



chilean business sustainability challenges 2015



Network for
Business Sustainability
Chile

Inspiring new research
and innovating
new solutions

letter from Pablo Munoz, NBS Chile

As Chile's economy progresses, the need to address pressing sustainability issues becomes greater. Our economy largely depends on the exploitation of natural resources. History says that such dependency usually leads to lack of structural change, non-sustainable growth, and non-inclusive growth. Looking ahead, these are major challenges for our country.

The Network for Business Sustainability Chile is working towards addressing these sustainability challenges to build considerable business and academic resources in the region. It seeks to bridge the gap between research and practice by facilitating dialogue and collaborative work between a wide variety of Chilean and Latin-American companies. In doing so, it enables better informed strategy and decision making in line with sustainability principles.

When it comes to integrating sustainability in the core business, there is a maturity curve that moves companies from simply articulating a business case for sustainability to becoming a game changer towards a sustainable future. One can tell where a given company is in this curve by observing the kind of questions they raise when facing sustainability problems. Ten Chilean companies got together in August 2014 to discuss, elaborate question and identify and prioritize sustainability challenges. On the surface, the questions and challenges we present in the report resonate with early-stages in the route to sustainability, and answering them seem to simply require adapting good practices from more mature markets. However, the distinctive

combination of history, culture, societal structures, political institutions and revolutions that characterize Latin America invite a second read, and thus a revisit of traditional business models and tools we have been using in the last decades. There is need to take a deeper look in light of a context that presents a unique mosaic of factors combining the politics of expertise, privatization, poverty and inequality, and citizenship insecurity.

Resolving how to integrating sustainability into the business strategy and how to build long-term relationships with the communities in our context offer unique opportunities not only for research but also for the practice of sustainability. By looking at these issues in such a distinct context, we strongly believe that managers and researchers around the world will find new and interesting ways forward.

NBS Chile is pushing an ambitious agenda. This report is a first step by NBS Chile in contributing to the regional business environment. We have a bold mission. We aim to transform extant Latin-American corporations and new ventures by reshaping their business models and strategic decisions based on financial, environmental and social concerns. We would like you to be part of this effort.



Sincerely,

Pablo Munoz
Academic Director, NBS Chile

the 8 sustainability challenges for chilean business in 2015

1

How can companies build long-term relationships with local communities in order to generate shared value throughout the business or project lifecycle?

2

How can companies integrate the sustainability strategy into their business strategy?

3

How can companies generate, measure and communicate in a better way the actions that originate from and give life to the sustainability strategy?

4

How can companies manage a culture of sustainability that permeates the corporation and promote at the same time the development of leaders and employees who are capable of making sustainable choices in their lives?

5

How can companies create a positive impact on the community's social and environmental development based on their sustainability culture and initiatives?

6

How can companies facilitate a culture of collaboration that allows for building multi-industry networks and partnerships for sustainability?

7

How can companies integrate and balance the demands from different stakeholders into the decision-making process towards creating mutual sustainable value?

8

What are the most effective community engagement tools that allow companies to integrate the demands and interests of the different stakeholders in the sustainability strategy in a timely manner?

1 CHALLENGES

How can companies build long-term relationships with local communities in order to generate shared value throughout the business or project lifecycle?

The issue of building and maintaining long-term relationships between Chilean companies and the communities where they operate has gained momentum.

Currently, relationships between companies and communities have been primarily based on a transactional logic whereby companies deliver material goods in response to social pressure and specific requests for such goods. However, this logic has so far been incapable of delivering the results needed in terms of long-term stakeholder and community engagement. In addition, community dynamics produce a continuous inflow of new interests, leaderships and images for the future, which leads to the continuous surge of new issues and new demands. As a result, the community and the broad range of stakeholders perceive companies' investments in community engagement as isolated contributions.

Chilean companies have realized that this kind of social investment, based on mere transactions of material goods, does not warrant a long-term status. Building partnerships between companies and communities is increasingly complex. The monetary cost of community engagement does not resonate with the value community engagement initiatives and actions generate. Perception of mutual value creation is low, as well as the perception of return over social investment.

“How can we make sustainable decisions? How do we work with the community in a more collaborative way? We need to treat our communities as allies not as the recipient of philanthropic help, working with them is a central matter.”

