

Three years after the creation of VIVA Trust

A conversation with Stephan Schmidheiny

"Our strategy is the best for the sustainable creation of value."

In October 2003, **Stephan Schmidheiny** announced at INCAE Business School in Costa Rica that all GrupoNueva shares would be donated to VIVA Trust.

VIVA Trust is much more than a legal entity; it is a tool to ensure the realization of his Vision and Values (hence the name), including his goal of helping to create a more sustainable Latin America through the joint efforts of companies and civil society organizations.

On that occasion Stephan said: "VIVA is a learning experiment with no limits as to how one bridges what is traditionally considered a wide gap. The worlds of business and of philanthropy in many ways follow different logics, yet I found a surprising number of common challenges at the levels of structure, organization, and management tools. There clearly was a potential for synergy that was not commonly recognized by those who live and work in only one of the two worlds. I set out to search for ways to take advantage of this synergy potential."

Three years after Stephan made these remarks, GrupoNueva spoke with him to see how he judges GrupoNueva's progress within the VIVA context.

GrupoNueva: VIVA's basic premise is that the building of links between civil society and business is fundamental to creating a more sustainable world. After three years, how do you see this advancing in Latin America?

Stephan: I can see a rapid development of these types of modern alliances in various countries where they did not exist before. Previously, the business person and the NGO member were by definition almost enemies, with different interests, and they did not speak to each other. I think this is changing rapidly, first of all because civil society today is more organized, and carries more weight, and has a louder and wider voice. And I think that, faced with the inability of many governments to solve social problems, other actors join forces and take on new roles. But the key is to see that the efforts of NGOs and companies are very often quite complementary, meaning that both can and should develop ideas together, have a mission, a joint objective. For example, in working toward the development of a healthy community with basic services guaranteed, etc., the two actors contribute in different ways. The company offers that which it does best: provide decent employment, products or services that improve quality of life, organizational capacity, technology, contacts. Civil society representatives in turn contribute with their capacity to organize people, raise awareness, and seek compromises. In this way each one can work together from its own particular field, but under a shared paradigm.

GrupoNueva: The owner of GrupoNueva – VIVA – is an entity that has social improvement as its mission. Does this affect GrupoNueva's purpose of creating value, to always seek maximum profitability?

Stephan: We need to differentiate between two separate things. The first is that GrupoNueva's business strategy is based on the triple bottom line philosophy. And the other is that what the owner – in this case VIVA – does with the dividends it receives. These are two separate things, right? And I understand that you are asking about the former, the group's business strategy, aren't you?

GrupoNueva: Yes.

Stephan: I think that this contradiction or dichotomy is a false one. It doesn't exist. The basis of my conviction – and the very reason for the creation of VIVA – is that a company that manages its business in a responsible way, with consideration for its own employees, its neighbors, for society and for the environment will be more profitable, much more economically solid than an irresponsible company. Working responsibly is an investment and will have its rewards; this could be described as acquiring a social license to operate. These days we can see that companies can face social, political, and public opposition; and suddenly everything comes to a halt, and it becomes very difficult for them to operate. With the programs we implement in GrupoNueva, we first go through a learning process that teaches us how to manage impacts; then we have antennas within civil society that allow us to react to signals in a timely way. For a shareholder or an investor this is a type of insurance policy.

GrupoNueva: The way you put it, it seems that the strategy is more akin to risk management than value creation...

Stephan: What I would like to stress is that our strategy is the best for creating value, or rather for creating value in a sustainable way over the long term. Obviously, if we don't create value for our shareholders, nothing we do makes sense. We know well that the markets will measure us on this criterion. However, we are convinced that our triple bottom line strategy will result in value creation as we see the world is changing fast: the demands of our customers change, the laws change, public opinion changes, many things in this world are changing. We are headed toward a world of scarce resources, and until recently some of them were not even considered as such, water for example, clean air, and open spaces. We don't yet know how to manage a scarcity that is not yet necessarily reflected in prices. The triple bottom line strategy is the best response for us. GrupoNueva's positive results in the economic, social, and environmental spheres indicate that we are headed in the right direction.

GrupoNueva: Regarding the changes that are taking place through social and political movements in Latin America, do you think these could favor dialogue between business and society, and among, business, society, and governments?

Stephan: Of course! I have no doubt about it. We are becoming aware that business has overstepped its mark in only seeking economic value -- don't you think? – at the expense of other values, such as social and environmental ones. If you pick out just one value from among others and give it priority, it will obviously result in excesses to be balanced out, and I think that this is what we are seeing in Latin America.

GrupoNueva: Does that mean then that the changes that are taking place now can be seen more as a business opportunity than a threat?

Stephan: Exactly! Opportunities are always to be found in threats. There are opportunities for those who see major trends and take advantage of the new spaces they create. I am convinced that it is in Latin America where we see these tendencies that our model is borne out. For me, the previous model, based on the fallacy that the human being is only aware of the economic value of things, and that other values are irrelevant – although they may be nice but not real – has run out of steam. The economic aspect was absolute while everything else was relative. I do not believe in this compartmentalization, with walls separating different values. I can see that we as human beings – as individuals or in society – are part of a greater whole of values, and we shall reject attempts to consider only the economic aspects. I think that in Latin America we can already see a move in this direction.

GrupoNueva: Does the VIVA model and GrupoNueva's strategy allow us to take greater advantage of opportunities in spite of the changing social and political situations that are of concern to some investors?

Stephan: Yes. I think they do, for two reasons. The first is that our model allows us to be better positioned to face the changes that we see in Latin America, precisely because it is more firmly rooted in a valid base of contacts and broader information than other companies, less concerned with these tendencies, don't have. And the second reason has to do with the creation of the VIVA Trust. When a company is a family affair, when there is only one owner, a critical moment always arrives regarding succession. In my case this challenge was solved with the creation of the VIVA Trust. Now there is an ownership structure that is permanent, reliable, and committed to the long-term, and that will not be a victim of speculation or personal whims, or the lack of preparedness of a successor; all this reduces risks for the investor.

GrupoNueva: The VIVA project is being implemented in Latin America through GrupoNueva and its companies, and the links between them and the AVINA Foundation. What are companies doing in other parts of the world?

Stephan: In the World Business Council for Sustainable Development, which is really the leading group on these issues, there are many companies developing new ways of operating. We are not alone, and we are perhaps not the most advanced; there are others that are further ahead than us for their own reasons. I think that in Latin America there are not many groups that are concerned with such issues. Nonetheless, I have no doubt that this movement is taking off and I hope that we, as one of the pioneers, can help to catalyze the movement so that people become aware of the importance of the issues as well as the returns on and advantages of such a vision. For this reason, it is so important that GrupoNueva be perceived as an economically successful business group, as it will only serve as an inspiration to others if the model is economically successful.

GrupoNueva: Will we have to completely re-think the concept of the company in the twenty-first century?

Stephan: There's no doubt about it.

GrupoNueva: And what form do you think a company should take in this new century?

Stephan: Well, a company in the 21st Century must have much more knowledge, many more relations and better communications; be much more involved in different networks of varying types. For me, the company will take on a much wider and a more complicated and sophisticated role than in the past. The attempt to negate this and reduce everything to financial values, to me is something from the past, something from the age of dinosaurs. I have no doubt that a modern company must have a much broader and a more sophisticated relationship with society, and must respond to issues that didn't exist previously. Before the Internet, the world was different. Today the company is called upon and required to do things in ways completely different from before. I am glad to see that I have been able to contribute in a pioneering way with a new model that I hope will serve to inspire others.