DRIVERS FOR CORPORATE SOCIAL RESPONSIBILITY: A PANORAMIC PICTURE OF EUROPEAN AND BRAZILIAN CONTEXT

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ABSTRACT

This paper analyses the driving forces influencing corporate social responsibility in order to build up a panoramic picture of the European and Brazilian context. Case study methodology was adopted using a systematic collection of data from companies operating in the steel, petroleum and retail sectors in both developed and developing countries. Senior executives from leading companies were interviewed and corporate reports were reviewed in order to understand why the companies engage with stakeholders and embedded environmental and social issues into corporate strategies. The main issues investigated were corporate social investment, climate change projects, and environmental, health and safety policies and management systems. Empirical results suggest that the exercise of corporate social responsibility is dependent on effective interconnection between business, government and society. The study demonstrates that corporate social responsibility in leading Brazilian companies is more developed than is commonly thought. However in Brazil there is more focus on social issues than environmental issues. This is the result of high levels of inequality, insufficient social and economic infrastructure and active NGO movement. Regulatory enforcement and internationalization are increasing pressure on Brazilian firms to act on environmental issues which have been the focus of CSR in Europe.

Keywords: Sustainable development in emerging market economies; Corporate social responsibility, Environmental management; Stakeholder engagement, Brazilian companies

1 INTRODUCTION

There are a variety of corporate responsibility activities presently being practised by companies. Blowfield and Murray (2008) explain that no single definition is sufficient to capture the extensive range of issues, policies, processes and initiatives that are relevant. The meaning of corporate social responsibility (CSR) is constantly changing as society itself evolves, affecting our expectations of business and the way in which its relationship with society is handled. These different perspectives reveal are a multitude of ways in which businesses impact upon, and are affected by, the rest of society and hence a multiplicity of reasons why companies might want to manage that relationship.

Steiner and Steiner (2009) define corporate social responsibility as the duty of a corporation to create wealth in ways that avoid harm to, protect, or enhance societal assets. The fundamental idea is that corporations have duties that go beyond lawful execution of their economic function. The overall performance of a firm must benefit society. CSR can also be understood as the practices that are part of the corporate strategic activities, which explicitly promote the well-being of stakeholders by complying with the law and voluntarily going beyond it (Peinado-Vara, 2006).

The new, global dimension of CSR makes it the duties of a multinational corporation to voluntary compensate for international and developing country regulatory deficiencies. It should do this by first, extending its home country standards outward to its foreign operations and to its supply chain, and second, by following a growing body of international norms despite their having no basis in law (Steiner and Steiner, 2009).

As pointed out by Schmidheiny (2006), a lot of encouragement of CSR in Latin America comes from the US and Europe in terms of norms and vocabulary, but more importantly in terms of big companies improving their supply chains. Many companies have promoted CSR as a risk management tool, decreasing the possibility of negative public reactions owing to inappropriate behaviour by themselves, their subsidiaries or their suppliers.

The research described in this paper was undertaken to test the assumption that CSR of companies in developing countries tend to be weak and reactive. This assumption could be related to factors such as low bargaining power, poverty needs, lack of infrastructure and corruption. However, in spite of these factors, leading Brazilian companies have implemented strong CSR transformations. As this paper will demonstrate there is not a vast difference in the approach to corporate social responsibility between leading Brazilian and European companies.

However, the drivers for corporate social responsibility in Brazilian and European companies are different. Wealthy Europeans companies are concerned about climate change and rainforests, with pressure coming from NGO (non-governmental organisations), media and customers. Brazilian companies look around and see social imbalances and inadequate infrastructure. In this context, “social license to operate” implies a close relationship with local communities, employees, governments and the supply chain in order to narrow both social and environmental gaps.

Since the 1990s, Brazil has changed fundamentally and it has experienced a more stable process of democratisation in its social, economic and political institutions. The renewal of environmental and social consciousness in Brazilian society, together with the corresponding growth in the extent and stringency of related regulations, have brought about a change in the nature of the pressures by stakeholders on firms.

This study attempts to add to the existing knowledge base on CSR by conducting a comparative analysis of Brazilian and European companies operating in both developing and developed countries. In the following section we review how global corporate social responsibility issues have changed over time. We next present the empirical research methodology which was used in case study interviews with BP, Shell, Marks and Spencer as European companies, along with Petrobras, Usiminas and Natura in Brazil. The fourth section presents the main results of the interviews and then discusses the driving factors of corporate social responsibility in the European and Brazilian contexts. The final section draws conclusion as to where these efforts have brought us to in respect of CSR in both developing and developed countries.

2. GLOBAL CORPORATE SOCIAL RESPONSIBILITY AND THE BRAZILIAN EXPERIENCE

CSR has evolved over time to require more expansive action by companies largely because stakeholders groups gained more power to impose their agendas but also because of the ethical and legal philosophies underling mature to support broader action by managers (Steiner and Steiner, 2009). The transformation process is subtle and involves evolutionary changes that have been dramatically reshaping the business world. With globalisation, technological changes, economic drivers, and social and environmental mandates, the global business environment is less predictable and more challenging than it was even a decade ago (Rainey, 2006).

As pointed out by Elkington (1998), since the 1960s there have been waves of change in the corporate social responsibility agenda of firms in developed countries. The first wave occurred from

1969 to 1973, when governments were put under pressure from society. Events such as the 1969 oil spill in Santa Barbara and the 1970 Earth Day helped to stimulate this societal pressure. A huge number of environment protection agencies came into existence. Firms went on the defensive and did what was strictly required by government regulations. This approach was followed for about 15 years.

The second wave occurred from 1988 to 1991, as the general public wanted to do something for the environment themselves. Many joined organisations such as Friends of the Earth and Oxfam. This movement caused firms to briefly become more proactive competing with one another to be the greenest. Some positive outcomes included the eradication of CFCs and heavy metals in batteries.

