

**The Business of Sustainable Development
Countries and companies in global competition**

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It is a tremendous pleasure to be here. When I am in Brazil, I feel as if I am returning to my roots. Of course, strictly speaking my roots are in Eastern Switzerland. But my working life, my adult life, began in Brazil when I spent six months in a foreman-training program in the family's Eternit plants in Rio, São Paulo, and Salvador. This being Brazil, everyone was on a first-name basis, and no one knew that the 'Stephan' in their midst was the son of one of the owners of the global family business.

I did everything: accounts, sweeping up, time sheets, security, and 12-hour overnight shifts on the factory floor. One day after I had worked weeks of 12-hour night shifts and spent the day on Copacabana Beach, I fell asleep while driving, crashed off the road, and was pulled out by some of my fellow workers. I used to feel that all those drivers were trying to kill me on the roads day after day – and then I almost kill myself!

The real value of that half-year was getting to know Latin America, its people, and its landscape. I was marked forever. You Brazilians provided me with an antidote to being Swiss-German. The whole continent was then, as it is now, young, dynamic, energetic, progressive, learning, moving, and changing – none of which is Europe. It became a spiritual home and a place where I met some of my best friends. It was also here in Brazil that I first became interested in this process called 'development'.

So it is very appropriate that my life as a proponent of this thing called sustainable development began in Brazil as well shortly before the 1992 Rio Earth Summit when its secretary general, Maurice Strong, appointed me his principal adviser for business and industry. Actually, Maurice was appointing everybody his 'principal adviser' for something. Pele, if memory serves, became his principal adviser for sport.

I took my appointment so seriously that I organized the Business Council for Sustainable Development, which has grown and merged its way into becoming the World Business Council for Sustainable Development. Council members now include more than 160 of the world's biggest companies, all of whom are trying to prove that pursuing sustainability makes their companies stronger and more competitive. There are a number of national BCSDs throughout Latin America and other continents, and a strong one in Brazil; each has its own strengths and weaknesses and style of leadership.

We are gathered here today almost exactly a decade since that Rio Summit. In that decade my thinking, and the thinking of many leading companies, has changed. At Rio, it was an act of faith to think that there must be a connection between business and the creation of a path of sustainable human progress. Today we understand those connections – and know that they are real.

We invented the concept of *eco-efficiency*: adding more and more value to goods and services using ever fewer resources while generating less and less waste and pollution. We developed the concept of *sustainability through the market*, using the strength of the market to generate efficiency, innovation, and – most important – opportunities for all. We championed – as does Ethos so effectively today – the

concept of Corporate Social Responsibility, and showed how its pursuit builds stronger, more competitive companies.

Having done all of this, how have we failed to create a paradise on earth?

Obviously, we found a number of obstacles in our way. Barriers occur at three levels: global, national, and corporate.

Internationally, we strive to create a global market without global norms, rules, vision, or goals. So we wind up with the bizarre spectacle of the OECD nations spending some \$365 billion yearly on farm subsidies. In other words, they are spending \$1 billion per day of their taxpayers' money to help the world's richest farmers compete against the world's poorest farmers. The United States preaches globalization while erecting tariffs against imported steel – and making it hard for its citizens to drink Brazilian orange juice. Rich countries shut out textiles, and commodities such as sugar. Examples abound.

I believe that a true global market, unperverted by subsidies and barriers and tariffs, would bring most benefit to most people by spreading innovation, decreasing corruption, and increasing opportunity. And I believe that it is in the interest of business leaders to fight for such a market.

It is hard to separate national issues from international, because so many international barriers to sustainability are created by the shortsightedness of powerful nations. But what I am thinking of at the national level are financial and political systems that make the rich richer and the poor poorer. This is true in so many nations, developed and developing, but Brazil is often described as the world champion in the rich/poor divide.

Just to remind us all: in Brazil, it is claimed that the poorest 20 per cent of the population receive only three per cent of the national income, while the richest 20 per cent get more than 60 per cent. Is there anyone in this room who believes that that statistic is the basis for business prosperity and a stable society? As I have said often, business cannot succeed in a society that fails, and those figures represent a failure to be overcome by this society, a failure Brazil shares with many other nations around the world.

I have earned a reputation for being a *bicho raro* in Latin America for arguing that it is in our own self-interests to push our political leaders toward reforms that create opportunities for the poor. A wise Jesuit with whom we work in Venezuela coined the expression “selfish solidarity” to describe the solidarity that the powerful political leaders and business leaders should feel for the poor majorities of their nations, so that all might prosper.

