



**CONSCIOUS
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PERU



BUSINESS LEADERSHIP

**IN TIMES OF SOCIAL,
POLITICAL AND ECONOMIC CRISIS**

**ROUND TABLES
SUMMARY**

DEC 2020 - APR 2021



BUSINESS LEADERSHIP IN TIMES OF SOCIAL, POLITICAL AND ECONOMIC CRISIS

EXECUTIVE SUMMARY

In the developing world, the private sector is responsible for approximately 90% of employment and its activities provide the essential goods and services that improve people's lives, generate tax revenue, and are crucial to stimulate economic growth, says IFC, a member of the World Bank Group. In the case of Peru, Comex states, that private investment has been the most important source of economic growth since the 1990s. Without private businesses, there is no growth or development. According to the OECD, when private investment levels drop, the productive capacity of the economy loses dynamism. As a result, less employment is generated, and consequently fewer opportunities for the more vulnerable population to emerge from poverty.

ROUND TABLES SUMMARY

According to the OECD, when private investment falls, the productive capacity of the economy loses dynamism. As a result, less employment is generated, and consequently fewer opportunities for the more vulnerable population to get out of poverty

The main question

How to regain confidence and reinforce the positive impact of the private sector through business leadership?

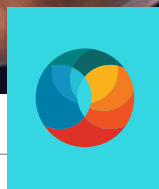
The important contribution of the private sector is not in question. However, in times of political, social and economic uncertainty, it worsens the crisis of confidence of society in its institutions, and private enterprise, despite its successes, is no exception. Businesses' short-term vision, its disaffection to public affairs and national imperatives, have made fewer and fewer people in the world to trust the CEOs and even the capitalist system itself, especially the younger ones. Despite this, citizens expect entrepreneurs to exercise active leadership in solving social problems.

So, the main question is: how to regain confidence and reinforce the positive impact of the private sector through business leadership?

To answer to this question was gathered from circa 110 leaders from the public and private sectors, academia professors, civil society, media representatives, and startup's founders, in ten virtual roundtable sessions. The Conscious Capitalism Peru movement, organized these sessions with a clear objective in mind, to listen to the ecosystem, reflect and recommend the best ways to strengthen business leadership and its impact.

The purpose of these roundtables was not to recognize the obvious merits of businesses impact in the country, which has contributed in many ways through Corporate Social Responsibility activities, nor to criticize the limitations and the failures of the Governments and the State - which are well known - but, rather, to listen and contrast the different perspectives of leaders from various sectors to analyze the relationship between the private businesses and society, and propose solutions to help improve and increase the positive impact that can be generated together.

The meetings made it clear that businessmen must actively participate in public affairs in favor of the common good. Companies can, and must, break inertia and participate in politics, not necessarily partisan politics, but at least to develop a joint vision of the country and social welfare. The private sector - through its businesses and the goods and services they provide - can do much more than it is already doing, not with philanthropy or CSR (which are always welcome), but through a more conscious way of acting, playing a fundamental role to fulfill and solve social and human needs.



