

RETHINKING ENTREPRENEURIAL RESPONSIBILITY IN A GLOBAL SCENARIO:  
A LATIN AMERICAN PERSPECTIVE  
by Diego Arria

It should be unimaginable to conceive of tomorrow without a major, comprehensive and profound rethinking of the role that the most dynamic and creative sector of our economies-the entrepreneurs- should play not only in development, but as well as fostering peace , security and prosperity.

It is evident that the process of globalization that is so radically altering the nature of the political, economical and social relations within and among all nations has been characterized by the increasingly preponderant role played by the private sector. The state, particularly in developing countries, has been and will continue to be hard-pressed to perform its traditional role in areas such as education, employment, health and pensions. Tax collecting capacity and, more broadly, the ability to generate domestic savings are in most countries still severely impaired. These trends, as well as the new technology-driven economy's emphasis on self-reliance and entrepreneurship, have resulted in a broader engagement of the private sector in what had been traditionally regarded as areas of exclusive state involvement. At first sight, all this would seem to run counter to the pursuit of a more equitable and inclusive society and, arguably, it is here that lies one of the biggest threats to global peace and prosperity: in the diffusion of poverty and inequality at a global scale.

The private sector has been increasingly successful in luring the most dynamic and better-trained people, a de facto "brain drain" from public service to private entrepreneurship within national borders but also from developing economies to the industrialized world. This last aspect may have truly dramatic consequences for developing countries. The premium placed on higher skilled workers by an increasingly technologically-driven, service-oriented economy is resulting in a true drain of human capital from less developed economies to the international centers of academic excellence and technological innovation of North America and Europe. The future of developing countries is being progressively lost in the steady bleeding of their skills and talent. Not only do they have to contend with the foreign financial institutions, whose efforts to capture local funds fuel capital flight and deplete their foreign exchange reserves, but this already significant challenge could pale when compared to the potentially devastating long-term effects of losing extremely valuable human capital.

Central banks keep minute data on the financial flows of their economies and of the fluctuation of their international reserves. No one is keeping count of the increasing talent drain. Even though the situation should be already of concern, counting money seems to absorb all the attention of our governments. In the new economy where talent is king, the emerging countries that do not pay attention to this threat will bankrupt their futures.

On the other hand, at a time when most states are trimming down their size and scope, while allowing the private sector the opportunities to effectively manage an increasing amount of physical and human resources, little consideration if any, is being given to the issue of whether and how the private sector will share the responsibilities vis-à-vis the rest of society

-responsibilities that had traditionally been assumed by the state, and take a more active role in keeping in check the threat to global security embodied by economic and social marginalization.

In addressing the question of whether and how the private sector should become more publicly oriented, we must begin by acknowledging that the line where government stops and the private sector begins is less distinctly defined than ever. Governments are called to reduce their involvement in economic and social affairs and give way to broader private sector involvement. We must then admit that the public sector can no longer assume the entire responsibility for responding to the global security challenges of an increasingly globalized world without the active participation of the private sector. Yet this is a conclusion that is a long way from being accepted; the argument often put forward by the private sector is that its proper and sufficient role is that of creator of wealth and economic opportunity. The end result is that the broader issues posed by globalization are still being addressed almost solely within the public sector's sphere, be it at government or multilateral institution level, and that, inevitably, in most cases the resulting prescriptions are incomplete and ineffective. This must change. The role of the private sector will have to be broadened to include initiatives that directly tap its talent and creativity in order to actively engage and participate in global change. This is not about imposing new roles, but rather about re-dimensioning traditional ones to be more interactive, co-operative and creative.

Is the suspicion that an increasingly dominant private sector is a natural obstacle in the pursuit of broad prosperity and equity justified? If so, how should this public perception of the entrepreneurial role in society be changed? Should businesses consciously adopt the goal of becoming active agents for collective prosperity? These are pressing and fundamental questions which have not reached the top of the agenda of the global multilateral institutions, including the United Nations. Indeed, although the Secretary General's pre-Summit report is a welcome acknowledgement of this fact, the wedge between the United Nations and the private sector is still abyssal. At a time when the size and resources of multinational corporations can eclipse those of many member states, the private sector's conspicuous absence from UN deliberations means that, increasingly, the UN membership is not truly representative of the new global polity.

