



5th Annual Impact Business Conference: Innovative Business Models for a Sustainable Society Insights from Latin America



Dear reader, prezados leitores e prezadas leitoras,

We are glad to present our 16th newsletter on Impact Investing. In this edition we will give you an overview on the 5th annual impact business conference that took place on the 18th October 2016 at the University of St. Gallen in Switzerland. Around 130 people from academia and business participated at the conference that aimed to give an insight on the activities in the tree main research topics of the HSG Hub São Paulo: access to health care, sustainable energy and inclusive value chains. It was furthermore an important day, since it marked the launch of the St. Gallen Institute of Management Latin America (GIMLA).

With the newly established institute in São Paulo, the University awards recognition for the development of the hub office and sets a cornerstone for further growth of activities focused on management studies in the region. Emphasis will be put on enhancing research projects with local partners and intensify faculty exchange. In teaching, the Latin America Compact and Latin America Term will be launched. These courses give HSG Master and Bachelor students the chance to dive into the regional economic context whilst discussing specific business related topics. Finally, the GIMLA strives to collaborate closer with the corporate partners that are present in the region.

This newsletter is divided in to three parts reflecting the conference agenda. After a warm welcome, [the first module on health care](#) opened with inspiring presentations by Prof. Angélica Rotondaro and Prof. Dr. Harald Tuckermann, followed by two cases presented by Johannes Boch and Eva Schmithausen. The academic view was embellished by keynote speeches from a practitioners' view: "Cross-subsidization as a sustainable strategy for health and educational services" (Martin P. Gutierrez, Projeto CIES) and „High Performance in the Public Health service in Rio de Janeiro" (Ronald Munk, RioSaúde)

The second module was dedicated to [sustainable energy engagement in Latin America](#). Bruno Fux from LafargeHolcim, Dr. Vanessa Boanada-Fuchs from the CLS/ProDoc University of St. Gallen and Patrik Horka from south pole group shared their experiences with sustainable energy engagements. The three speeches were followed by a panel discussion about challenges and opportunities in the sector of sustainable energy, moderated by Prof. Dr. Rolf Wuestenhagen.

In the last part, two examples of [inclusive business](#) were represented by the case of the orange juice value chain from Brazil to Switzerland (Arnold Graf, Bischofszell Nahrungsmittel AG & Luc Wüst, University of St. Gallen) and a Brazilian natural cosmetic brand (Renata Puchala, Natura cosmetics). The conference ended with a roundtable on sustainability and competitiveness, moderated by Prof. Dr. Thomas Dyllick.

The conference was followed by the [launch cocktail](#) for the newly established St. Gallen Institute of Management Latin America (GIMLA).

Enjoy your reading.

Sonja Anwander, Newsletter Editor

Hybrid business models in the field of primary access to healthcare and prevention

Prof. Dr. Ulrike Landfenster (University of St. Gallen) opened the conference and emphasized the importance of the former Hub and the new Institute. Together with the St. Gallen Institute of Management in Asia, located in Singapore, the University of St. Gallen disposes of access to two upcoming regions. The institutes should enable students from the University of St. Gallen to study this regions, not only its markets but also its needs.

Dr. Angélica Rotondaro (Managing Director, St.Gallen Institute of Mangement Latin America) introduced the three main lines of research of the GIMLA in the field of impact business models: access to healthcare, renewable energy and inclusive business. The 5th Impact Business conference was structured in to three modules according to the main research topics. In their research, they look how different companies implement business models and analyze different cases, which were shared later during that day. In the field of access to health care, the HSG Hub São Paulo works very close with the Institute for Systemic Management and Public Governance of the University of St. Gallen.

