

Enterprise Sustainability and Business Performance Management: An Operational Framework

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ABSTRACT

Today, enterprise sustainability (ES) and innovation are the pillars of economic development in the modern society, driving business performance management (BPM) in sustainable companies keen on embracing greater social equity and business fairness. This process entails a paradigm shift which is particularly noticeable in a large sector of the business community in Latin America, and particularly in Chile: the SMEs, which unlike big corporations, don't have the financial strength to play the political game. First, this paper outlines and discusses the emerging reality of an increasingly greater number of Chilean companies in this category which exhibit distinctive traits and strategic options that support and give credence to this growing trend. Second the paper establishes a set of principles and guidelines that characterize such companies drawing from actual experience and results obtained. As a result, a theoretical framework is built which gathers distinct business practices and management styles that constitute an increasingly visible trend in this sector. The business and social aspects of this paradigm shift, along with the organizational transformation are analyzed, focusing on the underlying transformative learning perspective of such a change. The ethical reorientation shaping this new trend is also analyzed from the BPM and social perspectives that underpin the new culture and organizational values. The result of such transformation is, among other things, a highly successful way of doing business that encompasses a distinct alignment between ES and BPM wherein both, the customer and the community are at the center of this new trend.

Key Words: sustainability, performance management.

INTRODUCTION

Enterprise sustainability management (ESM) is one of the most rapidly evolving areas in the global industrial environment today. Over a long history, it has gone from an ideology to a strategic initiative embedded into daily operations. Yet in order to have sustainable economic, environmental and social practices in the enterprise, ESM must be aligned with business performance management (BPM) practices. BPM practices have, no doubt, come a long way from a not so distant past and today it is managed proactively and globally as part of international corporate strategies involving large operational excellence initiatives. Long past is the time when

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the lemma was anything goes so long as the deal is closed. Those days when such business practices abounded are becoming more and more criticized nowadays, earning the scorn and disgust of people everywhere. In a not so distant past, however, it used to be enough just having a business that had a good return for the investment made, and that was in check legally, without worrying about being fair, sustainable or socially responsible to others, especially to the local community. It is still fresh in the memory of thousands, the irresponsible and unsustainable business practices and operations management cases that drew world attention, such as the environmental disasters of such notorious companies as the case of Union Carbide in Bhopal, India (<http://www.theatlantic.com/photo/2014/12/bhopal-the-worlds-worst-industrial-disaster-30-years-later/100864/>) or the Exxon Valdes oil spill disaster in Alaska (<http://www.evostc.state.ak.us/?FA=facts.QA>). More recently, there is the case of Volkswagen cheating on emissions tests deceiving the automobile market and the authorities in charge of controlling car emissions (<http://www.theguardian.com/sustainable-business/2015/oct/13/how-companies-can-keep-the-faith-on-climate-change>).

In Latin America unfortunately there is ample evidence of present and past cases of enterprise mismanagement, irregular business practices and corruption scandals as well. The cases of Petrobras and Odebrecht enterprises, a giant in the construction sector is but a recent example of this long string of bad business practices. In fact bad business practices in Latin America are an endemic problem in our societies accustomed to bribery at all levels, to sneak a sealed envelope under the table, to the 'patronage' of election campaigns and political parties, which produce dark alliances between governments and consortia.

But such cases also occur in other countries like Peru, Panama, Colombia and Mexico where government authorities and politicians allow illegal business practices through bribery and campaign support. Mexico provides a recent example where it became known through social networks that a privileged relationship between the Spanish company OHL and the Ministry of transport had been going on for some time in an issue of tolls (http://economia.elpais.com/economia/2015/07/08/actualidad/1436388639_791027.html), or in Chile, where in 2015 Jorge Rosenblut, board chairman of the electric generation and distribution company ENERSIS had to resign because of the company's alleged Michelle Bachelet's campaign financing (<http://ciperchile.cl/2015/06/17/jorge-rosenblut-las-huellas-del-proximo-imputado-por-la-caja-negra-de-martelli/>).

It used to be that companies could skim their customers in fraudulent business deals and Ponzi schemes like the recently notorious cases of AC Inversions and Grupo Arcano, whose CEO and founder Alberto Chang is currently a fugitive of justice. Chang left the country after the scandal broke loose in Chile and is currently being sought by Interpol (<http://www.elmostrador.cl/mercados/2016/04/07/a-lo-ac-inversions-la-carta-de-despedida-del-fundador-de-grupo-arcano-que-huyo-a-malta-ante-posibles-irregularidades/>). Other notorious cases which serve as recent examples of illegal and dirty business practices that hurt thousands are La Polar [<http://ciperchile.cl/tag/la-polar/>] and the famous collusion of paper tissue industry which involved iconic enterprises like CMPC and SCA in Chile [<http://www.theguardian.com/world/2015/oct/30/chile-flushes-out-decade-long-conspiracy-to-fix-the-price-of-toilet-paper>].

