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A Latin American Approach to the Dynamics and Promotion of Sustainable Companies: A Literature Review

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Abstract

This research is focused on the promotion of sustainable companies in Latin America, a region that has considerable economic development and social challenges. This study presents the results of a literature review conducted in 30 databases from 2017 to 2021 on the current knowledge on sustainable companies´ actions to promote sustainable companies. The Delphi method was applied in which the results that coincide and contribute to improving understanding of the state of application of the concept of business sustainability in Latin America were verified. The results suggest that internal factors are the main drivers of sustainability management in a company's environment; external factors are still being developed as potential sources of information and help; communications techniques should be aligned with corporate strategy to always maintain credibility with the market.

Keywords: *Sustainability, sustainable entrepreneurship, literature review, Latin America, sustainable innovation.*

Introduction

The recognition of the demands of various interest groups and the pursuit of outcomes in what is referred to as "the triple line basic," or the achievement of economic, social, and environmental results through management systems, serve as the foundation for the concept of business sustainability (Barros et al., 2021). This calls for the incorporation of innovation mechanisms and continuous improvement of relationships with each collective it interacts with, where the company prioritizes three main processes: the inspiration or institutionalization of a vision of practices for company-wide managers; incorporating sustainability practices into corporate strategies; training of human resources and management systems; and, finally, the learning from these experiences (Ullah et al., 2021). Sustainable companies are those that incorporate environmental impact assessments into their business plans and evaluate their own environmental performance they use sustainable practices and policies that meet ethical criteria (Adeola et al., 2021). For example, an organization may advocate for policies that promote clean

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energy sources and encourage carbon reduction, or advocate for a renewable energy means of transportation (Peterson et al., 2021).

This study analyzes the definition, scope, and implementation of the concept of business sustainability in Latin America based on a bibliographic review, applying the Delphi method, and selecting outstanding academic documents from journals related to the subject through the Scopus and Scopus databases, and Wos during the period 2017-2021.

Thus, it is intended to answer the question about the limitations to expand the concept of business sustainability in the region. Since the sources of analysis of the available information were obtained from secondary sources, this study has an exploratory and literature review nature.

Literature review

Conceptual foundations and current dynamics of business sustainability

Corporate sustainability is the capacity to operate for an extended time while considering social, economic, and environmental factors that guarantee business continuation (Ranabahu & Wickramasinghe, 2022). The recognition of the demands of various interest groups and the pursuit of outcomes in what is referred to as "the triple line basic," or the achievement of economic, social, and environmental results through management systems, serve as the foundation for the concept of business sustainability. Although not exclusive to it, environmental concerns are the catalyst for the goal of sustainable development.

The connection between corporations and its surroundings may be understood in several ways. In the past, it was more common to focus solely on maximizing the profit on an investment than considering how it might affect the community, the environment, or the working conditions of the employees. By neglecting the need for a healthy work environment, or environmental pollution, businesses tended to prioritize profit-margin variables (Rico et al., 2022). So, regardless of how it had been made, a product that satisfied the criteria of being inexpensive, accessible, and of generally acceptable quality acquired enough support to be chosen for purchase. Furthermore, because there was a monopoly on the production of the goods, both the price and the quality may change. A new understanding has gradually been developing over the past few decades (Lugo et al., 2021).

One of the earliest responses from industry to reframe its role with the environment was through charitable endeavors. However, it should be highlighted that the initial events of this kind did not always connect the businesses with the beneficial influence they wished to produce. Second, researchers separate social investment activities. It is a channel of resources from the same firm directed toward the community which benefit both the community and the company at the same, reacting to a plan intended to enhance the company's reputation or image. It is not a deed motivated solely by humanitarian or philanthropic impulses.

It suggests a prior examination of the issue be resolved and the outcomes that it may have in favor of the business. For instance, funds might be set aside to stop environmental degradation, construct health and education programs, or encourage local inventiveness in the arts to improve the reputation, image, and trust of the community or prevent its loss (Benites et al., 2021). Social investment activity is intimately related to the business process, in contrast to charitable action.

Researchers categorize corporate sustainability practices in a third point. Companies respond to strategies that include the firm in a process that benefits the workers, the environment, the community, and investors in addition to the companies or the society in which it works (Altamirano-Avila & Martínez, 2021).

Directors' ethical and humanitarian tendencies, as well as better worker productivity, environmental protection, and satisfaction of investors' demand for profits, all of which are long-lasting and steady. The focus placed on the procedures connected to corporate social responsibility has changed since the idea first emerged (Irazábal & Jirón, 2021). The following categories includes the economic standpoint related to the shareholders' return on investment. Philanthropic referring to gifts that the business deems beneficial, above and above its obligations under law and morality (Seclen-Luna, 2021). Over the past few years, various definitions of sustainable entrepreneurship have emerged, been amended, or altered. Various authors found that numerous companies use the concept in different ways (Kleba & Reina-Rozo, 2021). The idea of sustainable entrepreneurship is vital and will constantly be reinterpreted following shifting demands and circumstances.