The third wave began in the late 1990s and ended in 2002. It consisted of a public feeling against globalisation, and focussed on a few large organisations such as the World Bank and the IMF (International Monetary Fund). At the World Economic Forum in 2001/2002 climate change, poverty and transparency were at the top of the agenda. Many NGOs also became involved. These types of economic and social policies came to define good government in many countries and were supported by institutions such as the World Bank. They were reflected in what came to be called the - "Washington Consensus" - the set of policies that countries around world had to adopt if they were to receive assistance from the major international financial institutions. However, this movement was cut back very rapidly following 9/11, when the focus changed to security, moving social and environmental issues further down on the agenda.

In Brazil the first of the three waves was not a factor. Democracy was replaced by dictatorial military government from 1964 to 1985, with economic development centralised and conducted by the government (Auty, 1995). During the military government, most Brazilian policy makers accepted the position that pollution and environmental degradation were a price worth paying for development (Baer and Muller, 1995; 1996).

The government was preoccupied with the stimulation of new industrial investments. It was felt that environmental and social issues could be dealt with once the Brazilian economy became stronger. The main argument put forward by Brazilian representatives internationally was that the pollution problems had been created by the developed countries to prevent the industrial expansion of developing countries. Unable to control the economy, the military governments allowed problems to persist and grow, creating greater income disparity, the rapid expansion of state intervention, and foreign exchange constraints (Auty, 1995). These led to a democratisation process and the end of military dictatorship.

The second wave saw in 1988 the promulgation of a new democratic Constitutional Law in Brazil which reflected concerns voiced by various interest groups. It contained an entire chapter devoted to the natural environment. The National Environmental Policy guarantees for all Brazilians the right to a balanced natural environment as a key point for a healthy quality of life. The government is responsible for defending and preserving the environment for current and future generations.

At the end of the second wave, Brazil was host to the Earth Summit in Rio de Janeiro (Rio 92). The country made efforts to improve its image and environmental performance. The result has been two parallel processes, one of increased economic liberalisation and another of stricter environmental regulation. As pointed out by Jenkins (2001), there is no doubt that the environmental issue had moved up the policy agenda in Brazil.

Liberalization was expected to increase productivity however hyperinflation interrupted economic and social progress. Brazil’s stabilization plan of 1994 (“Plano Real”), was based on a strategy that linked the local currency (Real) to the dollar at a fixed exchange rate. This provided a basis for stopping the inflationary spiral.

Trade liberalisation followed, contributing to an increase in the internal supply of goods by reducing the demand pressure on prices (Tigre and Botellho, 2001). “Plano Real” had increased *per capita* income however the social inequalities have persisted. Furthermore, the privatisation process was seen as the solution to both the fiscal crisis and the lack of resources to finance investments (Baer and Bang, 2002). However, in fact debt payments to the IMF have actually forced cuts in spending for social programmes.

In 2000, two massive oil spills which occurred in Brazil within six months focused international attention on the state oil company, Petrobras. A disastrous oil leak occurred at the Brazilian refinery near Curitiba in the southern state of Parana. It came only six months after an oil spill of more than one million litres which polluted Rio de Janeiro's picture-postcard Guanabara Bay (BBC News, 2001). As a result, pressures from stakeholders increased a lot, particularly from media, NGO, regulatory agencies and international investors. These events coincided with Elkington´s thrid wave.

2.1 Pressures for Change in CSR perspectives

The next period of CSR changes for business is likely to be a very different order than in the previous waves and down waves. There will be cycles, but the pressure is likely to increasingly converge on a number of principles which have been developed and applied by a many environmentally and socially responsible companies.

The globalization of the business environment in recent years has made it imperative for firms to look for foreign market opportunities in order to gain and sustain competitive advantages (Werther and Chandler, 2006). Firms from emerging economies are a growing presence in an integrated global economy (Aulakh, Kotabe and Teegen, 2000). In this context, countries in Latin America, such as Brazil, have opened their markets to international trade and investment. They have also taken steps to stabilise their economies by substantially curbing inflation, controlling budget deficits, privatising many state enterprises, and revaluing their currencies (Dominguez and Brenes, 1997).

Throughout, corporations in North America, Europe, Japan, and in almost all newly industrialized nations are embracing corporate social responsibility as part of their international competitive strategies. In these countries, the public has become more vocal in demanding responsible environmental and social performance as incomes rise and education spreads. According to Steiner and Steiner (2009), in Europe there is more emphasis on the rights of employees and environmental protection. In Japan, CSR means paternalism toward workers and there is little tradition of philanthropy. On the other hand, CSR in Latin America and the Caribbean has always been more focused on social issues than on environmental ones (Schmidheiny, 2006).

Companies located in emerging economies, which have foreign stockholders or international customers may face different stakeholder pressure from those operating domestically. Even if governments intend to protect the environment they might lack the financial and technical resources to effectively enforce environmental regulations. As pointed out by Christmann and Taylor (2001), based mainly on studies of Chinese firms, governmental failure to protect the environment and the social rights can also be ameliorated through self-regulated environmental and social performance by firms in developing countries.

In the Brazilian perspective, Oliveira (2006) argued that business and corporations are experiencing new pressures from regulators, clients, NGOs and media to become more transparent and accountable for their social and environmental impacts. As pointed out by Griesse (2007), there is a widespread perception in Brazil that the State is not able to provide the necessary conditions to secure an adequate quality of life for all of its citizens. Therefore, Brazilian firms have developed a number of strategies to deal with the issue of social responsibility. These strategies include codes relating to workers right, environment, and transparency, as well as annual reports that include social balances and internal audit.

