entrepreneurs, business managers, and economic leaders who want to take part in building a better future find themselves subject to big demands. Nonetheless, a businessperson who defends his own right to succeed, while at the same time accepting his commitment to the society of which he is a part, is the businessperson of the future for me. Only someone who realizes that long-term success will require the capacity for commitment that I’ve described earlier will be in a position to make a reliable and valuable contribution to sustainable development.

Allow me to list four different types of contributions to the future, which will require business initiative:

1. Competitive success. The successful business leader or entrepreneur must be capable of prevailing over the competition in his field of activity. This requirement is obvious and not open to debate, and anyone unable to meet it loses his *raison d’être* as an entrepreneur or businessperson. Nonetheless, anyone who does fulfill it will not only attain personal success, but will also make a valuable contribution to the economic development of society through that success.

Over the past few decades, much has been written, researched, and declaimed about the methods and tools of business administration. The sum of all that knowledge and research methods has grown to such an extent that even serious and well-respected people classify the teaching of business administration as a science. It would be presumptuous of me to claim that I am able to offer a methodical contribution here, given that your institute has been dealing with the subject at a high level for years. In this context, it is indispensable to keep in mind that economic success is a necessary prerequisite of competition but one that by itself, is not a sufficient quality for the businessperson of the future.

2. Social Solidarity. In most of the world, the times of the Marxist-defined class struggle have become a thing of the past. The conflict in which the capitalist exploiter and the exploited worker faced each other as irreconcilable enemies has given way to an alliance, in which representatives of the most diverse interests, meeting at the negotiating table, attempt to find solutions in a conciliatory and unanimous manner. Personally, I believe that this change represents a positive step in human evolution. Today, the social pact in which employers and employees take part is understood as the concurring regulation of the relationships between the stated parties. This represents, even in developing countries, a condition of social solidarity. The same spirit must arise in other settings of the relationships between social groups that represent highly disparate interests, such as those that affect the business environment: consumer protection associations, environmental protection movements, social and other organizations. It is often difficult to initiate a dialogue between such groups, since prejudice against each other prevails. Nonetheless, if the participants express a genuine and honest concern for what they advocate, every possible effort should be made to understand their motives. Oftentimes, much to the surprise of both sides, I have been able to observe that through open dialog, it became possible to reach agreements, not just about abstract objectives, but also about the strategies for resolving real problems.

Human beings tend to judge the world from their own egocentric perspective, seeing themselves as the yardstick by which all things are measured. As business leaders and entrepreneurs, we too, consciously or unconsciously, cultivate the idea that we are the pillars of society's production, and that we should be thanked for the economic wellness enjoyed even by those who criticize us. If we could only integrate broader and more diverse perspectives in our conception of the universe, we would be in a better position not only to understand our own ideas, but to comprehend and respect those of others. This could save us from many confrontations that generally arise from an overly conservative understanding of our roles. The struggle to find the unanimous consensus that underlies the principle of social solidarity in no way excludes a decisive and principled defense of our own points of view. Nonetheless, it is also important to be willing to listen and seriously discuss the other person's viewpoint.

Finally, social solidarity also needs to be practiced, particularly with those who are unable to present their needs in an organized manner, which is the only way they will be taken into account. I am referring to the weakest and most discriminated against, to that sector of the Latin American population that continues to live in poverty, without hope of any betterment of their situation. Respecting and protecting human dignity, easing access to opportunity for those who show initiative and drive, is also an unavoidable business principle. As business leaders and entrepreneurs, we demand space and freedom of action and creation. In the long run, society will grant us that space only if we demonstrate, by practicing solidarity, that success does not come just at the expense of others, but rather that it benefits the entire community.

This is why FUNDES, our foundation for promoting small business in Latin America, is so very important to me. Together with many successful businesspeople in different countries of this continent (including Costa Rica), we are able to support the initiative of many human beings who have talent and drive. This is a true form of solidarity that runs from one businessperson to another and that makes economic, political and social change possible.

3. The commitment to the environment. In Latin America care for the environment is slowly but irrevocably becoming a subject of primary importance.

Personally, I advocate eliminating and overcoming the apparent contradiction or incompatibility that still exists for many between ecology and the economy. The pleas for conduct that is compatible with the environment, as well as the moral arguments aimed at preserving the source of life for future generations, will be ineffective, as long as the economy provides them incentives. To put it another way: as long as it remains possible to destroy the environment and those who do so go unpunished, but instead receive attractive financial benefits, no form of protection can be more effective than that provided by regulatory governmental enforcement and prohibitory regulations. As participants in the mechanisms of the economic order, we know that this type of solution is not only inefficient, but, in fact, inhibits creativity.