FERNANDA RAMOS
DUKE ENERGY

In this context, companies recognize that they need to create community engagement plans with clear milestones in short, mid and long-terms, which would allow them to establish an early, strategic and permanent dialogue with the communities. This dialogue needs to be based on shared current needs, and future expectations, and should allow stakeholders and other actors to clarify their development expectations, the capabilities they have and what they actually need to jointly move forward along with the company. At the same time, this should allow the company to focus on what the community actually needs and clearly recognize that the actions it deploys are part of social investment that will bring benefits to both of them.

Designing and implementing these processes are clearly not exempt of conflicts, which may even emerge between stakeholders. The company operates within a community that comprises multiple types of leaderships, stories and relationships. The company or other companies may have already had an impact on that community and before even trying building new relationships, simple things such as communication channels and trust need to be repaired or rebuilt. Companies require new insights into what works and what does not work when it comes to building long-term relationships with communities. A new set of alternative management tools and methods based on territorially relevant information is needed. This new set of tools must allow companies to build strong and permanent links with the community based on mutual, long-term value creation.

“One of the greatest challenges for companies that seek to be sustainable in the future is to count with the mechanisms that allow them to establish collaborative relationships with their nearby communities, so that the development of new business projects will result on tangible benefits for both parts.”

ERICK NOVOA
PORT OF VALPARAÍSO

2 CHALLENGES

How can companies integrate the sustainability strategy into their business strategy?

The sustainability department and related initiatives within companies have expanded exponentially in the last years. This has taken many different forms at the time CSR increases its relevance within companies' planning for both sustainable development and growth. We have witnessed that sustainability has become an integral part of the many companies' vision and mission for the future.

Sustainability strategizing pertains the identification of relevant themes, risks and opportunities in areas such as environment, community engagement, labor and governance; the management of such risks and opportunities, and the measurement of the value this creates for the business. However, in spite of the expansion of CSR and sustainability-related initiatives within firms, there is still remains a major challenge regarding the integration of the sustainability strategy into the business strategy.

Within firms, the sustainability department is usually perceived as an independent unit, not necessarily related to everyday operations. As a result, the actions emerging from this department are seen as isolated initiatives within no particular connection to the business objectives and performance, and usually do not require collaboration across departments.

NBS Chile Leadership Council members recognize that integrating sustainability into the business strategy and processes is a major challenge. They emphasize that companies need to be able to incorporate sustainability objectives, actions, and measurement systems throughout all processes and areas. As such, this sustainability challenge is not to be located in the sustainability department, but it rather needs to be tackled by all operational units.

“We need to stop looking at sustainability as a single area that manages philanthropy or CSR actions, and start understanding that this is closely connected to the business success. If we are able to elaborate sustainability strategies as part of the business's long-term and short-term strategies, the company will certainly start obtaining benefits at different levels.”

**DANIELA BERTOGLIA
NATURA**

This challenge becomes particularly relevant to companies dealing with the exploitation of natural resources such as mining, agriculture, forestry and fishery, where the sustainability strategies of the leading companies not only establish the kind of impact the companies will have on the natural environment, but also contribute to shaping industry standards. In these industries, performance and growth is jeopardized if the sustainability strategy is not implemented adequately across the company, because social and environmental impacts and risks always exist. However, companies still tend to behave reactively, implementing actions towards mitigating negative impact. There is little investment in long-term sustainability strategies capable of making tangible the mission they have already declared.

3 CHALLENGES

How can companies generate, measure and communicate in a better way the actions that originate from and give life to the sustainability strategy?

Creating a sustainability strategy requires a long-term view and the willingness of companies to observe both their positive and negative impacts on the environment. Once the sustainability strategy is implemented, companies require tools that allow them to adequately manage the strategy, which entails developing indicators to measure the performance of the sustainability actions and initiatives emerging from the strategy, and its impact on the environment, the community and the same company.

When companies have identified their sustainable development objectives, the challenge is how to implement the right action plans that will actually allow companies to achieve their goals. This becomes instrumental in that implementation calls for investment of resources, from which managers will be expecting returns over the short and the long run.

In following-up the sustainability strategy, companies need indicators capable of measuring the impacts of the sustainability initiatives, processes, and outcomes. In developing these measurement tools, it is important that both positive and negative impacts are captured. On the other hand, the development of sustainability performance indicators would allow companies for having a sense of progress regarding its sustainability ambitions, and to focus its resources on those strategies and initiatives that are aligned with long-term plans of the company and are effectively creating change.

“How can we create language that is simple enough to convenience our collaborators about the relevance of integrating sustainability strategies.”

