EMERGING MARKETS’ APPROACH TO CORPORATE SUSTAINABILITY

MAXIMIZING SUSTAINABLE BUSINESS OPPORTUNITIES

By IMD Professor Francisco Szekely, with Victoria Kemanian
As explored in the first article of this series, businesses in emerging markets have made quick strides in the field of sustainability by rapidly adopting mainstream practices and even pushing the envelope in this important area. In our study of emerging market firms, we have identified five common areas of focus that explain this move.

**An uncompromising focus on local issues**

For emerging market champions, the local context defines to a large extent the sustainability agenda, which is then shaped around industry sustainability issues as well. Behind this thinking there is a view that if a company can improve its operating environment and local market, then its chances of thriving in it are higher. Take the case of Gruma in Mexico, an international corn flour and tortilla producer. The company has always been committed to improving the conditions of Mexican society, and that thinking continues to guide its strategy and its daily operations. Its program, “Sowing a Seed for the Future,” recognizes the importance of its employees’ children getting good schooling, so it offers scholarships and support for their higher studies. Another company-led initiative, called “Zero Extreme Poverty in Central America,” aimed at helping all employees who, despite receiving salaries above the legal minimum, were unable to cover the basic needs of their children because of the size of their families.

**Demonstrating the value of sustainability**

Emerging market firms seek to understand the competitive advantages that can result from effective sustainability strategies. As discussed, most emerging market firms cannot afford to divert resources from their main business activities to focus on areas not generating returns. Therefore, they have a vested interest in identifying the benefits – tangible and non-tangible – that sustainability activities will bring over time. But they are also aware of the need to be patient and that transformational ideas require a generous timeline to allow for experimentation, testing and adjustments. Brazilian petrochemical firm Braskem provides a great example in this area. It has filed over 852 patents, 263 of them in the last three years, but without immediately bringing all of these projects to market. At the end of 2014, its innovation pipeline contained 261 projects, conducted at its 23 laboratories and seven pilot plants, which were in testing and improving phases.

**Adopting governance best practices**

In a field in which a large number of standards and governance instruments already exist, we have seen how emerging market firms often come up with more adequate and easier to quantify indicators. Their approach is to focus mostly on best practices. The international standards give a baseline to compare and understand their sustainability performance, allowing more realistic targets, timelines and roadmaps to be adopted. We observed in the companies we researched that their moves into sustainability activities were accompanied by the establishment of measurement systems, indicators, and in many cases, a reporting system – even if at first just internal. In the case of Bimbo, the Mexican bakery giant, reporting allowed them to create a model to benchmark performance and provide further transparency. This systematic approach has enabled them also to further engage their teams with the corporate sustainability agenda.

**Thinking of stakeholders as key partners in initiatives**

Emerging market firms prioritize developing solid and lasting relationships with a broad range of shareholders, benefiting from their expertise and reach. This has been fundamental in accelerating the learning curve for companies. It is particularly relevant in regions where local connections are essential for purposes of cultural or geographic reach. The Elion Resources Group from China has spent the past 27 years battling desertification in the Kubuqi Desert, turning over 6,000 square km of the desert into productive land for the cultivation of medicinal plants. The initiative is expanding into 23 countries in the Silk Road Belt through partnerships with international environmental and UN organizations. The goal is to plant 1.3 billion trees in this area over 10 years.
Rooting sustainability within the organization

While many global companies struggle to embed sustainability at all levels of the organization, emerging market firms have succeeded in driving sustainability from within as much as from the top. One reason is the pressing local context and the awareness it builds within individuals in a company. Another is the way in which companies engage employees individually by communicating their activities and providing opportunities for engagement. Natura, a Brazilian manufacturer and marketer of beauty products, engages its employees and sales consultants in its social and economic development goals by providing a platform – Movimiento Natura – through which they can present social impact projects that may be selected for funding by Natura.

Conclusion

The experiences of companies from emerging markets challenge the mainstream model of corporate sustainability, which is proving insufficient to ensure sustainable development. Companies from all markets need to adopt a more systemic approach to corporate sustainability. Those from the developed world must think about the potential opportunities to be created by viewing their businesses through a sustainability lens.

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