A similar case that illustrates the point is found in the negative consequences to the environment that company operations can generate, like what ENAP caused in the city port of Quinteros, V

region of Chile [<http://www.ogj.com/articles/2014/09/oil-spill-reported-in-quintero-bay-chile.html>]. Likewise, it used to be that companies like Pizarreño with its longtime operations' asbestos pollution causing damage to generations of workers and neighboring residents [<http://www.theclinic.cl/2012/10/29/asbesto-los-complices-de-un-enemigo-mortal/>], or the case of Celulosa Arauco killing black neck swans in south Chile's "Santuario de la Naturaleza Carlos Anwandter" with its chemical pollutants [<http://www.olca.cl/oca/chile/cisnes.htm>] could operate with impunity, polluting the environment in clear daylight, with no regard for the community. Such cases are not only found in Chile but throughout the world, with serious cases in emerging markets like Latin America [Liverman & Vilas, 2006; Birdsall & Wheeler, 1993] causing harm to society as manufacturers employing chemical, solvents, rubber, acids and metals sludge and air pollutants, among other products that were later disposed of these improperly.

Thus in the past, companies could operate polluting the environment almost without a problem, affecting workers, the local community or defrauding their customers with fraudulent and unethical business practices and management styles. There are enough cases in history, not only in Chile but elsewhere in the world that illustrate this dramatic truth.

Today, however, the business landscape has changed substantially worldwide with a new business paradigm acting as a bastion of such a change. Such paradigm is anchored in two great pillars that have driven said change: enterprise sustainability and innovation. Today there is a new trend in business management where sustainable enterprises are active players in the creation of wealth and greater social fairness (Vives, 2006). Companies, particularly small and medium size companies (SMEs) in Chile and elsewhere in Latin America are now following this emerging trend [Pietrobelli & Rabellotti, 2006]. The Chilean national statistics bureau (*Instituto Nacional de Estadística* or INE), in its annual survey termed *Encuesta Industrial Anual* (ENIA), employs as a criterion for SME classification based on the number of employees occupied by the enterprise [http://www.ine.cl/canales/form_electronicos/imprimir.php]. The ENIA considers as small enterprises those which have a number of employees ranging between 10 and 49 and as middle-size companies those that employ between 50 and 199 workers.

Other organizations, such as universities are also seeking to develop their competitive advantages by taking sustainability and innovation coupled with ethics as pillars of their competitive strategy (Lozano, 2011). This not only is true in developed countries but also in developing countries like Chile where there is a large number of companies and other organizations with programs and policies in this area. Today there is a new order in the creation of business competitive advantages: innovation, ethics and sustainability closely linked and intertwined in Chilean enterprises, a fact that is replicated elsewhere in the region as well (Lee et al. 2012; Kantis et al. 2002). The concepts of **business fairness and sustainability** are also intertwined, and are setting a strong trend in businesses everywhere which seems unstoppable and irreversible (Perrini & Tencati, 2006). This is especially true under the paradigm shift brought about by sustainability and innovation being fostered and promoted at the government policy level (Montecinos, 2006) as well as at the private business agenda in Chile, and how it is reshaping management practice and styles of SMEs (Monsalves, 2002).

The paper is organized in five sections; section one offers the introduction and selected literature review on enterprise sustainability and business performance management, along with some important cases cited as illustrative examples of the new trend in business. Section two discusses the roadblocks to enterprise sustainability and business performance management alignment.

Section three addresses the need to build dynamic capabilities that support ES and innovation in business management by means of the transformative learning perspective (Cranton, 1994; Mezirow, 1997). Section four present a brief discussion of some of the key issues behind this business transformation embraced by so many SMEs in Chile and Latin America. Finally section five presents the conclusions and some recommendations for future research.

