



latin american b corp sustainability challenges 2015



Network for
Business Sustainability
Chile

Inspiring new research
and innovating
new solutions

letter from Pablo Muñoz, NBS Chile

Benefit corporations (B Corps) are at the heart of a new economy. Not only do they aim to be the best *in* the world, they aim to be the best *for* the world. To do so, they commit to high standards of governance and transparency as well as social and environmental practices and impacts.

B Corps represent a new breed of enterprise that faces unique challenges. Their purpose and key success indicators are somehow counterintuitive in a business-as-usual world that values profit over other impacts.

To many, B Corps are at the forefront of business sustainability. They are setting new standards for companies that are just starting to consider how to improve their triple bottom line. This mindset requires new business models and, oftentimes, innovative value propositions that allow new opportunities to emerge.

Currently, there are nearly 1200 certified B Corps in 37 countries marketing business solutions targeted at resolving social and environmental problems. Clearly, B Corps are on the rise. Latin America — Chile in particular — has produced a fertile crop of such enterprises, making the continent the fastest growing B Corp region with nearly 150 certified companies across six countries.

In exploring the challenges and opportunities that B Corps currently face, we at NBS Chile gathered a group of 22 B Corps from Chile, Argentina and Colombia to form the first Latin American B Corp council. This report is the first outcome of the council's work.

As you read and compare the challenges to those identified by NBS's leadership councils over the years, you will realize that B Corp challenges are unique. They are not about why or how to integrate sustainability into business, but rather about how to build upon sustainability ambitions to create a stronger impact in the world.

At NBS, we strongly believe that B Corps are source of inspiration and knowledge for a sustainable society. We are looking for ways to understand and systematize what happens within the B Corp world. This report is a first step. We invite you to be part of the next steps.

Sincerely,



Pablo Muñoz
Academic Director, NBS Chile

the 8 sustainability challenges for latin american b corps in 2015

1

How can B Corps effectively communicate their purpose and value to a broader market?

2

How can Latin American B Corps foster dialogue within public policy circles to improve understanding of how these companies operate and contribute to society?

3

What are the most effective ways to measure the achievement of B Corp goals?

4

How can B Corps and the B Corp system contribute to the creation of a B market?

5

How can B Corps and the B Corp system stimulate greater investment or attract more investors to sustainable business?

6

How can B Corps generate stronger partnerships with each other, with stakeholders and with disconnected partners to create alliances for a more sustainable society?

7

How can B Corps maintain their culture and organizational values while they grow and expand?

8

How can B Corps increase their social and environmental impact without necessarily scaling economically?

1 CHALLENGES

How can B Corps effectively communicate their purpose and value to a broader market?

Business communication is key to being recognized, building networks, expanding market reach and capturing the attention of investors who believe in the development of a company. To create a strategic communications plan, a company must first define its identity — what it is and what they want to transmit.

For B Corps, communication is a central challenge. According to the meeting attendees, it is a priority for the sector to define what a B Corp is. It is also a priority to understand how they fit within industry, what unites them as a segment, and how to gain recognition from stakeholders.

Currently, consumers are not widely aware of what B Corps are. They do not know the difference between B Corp products and services compared to others, nor do they understand why to support them.

This identifies a need to communicate and share information. Communication at small companies is challenging due to lack of budget to communicate goals and value to bigger markets. And for those who have a larger budget, they do not know what the

best marketing and communication tools are to share their message with a broader audience.

Attendees agreed that a distinguishing element of B Corps is sustainability, which is at the core of their business missions. Andrés Gonzalez from Armstrong & Asociados, an advertising company, points out that it is key not to demonize the market to highlight B Corps. It is best to communicate positive achievements and contributions.

Cultural nuances are also key to communication as Andrea Nallím of Reciclarg Recycling Technology SA can attest. She shared her experiences with the media in Mendoza, Argentina. In their case, the relationship between them grew spontaneously. Interest in how the company is making a difference in the market resulted in several media publications. Yet, Nallím knows that this is not the standard and emphasizes that this is why it is important to create effective campaigns about what B Corps are.

