

Reflections on the current sustainability stage of Brazilian corporations

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More than simply a fad theme, sustainability is to contemporary companies a fundamental issue to be carefully considered. In Brazil, this reality should not be different. Many an aspect should be considered as underlying this issue, which will directly interfere in the performance of organizations. They carry direct impacts upon all corporate processes, and become determinants for business results.

For the purpose of assessing the sustainability issue in Brazilian companies through the lenses of different aspects, Fundação Dom Cabral's Petrobras Sustainability Core (NPS) developed a research effort called "Estágio da Sustentabilidade das Empresas Brasileiras [T.N.: The Sustainability Stage of Brazilian Companies]", conducted by researchers Lucas Amaral Lauriano, Eduarda Carvalhaes and Rafael Tello.

The study included the participation of 172 companies from different Brazilian industries and regions. From this total number of respondents, 69% are comprised by large companies with more than 250 employees.

As a backbone to the analysis, the investigation contemplated the seven main aspects of corporate sustainability: the Sustainability Concept; Strategic Intent; Structure; Transparency; Issues management, Stakeholder Relationship; and Leadership. Respondent and company profiling questions were also included.

Read the interview with Lucas Amaral about the seven aspects of the investigation, and the conclusions derived and perspectives unveiled by the study.

Tell us how Brazilian companies contemplate and define sustainability.

Certainly. In our investigation, companies emphatically agreed that organizations should be concerned with environmental, economic and social issues, involving their employees and the community. This shows us that the sustainability concept is quite advanced in Brazilian organizations. However, there is also a deep understanding that many companies remain in their speech vis-à-vis this theme only.

Notably, 98% of all companies concur in that organizations should operate ethically, and 98% of all companies believe that sustainability should be a

corporate priority. In turn, 87% of them believe that many companies promote sustainability without being really committed with it, and 31% of the companies agree in that sustainability should be completely voluntary without any law to regulate it.

What is the purpose of sustainability in companies? What do they intend to achieve with it?

By analyzing our findings, we noted that the main strategic intent of Brazilian companies as concerns sustainability is related to reputation or financial gains from the use of fewer natural resources. Besides, partnerships are also motivated by reputation and innovation gains.

Data indicate that 92% of all companies concur in that sustainability improves their reputation and image; 75% of them pursue the initiative of reducing costs by means of efficiency improvements in materials use; and 74% of the respondents agree in that their companies include sustainability as a part of their traditions and values. Besides, 67% of the companies state that they establish partnerships to extract financial gains from the identification of innovation opportunities; 66% of them state that they establish partnerships to improve their reputation; and 48% of organizations heard resort to sustainability as a marketing differential.

Is there an understanding of the actions that can entail new opportunities for companies via sustainability-related initiatives?

Certainly. The most frequent initiative, as indicated by 75% of the respondents, is cost curbing by improving efficiency in the use of materials. Increasing brand awareness as “green” or socially responsible is, in turn, the least accomplished initiative, indicated by 23% of the respondents.

How are sustainability responsibilities managed? Could we say that sustainability actions and sectors are “islands” within the organization, or are they somehow integrated?

Although Brazilian companies have already assigned individuals or teams in charge of issues related to sustainability, there are still procedures these companies should develop. The absence of individual goals established for the managers as concerns issues entailing sustainability issues shows the dissociation between the organizational structure and the integration between the sustainability area and other areas. This prompts the teams in charge of sustainability to become “islands” within their companies. Another important issue is training the teams from different areas to deal with sustainability issues. Without this individual awareness, achievement of the individual goals established is jeopardized.

What were the findings obtained by your investigation concerning this topic?

Well, 67% of the Brazilian companies stated they assigned somebody or a team to be in charge of

sustainability-related issues, and 63% of them believe they have sustainability-related policies or statements. On the other hand, 49% of the organizations state that their individual managers are given goals relating to employee education, training and career improvements, compared to 48% who claim that individual managers have their performance goals relatively to environmental responsibility.

About transparency. Are companies transparent today vis-à-vis their environmental, economic and social performance?

We noted that Brazilian companies are now beginning to report their sustainability-related activities; however many environmental impacts caused by organizations have not been measured yet, which quantitatively and qualitatively jeopardizes the information contained in the reports. There are some initiatives seeking to report this information, but their ability to become inputs for managerial improvement is limited by the lack of information on some activities.

Surveys indicate that 59% of the companies claim to report sustainability-veered initiatives; 51% of them state they measure the impacts of their environmental initiatives upon their businesses; another 45% of the respondents claim to measure the social impacts of their social initiatives; and 32% of them measure the impacts of their social initiatives upon their businesses.

What is the companies' response capability in terms of sustainability policies, programs and performance?

Some level of concern with the environmental impacts caused by the activities developed by Brazilian companies is already discernible, besides the conveyance of this information to consumers, measuring performance and seeking economic gains from the decrease of environmental resource consumption in their production lines. However, the same concern is not as clear as concerns social issues, such as the inclusion of economically underprivileged populations in the marketplace as workers or as consumers. Besides, emergent employee-related issues such as diversity and human rights also need attention.