ENTERPRISE SUSTAINABILITY AND BUSINESS PERFORMANCE MANAGEMENT

The concept of enterprise sustainability emerged timidly at the beginning and then evolved throughout the 1970s and 1980s to become what we know today, an area closely linked to BPM. Sustainability was formally described by the 27 principles of the Rio Declaration on environment and development in 1992 (Wirth, 1994). On the other hand we know that sustainable companies seek to minimize the negative impacts on the community and enhance the positive ones in their operations and relations with third parties including local and government authorities (Kang et al. 2010). However, when looking more closely at the situation in Chile in terms of having government policies geared towards enterprise sustainability, still the main ingredient of is missing: no policies exist for promoting enterprise sustainability and incentive-based innovation whatsoever. This appears to contrast with Asian and European countries where modern legislation is enacted that specifically incorporates a uniform set of rules, regulations and incentives to move in this direction, as part of the country's development axis and society. Therefore, it is necessary that we may have regulations and guidelines in the form of public policies that encourage sustainably structured businesses and innovation to safeguard social and environmental as well as non-environmental aspects that are vital for society's wellbeing. This is also a way of advancing our wellbeing and development as emerging societies, just as modern nations have done already (Veenhoven, 2008). Driving this is the integration of enterprises sustainability and innovation, marked by strong ethics values fuel wealth and societal wellbeing. It is centered on the responsibility that we have as a society to move towards a real and serious sustainable development, one which will inherit a better society for future generations to come.

We must also expand our concept of enterprise sustainability and social responsibility, going beyond the environmental responsibility of the enterprise and the way we do business (Enderle,(2004) but we should also explore other faces of sustainability as well. There are various other faces of sustainability that go beyond the environmental and ethics concerns that are also part of ES and responsibility. We must not forget that **sustainability** encompasses three dimensions: **social, economic and environmental** (Lehtonen, 2004) as well as their interrelationships. This is why today, beyond the isolated efforts of some Chilean companies, universities and other organizations initiatives, we need a government policy in terms of sustainability and innovation. Such a policy must allow opportunities for universities and the enterprise sector, along with the community to play a crucial role. Universities in particular are key agents of change because they act on two fronts: form the professionals the country needs and create and disseminate knowledge in the society. Hence, they ought to lead, hand in hand with private enterprises and the communities which they serve the crusade to develop their sustainability programs anchored on technological and managerial innovation. Such activities are to be associated with different sectors of society and the economy at large, which can also be a great ally of the government to change this country and move it closer to an integrated, cohesive and developed nation—a more just and equitable society for all regardless of social class. Such a policy would ultimately be aimed at attaining a society where everyone matters, not only those

who buy the company's products and services but the community at large, thus sustaining the societal system (Hurtado, 2004).

When looking at changes in business operations as a result of globalization, countries in the Asia Pacific market of which Chile is part are pressured by strong drivers to advance in sustainability. Zhu and Sarkis (2004) investigated Chinese enterprises efforts in supply chain management to improve their environmental performance while safeguarding economic growth fueled by business performance (Zhu and Sarkis, 2004).



Figure 1. Above is a depiction of the virtuous cycle of enterprise sustainability and superior business performance strategies. Source: Own elaboration

ROADBLOCKS TO ENTERPRISE SUSTAINABILITY AND BUSINESS PERFORMANCE MANAGEMENT ALIGNMENT

At present Chilean enterprises of all sectors are deficient when it comes to sustainability and innovation indicators tied with business performance management measures. It is not uncommon to find a lack of clear and distinct business performance management indicators to measure both: sustainable business development and innovation (Figge et al. 2002). In principle, none of the three objectives of sustainable business development (economic, environmental and social) is currently being measured. Moreover, this ought to be measured in the context of the company's businesses and their approach to the local community with compatible parameters. Usually the business performance indicators being used are linked to economic and financial benchmarks, and rarely focus on other aspects that benefit the customer and the community in particular. Hence business performance management is mostly measured by traditional economic indicators leaving sustainability and innovation out of the equation. Likewise, equity/fairness in business practice is also largely ignored or at best occupies a single sentence in the company's vision and mission statement. In some cases, (Ferreira & Otley, 2009; Bateman, 2000) this is determined on

the basis of social parameters only, and others on the basis of purely economic principles but divorced from sustainability altogether. Sometimes environmental sustainability indicators are also present (Keeble et al. 2003) to measure business performance but usually are set in physical and biological terms rather than socioeconomic ones.

Innovation, on the other hand, is nowhere to be found in Chilean enterprises since it is not a priority by any means. Often seen as risky and uncertain in terms of its deliverables, it is usually regarded as an eccentricity in enterprise performance measurement unlike what occurs in developed countries (Holliday et al. 2002). For example, a report by EUROSTAT (2008), states that 26% of innovative firms were engaged in co-operation with other enterprises, universities, public research institutes, suppliers, customers and competitors in the EU-27. In the Member States, the most common co-operation partners were suppliers followed by customers (respectively, 17% and 14% of innovative firms), while the least common co-operation occurred with universities and research institutions (9%) (Mention,2011). When looking at OECD statistics on enterprise innovation, one finds that it is mostly product and process innovation in industrialized first world countries and more organizational and marketing innovation in developing countries like Brazil or India. Colombia for example has very little organizational and marketing innovation but more on product innovation unlike Brazil which has very little of this type of innovation (<http://www.oecd.org/innovation/inno/inno-stats.htm>). As a result, clear obstacles arise when trying to align enterprise sustainability and business performance management in the context of innovation and ethics/fairness in business practices. Despite the fact that enterprise sustainability, technological and managerial innovation and company ethics stand out as drivers of business performance and sustainability, this misalignment constitutes a hurdle at the present time that must be resolved.