“How do we positively communicate the changes we are making. It’s not easy to showcase the positive impact we are achieving as B Corps. How do we go from doing our tasks to measuring them.”

ANDREA MÉNDEZ
NOTICIAS POSITIVAS

“The idea is not to demonize the market, but rather to make it work in our favor.”

ANDRÉS GONZALEZ
ARMSTRONG & ASOCIADOS

2 CHALLENGES

How can Latin American B Corps foster dialogue within public policy circles to improve understanding of how these companies operate and contribute to society?

Within Latin America, B Corps are growing and receiving support for their development. These companies differ from country-to-country and city-to-city, just as their clients.

In Latin America there is no regulatory framework that outlines guidelines for the development of B Corps. This results in a market where companies compete with many different objectives and sectors.

Given the context, the challenge is to develop a legal framework within current public policies that allows for the growth and development of B Corps, both within each country and across Latin America.

Part of this strategy must identify ways to include non-B Corps into the B Corp

system. Companies who do not meet the requirements are excluded from the certification system and, therefore, also excluded from receiving support from the system. Through a system of inclusion, companies could avoid discrimination due to lack of acquirable knowledge or skills.

This strategy must facilitate business growth and include a partnership plan, whereby B Corps can communicate with one another, form a development cluster and manage strategies as a group.

As public policies vary from country to country, it becomes a challenge to manage a development framework that allows equality of conditions for businesses and for them to be recognized internationally as part of the B system.

3 CHALLENGES

What are the most effective ways to measure the achievement of B Corp goals?

An indicator is a tool that provides evidence about whether a condition exists or if certain results have been achieved or not. Indicators allow the measurement of abstract elements, such as impact and performance. To quantify the efficiency and effectiveness of any program and to determine the rate of completion of a specific goal, indicators need to be implemented to measure impact.

The B Corp mission is to build “a favorable environment for strengthening companies that utilize market force to solve social and environmental problems.”¹ Specifically, B Corps “(...) combine profit with the solution of social and environmental problems aspiring to be the best company for the world and not just in the world.”² While these companies may belong to different sectors, they share this common objective.

Yet there are many ways to solve or help improve environmental and social problems. Given the diversity of solutions and initiatives, there is a need for indicators to quantify these “good intentions” to verify the

achievement of goals and objectives, i.e. to observe stages of completion and confirm whether or not the actions of B Corps are in line with the strategy of the organization.

So how can B Corps measure their passion and transform it into a quantitative and objective metric? Creating key performance indicators (KPIs) designed specifically for B Corps would allow owners to make decisions about company activities. They could use KPIs to keep track of pro-environmental and pro-social activities and see if they are achieving expected results or, perhaps, if resources need be reallocated to achieve results.

These indicators must meet two key features. On one hand, they must be universal, i.e. that every B Corp can use them as a reference. At the same time, they must be adaptable to each business, i.e. they must fulfill the role of general guideline, but at the same time permit adequate flexibility for different B Corp business models.

How can B Corps measure their passion and transform it into a quantitative and objective metric?

¹ <http://www.sistemab.org/espanol/el-movimiento-global/mision-y-desafios>

² <http://www.sistemab.org/espanol/el-movimiento-global/mision-y-desafios>

4 CHALLENGES

How can B Corps and the B Corp system contribute to the creation of a B market?

B Corps have been gaining ground in Chile and the rest of Latin America. Given their market expansion, there are now networks of suppliers and consumers who prefer their products and services. Yet, growth is not forever eventually stagnates — and this stagnation is a .

Self-perception is also a challenge to growth. The attendees perceive that their existence as B Corps is associated with the company size, which is basically that of a start-up or small to medium-sized enterprise (SME). This perception leaves little room for the concept of growth and limits the expansion of companies that have been B Corp certified. While these companies currently have committed suppliers and consumers, the question is how to expand their boundaries.

Attendees also highlight the concern of losing the essence of B Corps during the growth process. This essence is what differentiates them from other companies in their sectors and what adds value.