JOSÉ LUIS GARCÍA-HUIDOBRO
EY

In addition, having tools for measuring sustainability performance can contribute significantly to improve companies' internal and external communication. Being able to communicate to collaborators and communities what the company is doing in the short and long term gives the companies' stakeholders the opportunity to understand and make sense of the strategy and actions and even get involved in the further development of the sustainability ambitions.

Finally, indicators would allow measuring the financial impact of making sustainable choices, the financial cost of not making sustainable choices, the profits obtained from implementing sustainability strategies, and the broader economic benefits it brings to society.

Identifying these indicators is an even greater challenge when there is no public data available that can be used as a reference or starting point, and companies are required to collect and analyze their own data. At the national level, social and environmental compliance is the focal point today, so LC members emphasize that is yet to be seen if companies are actually ready to identify and develop indicators to monitor and communicate their progress regarding sustainability.

4 CHALLENGES

How can companies manage a culture of sustainability that permeates the corporation and promote at the same time the development of leaders and employees who are capable of making sustainable choices in their lives?

In Chile, the goal of sustainable development has increased its importance for companies in the last 10 years. Within the area of sustainability, companies observed a wide variety of themes and issues, ranging from health and safety to environment responsibility. In aligning these themes, companies are required to develop sustainability strategies and actions plans, however, these plans are not always implemented.

One of the consequences of not implementing these plans and not integrating them as part of the everyday processes of the company is that sustainability and its potential impact will not make sense to collaborators. The actions related to environmental protection are not perceived as having a connection to the company's overall performance, and the actions related to community engagement are usually seen as philanthropy or charity, unrelated to the company's business strategy.

The challenge for the companies then is that sustainability needs to be integrated in all processes and areas of the company. It is about putting out there, based on daily actions, the idea that sustainable development is part of the strategy and the growth and development of the company. The ultimate aim should be that sustainable decision-making is integrated across the value chain, with contractors, suppliers and customers sharing the sustainability strategy of the company.

“[It is necessary] that we foster a culture of sustainability within the company, not only in our leaders and decision makers but also in the collaborators who are part of our company. (...) We want to develop talent and generate relevant sustainability knowledge so that people can make decisions integrating environmental, social and economic factors, not only to fulfill the company mission but also to transcend and learn that this is to do with business sustainability over time.”

DANIELA BERTOGLIA
NATURA

5 CHALLENGES

How can companies create a positive impact on the community's social and environmental development based on their sustainability culture and initiatives?

A sustainable organizational culture is a set of principles shared by a group of people regarding how a company should be developed. In the context of sustainable development, a company should balance financial performance, social justice and environmental responsibility. Companies that integrate the sustainability strategy as part of their business strategy help sustain healthier ecosystems and improve the quality of life of local and global communities; at the time they obtain financial returns.

In order for a company to develop a sustainability strategy adequately, people within the company must share and practice the belief that sustainability is about balancing environmental impact, financial performance and social justice, and that this needs to work across the chain value, reaching both customers and suppliers. However, there is the challenge of how sustainability, as a business strategy, can be part of those involved in the production chain, reach their homes, to their immediate community and society.

Sustainability, as a business strategy, should be strengthened within the company with a strong commitment from the senior management. This way, the sustainability principles that give support to the strategy can be understood and experienced daily.

To the extent that people are part of a sustainable growth, they can embrace this new way of understanding development. However, when trying to transfer this vision from the company to its workers, their families and the community, oftentimes we find a gap between the workplace and family and social context. Bridging this gap is a challenge for companies seeking to make contributions to society, so further questions arise: how can companies contribute to society through its sustainability culture? Or how can companies use their sustainability organizational culture to reach their immediate community?

6 CHALLENGES

How can companies facilitate a culture of collaboration that allows for building multi-industry networks and partnerships for sustainability?

Network building between companies and their core and peripheral stakeholders is relevant in that it allows for continuous learning and development of companies. This is due to the fact that sharing experience and knowledge and close interaction not only allows for transferring best practices, but also opens up new business opportunities and facilitates innovation in unexplored areas.

In the field of business sustainability, network building present similar benefits. Collaboration between companies and sharing experiences help achieve sustainability ambitions and objectives in more efficient and fast way.

NBS council members emphasize that, although currently exists a certain level of collaboration between companies where they can share experiences regarding sustainability, these partnerships are articulated by companies from the same industry or happen between workers sharing the same status. An opportunity exists in that there are no instances where companies can collaborate with others from different industries and workers can interact outside their silos.

Dissolving the current partnership structure by industry and hierarchy would allow for the creation of multi-industry clusters for sustainability, where companies from different industries can share their concerns, expectations and achievements related to sustainability.