The UN can and should seize this opportunity to cast itself as the indispensable catalyst and unbiased representative forum for all the stakeholders of the global society, particularly at a time when most multilateral institutions are increasingly perceived by the public opinion as pro-business, opaque and undemocratic. Otherwise, the risk is that vast swaths of the world's population, particularly those without access to capital and knowledge, will be irremediably and irreversibly excluded, threatening thus the very future of the global economy and, ultimately, even that of democracy itself.

Perhaps no other region better illustrates the extent of the fundamental challenges brought about by globalization, the destabilizing risks of widespread poverty and inequality and the pressing need for a new entrepreneurial ethics than Latin America. A closer look at the changing nature of the role of the state and the private sector in an environment of

political and economic fragility -as most of Latin America is experiencing today- can provide some useful lessons for a much-needed redefinition of the multilateral community's agenda, one that would better reflect these fundamental changes.

#### Globalization and Entrepreneurial Ethics: A Look at Latin America

For many years the most prominent Latin American entrepreneurs usually emerged from a close-knit group of influential families, often under the protection of governments that provided preferential financing for their businesses, tariff protection for their industries and lucrative contracts with the state. The consequences of these practices were low levels of economic development, competition and efficiency for the region, and a managerial class generally closed and resistant to change.

As a result, the most talented Latin Americans generally sought to secure a career in the private sector in detriment of public service. This self-imposed marginalization left the field open for people of lower skills and competence to seize not only the political leadership but also the control over domestic economic policy, imposing in most cases a development model characterized by a strong bias against entrepreneurs who were looked upon with suspicion precisely for being creators of wealth. This chasm between private initiative and the public sector to a large extent explains why the Latin American development experience greatly contrasted with that of some of the most successful East Asian countries. There, governments understood from an early stage the importance of attracting the most talented people in order to build well-trained and effective bureaucracies focused on the implementation of policies that resulted in higher levels of development and prosperity than those seen in Latin America. It would not be far-fetched to conclude that without the strengthening of their state machinery, East Asian businessmen would not have attained the level of success they have until very recently enjoyed, and that, unless Latin

American countries in turn succeed in fortifying their public institutions, Latin American entrepreneurs will always be at a disadvantage in the global economic battlefield.

As a result of its history, Latin America has the dubious privilege of being the region with the most unequal income distribution in the world. Fifty percent of its population lives below the poverty line. The Latin American share of world trade is one-fourth of what it was 30 years ago. Its savings rate continues to be among the lowest in the world. Latin America's infrastructure-investment needs are estimated at more than \$60 billion annually. Latin American countries rate consistently high in the Transparency International index of corruption. These facts can no longer be overlooked.

After fifteen years of economic reform and liberalization policies which received the enthusiastic support of the international financial community and broad coverage from international media, today Latin America posts the worst indicators of concentration of wealth and people living below the poverty line ever; the ensuing level of social tension is so extreme that it seriously threatens the future of several of the democracies in the region. This is the mirror in which, sadly, most Latin Americans must look at themselves as their

views are increasingly polarized between anti-business and anti-government attitudes. What is most discouraging is that it would seem that there is no creative and intelligent way to reconcile these views and escape confrontation. Those who are anti-government seem incapable of answering questions such as why deregulation and privatization seem to exacerbate unemployment and the concentration of wealth within fewer hands, whereas the anti-business camp cannot provide credible alternatives that would generate employment and increase resources using higher levels of protection and price controls.

It is unquestionable that without monumental investments in education and public health it will be impossible to stop and revert these alarming trends. Nevertheless, the widespread -and often justified- distrust of most Latin Americans with regard to their governments' capacity to manage resources and deliver results must lead entrepreneurs to an urgent reassessment of their wider role in society, a role framed within a New Entrepreneurial Ethic, and capital letters certainly apply here.

