



CORPORATE SUSTAINABILITY---THE NEW MANDATE



Studies demonstrate that firms that integrate corporate sustainability into their business strategy perform better financially than those that do not.

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Is the exclusive aim of the corporation to maximize profit and shareholder value or does it have an obligation to do more? This question—and dilemma—has been vigorously debated since Milton Friedman posed that the only responsibility of business should be business.

This crucible is now a moot issue. For it is commonly accepted that while corporate growth and profitability are important, corporations should go beyond financial viability and act as environmental stewards, promote social responsibility, justice and equity, advance economic development, while exhibiting exemplary ethical behavior, transparency and accountability. Edward Freeman proposed to understand corporate sustainability as aligning an organization's products and services with stakeholder expectations, thereby adding economic, environmental and social value.

There are a number of drivers that have contributed to wider spread of corporate thought and action with respect to sustainability in Latin America. These include economic liberalization and

the need to compete by operating according to international standards and benchmarks set by global corporations and an environment of greater political and economic stability.

In Latin-America multi-sector partnerships involving the public sector as well as non-profit organizations and multilateral agencies have allowed private sector actors to leverage common resources and exploit synergies in a manner that benefits all. For example, Citi (Banamex) partnered with Pepsico (Sabritas) in an inclusive supply chain initiative that provided preferential financing to 250 smallholder farmers producing Sunflower seeds in Zacatecas, Mexico, thanks to a portfolio guarantee from the Inter-American Development Bank (IDB). These farmers also received technical assistance on zero-waste farming practices, and optimal water use to qualify them as suppliers for Sabritas, which extended a purchasing agreement. Farmers also received financial education from Banamex to improve their asset building capabilities. Many more examples of multi-sector partnerships exist around inclusive distribution schemes, footprint reduction strategies, sustainable and responsible consumption.

Fortunately, business schools both in Latin America and the United States are heeding the call to insert sustainability into their curricula at the MBA level. Leading business schools such as Universidad de los Andes in Colombia, Tec de Monterrey in Mexico, and Fundação Getúlio Vargas in Brazil are at the cutting edge of corporate sustainability education. In the United States the University of Vermont offers an MBA in sustainable entrepreneurship; and Florida International University (FIU), in collaboration with the IDB, will be offering an Impact MBA, in English and Spanish, with corporate sustainability infused throughout the whole curriculum—instead of simply tacked on— using IDB cases, best practices and data. The program involves 6 weeklong residencies in the Americas and aims at producing graduates that can develop and execute strategies, partnerships, and initiatives that create shared value, leverage stakeholder materiality, and mitigate risks while expanding competitive advantages for their organizations.

Empirical studies demonstrate conclusively that firms that integrate corporate sustainability into their business strategy perform better financially than those that do not. With measurement and ranking tools widely available, including the recently launched IndexAmericas of the Inter-American Development Bank, multinational firms (and multilatinas eventually) can track their performance—as can stakeholders.

The evolution of corporate sustainability has been such that for reputable business enterprises it is no longer a choice but a necessity. Doing well by doing good has become a major tenet of the 21st century enterprise, and business schools in the Americas must play a prominent role in ensuring this continues to be the case.

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