



MOTIVES OF SOCIAL AND ENVIRONMENTAL INITIATIVES OF LARGE CORPORATIONS LOCATED IN BRAZIL.

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ABSTRACT

This article's objective is to report an ongoing research, since 2007, related to the motives of social and environmental initiatives of large corporations located in Brazil. This research, based on managers and business owners' interviews, investigating their motivation for social and environmental initiatives related to their business stakeholders, had demonstrated two main groups of motives: 1) "correct initiatives due to 'wrong' motives", i.e. avoid sanctions (and losses) from local government authorities and avoid bad business image (or promote a good image) and, 2) "correct initiatives due to 'correct' motives", i.e. ethical reasons, and long-term profit. Some executive's answers had indicated that social and environmental initiatives were considered inherent of their business and, for the second group, these initiatives were also profitable, what implicates a requirement of a strategy simultaneously competitive and responsible.

Keywords: Corporate Responsibility; Competitive-responsible strategy; Corporate relations.

RESUMO

O objetivo deste artigo é apresentar uma pesquisa em andamento, desde 2007, relacionada aos motivos das iniciativas sociais e ambientais das grandes corporações localizadas no Brasil. Esta pesquisa, baseada em entrevistas de gerentes e empresários, investigando sua

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motivação para iniciativas sociais e ambientais relacionadas aos seus stakeholders, demonstrou dois principais grupos de motivos: 1) "iniciativas corretas devido a" motivos errados ", ou seja, evitar sanções (e perdas) das autoridades do governo local e evitar a imagem comercial ruim (ou promover uma boa imagem) e, 2) "iniciativas corretas devido a" motivos corretos ", ou seja, razões éticas e lucro a longo prazo. As respostas de alguns executivos indicaram que as iniciativas sociais e ambientais foram consideradas inerentes aos seus negócios e, para o segundo grupo, essas iniciativas também foram lucrativas, o que implica uma exigência de uma estratégia simultaneamente competitiva e responsável.

Palavras chaves: responsabilidade corporativa, Estratégia competitiva-responsável; Relações corporativas.

Introduction

From August 2007 until the present date, the authors of this article had developed a qualitative research to investigate Corporate Responsibility and the motives of social and environmental initiatives of large corporations in Brazil within their stakeholders.

Teaching ethics and social responsibility for Business Administration to under graduation and graduation students, today, is a challenge because with some frequency the discussion goes to ethics and social responsibility in general and not for ethics and social responsibility in business. Large corporations have many times over power customers, employees, governments, countries and even the globe society and they have the possibility, the decision of acting with or without ethics and social responsibility. Then, in this research, Corporate Responsibility treated ethics and social responsibility specifically in business.

Problem and justification

From a market perspective, and this is one of this research early findings, Corporate Responsibility is many times considered by some managers and business owners as an undesired, but necessary, cost. Undesired because implicates in costs that will increase their products' prices or eventually reduce their profit. Necessary due to concerns regarding government authority's sanctions, such as, for instance, fines due to environment pollution, or bad business image which may result on sales reduction. Then, these managers and owners calculate the best way to do business: risk sanctions and sales reductions or pay the cost to be social and environmental responsible. In other words, they decide how their corporation will handle their social and environmental issues within their stakeholders to generate a higher profit.

A relationship of a corporation and its stakeholders, for this research, was investigated and analyzed, considering three relationship levels based on Ashley (2005):

- 1) Basic level, i.e. the minimum required by law or 'if the law doesn't tell you to smile and say hello to your customer, you don't, but you try to sell your product anyway';
- 2) Competitive level, i.e. complying expectation from your customer or 'smile and say hello to your customer because this will help you to sell'; and
- 3) Competitive-responsible level, i.e. the ideal ethical level or 'smile and say hello, because is a human being, if you sell your product is even better'.

The research's idea was to verify and analyze if managers and business owners in Brazil, working for large corporations, act in the basic, competitive or competitive-responsible level of relationship within their stakeholders.