This study demonstrates that practice of CSR in Brazil has a long history and individual firms have their own roots and purposes. A comparison between European and Brazilian firms helps to address the question that stakeholder's demands and the dynamic capability for CSR are peculiar to each country and firm.

3 METHODOLOGY

Qualitative research methods are particularly suited to understanding the dynamics present in single settings (Eisenhardt, 1989). As Yin (2003) noted, exploratory research allows an investigator to examine a phenomenon and develop suggestive ideas in a flexible way. Case studies represent a good vehicle to conduct exploratory research because preliminary models that purport to include essential concepts and relationships can be subjected to in-depth investigation and modified as necessary to fit the empirical reality.

This paper uses multiple case studies to generate a picture of the different corporate social responsibility approaches of leading companies in Europe and Brazil. The studies focus on large firms with influential stakeholders and notable CSR actions.

3.1 Conducting Case Studies: Preparing for Data Collecting

The case studies included oil and steel firms, which potentially have a large impact upon the environment and social welfare. For these firms, a well developed agenda of social responsibility has become a basic requirement to deflect criticisms of pollution and human rights abuse. Additionally, firms which are environmentally and socially proactive were examined. Such firms are likely to provide insight into what a sustainable organisation should look like and how productive relationships with stakeholders can be developed. The firms chosen are shown in table 1.

In Europe, two major petroleum corporations were interviewed - BP and Shell – as well as Marks & Spencer - a retail firm. An explanation of the rationale for selecting these firms follows. According to Blowfield and Murray (2008), BP is a widely cited example of a company deciding to adopt an offensive approach, because the company chose the single issue of global warming, confronted it squarely before others in its industry did, publicly announced quantitative targets and deadlines, and provided objectively verified reports of its progress.

Table 1 – Organisations targeted

Location	Characteristics	Firms	Interviewee Position
Europe	Highly Proactive	Marks and Spencer	Corporate Social Responsibility Director
	Large Potential Impact	Shell BP	Corporate Social Affairs Director Strategic Advisor
Brazil	Highly Proactive	Natura	Corporate Social Responsibility Director and Human Resource Director
	Large Potential Impact	Petrobras Usiminas	Corporate Social Responsibility Coordinator Strategic Advisor

As pointed out by Mirvis (2000), Shell is a major sector player and has a massive impact on the economies of the 135 countries in which it operates. It employed the consultant company, SustainAbility, to review its policies on reporting and it was not long before the company was rebranded with the slogan “People, Planet, Profits”, echoing the “the triple bottom line” philosophy.

Marks & Spencer (M&S) is a UK retail company which has launched a flagship “Plan A”. M&S has been hiring CSR specialists for a number of years and has embraced a corporate social responsibility programme in new areas and is working to create an effective system in the supply chain (Chapman, 2004).

Three Brazilian companies - Petrobras, Usiminas and Natura - were interviewed. These companies were all finalists in the 2007 edition of the Global Reports Initiative (GRI), and Petrobras received the top award. Petrobras is considered the world´s most sustainable oil/gas company according to the 5th annual oil/gas ranking by the sustainability research and rating firm Management & Excellence (Azevedo, 2009).

Usiminas, the Brazilian steel company, was included in the Dow Jones Sustainability Index in 2007, which represents companies that have strong environmental and social responsibility. Finally, Natura is Brazil's largest cosmetic producer and has embraced the concept of sustainable development. Sustainability for Natura embodies several concerns including promoting biodiversity found in Brazil's organically rich Amazon rainforest, supporting local communities through social outreach programs and making profits (Serra, Albernaz , Ferreira, 2005).

The interviews were conducted in 2008 and involved senior executives, as they are likely to have a more complete knowledge of the organisation and its function. Since these people are generally more difficult to access, the approach was to conduct the interviews by conference call which was less disruptive. The interviews were effective as the interviewees tended to be focussed and insightful.

3.2 Interview Protocol Development

The interview protocol was focused on understanding why companies engage with stakeholders and embed environmental and social issues into corporate strategies. The questions were tailored to the individual companies. The final versions were composed of questions in four sections: business strategy, stakeholder engagement, developed vs. emerging country approaches and others factors influencing CSR development.

In the "business strategy" section, companies were asked how their corporate social responsibility had developed over time, what significant events stimulated it, if CSR was oriented to realizing market opportunity or risks avoidance and what the outcomes of the corporate responsibility strategy were.

The "stakeholder engagement" section reflected three different groups of stakeholders - regulatory, primary and secondary - following Clarkson (1995) and Buysse and Verbeke (2003). Each of the three groups exerts a specific type of influence on firms however the strength of influence varies among the stakeholders in each group. As pointed out by Mitchell et al (1997), the extent to which stakeholders gain managerial attention depends upon their possession of three different attributes: power, legitimacy and urgency. The protocol was intended to define each firm’s stakeholder engagement in relation to these attributes.

The third section was intended to understand how the business strategies and stakeholder engagement differ between developed and emerging economies, how companies can deal with conflicting issues regarding sustainability and when working in emerging economies how they become more environmentally and socially proactive.

The final section included questions aimed at identifying the factors (external and internal) which determine their CSR proactivity and what the companies envisage for the future in this area. González-Benito and González-Benito (2006) suggests a number of such factors including: company size, internationalization, position in the value chain, industrial sector and geographical location.

As indicated above, the questions themselves were developed specifically for each firm. This was done by researching websites of the firma, related paper, corporate responsibility reports and collecting evidence from news clippings and other reports in the mass media. Information from GRI reports was reviewed in order to corroborate evidence related to environmental and social practices. The main issues analysed at the GRI reports are: corporate social investment (CSI); environmental, health and safety (EHS) policies and management system; and climate change projects. This approach is considered important because it made interviews themselves to be more focused and avoided problems related to personal bias and poor recall.