Corporate sustainability is not viewed as an applied formula that is beyond dispute, but rather as a guide for companies to orient themselves. The development of sustainable enterprises is a wide and multifaceted topic since businesses come in a variety of sizes, industries, and physical configurations, as well as in terms of management and leadership styles that depend on their legal structure and operational goals. All types of businesses are a part of society; they influence the neighborhoods where they operate and are consequently perceived as being designed for them. To encourage sustainable businesses, it is necessary to strengthen the institutions and systems of governance that serve as the framework for business activity (Lopes & Carvalho, 2021).

Strong and effective institutions are necessary for the creation of stable and effective markets, as well as for the equitable and effective blending of the natural, financial, and human resources to foster innovation and productivity growth. To ensure that the quality of present and future living (and employment) is maximized while also protecting environmental sustainability, it is vital to build new forms of collaboration between governments, corporations, and society.

The business sustainability approach, which includes interactions with suppliers, governments, and the general public, as well as the many stakeholders, including shareholders, employers, workers, and customers, is at the core of businesses. The following is a presentation of the Integrated Approach to Sustainable Business Development (Lopes & Carvalho, 2021). The micro level essentially refers to what happens immediately within the organization or in its environment (management of human resources, financial resources, and the use of material resources, such as energy, transport systems, and communications), as well as the direct interaction between the organizations and their customers and suppliers.

Latin American perspective of business sustainability

Statism and the development of connections and dependent links between the various social groups within this framework have been two cultural characteristics of Latin America.

The constitution of their governments, businesses, and societies, in general, may have been most influenced by this factor, which is linked to a stark inequality in the distribution of income, the concentration of political power on the social, economic, and political levels, and the widening of the conditions of poverty (Faúndez-Ugalde et al., 2022). The family companies have used their faith and charitable giving as tools to maintain or lessen their disparities.

The social branch of medium or big businesses has traditionally been the charitable deed or gesture. Dismantling this dependent and charitable parental culture and establishing a new one based on social responsibility is a significant challenge that some business leaders have identified (Lehmann & Tittor, 2021). Globalization and the accompanying technological innovations have made it possible to broaden the new social responsibility-related approaches. The hypothesis of this study is as follows: There are regulatory, economic, and entrepreneurial culture barriers that hinder the expansion of sustainable business practices in Latin America, influencing a conservative view of business innovation.

Methodology

Sustainability is increasingly being considered by investors, who, as a result of their demand and push, are encouraging companies to take actions that benefit the environment. This study presents the results of a literature review conducted in 30 databases from 2017 to 2021 on the current knowledge on sustainable companies´ actions to promote sustainable companies. A business or organization may be sustainable if it meets or exceeds a set of standards, such as reducing its environmental impact, conserving natural resources and contributing to a local community. The paper begins with a literature review about sustainable companies´ actions for enhancing their performance, conciliating with the sustainable development approach in the region studied. It highlights the need for more interdisciplinary studies to foster both institutional innovations and technological innovation.

The Delphi method was applied in which the results that coincide and contribute to improving understanding of the state of application of the concept of business sustainability in Latin America were verified. This research based its study approach on the Multilateral Investment Fund (2011).

This paper help to conceive current situations and find solutions to make sustainable companies more competitive. The study focuses on understanding how companies can apply strategies to enhance sustainability, physical or social aspects, in order to achieve long-term success. The analysis of business sustainability considered the main economic, social and environmental variables determined by the International Labor Organization that contributes to substantiate the concept of sustainability in local areas. Also, the nature of a company’s activities, its size and location, and its ability to adapt to changing conditions.

Results

The problems resulting from business policies, government regulations and financial crises are causing serious damage to the most important asset of any country — its people. Unfortunately, many countries in Latin America have reached a point where they are unable to sustain their economies without foreign direct investments A single definition of different firm sizes across all nations does not appear appropriate given the lack of a common market and genuine economic integration, on the one hand, and the existence of extremely diverse national economic and productive sectors, on the other. It would be preferable to have at least comparable standards for classifying the various company types and its contribution to sustainable development.

Profit margins, which in turn rely on the amount of competition, are intimately tied to business sustainability decisions. The relationship between competition and innovation has been the subject of a long-running policy debate in Latin America (or, more generally productivity). This bond is challenged by two positions (Ranabahu & Wickramasinghe, 2022). One of them contends that when there is less rivalry, business owners are more likely to invest in innovation.

There have been several studies that cast doubt on this theory and show that sustainable company practices and competition are positively correlated. The rationale behind this is that invention, by giving the inventor an edge over rivals, may be used as a means of evading competition. Public research enhancement policies dominate the agenda in conceiving sustainable practices, which highlights the low level of private investment in innovation but does not imply that the public sector invests excessively in research and development, given that the proportion of public research and development relative to economic growth is lower than high-income countries (Ullah et al., 2021).