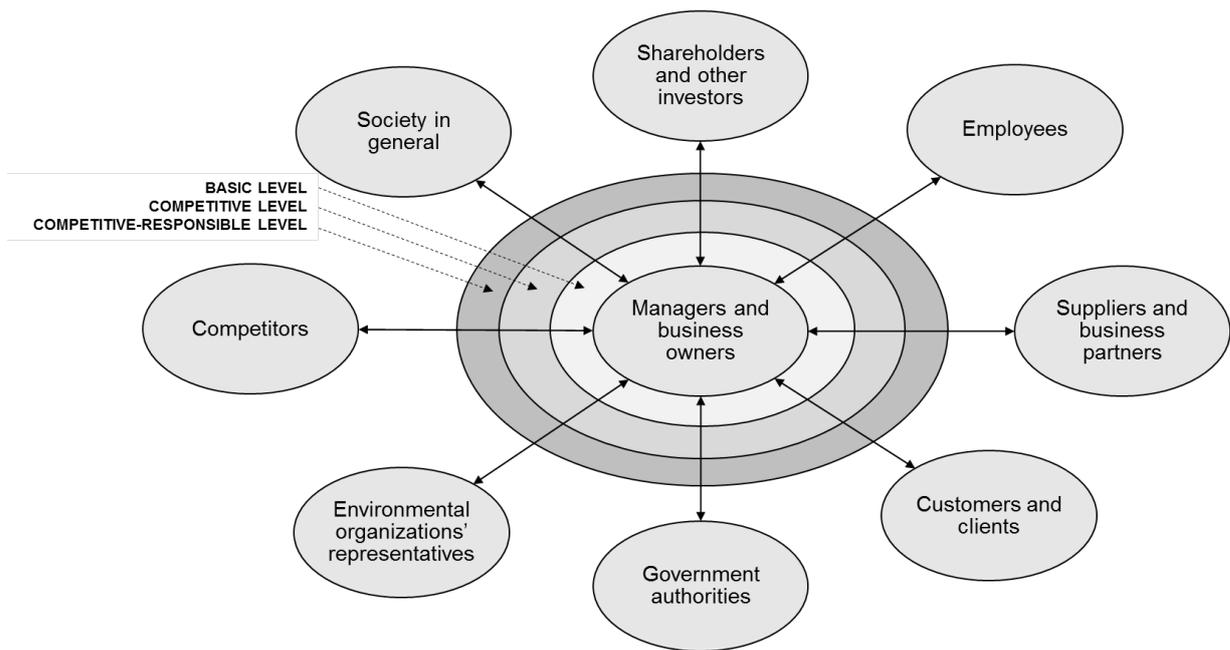
The research main problem was:

'How managers and business owners act in their relationship with

- Shareholders and other investors,
- Employees,
- Suppliers and business partners,
- Customers and clients,
- Government authorities,
- Environmental organization representatives,
- Competitors and
- Society in general?'

The following figure illustrate the relationships considered by this research:

Figure 1: Corporate relations



Literature review

In a class of the Business Administration course at the University of São Paulo (USP) in the 80s, a Sociology professor once said she was not happy of being designated to teach to business administration students. In her opinion, managers were 'the link of wild capitalism and exploitation of the proletarian class'. A class mate called her 'comrade' (*companheira*) and argued that not all managers were like that, some could be very competitive and 'wild' but others would prefer to balance corporation and their employees' ('proletarians') interests. In this short conversation, it was clear, at least, two types of managers: the 'wild' ones and the others, more 'idealistic' ones.

In the following years, Michael Porter made significant progress in his competitive strategy theory and described market forces what could compromise a business strategy. 'Wild' managers with power could impose their negotiation conditions to smaller suppliers or clients damaging these last ones' strategies. Free ('wild') market could impose 'win-lose' situations to smaller or less powerful players. On the other hand, responsible players despite their power could promote 'win-win' situations. These 'idealistic' managers foresaw a long-term relationship with suppliers and customers in a value chain. Eventually, a more profitable relation.

Nowadays, Corporate Responsibility supports this idealistic view and it indicates a more ethical and social responsible way to do business. However, 'wild' managers still exist dictating some short-term ways, less ethical ways, to make business to profit, making their

stockholders (short-term) happy. For these 'wild' managers, Corporate Responsibility initiatives are many times considered an 'undesired, but necessary, cost'.