3.3 Analysing Case Study Evidence

The interviews were recorded and the information gathered was analysed using a cross-case syntheses technique. According to Yin (2003), cross-case syntheses can be performed if individual case studies are conducted as independent research studies. Word tables display data about CSR views from European and Brazilian companies and can be used to identify similarities and differences among cases.

These data reflect the business strategy process and its outcomes, as well as stakeholder engagement and the CSR approach of individual companies. Following Cresweel (2007), a naturalistic generalization was developed through analysis of the data. The analyses examined whether Brazilian companies share approaches with European firms. Such an observation can further lead to a panoramic picture of CSR drivers in both developed and developing countries.

4 FINDINGS

4.1 CSR views from European Companies

Each company interviewed had its own CSR structures and methods as outlined in table 2. According to BP, the UK government passed several environmental laws during the 1970s and 1980s as an answer to pressures from civil society and environmental damage. As a result the general approach to CSR by companies began with legal compliance. As pointed out by BP interviewee, the company's work in sensitive areas has led to an awareness of environmental impacts and searching for "a better way of doing business".

However, from the 90s to early 2000s companies' actions were driven by significant events. In the case of BP, the triggers were related to two issues. The first was an accident on a platform operating in the North Sea by a company other than BP which alerted the entire oil and gas industry to health and safety issues. The second was a human rights dispute between BP and a labour organization in Columbia.

In the M&S case, press reports on issues such as pesticides made the public more conscious of environmental and health issues associated with consumer products. As a result M&S started to listen carefully to stakeholders and to become more confident with talking straightforwardly to the public. The Brent Spa dispute involving Shell and the NGO Greenpeace about the decommissioning of a platform changed the CSR roadmap for that company. All interviewees argued that pressure from civil society influenced companies not to deny stakeholder concerns but to respect them.

Table 2 - Business strategy and the advantages it creates for European companies

		BP	M&S	SHELL
Development of Business Strategy and CSR	**Period of CSR start up**	1990’s	2000-2001	mid-1990’s
	Triggers	Platform Accident Human rights conflict	Negative pesticide headlines	Brent Spa dispute
	Purpose of policy	Better way of doing business	Respect stakeholder concerns	Legal compliance
	Climate change concerns	Develop technology for lower carbon future	One part a greater focus (Plan A)	Generate energy with reduced emissions
	Manage risk or Opportunities	Both	Finding opportunities	Mainly controlling risk
Structures and Approach	**CSR Outcomes**	Market access Develop alternative energy business	Brand differentiation Cost savings Motivate staff First mover advantages	Develop technology to meet future energy requirements
	Approach to achieving goals	Transparent reporting and accountability	Employee commitment Stakeholder partnership Benchmarking Non-financial reporting	Develop future scenarios Be as transparency as legally required

M&S has chosen to distinguish itself on its environmental and social performance. The company has made many changes to its operational practices through “Plan A”, which is divided into five areas, or pillars: Climate Change; Waste; Sustainable Raw Materials; Fair Partnership; and Health. It should be noted that adopting a sustainable strategy for the company’s own operations was less demanding for M&S than for the other companies interviewed. However, engagements through the supply chain required a significant M&S effort.

Regarding climate change, Shell uses energy scenarios as the base for clocking the government, and creating a comprehensible framework for climate change regulation that allows the energy sector to meet energy demands in a way that does not cripple the economy. The company emphasises more efficiency in the production and use of energy through investment in technology development. For both, Shell and BP, energy security issues and developing new renewable resources are closely linked to reduced carbon emissions.

In communicating their aims the three companies differ significantly. Under “Plan A”, M&S details 100 goals explicitly, however Shell has chosen instead to communicate its general aspirations without any specific goals. Shell claims that technology and legislation move on so quickly that it is not possible to be specific and public about goals. BP´s approach is based first of all on transparency and accountability for impacts on the environment. Shell claimed that sustainability presented a challenge and BP agreed, although adding that there were potential opportunities.

CSR strategies provide diverse outcomes. BP argues that having a good image in countries facilitates access to its resources and markets. BP´s CSR strategy encourages useful discussion with civil society and as a result “people may not be happy with BP activities or agree with BP but they are happy to engage”. For Shell a CSR is not directly linked with making money but is a required management action.

M&S pointed out that its CSR strategy has led to brand differentiation. The consumer is quite confused and concerned with environmental and social issues and to them the M&S message means “buy at M&S because we are working to solve these issues for you”. The CSR strategy also results in cost savings through greater efficiency, motivates staff and prepares the company for the future.

Particularly for M&S, but also for BP and Shell, a key part of the CSR strategy is to build a network in order to engage and partner with stakeholders. M&S actively seeks to work with NGOs and other partners in “Plan A” projects. A key theme that emerges is making the company’s operations as transparent as possible and thus allowing stakeholders to be informed and to contribute constructively.

BP identifies stakeholder legitimacy through its network which results in more engagement. In countries where regulation is limited such as Azerbaijan BP donates funds for formation of NGO. As pointed out by Shell, NGOs large enough to easily interact with major companies tend to be located in OECD countries and this creates a kind of imbalance between countries. Table 3 goes into more detail about how the companies engage with different types of stakeholders.

For Shell, it is not possible to make commitments to everyone because there are not enough resources or time. In general, the company aims to be as transparent as legally required without creating situations that will result in unforeseen consequences. The Shell interviewee stated that the company is driven by regulation of countries within which it operates.

Increasingly, the companies interviewed tend to be enforcing stricter standards for their suppliers. Shell and BP are in the process of developing their own requirements. In particular, Shell is taking a leadership role in creating a framework for certification of a sustainable biofuel feedstock supply chain through several round-tables. Also, Shell is working with its major customers such as Wal-Mart to develop a supply chain certification system. M&S encourages suppliers to share best practices. In this way, companies become key stakeholders for each other.