ENABLING THE ALIGNMENT BETWEEN ENTERPRISE SUSTAINABILITY AND BUSINESS PERFORMANCE MANAGEMENT

Indeed, ESM encompasses every area of the business value chain. All business activities comprising the value chain, namely product development, procurement, manufacturing, maintenance, sales, delivery, and customer service are to be aligned with the ESM strategy and driven by BPM strategy. Both strategies ought to be aligned with one another and must work together in order to secure success. ESM has several faces and different approaches coexist today depending on the nature of the business and the priorities in the management's vision. For some companies the effort is put on reducing energy use and carbon footprint or else, in more sustainable waste management. For others is about designing eco-friendly products and processes, while for companies operating in more hazardous and risky environments like oil and gas, nuclear energy and chemical industry sectors, as well as the mining and steel industries, it has much more to do with reducing hazards in the use of heavy machinery, and operational risks with environmental, health and safety issues in processes, and so on.

Yet being convinced of the benefits of pursuing a ESM strategy and the need for this is only the first step towards realizing those benefits. Sustainability is good for business, but like any other potentially effective practice, environmental performance management requires a disciplined framework to capture latent value while avoiding inefficiencies. Indeed, it is value protection, extraction and creation that lie at the heart of environmental management plans designed to achieve compliance-led risk mitigation, efficiency-led cost reductions, innovation-led revenue

generation and overall competitive advantage. Successfully designing and implementing a plan of this type not only ensures a company's license to operate, but sets it on the path to sustainable growth. Ultimately, the challenge of delivering value through environmental performance management can be understood as a four-stage process: identifying the right environmental strategies and initiatives, quantifying their value and impact, prioritizing specific actions, and maximizing the value opportunity for the entire company. In such a scenario, each area of the business ends up with its own systems, data models, compensation structures, management systems, leadership, and more. These activities have a positive local force, but it's difficult for the organization as a whole to capitalize on the benefits or effectively communicate the improvements to the market and external stakeholders.

The question arises then: how do we bridge the gap between ES and BPM to reach a successful outcome? Well, in light of the above it is found, upon close scrutiny, that there exists a structural misalignment between these two that has to be dealt with. Each of the two essential components: ES and BPM indicators are considered and addressed at different levels of enterprise performance evaluation system (Perrini, & Tencati, 2006) and therefore result in a misalignment that hinders success. Furthermore, sustainable business development depends, at least theoretically, on business performance management systems (BPMS) that encompass and align with the three pillars of sustainable development: **economic, environmental and social sustainability**. This is so because the benefits of such an alignment between the two must be felt in every realm of society. Therefore, in today's enterprise scenario it is impossible to quantify these as compatible parameters because when it comes to assessing such an alignment and the drivers that go behind it, such enterprise performance indicators are simply not available. This situation can be illustrated by Fig. 1 in which sustainability and innovation are drivers of sustainable business performance. Each of them no doubt has an impact on business performance management albeit in a different way. Furthermore, in order for the model to work they ought to be aligned with the four most prevalent business perspectives in successful enterprises today (Kaplan & Norton, 1998). The model depicted in Fig. 1 is formulated in light of the widespread current business practices common to so many SMEs today.

From this theoretical integration one is drawn to find new contributions and insight for guiding the sustainable development of enterprises and organizations everywhere. This approach to enterprise sustainability and innovation has a profound impact on business performance management in today's enterprise world (Teece, 2007). This is especially visible in SMEs in Chile and other parts of Latin America, and is based on management and business values, which articulate themselves to find ways not only to grow the business but to increase value for the customer and the community (Klewitz & Hansen, 2014). They do so with concrete actions and company policies which are supported by budget plans, managerial actions and strategic day-to-day decisions. We assume here that this transformative trend will eventually catch up to all sectors of the nation's economy reaching companies of all size and becoming standard business practice. The transformative learning (Cranton, 1994; Mezirow, 1997) and growth perspective, which is behind enterprise innovation, is fostered by the development of the sustainable enterprises (Peredo & Chrisman, 2006; Teece, 2007), where sustainable business development drives corporate sustainability. In order to develop sustainable businesses performance management, it is also necessary to specify the scope of the concept itself and its motivation beyond purely environmental and ethics concerns.