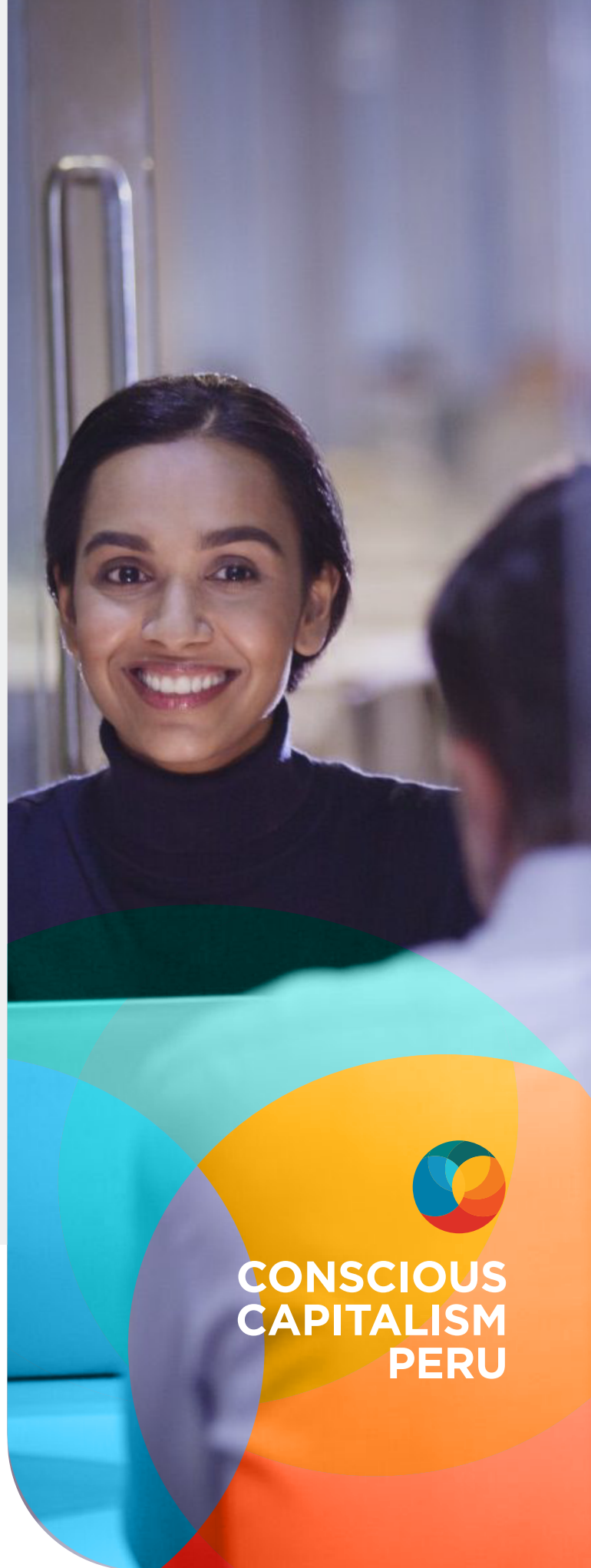
Citizens expect entrepreneurs to exercise active leadership in solving social problems

The conclusions from these virtual conversations promoted by Conscious Capitalism Peru are summarized in this report, recommending ten ways in which business leaders can build confidence and increase their positive impact on society, such as changing the way that the company relates with others stakeholders, by changing its approach from the individual to the collective, recognizing the interrelation and interdependence it has with all its stakeholders; rewriting their definition of success; taking a long-term and sustainability perspective; changing their narrative and adopting a language that invites all to the debate about businesses impact on the common good; and, especially, to do business activism - at the level of owners, founders, directors and CEO -, establishing a position on the key reforms that the country requires to move towards its sustainable growth and development .

We invite you to read these proposals in more detail and to join us in the next virtual meetings to continue helping to strengthen the important role that private companies play in the development of the country, not only in the economic aspect, but also and environmental, social and human level.

Next, the ten recommendations, followed by some quotes taken from the round table sessions.

**WE HAVE SUMMARIZED
ON THIS REPORT
10 WAYS IN WHICH
BUSINESS LEADERS
CAN BUILD CONFIDENCE
AND INCREASE THEIR POSITIVE
IMPACT ON SOCIETY**



10

MEASURES TO REGAIN CONFIDENCE AND ENHANCE THE ROLE OF THE BUSINESS COMMUNITY

DIAGNOSIS

2021 will be decisive for the future of humanity, said the founder and CEO of the World Economic Forum (WEF), Klaus Schwab, calling on world leaders to focus on rebuilding trust and creating more resilient, inclusive, and sustainable economic growth. "Trust is necessary to overcome the crisis and have a basis for a future-oriented mind and build a world for tomorrow," he emphasized.