What we want and hope for from at the legislative level are clear objectives and appropriate environmental conditions with which the economy will be forced to comply, and which, in turn, will allow it to meet ecological requirements. The best way to attain these objectives is through market-directed tools. But what kind of tools should they be?

In the first place, the prices of energy and natural resources should reflect economic reality. Throughout the world, particularly in the developing countries, we are still very far from this ideal. Many natural resources are heavily subsidized, which causes them to be squandered. And this is an absurdity, from both an ecological and an economic standpoint.

Secondly, it is a fact that the world's most competitive countries have higher prices for natural resources and for energy. The reason is simple. Prices that take into consideration the economic cost and the ecological value of the resources bring about changes to more productive and healthier technologies that ultimately give rise to better economic and ecological results.

Within the framework of deregulation and privatization, the dimension of ethics in business activity becomes even more valuable, because freedom always entails responsibility. Personally, I believe that our concept of "eco-efficiency" inherently includes this dimension of ethics. But what does eco-efficiency comprise? Basically, producing a product using the fewest possible natural and energy resources. We know that technological advances can make this possible. This seems to me to be a joint and responsible objective that is worth attaining, since it fosters the process of development to the benefit of all human beings, wherever on the planet they may be. Every so often, I hear it said by some environmental extremists that the market economy is lacking a moral foundation, since it is based on the rights of the strongest, without providing protection for the weakest. To this, I wish to counter with my deepest conviction that the responsible practice of freedom within the market economy, by strict compliance with the principles of eco-efficiency, for example, will make it possible to create more and better opportunities for a greater number of human beings. For there to be more eco-efficiency in more competitive markets inherently implies moral value.

4. Free Society as a Commitment. In the Western world, it seems totally natural for us to count on the guarantee of broad personal freedoms. We tend to forget only too quickly that the liberal system is not a natural condition, but rather a significant achievement of human society. We often focus entirely on asserting our guaranteed liberties, while being largely unaware of the responsibilities inherent in freedom.

This statement applies particularly to the business leader or entrepreneur, since a market economy is only possible in a liberal system, and without a market economy, there are no businesspeople. Although this idea may seem trivial, its consequences are clearly relevant and noteworthy. There are two premises relating to the system of liberalism that I feel are important for businesspeople.

In the first place, we, as business leaders and entrepreneurs, must be prepared to develop and perfect the market economy system by using the same open-minded attitudes and the same creativity that we apply when optimizing the competitiveness of our companies. Changes and alterations in the natural and social environment must drive the development of the market economy system, just as changing market conditions cause us to adapt our product lines. As a clear example of this, I once again stress the integration of ecological objectives in the market economy.

Secondly, those of us who wish to preserve and develop the system need to openly and systematically fight abuses of freedom. The reporting of abuses must not be left exclusively to those who seek to change the system in its entirety! To the contrary, we run the risk that the desolating vision of a few cynics becomes reality and that the system of liberalism is destroyed not by its detractors, but by the improper and irresponsible use made of it by its own beneficiaries.

Any exercise of freedom that cannot be balanced by responsibility corrupts and fosters abuses; and when they exceed a certain level, there will be no waiting for the forces to come out seeking to restrict freedom. For this reason, acting responsibly is not just a moral obligation, but indeed, a must, if a system of freedoms is to survive.

As a businessman, I am of the opinion that I must address my own demands to myself first. After two decades of experience, I am aware of the weight of these requirements, and that despite all the efforts, we remain far from that ideal. What mankind creates is never perfect; but it is precisely because of our own imperfection that we need our ideals and lofty objectives, if we want a future that is more than the incessant extrapolation of our past.

Social solidarity, care for the environment, the responsible use of our freedoms and the search for convincing answers to the questions about the meaning of progress and development are key qualities that legitimize our goal to succeed as businesspeople against the competition, and by so doing, to make a contribution to sustainable development.

The future lies in our youth. What does the future hold for our young people, and what will they bring to the future? This symmetric relationship holds opportunities for all of you, and also for your businesses, your countries and for all of Latin America. The businessperson of the future, relying on his experience, will try to create a personal answer, support an approach and define a commitment. To arrive at the source of the waterfall, you must swim against the tide. And this calls for courage, strength, skill and perseverance. These are all qualities of a top-notch entrepreneur or business leader. With these qualities and a degree from the INCAE in your hands, you are starting out in your professional career from a privileged position. I wish you much success and satisfaction in accepting the challenge that typifies an exciting career in business.

Thank you very much.