“[We must] nurture ourselves collectively, companies, NGOs, governments... this way we can create (not assimilate) best practices that allow us to grow.”

JUAN PEDRO PINOCHET
GESTIÓN SOCIAL

7 CHALLENGES

How can companies integrate and balance the demands from different stakeholders into the decision-making process towards creating mutual sustainable value?

All companies in the market today are looking for systems and processes through which to increase their revenue and profits. However, once a certain point is reached, it becomes difficult for business as usual to find effective ways for achieving goals, and companies need to start crafting new strategies as they move forward. Integrating customers, suppliers, workers and the community in the decision-making process opens up the company to new possibilities at the time new insights and points of view are considered.

In various fields, we have witnessed that bringing in new perspectives provide the companies with enough resources to reinvent themselves and to integrate the changes required. Giving space for others actors to contribute is a first step towards igniting innovation inside the company, which will be developed from the ground up once the opportunity to collaborate has been granted. This space for innovation can be later on assimilated by other areas of the company, not only in terms of sustainability initiatives, but also in terms of communication or internal processes.

Regarding sustainability action plans, NBS council members emphasize that many companies seek to just implement small programs that use little resources and time. They recognize that this is both a challenge and an opportunity, in that opening up spaces to new perspectives can reverse the traditional “minimum-acceptable” behavior, because external individuals can provide alternative, novel and feasible propositions, motivating the company to move outside its comfort zone towards new options. By adopting innovative and sustainable ways, large companies can get involved as value chain actors operating towards creating a virtuous circle of sustainability.

8 CHALLENGES

What are the most effective community engagement tools that allow companies to integrate the demands and interests of the different stakeholders in the sustainability strategy in a timely manner?

The investment scenario in Chile has gained complexity, because the community is playing a stronger and more central role in the execution and evolution of every new business. In this scenario, companies emphasize that it becomes necessary to create mechanisms that allow them to build and maintain relationships that are timely, permanent and strategic between the company and its community.

Dialogue, trust and empathy seem to be the new strategic pillars to be set by companies in their effort towards building strong and long-term relationships with the community. Defining how to make this work effectively is a major challenge, because the kind of relationship that is established between companies and communities will certainly shape the future of new businesses or the growth of extant ones.

In our country, communication practices between companies and their communities tend to be also deficient and rudimentary. NBS council members agree on that establishing the building blocks for continuous dialogue is a major challenge, specifically in complex situations where companies face controversies related to the social or environmental outcomes of their operations. Establishing the building blocks entails organizing a wide range of initiatives, from dialogues aimed at collecting opinions, to facing conflicts and violence.

“How can we channel those positive comments and what can we do when facing difficult situations ... sometimes it happens that there is a group against you and there is a group pushing in your favor, and the one that is against you is simply bigger than the other one. This creates a big problem because there are people supporting who won't have much to say. I think we need to build broader dialogues between community members, oftentimes they do not talk to each other.”

ERIK NOVOA,
PUERTO VALPARAÍSO

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“How can we better listen to the vision of our communities and stakeholders, so we can build a future together, and so what we do as a company makes sense and creates real value to all.”

MARÍA ELENA SANZ
CAP

“We have the challenge of how can we work with the community in collaborative manner, how can we deliver tools, how can we move away from philanthropy (...) our biggest challenge is to build real bridges between the community and our business, we really want them to be part of it.”

FERNANDA RAMOS
DUKE

About NBS Chile

NBS Chile is an affiliate of the Network for Business Sustainability, a non-profit organization based at Western University and UQAM (Québécoise des Archivistes Médicales) in Canada. NBS produces authoritative resources on important sustainability issues with the goal of changing management practice globally. We unite thousands of researchers and business leaders worldwide who believe passionately in research-based practice and practice-based research.

NBS Chile is housed at the Universidad Adolfo Ibáñez (UAI)'s Centre for Business Sustainability. UAI Business School is the oldest business school in Latin America and its programs are consistently ranked among the top three in Latin America. The school is committed to educating socially-responsible business leaders for the global economy and to developing and inspiring entrepreneurs and professionals.

About NBS's Chilean Leadership Council

NBS Chile's Leadership Council is a group of Chilean sustainability leaders representing diverse sectors. At an annual meeting, these leaders identify their top priorities in business sustainability – the issues on which their organizations need authoritative answers and reliable insights. Their sustainability priorities inform NBS research projects.





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Chile

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