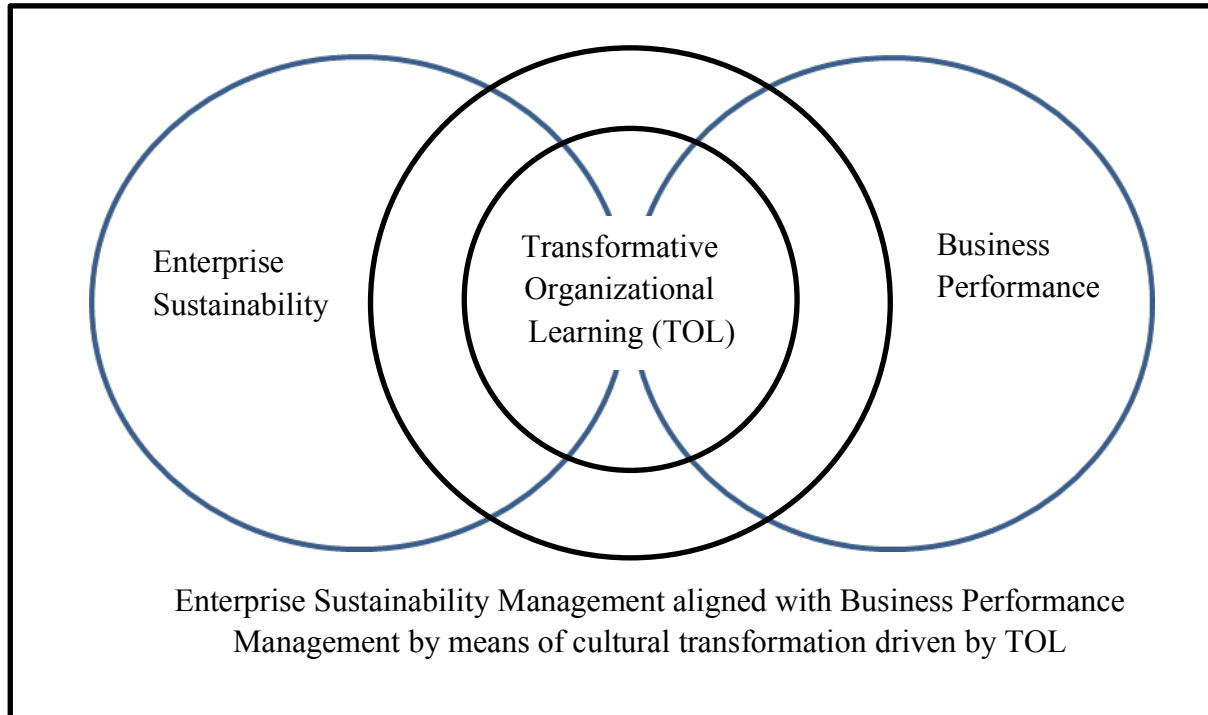


Figure 2: Enterprise sustainability management (ESM) aligned with business performance management (BPM) by means of cultural transformation driven by TOL. Source: Own elaboration

ENTERPRISE SUSTAINABILITY DRIVEN BY SUSTAINABLE BUSINESS DEVELOPMENT IN SMES

The trend that SMEs appear to exhibit in Chile shows that ES is aided by a distinct approach to business innovation and fairness, which involve a new corporate vision altogether. One that must be based on shared values that also incorporate the community and the relation with the customer which exhibit a seal of corporate 'social ethics'. This new vision and ethics profoundly redefines the nature of the company, since under this new scheme, the business ought to contribute to the integral transformation of the community towards a greater wellbeing. This is particularly important in the context of Latin America due to its long history of inequity in the distribution of wealth (Vives, 2006), a wide range of socio-economic problems, corruption and other issues that characterize the region. These, along with many other asymmetries that plague Latin American countries, point to a pervasive problem of a fair distribution of wealth: the majority of the population lives with an average income that does not allow for many dreams to come true (Rodríguez, 2003). Traditionally the enterprise ethics discussion has focused on the definition and practice of corporate values (Schuman, 2006), rather than on how to bring down to nuts and bolts the institutionalization and consolidation of ethics/fairness in the business practice. These have also been absent in the definition of the business itself, the company vision, mission and the business strategy.