José Antonio Berrios observes the challenge with optimism: “This is the best

of the problems. It is a challenge for five years from now. Today, the challenge is to grow and to climb while remaining sustainable. The issue is how to grow while being a B Corp, how to generate and capture marketshare, how to grow while competing with big companies.”

According to John Zaffora of EMATRIS, the growth of a B Corp should reflect the impact generated by the company, i.e. if the company grows there will be benefits for the entire value chain, including suppliers, customers and employees.

Finding a method to encourage B Corp growth would produce a multitude of benefits. Sebastián Letemendía from Conexia notes that a growing company that contributes to the environment and society becomes attractive to talented workers, which in turn, helps the company grow more.

This particular challenge is then defined by the ability to take advantage of the B Corp platform to move beyond the level of a start-up or SME and achieve full company potential.

“We are interested in growth as a reflection of the impact. We are not only interested in growth by the valuation of shares in the short term. If we can hire 50 people and improve their quality of life, then that is growth with impact.”

JUAN ZAFFORA
EMATRIS

5 CHALLENGES

How can B Corps and the B Corp system stimulate greater investment or attract more investors to sustainable business?

Those who invest in a business may look to diversify their funds and make a profit out from their investment. Such investments also allow a business to grow and increase its value, creating a mutual benefit for the business and the investor.

One of the greatest challenges for B Corps is attracting like-minded investors and obtaining investment based on the sustainability goals and values central to the business.

Investing in B Corps can be framed as a responsible investment option. The outcome of investing is reflected not only in the amount of products or services offered and sold to customers, but also in the impact on the environment and the community surrounding the firm.

An effective communication strategy capable of transmitting the benefits of investing in a B Corp is central to capturing investor attention and to financial profitability. Andrés González highlights the need to “work on building a brand that shows an earnest image that can be trusted and is profitable to invest in.” As such, certified B Corps must communicate effectively to reach relevant audiences —including investors.

The B Corp universe is diverse, enabling different types of shareholders to participate in investment opportunities. The challenge is how to channel these diverse opportunities into a coherent story — capable of reconciling different profiles, levels of risk and profit aspirations — to increase the chances of attracting investment for the B Corp community.

“[There is a need to] work on building a brand that shows an earnest image that can be trusted and is profitable to invest in.”

ANDRÉS GONZÁLEZ
ARMSTRONG & ASOCIADOS

“[We need to] send the message that investing in a B Corp is good business.”

BENJAMIN PAGE
ACTUA 360

6 CHALLENGES

How can B Corps generate stronger partnerships with each other, with stakeholders and with disconnected partners to create alliances for a more sustainable society?

Collaboration between companies allows them to address and resolve challenges that cannot be solved by conventional methods — challenges that are complex, involve a multitude of actors and require different skills for their resolution.

Oftentimes collaboration is a reactive, meaning companies only work together when there is trouble. However, companies should work towards integrated and transformative partnerships in which they can comprehensively discuss their objectives and their ultimate purpose of contributing to society.

Innovation is one of the benefits of such collaboration. Stable, long-term networks provide tools and create opportunities to facilitate company development and effectively resolve complex problems. Collaboration between companies enables value creation by finding new ways to address systemic challenges.

Collaborative partnerships also make sustainability compliance simpler and

more robust. They foster knowledge and resource sharing so that companies are likelier to have resources and technology to address problems. They also facilitate a community in which groups of companies commit to sustainability.

Álvaro Bronstein of EmpreDiem points out a supply side opportunity: creating a bank of B suppliers who work with and recommend each other. In turn, customers in search of sustainable suppliers — like B Corps themselves — would find suppliers aggregated in one place. Such networking enables the knowledge, resource and skill sharing that the B Corp community can tap.

Yet, working together also introduces challenges. Interests may diverge as firms grow, leading to instability in a partnership. Long-term relationships requires coordination, communication and alignment — ultimately an extra effort for founders who may be struggling to keep their ventures afloat.

“You could design a bank of sustainable suppliers, which would be a step towards market generation.”

ÁLVARO BRONSTEIN
EMPREDIEM

7 CHALLENGES

How can B Corps maintain their culture and organizational values while they grow and expand?