Prof. Dr. Harald Tuckermann (University of St. Gallen Institute for Systemic Management and Public Governance) presented the commonalities in organizational and managerial issues of healthcare organizations between Brazil and Switzerland. He revealed several points in health care access, where Switzerland can be inspired by Latin America and vice versa. Switzerland is running into a lack of doctors in rural areas, whereas Bolivia, for instance, brought up a very creative solution through monetary incentives from which Switzerland could learn. On the other hand, the Institute for Systemic Management and Public Governance of the University of St. Gallen has insights in hospital mergers and collaborations between hospitals, which offer an understanding of the complex interplay of different profession and divisions. He is convinced that this is a very inspiring partnership and hopes that both sides can benefit mutually.



Martin P. Gutierrez (International Planned Parenthood Federation (IPPF) / CIES, Salud sexual y reproductiva Bolivia) explained the need for improvements in sexual and reproductive health care in Latin America. According to him *"the most in need are still in the same position as 15 years ago."* Therefore, IPPF and CIES aim to ensure sexual and reproductive rights through the provision of medical as well as educational services, research and advocacy. He identified several reasons why cross-subsidization works. For example, the organization cooperates really closely with the government but complements with its activities the public health care sector. They are able to diversify their non-profit services thanks to cross-finance and economies of scale.

After a short coffee break, **Ronald Munk**, HSG Alumnus and Managing Director of RioSaúde shared his experience about high performance in the public health service in Rio de Janeiro. To achieve their goals, he implemented the use of 3x3-Management approach inspired by the St. Gallen Management Modell in several health care units in the city of



Rio de Janeiro. *"We believe that management best practices in the public sector will result in good quality service within a tight budget."* In Brazil, many claim that more money is needed in the health care to be able to improve it, but spending money in a bad management is wasting money. Therefore, better management is needed in order to improve health care.

Johannes Boch (Researcher at the Impact Business Latin America) launched with his presentation the study: "Business Model, Innovation and Entrepreneurship – Access to primary health care in Brazilian urban areas". The intention of this study is to connect the dots of



management, innovation and social business looking at health care. The results show that there are three main types of meta-business models in private healthcare initiatives (retail approach, medical bonding approach and mission driven approach) and that there are *"tangible innovations in services, processes, organizational and revenue arrangements and social aspects in the Brazilian market"*. Finally, he advised to use the report as an overview of venturing for investors and entrepreneurs and that maybe it can be an inspiration to start your own business, not only in health care.

Eva Schmithausen (Former Researcher Impact Business Latin America) gave a second case example in form of an overview over her master thesis. She researched about the question of how hybrid organizations thrive in institutional complexity. During a three-month research period she looked at Projeto CIES, a hybrid organization in health care. Hybridity hereby means that the organization performs profit-oriented and non-profit activities, which follow a different management logic and therefore are more complex to conciliate. Her research showed that Projeto CIES has already achieved credibility as an organization for cheap but high quality health care provision. Looking at the sector in general, there are still some challenges in Brazil and Latin America, but on the other hand shows growth potential for CIES. However, she expressed concerns whether Projeto CIES is prepared for such a huge growth and that they might hamper the adoption to a more market based principle.



Closing the morning session, the potential for more knowledge exchange and best practices sharing in the area of Primary Healthcare was clear, especially in the context of a stronger collaboration between the HSG and the partner universities. The St. Gallen Institute of Management Latin America is going to continue working on this topic and to perform more research. During the module closing session, Prof. Tuckermann emphasized the learning potential that the creative solution for Latin America's health care problems offer for Switzerland.

Sustainable Energy Engagement in Latin America

After a lunchbreak, **Dr. Arno Hold** (newly assigned dean of external relations of the University of St. Gallen) opened the second module of the conference. He mentioned how much the research topics from the HSG Hub São Paulo are connected to the local business context, and how much they bring a new perspective by bringing social and environmental impact alongside the economic return. He also mentioned the increasing flow of students to the

HSG Hub Sao Paulo due to their willingness to do research and traineeships related to the impact investing.

Bruno Fux (LafargeHolcim) presented Geocycle, a company fully owned by LafargeHolcim that is dedicated to waste management and its allocation as alternative fuel for the cement industry. He pointed out the importance of waste management and sustainable energy generation, especially in Latin American countries. In addition, he mentioned Geocycle as an example for the implementation of the triple bottom line, since they care about the economy, the society and the environment. Finally, Bruno Fux added, that *"at the end it's the people who can make a difference, and I am very proud to be a part of the Geocycle family"*.