Table 3 - Stakeholders engagement of European companies

		BP	M&S	SHELL
Stakeholder Engagement	**Approach**	Identify stakeholders Engagement on ground	Respect stakeholder views and demands Seek partners	Compliance with regulations Make known general aspirations
	Consumer	Be transparency and accountable	Respond to cost , quality and ethical demands	Developing framework for CSR certification major customers
	Employee	Workforce committed	Motivated and committed to Plan A	Workforce held responsible
	Supplier	Strict environmental and safety standards Developing code of conduct	Fair pricing and strict CSR standards Share best practices	Developing a framework for certification of a sustainable supply chain
	Environment Agency	Take lead where countries lack regulations Legal framework as baseline	Only 5% of Plan A is driven by regulation	Vigilant of governments environmental actions
	Government	Good CSR leads to productive relationships Meet with governments Own political advisors	Not the main driving force for CSR actions	Active in over 130 countries Interact with government on local and global issues
	Media	Try to maintain positive relationship with inquisitive media	Minimise adverse impacts of aggressive media which strongly targets businesses	Try to maintain neutral relationship with inquisitive media
	Local Communities	Locals can give the best insight for problems solving	Not actively involved in local community issues	Policy depends on assessment of local needs
	NGO's	Partnership Support the development of NGOs where none exist	Partnership with very well organized high profile NGO movement in UK	Partner with NGOs where they exist

M&S states that only 5% of its aims are related to regulations. Therefore the extent to which regulations are the main driver for companies depends upon the industry. For instance, the oil and gas industry is particularly sensitive to environment concerns and regulations play an important role. BP considers 'that the legal framework provides the floor and baseline for operations. Market forces build on this baseline providing conditions for innovation". BP stated that in countries where regulation is limited, the company applies its own standards. During the interview, Shell suggested that global, standard regulations would be helpful as complying with each individual country's regulations can be time consuming.

Each of the companies interviewed has experience in developing and developed regions and therefore provided interesting comments on the international picture, as can been seen in table 4. For Shell, the CSR company position doesn't change at all between developing and developed countries. The approach may change depending on the issues which the company is dealing with.

According to the interviewees, amongst developed nations the situation in the USA is different from that in Europe, and within Europe the situation varies by country. Europe appears to have a longer history of engagement on sustainability issues and has more regulations. According to M&S, the USA and BRIC companies began CSR activities more recently, however once they engaged in these activities they moved forward more quickly than European companies because they are more innovative and take more risk.

Table 4 - European companies CSR experiences in developing and developed regions

		BP	M&S	SHELL
Developing regions	**CSR priorities for company**	Recognize that social needs are a priority	Responsible sourcing and fair trade	Secure energy
	Stage of CSR development	Emerging economies need to clarify what they want as a society	In BRIC (and USA) engagement increasing rapidly	Depends on status of regulations in particular country
	CSR Lessons learned	Trade-off and conflicts only solved by dialogue	Government, business and consumer engagement is critical	Ability to manage risk implications is crucial
Developed regions	**Views and approach**	Need to be more proactive, understand impacts of their activity and share best practices	Well organized civil society and aggressive media require retail sector advances in sustainability issues and living up to company commitments	Same CSR approach for developed and developing countries but priorities reflect local issues

As pointed out by BP, in developing countries people have more trust in big companies. It is easy to identify the major players and they are open to engage with companies. This engagement involves a lot of ground work by companies and must include local representatives to legitimize the process. However, BP says its history of engagement has "left that company slightly fatigued on some sustainability issues".

From Shell´s point of view, companies which want to grow internationally and countries that want to attract sustained foreign investments flows must have good CSR standards because global stakeholders are expecting them. For Shell it is clear that being able to “manage risk implications is becoming more and more important”.

Of the activities of European firms in developing nations, BRIC countries have been the focus of the interviews. In general, interviewees felt that in their haste to develop rapidly these countries were having a large impact upon the environment. They stated that the social deprivation that exists means that environmental sustainability issues can lose prominence. However, M&S claims that some interesting work is being done in the BRIC nations and BP claims that there are many NGOs in China and India. So it seems that while they do not want to endanger their growth, these countries are increasingly prepared to engage and potentially have a large impact upon the sustainability agenda. BP added that “stakeholders of developing countries need to clarify what they want as a society.”

Shell stated that the driving factors (external and internal) of CSR proactivity should take into account the specific needs of each operational location to establish the right level of financial and human resources. BP suggests that proper corporate leadership is fundamental to establish an effective CSR strategy. Despite the availability of substantial resources, large companies have more problems in communication and ensuring that resources are used effectively.

According to M&S, consumer’s pressure is the dominant factor. Consumers would not forgive you if you did not live up to your major commitments. M&S claims that this pressure is undertaking by a well organized civil society and that the media is “aggressive and strongly targets businesses and governments.”

In future large multinationals such as BP “really need to be proactive and to understand the impacts of their activities. Oil and gas companies need to partner with local governments and national companies to share best practices”. In M&S´s point of view, “the education process is the most important factor in the evolution of CSR strategies and all countries need to find ways of engaging government, business and consumers.”

For Shell, the definition of sustainability is becoming more comprehensive. “CSR is not just a concept but it is something that is continuously involved in a companies work, deeply embedded in the workforce and a core strategy to do business in a better way than anyone else. It is important to understand the requirements of the area where the company operates, the community's needs and the appropriate way of providing the environmental protection".