I know of no nation in which this sort of political leadership is visible. Few governments, 10 years after Rio, show much interest in the World Summit on Sustainable Development, less than three months from now in Johannesburg. Today the governments of some of the wealthiest nations, despite the promises of the Rio Summit, insist on their rights to waste energy, to pollute the atmosphere with carbon, to subsidize their rich farmers, and to bar the poor from the global market. The opposite of enlightened self-interest must be ignorant shortsightedness – and these are all examples of it.

This brings us to the failure of corporations in guiding us toward sustainable development. Their main failing is their lack of selfish solidarity. I am not speaking now of charity, of philanthropy. I am against neither. But charity alone will not do the huge job that must be done.

What I am talking about is much more radical than charity. I am calling upon companies to look for opportunities to bring the poorest into the marketplace in ways that benefit both the poorest and the

company. Much of this will involve business people working with non-governmental organization and their leaders. The NGOs know the poor and their possibilities and their needs; the companies know how to innovate and market innovative solutions. Together they can form powerful, mutually beneficial partnerships that can achieve results that eventually even the politicians must notice.

I want to describe today some of my own experiences with these new can-do partnerships. I am now Honorary Chairman of the WBCSD, and my Latin American holding company, GrupoNueva, is a member. Its president and CEO, a Brazilian named Julio Moura, is helping to lead an ambitious working group called "Sustainable Livelihoods: the Business Connection." It is an effort to study the relationships between business and poverty and to see if companies can be more effective than they already are in helping people create sustainable livelihoods for themselves. The motivation for this work is both positive and negative.

Positive reasons include the fact that companies are working further afield than ever before, operating in remote regions of Asia, Africa, and Latin America where the majority of the populations are poor. They are feeling a responsibility for doing something to help their neighbors. There is also a simple but powerful financial motivation: the world is roughly 11% rich, 11% middle-income, and 78% poor. Thus companies are realizing that they are competing harder and harder to sell to a minority of the earth's people. They want to reach the almost 80% of customers their marketing strategies now ignore.

The negative motivation comes from recent events. Companies have been truly shocked to see the vehemence of anti-market, apparently anti-business, demonstrations by relatively well-educated, well-off, young people around the world over recent years. They hope through this Sustainable Livelihoods work to begin to counter that image of business as a cause of poverty.

The project is only beginning, but already it is finding examples of ways by which companies are doing better business while improving the life security of the poor, including several in Brazil:

Aracruz developed the Forestry Partners Program, involving more than 22,000 farmers in 56 municipalities, in order to establish an alternative source of wood for its pulp mill. However, the company designed the program to play significant social and economic roles by helping local farmers earn a better living, make improved use of under-productive and fallow land, and benefit from a viable and profitable alternative to traditional crops. To help farmers realize these opportunities, Aracruz supplies know-how and partial financing.

Bayer developed a project in the southern state of Rio Grande do Sul in the mid-1990s to help convey information on Integrated Crop Management to farming families. Bayer worked with local authorities, the union of agricultural workers, and the farmers and other associations to implement the project, another example of innovative business/non business partnerships. The campaign developed new ways to convey information, particularly as many of the beneficiaries could not read or write. And a course a result of the project was to sell more Bayer products, as well as assure that they are used more safely and more efficiently.

Such partnerships prove that there are a growing number of companies and company leaders 'socially-minded' enough to work with NGOs. And there are a growing number of people in the NGOs businesslike enough to deal with the companies. I mention these mindsets because the deal-breaker in such partnerships is rarely an obvious issue such as goals or resources. It is usually a psychological or cultural gulf that cannot be bridged, a deep lack of appreciation of how the other thinks. The business people cannot understand, and therefore do not trust, the motivations and cultures of the 'exotic' world of the NGOs. And NGOs are notoriously suspicious of the profit motivation of the companies.

Fortunately, more and more people are coming up through the ranks who have experience both in business and in not-for-profits, and can speak the languages and understand the cultures of both. Such people are the greatest resource for the sustainable development movement. I have actually been shifting people between my companies and my foundation so as to create more of such invaluable human assets.

I want to move now to an organization that I began to establish soon after the Earth Summit. This is the foundation called AVINA, which has as its mission to partner with leaders of civil society and the business sector in their initiatives toward sustainable development in Ibero-America. It has been in existence for about eight years now, investing in social change mainly in Latin America, but also in Spain and Portugal, in ways that connect Latin America with its European roots.

Recently we tried an experiment. In the beginning, AVINA did not operate in Brazil, thus leaving aside half of the South American continent. We did not know whether we should venture into this complex nation that is almost a separate continent, that faces challenges that dwarf the resources of any one company, foundation, or government. In 1999, we asked ourselves: “Why should we attempt to work in Brazil? What can we add that might make a difference?”