The main data referring to this item indicate that 71% of the investigated companies claim to have environmental responsibility-related goals and objectives; 66% of them claim sustainable product and service-related goals and objectives; 66% claim employee education,

training and career goals and objectives; and 55% of the organizations state they have community support-related goals and objectives.

Do they indicate the areas they consider priorities in this process?

Yes. Basing on the resources invested in community support activities – such as money, time, and donations in kind – we also asked the companies what were the three priority areas in the past year. The area being given the greatest attention from companies, as indicated by 52% of respondents, is professional training, followed by education at 49% and environmental issues at 48% of the response.

How do companies engage themselves with their stakeholders in this matter?

In the Brazilian case, it is possible to observe how communication has developed with specific stakeholders, such as customers and NGOs, but the weak relationship in the establishment of partnerships with other stakeholders shows the need to advance along these lines.

In percentage terms, the scenario is this: 61% of the companies claim they discuss sustainability outside the company with their stakeholders, such as suppliers, consumers, regulators, NGOs, etc.; 57% of them claim they involve themselves considerably in the provision of training and development opportunities for lower-wage employees; 52% of the interviews support balancing working hours for all employees, including those paid by the hour; 46% stated they are considerably involved in offering training programs to people in economically underprivileged communities; and, finally, 38% consider the possibility of hiring people from poorer or underprivileged communities.

One of the essential issues in this conversation has to do with leadership. Could you say these managers support sustainability or pursue efforts to ensure it?

The most important factor for an organization's corporate sustainability is support from its leaders. In Brazilian companies, leaders should be at the forefront of the sustainability efforts, which does not happen significantly. Besides, the Board does not clearly participate in sustainability issues either. From respondent companies, 51% stated that the CEO leads the sustainability agenda in the organization and an equal percentage emphatically

agrees that the Board of Directors reviews and approves the sustainability program.

Following the analysis of the seven issues reviewed, let us look at the issues that also deserve reflection. For example, how can Brazilian companies advance in sustainability management?

The investigation clearly shows the dissociation between the understanding of what sustainability is and its application in organizations. The sustainability concept is already understood by Brazilian companies, but we noted that these companies are not yet ready to deal with socioenvironmental requirements from their different stakeholders. For Brazilian organizations to advance, it is necessary to build internal capabilities such as to bridge the gaps unveiled by the investigation.

Before closing, a question is inevitable: how to ensure that sustainability is not just “the fad of the day” but, instead, a principle to be factored into the organization’s DNA?

This is a very important question. The first point to be observed is the need to raise the awareness of all people in the organization. It is of no avail to install a sustainability area working in isolation, or without the due understanding by the remainder of the organization. In the same vein, it is of no avail having a conscious leader who demands global sustainability goals for the company when his employees do not understand sustainability and how it is managed.

Therefore, there should be a major awareness-raising process involving all areas and sectors, with the purpose of demonstrating sustainability as a strategic, transversal theme directly influencing the organizations performance, and not only a beautiful ideal involving environmental, economic and social issues.

Would a pathway to this be the creation of goals involving all employees?

Certainly. It is necessary to establish individual goals, because we observed a disparity between the existence of some goals for the entire organization and for individual managers. Besides, several sustainability aspects deserve attention, such as human rights and diversity.

Would seeking new partnerships be another important strategy?

Yes. To deal with these new themes, many organizations noted the need to seek partnerships with other actors, such as schools, companies pursuing the same activities and having the same suppliers. Therefore, establishing partnerships with different stakeholders is an alternative for the construction of internal capabilities in Brazilian companies, prompting organizations to move towards a more advanced corporate sustainability stage in the future.

What conclusions have you reached with your investigation?

The sustainability stage approach proves interesting because it presents the opportunity of comparison along time. Because of the investigation, it was possible to extract a sample of how sustainability management is in Brazilian companies. The sample of 172 Brazilian companies is concentrated on large-sized organizations, and future editions will exact more responses from micro, small and medium sized businesses. Concerning Brazilian states, the research effort included representatives from the entire country; however, the north and northeastern regions are still weakly represented. Therefore, future editions will seek more respondents from these regions.

Tell us about the perspectives of this effort.

So far, we have concentrated upon the global research results. However, because of the wealth and amount of data harvested, several other studies could have been pursued with the objective of verifying the stages of sustainability in the different industries, activity segments and even perception by respondent age.

Mention a few aspects that can still be approached.

The research opens myriad possibilities by means of several questions that can be incorporated. We wrote a list including a few of them, to wit:

- How to create internal capabilities in the companies?
- How to balance stakeholders' requirements with the companies' capacity to entertain them?
- Why isn't sustainability awareness as a strategic theme a business priority?
- How to change business goals into personal goals?
- What types of projects require companies to partner with their different stakeholders?

Anything else to add for the future?

These questions are but a few of the many roused by the study and provide inputs for future investigations. There is also the possibility of writing case studies of companies that are in higher sustainability stages for the purpose of playing a role model for organizations at lower stages. Another possibility is the use of the methodology to review a specific company's sustainability management seeking improving its action along the issues reviewed.

The full Research Report can be found at the Petrobras Sustainability Core site:
<http://www.fdc.org.br/pt/pesquisa/sustentabilidade/construcao/Paginas/conteudo.aspx>