4.2 CSR views from Brazilian Companies

The results of interviews with Brazilian companies are summarized in table 5. As indicated the CSR overall strategies of each company depend on their histories and issues they have dealt with. Natura enjoys having "first mover" advantages in giving importance to environmental and social issues as part of its core strength. In 1983, Natura was a pioneer in its sector regarding the use of refillable packaging, believing that it has a role in customer environmental responsibility and creates market value. In 2000, it launched the Ekos products line, based on the sustainable use of biotic resources of the Amazon Rainforest. Since 2005, Natura has not used live animals for product testing. In 2007, the company created an innovative table with environmental information about its products which is now printed on packaging.

Since 1960, the steel company, Usiminas has been located in a very difficult region of Minas Gerais state which was full of disease and lacking infrastructure. From the beginning, Usiminas recognised that it would be necessary to develop almost all regional infrastructures, such as water and sewage treatment, hospitals, clubs and schools in order to attract and keep employees. According to the interviewee, at that time, "if there was a vaccination campaign, the employees would be the first to ask to include their families". As a result Usiminas developed a strong capability to listen to its employees and the community as whole.

Succeeding Usiminas´s CEOs have kept these social facilities because they considered it part of the business of a state-owned company to develop the city. However, Usiminas was the first government company to be privatized. One important step in the privatization process was the introduction of an autonomous management model for the facilities. The most difficult task was to prove to the shareholders that these social extensions were part of the company values and that they would not compromise the profits of the company because they were self sufficient.

Table 5 - Business strategy and the advantages it creates for Brazilian companies

		PETROBRAS	NATURA	USIMINAS
Development of Business Strategy and CSR	**Period of CSR start up**	2000´s	1980´s	When company formed (mid-1960's)
	Triggers	Guanabara Bay oil spill	Innovative market vision Introduced refills in the Brazilian cosmetic sector	Need for infrastructure in the city (Ipatinga) where company operated required action
	Purpose of policy	To integrate management actions related to CSR and reinforce the use of environmental and social performance indicators.	Adding value in economic, social and environmental dimensions	Maintain social infrastructure and environmental awareness as part of company values Stakeholder engagement with employee participation
	Climate change concerns	Has a goal to reduce emissions Biofuel initiative	Launched carbon neutral project	Monitoring emissions using GRI guidelines
	Manage risk or Opportunities	Retain industry leadership on sustainability issues	Image based on environmental and social opportunities	Mainly controlling costs
Structures and Approach	**CSR Outcomes**	Attractiveness to financial market Civil society recognition	Brand differentiation Create value Motivate staff	Company reputation as responsible member of local community
	Approach to achieving goals	EHS Certification of company and its supply chain Transparent reporting	Corporate leadership Entrepreneurship Employee motivation Transparent reporting	Employee self-sufficient Partnership with local community Corporate governance

Petrobras considers the Guanabara Bay spill to be the turning point in its social and environmental projects and investments. In 2002 the company started to report using the GRI guidelines and in 2003 signed The Global Compact. At the end of 2004, the company reviewed its governance structure and created a management committee responsible to deal with CSR issues and also to reinforce the use of environmental and social performance indicators. In 2005, the CSR Department was created.

Regarding climate change, Petrobras has a goal to reduce CO_2 emissions by 21.3 million tonnes between 2007 and 2012. The company has also created a biofuel business unit to improve technology and organize a supply chain, composed mainly of small farmers. Natura has launched a "neutral carbon" project which involves its own operations and that of its suppliers. On the other hand, Usiminas stated that climate change projects are not a principal priority, but the company monitors and reports emissions using GRI guidelines.

The companies have diverse relationships with stakeholders but there is a convergence in approach to specific stakeholder groups, as shown in table 06. All companies have developed requirements for their supply chains. Usiminas has an integrated supply chain controlling its suppliers with long term contracts that include social and environmental requirements. Petrobras is a vertically integrated company but has a huge network of independent suppliers that are tightly controlled by the company. It works closely with existing and potential suppliers to develop their technological and CSR capabilities.

Table 6 - How Brazilian companies engage with diverse stakeholders

		PETROBRAS	NATURA	USIMINAS
Stakeholder Engagement	**Approach**	Transparency compliance Make known general aspirations	Open dialogue with all public in a continuous exercise of corporate transparency	Close relationship with the local community Engagement on ground
	Consumer	Be transparency and accountable	Address the CSR importance	Address quality, cost and environment requirements
	Employee	Intensive human resource programme to increase the CSR commitment	Be transparency and commitment	Legitimize the stakeholder engagement process
	Supplier	EHS Certification and audit of supply chain Compliance with legal requirements	Strict internal CSR standards Developing code of conduct	Supply chain integrated and controlled
	Environment Agency	Encourage governments to establish caps Strong enforcement	Take leadership in building a legal framework for biodiversity exploration	Need legal framework as baseline
	Government	Main stockholders Anticorruption programme Act as an Exemplar Company	Good CSR leads to productive relationships Meet with governments	Work in partnership
	Local communities	Engage to build the 21st Century Local Agenda (250 agendas around the country)	Build the 21st Century Local Agenda and strength the institutional capability	Engage employee to discuss and participate with the local community to seek solutions and build the 21st Century Local Agenda
	Media	Inquisitive with public companies	Create a greater awareness	Not inquisitive with private companies
	NGO's	Major national investor in culture, sport, social and environmental projects	Partnership to run CSR projects Institutional relationship	Not have an strong influence

Natura gives importance to the environmental and social orientation of supplier seeking to capture premium profits and increase competitive advantages. Natura opened a factory in a Pará State Rainforest region which is responsible for the development of the supply chain for oils execration and soap production. The factory is intended to integrate scientific knowledge with the wisdom of traditional communities in order to support the sustainable use of the Amazons biotic resources.