Upon close examination of the SMEs transformation in Chile, one realizes that companies everywhere have had to reinvent themselves over the years to find new niches and sources of

competitive advantage, developing new strategies to compete and to be successful. For this to occur they have to adequately and adapt their organizations, performance management systems, organizational structures and cultures to address and fully incorporate these new strategies (Valenzuela & Maturana, 2016; Valenzuela-Oyaneder & Maturana-Valderrama, 2016). As a matter of fact, this is never truer than in the case of SMEs, especially in Chile, and in their strategic and managerial development which in Chile has been an example for the region. However, upon examining the literature, very little is found if anything that addresses such strategic transformation and its role in SMEs' performance management. This is a fact based on what companies are doing to address the various problems, opportunities and challenges of today's industries and markets and how to tackle these within the new strategic framework when it comes to performance management. An example of such performance management systems is the well-known BSC, one of the most utilized performance management systems (PMS) in today's world (Rigby and Bilodeau, 2011).

BUILDING DYNAMIC CAPABILITIES THAT SUPPORT ES AND INNOVATION IN BUSINESS MANAGEMENT BY MEANS OF THE TRANSFORMATIVE LEARNING PERSPECTIVE.

This new paradigm shift requires learning and developing new, dynamic capabilities (Helfat et al. 2009; Zollo & Winter, 2002). that change the way enterprises do business. This shift calls for a distinct vision and values of the company, which are reinforced by the sustainability and innovation seal, along with company ethics (Laszlo, 2008). This is important since it is a departure from the almost generalized way of expressing the business commitment with regard to social and environmental problems that affect the community. This along with company ethics has traditionally been characterized by isolated programs that simply are there to show that there is intention to help the community, without addressing the underlying problems and the relationship that exists with the development of the business. Thus the strategic formulation of sustainability and innovation must be translated into clear objectives, programs and performance management indicators involving the synergy of key areas of the organization (Valenzuela & Maturana, 2016). For the latter to occur, a transformative learning experience (Cranton, 1994; Mezirow, 1997) of the organization as a whole is necessary wherein the enterprise undergoes the required skills that can enable the paradigm shift, in order to sustain the alignment between ES and PMS. Hence it is clear then that enterprise leadership is called to take action and insist on fostering sustainability, innovation, company ethics and values as strongholds of this new paradigm shift in the enterprise (Fergus & Rowney, 2005). This in turn will be part of the strategic definition of the company's competitive edge and create the conditions to make it part of the core values and corporate culture, which are common to all successful companies everywhere.

Transformative learning (Cranton, 1994; Mezirow, 1997) is the process of effecting change in a given population or target group (e.g. an organization), based on a given frame of reference. This frame of reference may be built on new company vision, new principles and policies, for example a new approach towards the customer and the community, or to the environment so as to improve the perception of sustainability by consumers and the community and with it, to improve business performance (Valenzuela & Maturana, 2016). Hence enterprise sustainability and innovation aligned with BPM require that companies transform their frames of reference through the critical reflection of their role in society. Not only it is important to be successful in a given market but

also to be perceived as sustainable and worthy of doing business with, by not only protecting the environment but caring for customers and the community at large.

Today we have many models of organizational change that are geared towards achieving greater competitiveness and better business performance (Barki & Pinsonneaul 2005), however they are divorced from the enterprise sustainability issue altogether. Moreover, they do not make the linkage with innovation or address innovation as an enabler of enterprise sustainability. Rather, these models see enterprise sustainability as an issue that must be treated within the realms of corporate social responsibility (CSR). Many of these models coincide with the sense of urgency proposed by current literature (Bruch et al. 2005), however, they do not take into account the individual and collective obstacles inherent in the organization nor do they account for the emergent criticisms with which people have to deal at the time of introducing such organizational changes (Yorks & Marsick, 2000). Therefore, it is necessary first to understand the conditions and circumstances that an organization may be facing at a particular point in time before moving forward with enterprise wise type of change.

As opposed to large corporations where things are managed differently, in SMEs it is easier to embrace this new paradigm shift as it is part of their fabric; it is woven in their strategic models of doing business rather than being something extraneous that must be incorporated to the organization from outside of the enterprise. As a matter of fact, when there are conditions and circumstances present which pose considerable obstacles and hindrances to carry out the organizational change necessary for enterprise sustainability and innovation to align and thrive in the enterprise business performance arena, it may be necessary to analyze first how such a change may be best served both in terms of the individual and group transformative learning. In other words, the organizational culture and values must change before attempting to implement and institutionalize the paradigm shift of doing business, placing company values and ethics at the forefront of the enterprise sustainability agenda tied to business performance management. Such effort should be at the heart of the organization transformative learning process as it entails changes in the mentality and behavior of the individuals and groups within the organization itself (Barki & Pinsonneaul 2005). Transformative learning refers to the process through which people transform their mental frames of reference in order to incorporate new values and ethics principles into a group for example, and this is a demanding and cumulative effort that unlike the SME (in which this paradigm shift is part of their successful business model) must be championed by managerial leadership geared towards a cultural shift on business ethics (Pirson & Lawrence, 2010).