Seeking a business's competitive advantage in its market today demands a reflection on corporate social and environmental responsibility. There is a need to balance the interests of the company and its stakeholders. Different publics, that is, the public with which this company relates or are affected by its activities. Trying to escape the exaggerated simplification of the "focus of profit" and "relationship focus" dichotomy, the manager needs to find ways to balance these interests, which is often far from extreme. These forms are present in Corporate Social Responsibility, through best practices specific to each area of the company and each stakeholder. Examples are: investor relations, relationship marketing, people management, public relations, among others, and eventually, broadly in the organization, codes of ethics and conduct or the publication of institutional values. In pursuit of this balance, a theory of Strategic Management is needed that supports the administrator in reconciling, for example, competitive advantage and corporate responsibility.

The need to reconcile the interests of the company and its various publics is present in the CEPA, the Code of Ethics for Management Professionals (Brazilian Federal Council of Administration, 2013), which includes in its preamble the definition of ethics as 'the action in the pursuit of the common good and individual achievement'. This definition refers to the search for a balance between individual interest and collective interest or, as the code states, 'the exercise of the activity of management professionals implies a moral commitment to the individual, client, employer, organization and society, Imposing duties and responsibilities that can not be delegated'. The CEPA also proposes to be 'the guiding guide and stimulator of new behaviors' and, for this, it is based 'in a concept of ethics directed to the development', that serves as 'stimulus and parameter so that the administrator extends its ability to think, visualize its role and make its action more effective before society' (Brazilian Federal Council of Administration, 2013).

Analyzing this code (CEPA), individual interest may be associated, as Porter and Kramer (2011) suggests, to individual or corporate competitiveness or profit. This individual interest must be in balance with a collective interest, of benefit to society. The economic objective of the company must be compatible with the collective social objective. Looking for this compatibility, managers should be encouraged to think, visualize their role and make their action more effective in society. Porter and Kramer name the search for a balance between business competitiveness and benefit to society, they call it "shared value," and see this new concept as an evolution that transcends Competitive Advantage and Corporate Social Responsibility. Porter and Kramer (2011, p.20) treat this "shared value" as a combination and evolution of Competitive Advantage and Corporate Social Responsibility.

Corporate Social Responsibility is a reality in many companies, as can be seen in McWilliams, Siegel and Wright (2006) and Ashley (2005), who report an effort to create a lasting relationship, partnership and mutual commitment with the stakeholders.

Corporate Social Responsibility, or Corporate Social Responsibility, as verified by McWilliams, Siegel and Wright (2006), is defined by these authors as "situations where the company goes beyond its attributions (" compliance ") and engages in actions aimed at favoring the social good, going beyond their own interests and what is required by law "(McWilliams, Siegel and Wright, 2006, p.4).

Ashley (2005), when analyzing the activities of companies, puts three levels of relations of a company: a minimum level, of compliance with the law, an intermediate level, of attending to current expectations (of the public with whom the company relates) and a level of aspiration to ethical ideals, which correspond to an ideal associated with social (and environmental) responsibility. In these relations, Ashley (2005) includes the hierarchical relations of the company, the relations of the company with the market and the relations of partnership and multilateral (Ashley, 2005, p 123).

The concept of Corporate Social Responsibility, as defined by the Ethos Institute, exemplifies this reality when it places corporate social responsibility as "the form of management that is defined by the ethical and transparent relationship of the company with all the publics with which it Related "or when it states that the company must" establish business goals compatible with the sustainable development of society, preserving environmental and cultural resources for future generations, respecting diversity and promoting the reduction of social inequalities "(Instituto Ethos, 2009).

The concept of Corporate Social Responsibility, or Corporate Social Responsibility, is reinforced when the Ethos Institute defines a Socially Responsible Company as "one that has the capacity to listen to the interests of the different parties (shareholders, employees, service providers, suppliers, consumers, community, government and the environment) and be able to incorporate them into the planning of their activities, seeking to meet the demands of all, not only shareholders or owners "(Instituto Ethos, 2009).