The WEF shows that trust is the glue of healthy societies and the lubricant of economic productivity. Its presence often goes unnoticed, but its absence is hard to miss. In fact, the geographic areas where there is lack of confidence, such as Peru, are the least economically advanced.

Country by country: Trust vs. GDP per capita

Shown is the share of people agreeing with the statement "most people can be trusted". For each country the latest available data is shown.

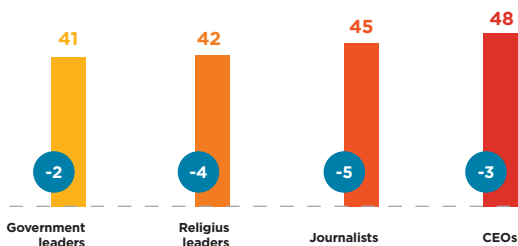
Our World in Data



Data source: World Value Survey for data on trust and Penn World Table for data on GDP per capita. This visualization is available at [OurWorldInData.org](https://ourworldindata.org). There you find the raw data and more visualizations on this topic. Licensed under CC-BY-SA by the author Max Roser.



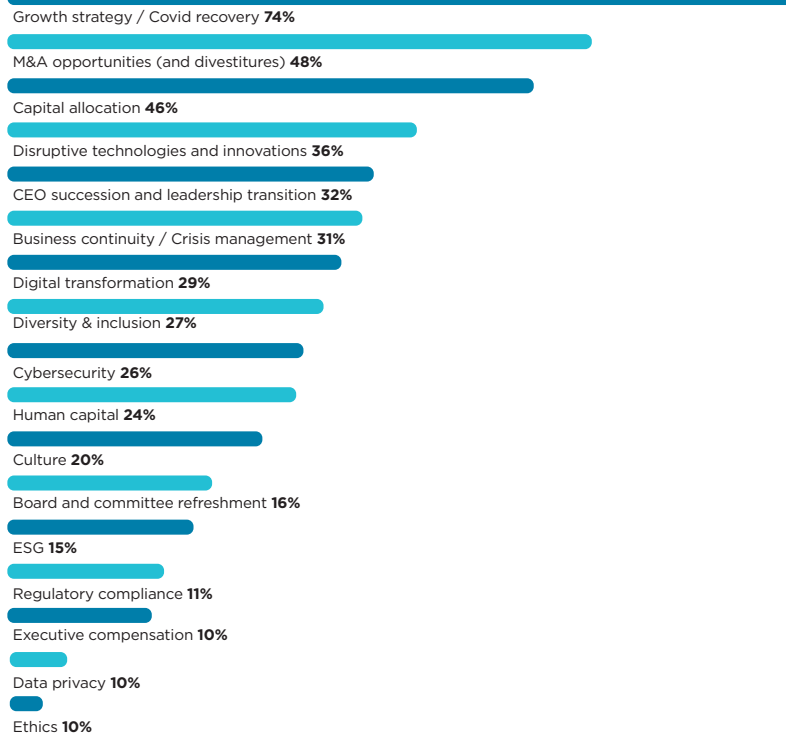
Trust in societal leaders declines further



On the other hand, **Trust Barometer** reveals that people do not trust CEOs (or any social leader) to do the right thing, with a three-point drop in their trust score (48%) compared to last year.

While the private sector has had many successes and it has played a key role in the economic, social and environmental development, the loss of confidence in their leaders - and the capitalist system is increasing. 56% of the population worldwide who believes that the private sector does more harm than good. It can be explained by its historical focus on the short term and exclusively on the profitability for shareholders without considering the interests of all its stakeholders. The worse it is that this approach often leaving aside ethics.

If you were charged with setting the agenda for your next meeting, which topics would you include as most relevant?



It is not about demonizing companies or profitability. Rather, the latter is necessary for the company to fulfill its true reason for being: to solve human and social needs. That is not exclusively the role of the public sector. In fact, more than two-thirds of the world's population expect CEOs to intervene when government fails to solve their social problems, and more than 8 in 10 people want CEOs to speak out on important social issues, such as the impact of pandemic, job automation and social problems (racism, sustainability, etc.), according to Trust Barometer. This is not to say that they expect the company to replace the state. No. The message is rather that it is interested in the urgent problems that affect the population, which certainly includes its consumers.