A significant number of entrepreneurs still feel more comfortable working in economic systems with high state intervention. For it is undoubtedly simpler to buy favors than compete openly through quality and prices. But things are changing in some countries in Latin America. Family firms are giving way to corporations of international caliber. The region's new managers recognize that, faced with the global economy, they must compete in sectors with high degrees of competitiveness and technological complexity. In this context, President Ernesto Zedillo of Mexico recently said to a Group of Thirty meeting that "The level of tolerance for stupidity in a global world is close to zero."

What qualities do these new businessmen have in common? First, academic training in the U.S. Second, working experience with multinational companies. And third, an unusual sense of opportunity, combined with a profound knowledge of the region where their efforts and resources are deployed. They speak the language of globalization and sail comfortably in global waters, and to the extent to which they will obtain access to capital markets, they will do extremely well.

The old relationship between entrepreneurs and politicians is giving way to a playing field for which entrepreneurs must prepare well. The state in Latin America is no longer in a position to play its accustomed nurturing role, not even in traditional areas such as education, health and social security -where the benefits were not well distributed anyway. In the fledgling years of this millennium, the role of the state will be trimmed even further; this will call for an even broader definition of the entrepreneurial agenda really attuned to uncharted turbulent waters.

Foundations and private research and education centers must equip themselves with new ideas in order to play an influential role. Already, private research institutions such as those created by former finance ministers Domingo Cavallo of Argentina and Hernán Büchi of Chile have played a vital role in defining the development process in their respective countries. Unfortunately, there is not enough sensitivity in the private sector about the importance of these initiatives and the efforts in this direction are few. A new social and political awareness culture must be promoted, and time is of the essence if they are to play the role that the times are demanding from them.

Latin American entrepreneurs are also facing distinct and pressing challenges brought on by the digital revolution. According to the consulting firm GartnerGroup, the rate of replacement for information technology is about 18 months. This means that by the time a technology is fully introduced in Latin America, it is falling into obsolescence.

Entrepreneurs unwilling to be left so far behind will be forced to seek strategic alliances with foreign companies. Those who possess adequate knowledge will exponentially increase their size, influence and, of course, profits.

Latin American business elites are discovering the huge advantages that coordinated action can offer for regional business opportunities. Chilean businessmen were perhaps the first to be aware of, and profit from, the need to invest beyond their borders. The Argentines in Brazil, the Colombians in Venezuela and the Mexicans in Central America are discovering the value of neighboring markets where they enjoy distinct advantages.

But ultimately that will matter little unless business values, as well as the public perception of the entrepreneurial role in society, undergo a radical change. The new entrepreneurs must assume their share of responsibility for overcoming the serious limitations presented by poverty and inequality. Until these attitudes shift, many of the most talented Latin Americans will end up working abroad, where skills are in permanent and growing demand. The brain drain is at the core of Latin America's decapitalization process, much more damaging, I would dare say, than capital flight per se.

To flourish in the upcoming millennium, businessmen must take the initiative within their communities by adopting practices of social solidarity and participating in educational programs for the benefit of the least favored workers. There are abundant examples they can follow among foreign multinationals operating in the region and elsewhere that are already involved in social, educational, cultural and environmental programs. To become active leaders within their communities, while at the same time stimulating and engaging their executive and technical staff, is the best policy Latin American businesspeople could adopt. This is not a prescription to become involved in political activism but rather in the exchange of ideas and the promotion of values essential to keep their countries on a successful course.

Latin American businessmen will in general be better prepared than their governments to meet the challenges of the new millennium. But how can businesses attain their full potential while governments remain in disarray? This fundamental issue will continue to affect the environment within which Latin American businesses operate. It must be grappled with. The lesson here is clear: the fate of an entire country can no longer be left in the hands of its government in the hope that no major crisis will occur.

Business associations will have to change their agendas so that they are perceived by public opinion as being not solely motivated by individual profit but rather as being inextricably linked to the future of their society. Private-sector goals will have to be adapted and integrated into the broader national agenda. This will require a fundamental effort by entrepreneurs. Their dialogue with governments and unions will be much more productive if businesses

are perceived as agents of collective prosperity (as they indeed are) instead of as mere defenders of their own interest (something that they are obviously entitled to be). Entrepreneurs will have to be creative, for the good of their society as well as their own.