Regulations are still crucial even after the impact of competition has been factored into the estimate; for instance, a reduction in the time it takes to register a property or an increase in investor protection are both linked to 7% more businesses engaging in sustainable practices, such as collaborating with other businesses to innovate, utilizing foreign technologies, and investing in research and development.

Regulations may no longer be the primary barrier to innovation for sustainability reasons as a result of recent regulatory developments. The competition appears to be tied to creative activities that businesses claim to conduct for sustainable goals due to the weak correlation between competition and the general issue of whether firms have produced new goods or processes.

According to various authors, businesses are more likely to work with others to develop, absorb foreign technology, and apply for patents within a local context when operating in a more competitive environment. The gains derived from the increase in competition can be substantial in many productive sectors. Countries have achieved advancements in this field as a result of the efforts that have been made to improve the regulatory environment (Rico et al., 2015; Rico-Calvano et al., 2018).

Discussion

However, applying these laws and regulations into action presents difficulties. With some exceptions, the countries of the region are distinguished by their limited competitive culture, their consolidated markets, their vested interests, their scarcity of human and financial resources, their lack of cooperation among regulators, their opposition from big businesses, and their lack of experience with competition in the courts. Innovation for sustainable activity is a difficult activity, and possibly entrepreneurs will find it challenging to develop if markets do not share some of these risks. Literature review has extensively documented the link between financial intermediation, growth, and innovation. It has been demonstrated by various authors that growth and financial development are closely related.

According to several scholars, the deregulation of logistic advances for exports increases the real economy's average annual growth rate by 5%. Financial markets grow as a result of stronger performing economies built on sustainable entrepreneurship. Various authors show that industrial sectors that require more external finance expand more quickly in nations with more developed financial markets by establishing causal linkages through the establishment of financial reliance measures for each sector.

The positioning of business activities with a high component of sustainability, especially for newly created companies that rely on new technologies, depends on training in technical or scientific fields in the planning and execution of projects that enhances entrepreneurial sustainability in the long term. Additionally, it is also expectable that entrepreneurs and investors aid in the growth of enterprises that guarantee their viability over the long term.

Another finding is that few managers are aware of how their organizations are run in terms of their capacity for sustainable activities, suggesting that interventions meant to raise awareness of the value of good management practices, as well as initiatives meant to enhance managers' performance could be successful. Local multipliers contribute to the spread of sustainable practices. Various authors distinguished between the works of the tradable and non-tradable sectors at the local level to demonstrate that, each time the local economy creates a new work by luring new business to the tradable sector, a number is created that significantly increases the number of jobs in the non-tradable sector.

Due to the significant effects of externalities, it is attractive for those initiatives that commit significant resources to promote agglomerations by national and foreign firms. The introduction of financial incentives to tilt the scales in favor of the area may be a beneficial use of public funds intended for the development of sustainability when the competition draws investments. However, there is limited proof that it is viable to artificially position national campaigns to draw self-sufficient sustainable businesses.

Since sustainable culture is mainly intangible, previous research has been done on the significance of cultural aspects in fostering entrepreneurship, yet it is becoming clear that culture matters.

The importance of understanding the roles that commerce and the operations of multinational corporations play in fostering innovation and entrepreneurship is highlighted by the significance that products, services, and capital play in innovation sustainability. Strong, dynamic, and effective markets require stable, open institutions. Having a balanced and effective combination of natural, financial, and human resources within an acceptable macroeconomic, educational, infrastructural, and social security framework would enable businesses to innovate and see considerable productivity improvements.

Conclusion

For businesses to be sustainable in Latin America, it must incorporate all the key development factors, including institutional reform, social improvement, economic growth, and environmental considerations. The examination of these factors reveals that there are still significant gaps between Latin America and more developed nations, gaps that can be closed by targeted policies and initiatives.

The private sector has helped to strengthen the circumstances for the commercial use of sustainable practices. However, the growth of sustainable businesses in the area will rely on how much attention is paid to the vast gaps in the region's social, political-institutional, and environmental systems, as well as its competitiveness.

In general, the region has made significant progress, improved its levels of intermediate development and saw economic and social growth. This decade's economic growth represents a significant step forward in creating a setting that supports the growth of sustainable businesses. However, fundamental gaps that affect organizational culture, logistics, and company competitiveness continue to exist, which impact on how the idea of long-term business sustainability is applied. These deficits must be addressed for businesses to grow sustainably, profitably, and with a long-term view.

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Authors’ Consent

The authors are aware of their appearance in this article based on their participation.

Ethical Standards

This article follows the publication guidelines of the journal.

Conflict of Interests

No conflict of interests.

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