Resulting from this discussion of the balance between competitiveness and corporate responsibility, and simplifying, between profit and corporate relationship, the need arises for the development of a strategic business management that, at the same time, contributes to competitiveness and responsibility. A competitive-responsible approach can be defined as the attempt to combine Strategic Management with Corporate Social Responsibility, i.e. integration of Corporate Social Responsibility to the Strategic Management's process. However, this integration process cannot be easy depending on the mindset of managers and business owners. Different development can happen if this mindset is focused on short-

term profits associated with the basic level of relationship or if it is associated with long-term profit associated with long-term responsible relations.

Methodology

The research's objective was, then, to investigate the mindset of managers and business owners related to Corporate Responsibility and their motives for social and environmental initiatives related to their corporations' stakeholders.

The criteria of the selection of companies and stakeholders for this research were:

- Large corporations located in Brazil, independent of the origin of their capital, and
- The convenience to access data, processes, or managers and owners of the selected companies.

Methods used for data collection were:

- Participative observation in selected companies,
- Documentary analysis, mainly the websites of companies on the internet for references on strategic guidelines, and
- Semi-structured interviews with managers and/or owners of the selected companies.

These methods were oriented to evaluate any available relations of the researched companies and their stakeholders, if this relation was in one of the mentioned levels: basic, competitive, or competitive-responsible level.

Depending on the company and its stakeholders, some observation scripts and/or semi-structured interview scripts for data collection had been developed.

The analysis method was content description analysis of documents, observations, and interviews against a literature review of Corporate Responsibility.

Results

Between August 2007 and March 2017, sixteen large corporations in Southern and Southwest Brazil had been investigated, including industries and services large corporations. At first, they had mapped their stakeholders and, then, one or more stakeholders were selected for research and analyzes. In five corporations, all stakeholders were investigated and analyzed, and, in these cases, investigation and analysis had focused in their companies' codes of conduct against their market practices. In eleven corporations, a specific stakeholder was elected for investigation and analysis: employees (four corporations), finance partners (2), family governance (2), customers (2) and quality certification authority (1).

Surprisingly, two corporations had showed that the basic level of relationship (law level) can be divided in two: those who follow the law 'as it is', and those who pay fines (what, by the way, is in the law) because it is cheaper than follow the law 'as it is'. For instance, the law establishes that a leather company should treat effluents before through them in a river, and, if it does not do this treatment there is a fine, also defined by this law, applied by a government authority, to punish it. "Wild" managers act like that: they calculate their best option based in a profit analysis.

In twelve corporations, there was a dilemma related to act in the competitive level and in the competitive-responsible level. Despite conduct codes and 'win-win' desires, it is not easy to do not impose economic power in corporate relations within smaller players. There is a lot of pressure for short-term results, especially during crises such as the one of 2008. The competitive-approach is a desire, an intention to be implemented.

Four corporations, however, had showed a more serious competitive-responsible approach. These companies calculate what is more profitable in a long run and decide their initiatives. For instance, a truck company, at the end of its assembly line, had implemented a water treatment for reuse. The water used to wash trucks was cleaned for reuse, saving the cost of buying new water.

In another example, a food company had implemented a medical monitoring on production's employees to prevent repetitive strain injuries. It was cheaper to have a medical monitoring than loose employees and retrain new ones.

A last example was a large insurance company what had implemented anti-fraud orientations to preserve lower prices to their long-term customers. Frauds against car insurance policies, eventually, could increase costs for its lower risk customers.

These last group of companies, the competitive-responsible one, had showed something interesting: you can act ethically, with social and environmental responsibility, and profit from this at the same time.

Grouping these results, the research had indicated the presence of:

- Managers who worked under pressure of short-term results, doing that in routine basis or exceptionally, during a crisis, when the market demands, and
- Managers who worked in a long-term perspective, developing relationship, and profiting from it.