Environmental regulations and enforcement are having an increasing effect on company operations. Petrobras and Usiminas stated that the licensing process is very rigorous and causes delays in new investments. Natura pointed out the need for improvement in the legal framework for preventing exploitation of the traditional knowledge of indigenous people. All companies reinforce the importance of not participating in any corruption schemes and this is part of their code of ethics.

All three companies have strong linkages with the local community. During the interview, Usiminas explained the importance of knowing the needs of the community from their employee's point of view. It has a programme named "Outstanding Employee" which recognises the contribution of employees to the local community. Petrobras has established a new performance benchmark in the area of CSR. By means of a public selection process, the company chooses projects in communities throughout Brazil, many involving volunteer work by employees. Priority is given to education and professional training, job creation and improving the welfare of children and adolescents.

Natura has a similar public selection process aligned with their core business and the community needs. This process allows the company to legitimatize all stakeholders' demands. These social projects by all three companies are contributing towards reducing poverty, increasing security and improving the image of the companies.

The international approach taken by Brazilian companies can be seen in table 7. Natura pointed out the contrast between Brazil and others Latin America countries. All have a large traditional of philanthropy by companies in line with Catholic beliefs. However, Brazil has a much stronger NGO movement reinforced by the outstanding work of the Ethos International Institute, the Brazilian Business Council for Sustainable Development and the Brazilian media. The Ethos Institute was the first NGO to develop socio and environmental performance indicators and works closely with companies to promote adoption of CSR.

Natura emphased that the “there is not a close relationship between poverty and social organization or between poverty and corporate social responsibility. Any company operating in a poor environment is going to be faced with the problem of being rich in the midst of poverty which is particularly difficult to handle when the government is absent. The main question is what is the appropriate role for companies? There is a role for business, for governments and for civil society. Each one has to work together keeping in mind their respective roles. It is important for businesses to do the right thing without crossing the boundary between government and private sector roles.”

Table 7 - International approach taken by Brazilian companies

		PETROBRAS	NATURA	USIMINAS
Developing Regions	**CSR priorities for company**	Building citizenship in line with its scale investments and operation	Respect the local community and Brazilian biodiversity	Partnership with the local community to seek solutions
	CSR Lessons learned	Being one of the best in CSR issues is valuable for the company.	Companies needs to be innovative and develop partnerships	Stakeholder engagement is the right thing to do as part of the core business
	Views and Approach	Act as driving force for Brazilian sustainable development	Increase market share by being socially and environmentally responsible	Maintain current CSR commitments
Developed Regions	**Desired image in Developed Countries**	Intend to be a global CSR benchmarking	International recognition of its environmental and social programmes	Overcome market barriers related to environmental and social requirements

Usiminas agreed that there are some social problems that should be the responsibility of government to solve but pointed out that companies need to incorporate them into their strategic planning. It is important to emphasise that economic development in Brazil is increasing the need for infrastructure and the demand for natural and human resources. “For example, human resource availability maybe a limitation if the country keeps growing at the current rate and a company may need to support employee training.” According to all interviewees, Brazilian companies realize the dilemma between ecology and economy. However, companies are learning how to find their own solutions to sustainability issues through innovation and risk taking.

Usiminas reinforces the role of environmental and social requirements as a barrier in international markets. Certification through standards such as ISO 14001 and OHSAS 18001 is important to establish the credibility of company management systems. Petrobras and Natura agreed on the importance of these certifications. All companies interviewed are Global Compact members and reports following GRI guidelines.

Each company envisages its future somewhat differently. Natura has a conviction that genuinely innovative companies are those that really incorporate sustainability into their management processes, making it a factor in every decision and monitoring progress over time. The company believes that climate change will increase public awareness. Customers will demand more CSR actions from companies. To operate in developed markets, such as Europe, the company needs to improve its image as a sustainable company which integrates economic, environmental and social issues into its core business.

Usiminas believes that it needs at least to keep current social facilities. International shareholders of companies operating in developing countries should recognize that part of the profits must return to the local community. If the economic dimension dominates, CSR will be transformed into corporate indifference. Petrobras is very optimistic about continued social responsibility since as a state-controlled company it has a strong commitment to sustainable development and transformation of Brazilian society.

5 DISCUSSION

5.1 A Picture of Corporate Social Responsibility: Similarities and Differences

This research has identified a complex picture of relationships and interdependencies between leading companies and their stakeholders in both developed and developing countries. The picture is summarised for European and Brazilian context in figure 1 and 2, respectively. There are many similarities in approach between European and Brazilian companies.

Leading companies in both Europe and Brazil integrate social and environmental concerns into their core business, address these issues in their own supply chains, work in strong partnership with NGOs and are sensitive to their public awareness mainly from customers, the local community and employees. Media plays a central role for enhancing the credibility of this process. A structured legal framework provides a baseline for operations and market pressures lead to innovations. As well as being influenced by stakeholders, companies themselves are stakeholders, placing pressures on societies, governments and each other.