Organizational culture gives meaning to a company. It motivates employees, guides their actions and makes daily work more meaningful.

B corps are focused on turning a profit while generating positive impacts within the environment and their communities. In addition, they strive to foster the development of their workers through training, education and cultural activities among other initiatives.

B Corp owners highlight the importance of raising awareness in society. They emphasize that their businesses are not only profitable, but also interested in nurturing an economy with values that are more humane and promote fairness. Andrea Nallím of Reciclarg Recycling Technology SA says: “What we do is try and raise awareness on issues around social and environmental sustainability, and create changes from where we are.”

Employees are recognized as the basis of a company — its most important asset. As such, they must perceive themselves as

change agents that can have real impact on the environment and society based on their work and contributions within the company.

For Miguel Luis Lagos, from Constructora LyD, it is important that the values of the employees are aligned with those of the company. According to his vision it becomes relevant “(...) to transform our teams, we work with them and focus on instilling the B Corp spirit and values.”

Establishing a B Corp culture is a challenge in itself — even when the company is small. Looking ahead, the challenge seems even more daunting. Most B Corps are in the process of scaling up and becoming more efficient and competitive. Founders are concerned that they may lose critical aspects of the B Corp culture.

Growth and simultaneous maintenance of culture is central to B Corp legitimacy. Values and culture drive consumer support for B Corps and the B Corp system as a whole. As such, the question is how can B Corps expand and grow while maintaining this essence?

“(...) To transform our teams, we work with them and focus on instilling the B Corp spirit and values.”

MIGUEL LUIS LAGOS
CONSTRUCTORA LYD

“What we seek is to raise awareness on environmental and social issues. We try to generate changes from our place.”

ANDREA NALLÍM
RECICLARG RECYCLING TECHNOLOGY SA

8 CHALLENGES

How can B Corps increase their social and environmental impact without necessarily scaling economically?

The triple impact or triple bottom line is a concept used in sustainability-oriented businesses. It refers to a company's focus and performance in three dimensions: economy, society and environment.

Economically, companies must evaluate financial performance; how does the company create and distribute economic value. In the social dimension, both internal (employees) and external (community) impacts are analyzed. The company's contribution to quality of life in the community where it operates and employee working conditions are considered central factors. The environmental dimension evaluates the company's impact on the natural environment. A company committed to sustainability will contribute to the environment, or at least, reduce its negative impact on it. Factors considered are efficient use of resources and the extent to which the company minimizes the degradation of the natural environment where it is located.

B Corps, on the contrary, do not focus on minimizing negative impacts but rather on articulating a model that actually seeks to create a positive impact on social and natural environments. B Corps seek to protect the interests of their employees, the community and the environment, while being transparent in these areas so they can be evaluated by consumers and the market based on their actions.

A B entrepreneur may want to maintain its business in a small scale, but at the same time want increase its positive impact on the community and the environment. Ricardo Eller, owner of Orgánicos Brita, indicates that his company has been able to generate stable and quality employment through its organic products. He employs local people and supports local business by offering locally-manufactured products. Increasing the benefits for the community without scaling up economically is a challenge for which there seems to be no right answer. Ricardo asks, "How can we keep escalating this project we believe in? We have introduced clean energy in all our processes in addition to community development, but we want to do more."

"How can we keep escalating this project we believe in? We have introduced clean energy in all our processes in addition to community development, but we want to do more."

RICARDO ELLER
ORGÁNICOS BRITA

About NBS

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.

About NBS's Chilean B Corp Council

NBS: Chile's B Corp Council is a group of 22 Latin American Benefit Corporations from diverse sectors. At an annual meeting, these companies, that already meet rigorous standards of social and environmental performance, accountability and transparency, identify the key business challenges and opportunities for B Corps in the region— the issues on which their organizations need authoritative answers and reliable insights. Their challenges prompt each of the NBS: Chile's research projects.

NBS: Chile's B Corp Council meeting was sponsored by Universidad Adolfo Ibáñez (UAI)'s Centre for Business Sustainability.





Network for
Business Sustainability

Chile

Network for Business Sustainability Chile
nbs.net/about/nbs-chile

nbs.net