We may have found that ‘missing link.’ In Brazil, government and business have collaborated since colonial times to promote forms of economic development. Non-governmental organizations have emerged in great numbers over the past three decades. They typically provide social services beyond the capability or authority of government. They may work with the public sector, but more usually they work apart from it or even in opposition to it. The missing link is any reinforcing relationship between business and NGOs. In fact, as I mentioned earlier, these two groups usually view each other with suspicion if not downright hostility.

We know that business needs a healthy, educated, productive, and secure society to prosper at home and abroad, while social organizations aspire to extend their best practices and beliefs more widely to serve Brazilian society. Neither sector believes that government alone can create satisfactory conditions for sustainable growth and social and environmental improvement. We reasoned that an alliance between NGOs and business could bring new resources and thinking to confront Latin America’s development challenge.

AVINA began testing this hypothesis in Brazil in 2000. We used the same approach that has characterized AVINA from its foundation: identify and work with individuals in business and civil society with clear leadership attributes who are committed to building a better society. Most of the NGO leaders we met had had little or no experience with the private sector. Most of the business leaders intuitively felt that NGOs had much to offer, but they were uncertain of how to approach them.

We began by offering our NGO leaders ‘extra’ challenge grants on top of our original investment in them. They would get the extra grant if they could match it with money from local businesses or individuals. Initially many leaders told us that this simply would not work in Brazil. Companies do not give to citizens’ groups – unless they are football clubs, samba schools, or church groups. Tax laws do not encourage such giving. Etc. Etc.

In many cases this seemed a self-fulfilling prophecy, as time passed and our leaders did not try to meet the challenge. But as closing dates drew closer, they ventured into the dens of capitalism. We advised them, and tried to help them find contacts. We also told them to go talk to someone they went to school with who is now successful in business.

To their surprise and our surprise, they were so successful in the first year that they matched our challenge grants by more than 100 per cent. This does not mean that everyone matched his or her grant completely; but so many raised so much more from business than they set out to, the group as a whole raised more than the total of our challenge.

More important, our partners have discovered that financial support from the private sector, while important, is just one of the resources businesses can bring to social enterprises. Others include organizational skills, new contacts, and a knack for planning for the future. Business leaders have learned that their engagement beyond their companies and neighborhoods builds loyalty among their employees and new respect in society.

AVINA is proud of its Brazilian partners. I shall mention three at random. Rodrigo Baggio is a “carioca” who was working as a IT consultant to IBM in Rio in the early 1990s when he became aware of the growing digital divide that threatened to further marginalize Brazil' s poor. He rounded up donated computers and started a computer literacy school in one of Rio' s *sávelas*, teaching civics, social, and environmental themes as well as word processing. In 1995 he founded the Comitê para a Democratização da Informática (CDI) to meet growing demand. Today CDI, still based in Rio, has established chapters in 35 cities and 19 states, and is well-connected to business. Rodrigo' s work has provided the opportunity for some of the hemisphere' s poorest communities to enter into the Information Age.

Ézio Rezende is the 29-year-old Executive Director at Fundação Projeto Pescar in Porto Alegre. It is an apprenticeship program, which has helped start over 40 apprenticeship programs for businesses in southern Brazil. A recent evaluation found that 65% of participants found and kept jobs, while 8% went on to start their own businesses. The organization grew out of the work of the late entrepreneur Geraldo Link, a prime example of the businessman who discovered the many returns of social investment and involvement.

Rosiska Darcy de Oliveira founded the Instituto de Ação Cultural in 1970, and has spent the last three decades promoting women leaders in Brazil and internationally. AVINA challenged her to raise money from business, which she did, and formed an alliance with the Federation of Industries. But she told us she got more than money. She said: “We learned the importance of using companies’ abilities and know-how, such as techniques of management and administration, in achieving efficiency.”

I could go on. Of course, one of our most important and like-minded partners in Brazil is Ethos itself. I can think of no similar organization anywhere in the world that has had so much impact within a given nation in furthering the cause of corporate social responsibility.

But to return to my tale: in meetings following the experiment, leaders from both society and business in Brazil asked AVINA to make building such bridges a top priority. They said that AVINA’s corporate origins, combined with a commitment to sustainable development, gave us an advantage in helping support these alliances. AVINA’s results-oriented philanthropic style was reassuring to business partners. Our non-sectarian, multi-faceted interpretation of social development was compatible with the outlook of NGO leaders.

In 2001, AVINA responded to the request by affirming our intention to work in Brazil. We are also making business/society bridge-building the foundation of AVINA’s work throughout the region in the future. Thus I would like to take this opportunity to invite companies here to work with us and to work with the leaders who are our partners. AVINA is already discussing with ETHOS, GIFE, and Ashoka joint activities that will help promote social responsibility and links between business and civil society in Brazil.