It is clear that doing business in Peru is not easy at all, many times due to State obstruction, the unpredictability of our justice system, weak institutions, the populism of many politicians -

especially congressmen - and general mistrust, among other factors. However, the roundtable talks revealed a clear consensus on the need to renew business leadership and for these new elites to transform the country. The result of the first presidential elections send a clear signal in this sense.

“ The roundtable talks revealed a clear consensus on the need to renew business leadership and for these new elites to help transform the country”.





10 VIRTUAL SESSIONS

Concluded that the biggest challenge for entrepreneurs and businesses is to regain the trust of society

WHAT TO DO?

During 10 virtual sessions organized by Conscious Capitalism Peru between December 15, 2020 and April 5, 2021, about 110 leaders - men and women from diverse background and ages- discussed and agreed that **the biggest challenge for entrepreneurs and businesses is to regain the trust of society.**

Despite Businesses participation in "*Empresarios por la Educación*" (Business leaders for education) and "*Empresarios contra la Pobreza*" (Business leaders against poverty) there are so many social and environmental

issues that businesses still do not get involve in. This "indifference" (real or apparent) reinforces the bad concept towards private companies, especially today when the younger people reward with their preference, companies that reflect the values to make this world a better place.

Throughout the talks, the participants came up with ten urgent recommendations to begin to build that "social license" and enhance the benefits the company's in the country can offer during these times of political, social and economic crisis.



BELIEFS & PRINCIPLES



01

Businesses and Leaders must act out of conviction and not just because the law requires it, and even less, out of fear or social and media pressure. Let go of the belief that private enterprise is separated from the structural problems of the country or that this is the exclusive responsibility of the government. The traditional "employers do not participate in politics" (i.e. which has to do with the common good) is no longer a valid paradigm. Its lack of leadership in the public arena hurts the private sector's reputation.

02

Listen and dialogue more, especially with those who think differently. Develop a vision for the country and better understand how certain matters, which are beyond our radar, affect differently the population. The roundtables revealed that the business sector can adopt a more constructive and humble attitude to build bridges, build alliances, participate and articulate in a transparent way to suggest public policies for the best interest of the country.



03

Define a new business identity that migrates from the individual to the collective, which is, giving equal importance to all stakeholders. Also, adopt some practices such as, criticizing and publicly denouncing companies with bad practices when pertinent. Improve its communication, but in an authentic and transparent way. The perception about the company will not be solved with PR strategies. The businesses that pay attention to the environmental and social issues will have a greater chance to grow and prosper.

BUILT THROUGH PURPOSE

04

Define a Higher Purpose, in a concise phrase- that expresses the benefits that the business generates to the world. . A proven way to start the change is aligning the compensation system of the CEO and top executives with the delivery of the purpose and its impact on the economic, social and environmental business goals.



05

Adopt at the Company Board level the strategies and values that will support the delivery of its purpose. This requires reviewing the agenda dynamics, the composition of the Board and assuming the responsibility for overseeing how the management brings the purpose to life.



AT THE ORGANIZATIONAL LEVEL

06

Put the people and its ecosystem at the center of the business model and strategies. Align business plans and budgets to this basic principle. The round tables made it very clear that this conclusion does not refer to philanthropy or CSR activities, but to the way of operating from the company's core purpose.



07

Redefine the concept of business success based on the Purpose, in such a way that it measures the positive impact that it generates on society. For this, it is necessary to implement a series of non-market KPI, which go beyond the traditional financial and market metrics, and give the company a more human approach.

AT THE SOCIETY LEVEL



08

Exercise business activism. The objective is to help generate a change to act more collectively than individually. Building a narrative that covers issues relevant to our society. Establishing equal conditions for doing business. Acting to mitigate global warming. Creating measures against discrimination based on race, gender or sexual orientation. Participating in initiatives to improve business ethics and support investigative journalism.