On the one hand, the company must redefine its priorities and core values, not so much in terms of social and environmental responsibility as it has done in the past, but rather to assume a commitment to its customers and the community as part of its strategic and daily concern. Another is the commitment to the communities that impacts the business itself making it thrive. Enterprise sustainability, innovation and transformative learning are to set the guidelines and actions for managing a successful and sustainable business performance in the enterprise. This requires an approach which is tailored to the enterprise itself, it is not a one size fits all deal. Each company has to find its own formula and apply it a way that best suits its strategic goals and business objectives, as SMEs in Chile have been doing. But such an approach has a common ground regardless the management style and personal seal of the company: they all have a transformative organizational learning scheme operating within the organization, albeit not

always explicit; and they also have a strong ethics commitment and shared values embraced by all stakeholders towards both the customer and the community.

Transformative learning draws attention to those frames of reference which become obsolete and create hindrance for the development and institutionalization of the sustainable enterprise. The transformation occurs when existing frames of reference change, and people change by learning new frames of reference. Hence taking enterprise sustainability and innovation as fundamental values and core competences of the enterprise involves expanding its transformative capacity to include the community's impact. Sanford (2011) points out that a responsible company is characterized by undertaking business in harmony with all those who contribute directly or indirectly to the product or service. This includes the environment, the customer, the community and investors, among others interested parties.

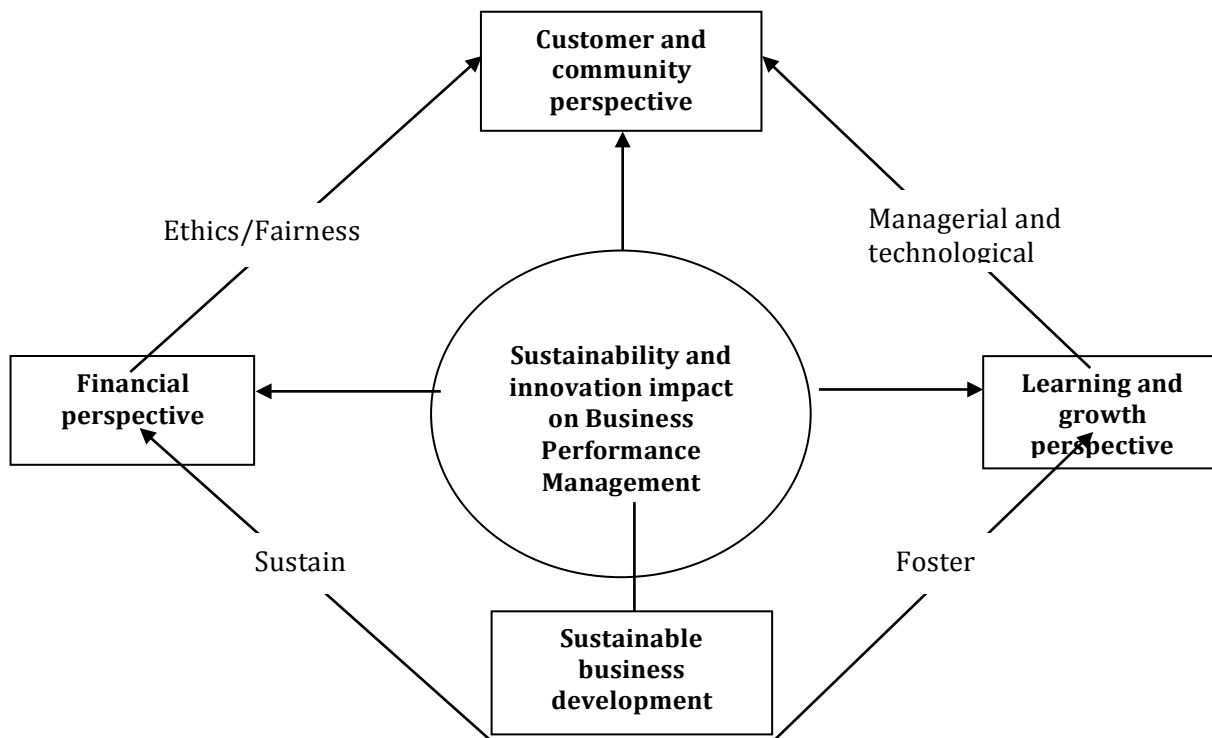


Figure 3. Sustainability and innovation impact on the enterprise business performance management aligned with the four most prevalent business perspectives of successful Chilean SMEs today. Source: Own elaboration

In Figure 3 above we show a diagram depicting the four most prevalent business perspectives that characterize and support enterprise sustainability, innovation and how they all impact enterprise business performance. The customer and community perspective is supported by a code of ethics and fairness of the enterprise in its relationship with its customers and the community. Learning and growth perspective supports and fosters innovation in every way possible, something which helps business growth as well as enterprise sustainability. In fact, the

sustainable business development and learning and growth perspectives are mutually dependent and support each other. Finally, the financial perspective is sustained by a sustainable and ethical business practice which in the end closes the circle by supporting an ethical and fair relationship with the company's customers and the community in which it is inserted. Hence both sustainability and innovation have direct impact on business performance management once enterprise sustainability and business performance management are aligned with and supported by the four business performance perspectives before mentioned.