Dr. Vanessa Bonada-Fuchs (CLS/ProDoc University of St. Gallen) gave an insight into stakeholder engagement in hydroelectric projects in Brazil. She emphasized, that currently most hydroelectric projects are in the Amazon, and have an impact on indigenous people and traditional communities. Therefore, the legal obligation to conduct an effective stakeholder consultation is a crucial instrument to protect the rights of the affected communities. *"Consultation Policies cannot be ignored anymore and can not be ill implemented"*. She advises investors to think of alternatives to benefit the local population and offer a long term support for adaptation to the new environmental conditions, in order to regain the trust needed to accomplish such projects in the Amazon.



In subsequence, **Patrick Horka** from south pole group talked about de-risking investments in emerging markets. Currently, there is a lack of investment opportunities in Europe. On the



other side, there are a lot of interesting emerging market investment possibilities but investors are concerned about the risks of these investments. According to him, standardization, scalability, de-risking and sustainability are needed to enable more investments in renewable energy projects. Therefore, the south pole developed an analytical tool to identify and classify the investment risks in emerging market projects and actively mitigate them.

This module was closed by a panel discussion about renewable energies in Latin America as business opportunity featuring **Patrick Horka** (south pole group), **Dr. Vanessa Bonada-Fuchs** (CLS/ ProDoc University of St. Gallen), **Bruno Fux** (LafargeHolcim), **Adele Tilebalieva** (Obvi-am AG), **Marc Maurer** (Alumnus University of St. Gallen). The discussion was moderated by **Prof. Dr. Rolf Wüstenhagen**, who holds the chair for Management of renewable energies at the University of St. Gallen Institute for Economy and the Environment.

All the participants agreed that the implementation of renewable energy projects can be risky because of their long investment cycles and sensitivity to political and natural changes. All of them recalled the end of the solar energy boom, when all of a sudden



energy prices dropped and the implementation of solar energy projects slowed down drastically. Bruno Fux and Vanessa Bonada-Fuchs both pointed out again the importance of stakeholder consultation, which is crucial for the implementation of a project on time and in budget with their support. Adele Tilebalieva alluded to the scalability of projects, she mentioned bigger countries such as Mexico or Brazil as more promising for investments based on the economies of scale. The other panelists added that for smaller project it is harder to find any investors due to high transaction costs and relatively lower returns.

To conclude, the speakers named several initiatives the new Institute could launch to facilitate the life of investors and entrepreneurs. "So there is more work ahead in terms of research, teaching and executive education, networking and doing events like this" Prof. Dr. Wuestenhagen summarized the statements of the participants.

Going the extra Mile: Corporate Initiatives towards Sustainable Value Chains



In the first keynote speech of the third panel, **Renata Puchala** (Natura Cosmetics) explained how Natura Cosmetics and its leading management team reinvented the company's business model, so that now the more they grow the more positive impact they should create. Since 2000, the local communities in the Amazon are sought to be the main driver for innovations at Natura. So far, they procure 20 ingredients from the Amazon, which provide a different source of income

to its inhabitants. By building up this new economy and slowly replacing traditional industries such as timber, mining and cattle, which destroy the forest, they are aiming to preserve the rain forest. Renata Puchala also mentioned how important the Amazonian population is for the successful implementation of these sustainable business models and in order to prevent the young ones to leave to the bigger cities, Natura is building up educational programs to improve their chances to find a sustainable and attractive job in their region. She left us with the message: "*Move forward, think about innovation, change the status quo*".

Arnold Graf (BINA) and **Luc Wüst** (St.Gallen Institute of Management Latin America - GIMLA)



presented the case of the Migros Gold fair trade orange juice. Everything started with Migros' promise to raise the amount of fair trade products. For the Migros industry BINA, finding a cooperative able to sell fair trade oranges needed for the frozen orange juice concentrate meant a lot of extra work and also extra cost, but nevertheless, it is worth the effort and Arnold Graf proclaimed: "*a strong team can make a difference*".