09

Play a more active role (based on the direct participation of business owners, chairmen of the board and CEO) to improve the country's institutional framework and democracy. For example, give concrete proposals to reform the State (political reforms, justice, health, education) and finance think tanks that can contribute to this regard.



10

Business unions should be led by businessmen themselves to increase their capacity and reach. Without prejudice to the technical capacity of the professionals who preside them, this was a suggestion repeated a lot during the round tables.



CONSCIOUS CAPITALISM PERU



MORE ABOUT CONSCIOUS CAPITALISM PERU

If you are interested in giving your contributions to strengthen the role of Businesses, re-empower business leadership or learn more about the Conscious Capitalism movement in Peru, contact us through

movimiento@capitalismoconsciente.pe



QUOTES

TAKEN FROM THE ROUND TABLES

“ Without undermining the benefits generated by the free enterprise system, we must recognize that many of the challenges to capitalism are valid. It is enough to see the profound deficiencies in the country, a product of the model in the last two or three decades, to realize that, as entrepreneurs, we neglect what, perhaps, is most important: social and human development , which would have been possible if we would have put the same effort into the institutional reforms (health, education, justice, security) that we put into the economic reforms”.

“ In the private sector we are making progress on sustainability issues, as there is a kind of consensus on the need to renew business leadership and adapt it to new profitability needs, not only economic, but social and environmental profitability”.

“ The Elite has deserted Politics. We must return to Politics, not at a partisan level necessarily (although it would ideal to strengthen democracy), but participating actively in public policies that meet the needs of the country. This, which does not imply invading the jurisdiction of the State, requires a change of mindset in business leadership”.

“ In general, entrepreneurs and CEOs are in mute mode and have traditionally taken refuge in the Industry Associations, which are the ones that carry the load. Institutions are built by all of us, and not only by civil society”.

“ The challenge is determining how to be a true agent of change. This requires moving from a private conception of privileges to one of citizen rights”.

“ Let's measure our compliance with the UN Sustainable Development Goals (SDGs). Let's play a leading role in the *Acuerdo Nacional* (National Alliance) and in the Bureau to Combat Poverty (*Mesa de Lucha contra la Pobreza*), on ecological and environmental issues too”.

“ We need to be more emphatic in the fight against corruption, moving moving from speaking to acting”.

“ Certainly, sustainability is essential, but let's not forget that social and economic development must go hand in hand. To be efficient it is essential to be profitable and fulfill our business role. We have to work so that profitability is not demonized”.

“ In our society there is a questioning of capitalism and the free market. Making a profit and the economic model are questioned for ideological and cultural reasons. For this reason, it is essential to educate the people on the market economics. That said, it would be interesting for businessmen to propose a development plan for the country, including health care reform, for example. Also public-private initiatives in education; make plans to achieve greater financial inclusion; proposals for judicial reform; urban planning; administrative simplification; etc. If these proposals are born from the companies, the society sees a commitment with the country”.

“ Business leadership is part of the story. But the entrepreneurs don't have a good story. Millennials and even the generation Z will not understand how the ruling class believes that philanthropy and CSR activities is sufficient. That is no longer enough. They must renew their narrative in terms of positive impacts on society generated from its core business, with a responsible mindset, without generating externalities and being profitable”.

“ You need to start a new conversation in more human terms. Why don't they talk about inclusion, well-being, cooperation, empathy, compassion, happiness, love. If these elements are present at the family and personal level, why not in the company that plays a fundamental role in our development?”.

“ The usual narrative used to defend the system, reinforces the idea that capitalism and private enterprise have a short-term approach that only seeks their own benefit. It must be renewed, but on the basis of concrete actions. For example, the term 'economic growth' should be replaced do with 'sustainable development'; 'profitable companies' by 'companies with purpose'. The narrative should be warmer and more humane, but supported by business models that put the people at its center”.





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