This is a business audience, so I have saved my business operations for the important 'third act' of this discussion. My Latin American holding company, GrupoNueva, was once about 45 largely separate companies involved in water systems, light construction materials, and timber and agricultural products. It is a very active and growing player in Brazil, though a young player. Amanco (water systems) and Terranova (forestry plantations) are both headquartered in Santa Catarina. Amanco is a member of the Brazilian BCSD, and will be representing that group at the Johannesburg summit in August. Both companies are learning much from what Brazilian companies are already doing.

GrupoNueva sees excellence in corporate social responsibility as a competitive tool that can help us win market share. We view accreditation to international standards in the same way, and are happy that our seeking standards such as ISO 14001 also improves the many smaller Brazilian supply chain companies with which we work.

We have recently published our first Sustainability Reports relating past progress and future goals. One of our first steps towards the goal of an integrated management system for Health, Safety and Environment and corporate social responsibility is an integrated system of stakeholder dialogs. Through such dialogues we learned for example that it may not be a wise approach to build a school in a community, if residents hate us for the 300 trucks we send down their dirt streets every day. I do believe that being socially responsible is good for corporate competitiveness, but I should warn all of you against doing it only because you want praise and applause.. Those may be byproducts but cannot be counted upon. It may just as well happen that you are going to be questioned for what you consider to be your best efforts. I am proudest in my business life of getting out of the asbestos concerns I inherited as a young man and getting into other cleaner, healthier, and more socially responsible enterprises. But I am still criticized in Europe for steps taken in my early career. You should be socially responsible because you deeply believe it is the right thing to do and it will be a winning proposition. .

I shall close by describing a step I am about to plan which may bring me more questioning, but which I believe is the right thing to do. I also think it is going to be very exciting and a lot of fun.

It all began with a question that came up in our work with business and NGO-leaders: Is there any reason that companies and civil society organizations cannot, and should not, have the same vision and values? More specifically: Could there be any excuse for their not having the same vision and values when they have the same owner and funder, as in the case of my company and my foundation? In AVINA and GrupoNueva, we have shorthanded the term 'Vision and Values' into the term VIVA. The VIVA statement of GrupoNueva begins: "To be recognized as a leading Latin American industrial group, operating in a framework of ethics, eco-efficiency, and social responsibility while generating economic value and improving our neighbors' and our region' s quality of life."

While Nueva seeks to generate economic value and improve the region' s quality of life, AVINA seeks to generate social value and improve the region's quality of life. The VIVA of the two is basically the same, the primary difference between them being that one invests to make a profit and the other strives to invest money for social change. The obvious question arises: Why not recycle Nueva's profits through AVINA?

My own vision is to have GrupoNueva earn financial resources for AVINA in the same societies and markets in which both operate. This experiment, goes beyond the creation of a traditional corporate foundation, in which a percentage of profits goes to a completely separate organization with links only at board level. I want to align my business and not-for-profit activities in ways that reap synergies where they exist, while respecting real differences in objectives, rules, and criteria. I imagine a tough, efficient,

businesslike foundation and I imagine a company that really does feel and practice a selfish solidarity with the society in which it works. And I imagine these two bodies linked throughout their organizational structures.

Will VIVA work in reality? Obviously, I do not yet know. I am driven by an image of a world creating unprecedented amounts of capital and unprecedented amounts of poor people at the same time. For capitalism to help create sustainable forms of human progress, we need billions more capitalists. For the market to be the tool for sustainable development I am convinced it can be, we need to build a market more replete with opportunities for all.

Surely it behooves a man like myself, part of that unprecedented accumulation of capital, to seek to recycle capital in ways that help to improve this increasingly global market and help the poor make the most of their resources. This recycling must be done not by governments and their costly and inefficient bureaucracies alone, nor in the slow drips of traditional charity. The magnitude of the challenges ahead and the rate of change in the world require an industrial-strength philanthropic effort based on entrepreneurial creativity, efficiency, and added value. I hope that the VIVA experiment shows one possible way in this direction.

I focused today on the need for innovative, practical, can-do partnerships between business and citizens' groups. I offered some real-world examples in which I have been involved and which I find very exciting. I ended with the not-yet-real-world example of the VIVA experiment, which I hereby invite you to watch me struggle to make real over the coming years. Whatever the fate of VIVA, I look forward to continuing my long involvement in Brazilian society, through my foundation, my companies, the World Business Council, and my own association with a nation of deeply valued friends.

Thank you.