The HSG Hub São Paulo collaborates since 2012 with this cooperative Coacipar, which is one of BINA's providers, and has learnt a lot about inclusive business strategies and their challenges. Especially the capacity building and the management within the cooperatives is crucial for the development of the producer organization and the value chain in general. Luc

Wüst advocated therefore for a more comprehensive inclusion of the producer point of view when analyzing value chains. Consequently, the Sao Paulo based team of the University of St.Gallen seeks to perform more open innovation sessions with cooperatives and conduct international cross-case analysis about value creation for smallholder organizations, in order to be able to learn more about the challenges and opportunities, but also to be able to help the cooperatives master and seizing them, respectively.



Also the third Module was concluded with a panel discussion, where the big question about how companies contribute to their competitiveness by engaging in sustainability was raised. The panel featured Renata Puchala (Natura Comestics), Dr. Wolfgang Reichenberger (Inventages), Ueli Frei (FUNDES) and Jenny Weilenmann (Migros) and was moderated by Prof. Dr. Thomas Dyllick who is the University delegate and professor for sustainability.

Generating positive impact with your business has become increasingly important for a company, all the participants *unisono* emphasized. The creation of shared value for business and society is imperative for a sustainable development. Ueli Frei indicated that it is no longer a question whether you do Corporate Social Responsibility or not, but how to create a social impact within your core business. Especially, if companies want to reach the young generation, that is looking for purposeful employment, they need to adapt and start doing business in a sustainable way. But the speakers agree, that it is difficult to find a way to coalesce adding value to products and the society in a genuine way. Companies need to tell the consumer a compelling story that is based on true commitment as any kind of greenwashing will be detected.

One major issue all of them see is that costs set a certain limitation of what companies can do on their own. The perception of sustainability as costs is partly a question of convincing the right people to think of solutions, postulated Jenny Weilenmann. A further challenge for smaller companies is the problem of scale. For example, the Migros' share of soy or palm oil is too small to have any bargain power and it is impossible to make an impact on the global market. Her statements raised a discussion on how much the consumers' willingness to pay for sustainable products is able to act as catalyst for bringing the industry to more sustainable terms. Renata Puchala expresses the hope that in the long-term regulations and consumer behavior will change and social business will be the state of the art. Closing the discussion, Wolfgang Reichenberger appeals to founders with a long-term view to facilitate the implementation of social business.

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ter for the conference communication. We are also grateful to the speakers for their availability and openness in sharing best practices. We would also like to express our gratitude to the professors of the HSG who have been supporting research in the field of Impact Investing.

St. Gallen Institute of Management Launch Cocktail

The fifth Impact Business conference was full of informative presentations and fruitful discussions. The conference gave a good overview of the research fields of the new institute as well as the challenges and opportunities Latin America, and especially Brazil, faces.

The Conference was followed by the St. Gallen Institute of Management Latin America launch cocktail. The university president Prof. Dr. Thomas Bieger celebrated the establish-



ment of the St.Gallen Institute of Management Latin America (GIMLA) in his speech as an important step for the University. He reminded the event attendants of some important developments that led the university to open the Hub Office six years ago and to the inauguration of the Institute in 2016. Prof. Bieger hopes that the University is able to mirror the successful development of the Institute in Singapore Institute in São Paulo, where the University *"never went a step backward, we always went forward, sometimes with slow steps, sometimes with small steps, but always forward!"*.

For more impressions of the conference as well as the all presentations, please access the webpage: <http://www.impactbusiness.net/>

Furthermore, we would like to invite you to have a look at the new webpage of the St. Gallen Institute of Management Latin America: <http://www.gimla.unisg.ch/>

Useful links and contact information

This newsletter is a communication tool of the Impact Business Platform Latin America (IB-LA) which is incubated by the University of St.Gallen Institute of Management Latin America

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