The ideal situation would be profitable and social and environmental responsible at the same time, but business pressure for short-term results can damage this idealistic perspective. Acting correctly, assuming that being social and environmental responsibility is correct, besides being more ethical, can be more profitable. Consequently, social and environmental responsibility cannot be considered an 'undesired, but necessary, cost'. It is the opposite.

Corporate Responsibility can be a 'desired and necessary' cost because it can be ethical and profitable at the same time. All depends on how good managers and business owner are in their business processes innovations. If they calculate well their initiatives, they can have good results.

The main result of this research is the definition of two groups of companies' social and environmental initiatives:

- 1) "Correct initiatives due to 'wrong' motives", i.e. avoid sanctions (and losses) from local government authorities and avoid bad business image (or promote a good image) and, in this case Corporate Responsibility is an 'undesired, but necessary, cost', and
- 2) "Correct initiatives due to 'correct' motives", i.e. ethical reasons, and long-term profit and, in this case, Corporate Responsibility is an investment.

Discussion

It is possible to develop assumptions of a competitive-responsible Strategic Management that leads to a competitive-responsible Business Strategic Management, including a structure of long-term partnerships between company and society and their stakeholders. Development of relationships, which make possible the development of social space, can be something profitable. It is possible to reconcile plans and implement a business diplomacy associated with business strategy, planning and implementation.

A consideration should be given to Porter and Kramer (2006 and 2011) and their proposal for the creation of shared value. These authors understand that the creation of shared value is an evolution of the concept of Corporate Social Responsibility. Porter and Kramer (2011) state that: "many companies remain stuck in a 'social responsibility' mentality in which social issues are on the periphery rather than at the center. The solution is in the principle of shared value, which involves the generation of economic value in order to also create value for society (facing its needs and challenges)" (Porter and Kramer, 2011, p. 18).

In the principle of shared value, Porter and Kramer (2006 and 2001) put forward the idea of strategic initiatives, which presupposes the creation of economic value that simultaneously benefits the company and society, such as the best Use of energy, better use of water, preventive health of employees, among others. Porter and Kramer (2011) state that "the competitiveness of a company and the health of the communities around it are closely linked. A company needs a thriving community not only to generate demand for its products but also to supply essential public assets and a supportive environment" (Porter and Kramer, 2011, p. 20).

According to Porter and Kramer (2011), that the creation of shared value is an evolution of Social Responsibility, it follows the critical observation that both Corporate Social

Responsibility and shared value follow the Strategic Planning process, a prescriptive diagnosis of business strategy and business initiatives, i.e. based on Strategic Management, Corporate Strategy should also consider the need to create a 'political strategy' for the development of relationships with stakeholders.

According to the website of the FSG (Foundation Strategy Group, 2013), corporations such as Microsoft, Unilever, Nestlé, among others, have already started work following the principle of shared value, which opens a possibility of research associating this principle to Responsible Strategic Management.

Conclusions

Corporate Responsibility can be 'wrongly' consider a 'undesired, but necessary, cost' if this company does not have the 'correct' mindset among their managers and owners. Short-term oriented and/or unethical persons can develop their carrier in companies like that. They can even gain market share for their companies and a short-term basis. But, there is a trend of Corporate Responsibility – or its different versions such as the Share Value Initiatives of Porter and Kramer – for impose a mindset where creativity and innovation in social and environmental relations can implicate in a simultaneously ethical and profitable environmental. Competitive Strategy, such as the 80's Porter, is being replaced by a Competitive-responsible Strategy, such as the new millennium Porter and his partner Kramer.

In a long-term basis, this may be optimistic, corporations moved by "correct initiatives within 'correct' motives", i.e. developing long-term 'win-win' relationship with their stakeholders, shall surpass their competitors with "correct initiatives within 'incorrect' motives", i.e. non-profitable responsible companies.

Considering the changes of doing business conceived by a Corporate Responsibility implemented with a competitive-responsible business strategy, 'wild' managers and business owner, eventually, will learn that it is more profitable being a member of their society than to explore it. On the other hand, society, especially academic institutions of business administration, should promote a 'social inclusion' of this 'wild' managers and business owners, developing plans to 'competitive managers' social inclusion by making them competitive-responsible managers.

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