To meet these challenges, we must acknowledge that Latin America will probably be a much riskier place than Europe or North America for the foreseeable future. This will require Latin American businesses to assume greater risks and exhibit increased flexibility and speed within a region already prone to whipping fluctuations. But it will also require something more important: unusual persistence in sticking to long-term goals. The entrepreneurs of the future need to keep in mind U.S. economist Paul Krugman's warning: to assume that bad ideas will never prosper is to ignore the lessons of history.

#### A Role for the U.N.?

The Latin American example epitomizes the challenges that both the private sector and local governments are facing before a rapidly changing global economic reality. Institution building, improved education and health and broader access to technology, among others, conform an extremely complex agenda that calls for a concerted effort among governments, businesses and other representatives of civic society, as well as multilateral organizations. As the Latin American example shows, much remains to be done by domestic actors; nevertheless, the nature and magnitude of these challenges requires an all-inclusive forum where all the stakeholders of the global community feel represented and where the New Entrepreneurial Ethics may germinate and take root the only way it can: as a product of broad, constructive dialogue. Today the United Nations is the ideal, if not the only, international body where this dialogue can effectively take place; nowhere else may governments, non-governmental organizations (NGOs), workers and the private sector find an unbiased framework for constructive interaction.

The task will not be a simple one. It calls for a rethinking of the nature and dynamics of the relationship between the UN and the private sector. But the UN can rise to the occasion. Witness its evolving relationship with NGOs. At first, they were perceived as rivals, the NGOs casting themselves as the true representatives of civil society. Now many NGOs are active partners of the UN in many of its operations, often with considerable success (e.g. landmines, refugees, etc.). The UN-NGO partnership should serve as the example to follow in shaping a constructive dialogue with the private sector. To start, much must be done to do away with the prejudices against the business sector that are deeply rooted in UN thinking. The pervasive view that the private sector inevitably pollutes principles and values must be done with. The UN must take a hard look at itself and decide whether to continue to be hostage to this discourse. We must accept that welfare can no longer be brought about in contention with the private sector.

The UN should also enhance its social auditing capacities. Governments should care about what the UN says, as much as they do when the IMF speaks. The UN could do this by disseminating more effectively the knowledge it has accumulated on our own societies. This will be resisted, not least by member governments. For instance, during the completion of the first Human

Development Report in 1991, many government officials attempted to prevent its publication; it was perceived as a breach of national sovereignty.

At present, the UN takes a strong stand in publicizing what it has traditionally perceived as security threats and does not emphasize the risks inherent in the spread of poverty and inequality. The UN should be the public pulpit to preach stronger collective action as well as adopt the role of public thermometer on the state of social well-being. The UN must cast itself as the unique independent public entity that is not afraid to interfere in the traditional concept of sovereignty whenever it perceives that peace, prosperity, equity and health are at risk. The private sector should become a strong ally in this regard.

Up until now, governments as well as the business sector have acted contemptuously to these efforts. UN member countries interact through an official representative; as a result, UN reports, when not ignored, aren't in any way impartial and objective. And while the private sector certainly must do its homework, the Secretary General should go out of his way to incorporate the new voices of civil society. Or, rather, of a really global society which transcends government's responsibilities.

If the entrepreneurs and civil society in general are being brought to play an increasing role in sharing national and international responsibilities, the United Nations will have to transform itself to allow for a more direct participation by these fundamental players. Without them the UN will only have a partial view of the and complex realities that the emerging globalization is bringing about. There are too many states in the UN that are not really representative of because they do not reflect the whole. Not only the states that are there represented

There are only few nations in the UN that really take into consideration the visions and concerns of their own entrepreneurs and leaders of civic society.....in general most of the states are almost strictly public oriented. To rethink a new and more representative United Nations is a must as we face the most challenging tomorrow that is already dawning on us.

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