DISCUSSION

Much has changed since globalization and the internet took over the business world fifteen years ago and companies everywhere, especially small and medium sized enterprises (SMEs) have not remained on the sidelines regarding these changes (Condon, 2004; O'Toole, 2004; Schaltegger & Wagner, 2006; Lichtenthaler, 2009). They have had to adapt and transform themselves to compete and thrive. Chile in particular, being a country with an open door policy to free trade and globalization, has seen many such changes, especially in the SMEs sector. This paper explores such changes and describes consistent trends and patterns in various enterprises from widely different industry sectors, and how they have transformed their business models, strategic management and redefined their economic value chain, extending their customer base and value outreach well into the communities in which they operate. Thus Chilean SMEs have adopted entirely different approaches to strategic management than do large firms, enabling them to practically reinvent the way business is done in different industries, changing the SMEs landscape in the process. Their strategy is aimed at achieving something similar than what Blue Ocean strategy (Kim, 2005) proclaims, whereby costs are reduced to stay competitive while increasing value to customers and the community. Thus SMEs are winning over business from larger firms and occupying niches that are simply out of reach for other firms. The paper presents evidence based on real examples that behind such transformation and business success lay distinct strategies: knowledge management, innovation and sustainability management linked to their business performance management. Thus a new analytic framework is needed and introduced here to explain and measure such phenomena, in the form of a new business scorecard rather than a balanced scorecard. The framework is supported by a number of successful Chilean SMEs operating in a local and international context, offering a new perspective on strategic management of enterprise sustainability. The latter rests chiefly on innovation, ethics and transformative organizational learning (Benn et al. 2014) as drivers of enterprise sustainability and innovation, aligned with business performance management. Therefore, in light of the above, a new argument emerges that moves away from the traditional debate on what the scope of enterprise sustainability is, transcending the corporate social responsibility (CSR) arena (Balmer et al. 2007).

CONCLUSIONS

There is no doubt that enterprise sustainability and innovation are making a dent on the competition for those SMEs that have adopted this new business trend. These, along with fairness/equity are erecting as pillars of the development of modern societies, especially in emerging economies like Latin America, where sustainable small and medium enterprises are active community players in the creation of value for their customers and for their stakeholders, while at the same time, bringing greater social fairness into society. However, there are obstacles and hindrances to institutionalizing such a change in the way companies go about their

businesses. A possible approach to address such hindrances is offered by transformative organizational learning (TOL). It is only by creating an environment of TOL and growth that truly sustainable enterprises emerge and thrive. The number of enterprises particularly SMEs in Chile which have embraced this new path to sustainable competitiveness keeps growing. The approach is tailored around an "everyone wins" situation where new enterprise culture, business policies and organizational values are the key to instrumentalizing this new concept that impacts both, the customer and the local community directly.

Indeed, one can expect further convergence between ESM and BPM strategies as well as an increased focus on the community as an overall business management framework in the years to come. The elements that constitute this new organizational strategy are centered on new business principles, value management and ethics acting as enablers of this paradigm shift. While the latter may make all the sense in the world in today's environment, the problem is that such new principles and values may sometimes conflict with individual and groups within the organization whose interests may seem threatened, giving rise sometimes to unforeseeable obstacles and hindrances. It is hard to march at a good pace when facing a strong headwind. For this reason, managerial leadership should exercise its role and be a driver of OT. Thus the management of these new organizational values and principles should be guided by a transformative learning process within the organization, in a way that is fully coherent with the management of business performance and enterprise sustainability. The transformative learning process allows understanding issues behind the enterprise culture, such as values, actions and decisions which at times may seem hard to visualize and manage. When the paradigm shift is institutionalized and in full force, as can be seen in many SMEs operating today in Chile, the alignment between enterprise sustainability and business performance management becomes possible and with it comes a superior competitive edge. One that has allowed so many SMEs in Chile and in other parts of Latin America to achieve superior business performance while helping foster wealthier and happier communities. This in spite of the competition of larger firms, and in the process, being able to create a unique relation with their customers and the communities they serve.

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