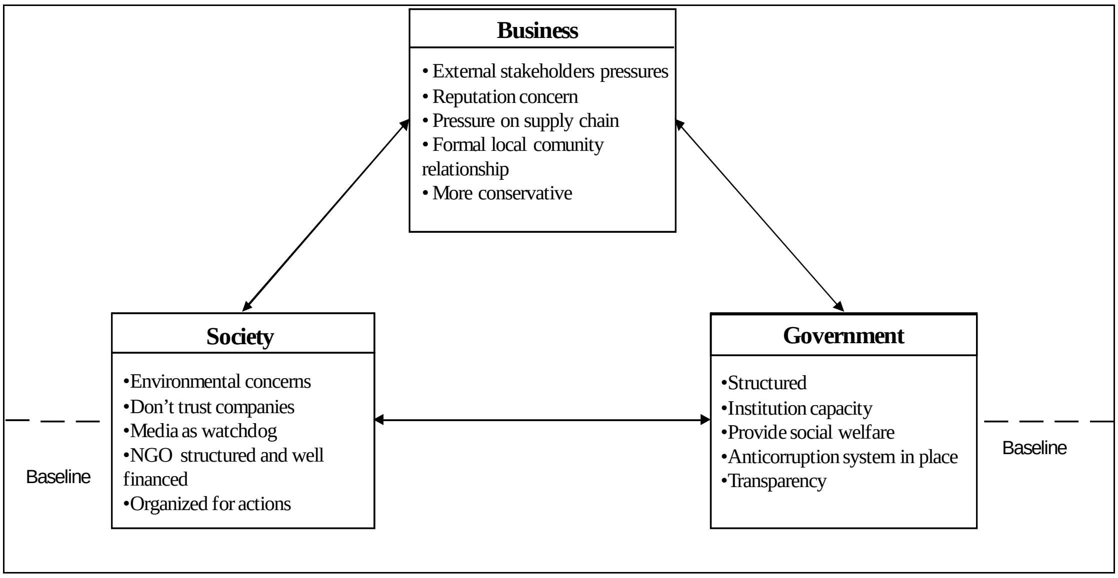

Figure 1 – Relationship between Business, Government and Society in European Context

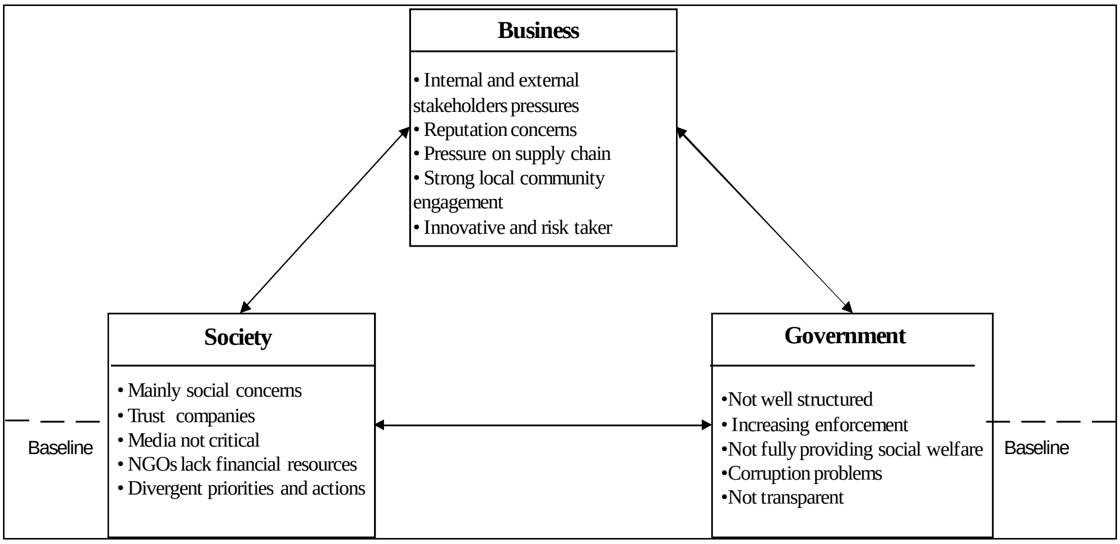

Figure 2 – Relationship between Business, Government and Society in Brazilian Context

Based on corporate responsibility reports, Baskin (2006) also concludes there is not a vast difference in the approach between leading companies in high-income OECD countries and their emerging-market peers. It is clear that regulation has been one of the key factors driving firms to improve their environmental and social performance. The government provides a base line at which companies must perform.

As the interviews have shown, in terms of CSR priorities and relationships there are differences between European and Brazilian firms. In Europe, the focus seems to be largely on environmental issues. European society has a clear definition of needs related to education, health and public security and it is clear that the responsibility to meet these needs belongs to the government.

On the other hand, Brazilian companies tend to be more focussed on social sustainability as poverty is often on the doorstep. Successive Brazilian governments have failed to provide social improvements. In this context, companies in Brazil are more prepared to support societal improvement as they have financial and human resources, access to information and a network with governments. Thus companies have been drawn into a role in social improvement and their reputations are strongly related to their activity in CSR.

The driving forces in European and Brazilian companies are slightly different. European companies are driven by external factors such as customer's demands, an inquisitive media and a well organized NGO movement. On the other hand, Brazilian companies are pushed by both internal and external pressures. Their employee is part of the internal pressure but their concerns are related their place in a local community.

Companies established in developing countries cannot be a prosperity island ignoring social and environmental problems. Their actions need to focus on improving the quality of life of their own employees and the local community because the intimacy with social problem is huge. Companies need to become much more innovative with more intensive stakeholder engagement based on relationship of trust.

In order to tackle CSR it is important to have a comprehensive approach. The internationalization process is becoming intense in Brazil. International shareholder must recognize these differences between developed and developing countries and the need to return part of the economic benefits to the local society.

6 CONCLUSIONS

There are many, varied stakeholders who significantly influence the environmental and social policy of firms. However, stakeholders are all inter-connected, and have most influence when they work together. A key stakeholder is often firms themselves, as they put pressure on their supply chain. A key way in which stakeholders influence firms is by partnering with them to seek solutions. This constructive action tends to be more effective than the more historic approach of confrontation. In combination with this engagement, it is important to raise public awareness for sustainability issues in order to put pressure on government and society.

CSR is a global issue and as such needs to be dealt with internationally. Developed countries, with a history of successful NGOs and experience gained from their mistakes, should seek to engage with developing countries, helping them to operate in a more sustainable manner. However, developed nations also need to be taking action themselves to become more sustainable.

Business does not work if the society as a whole doesn't work. The relationship between government, business and the civil society can make a huge contribution to local development. It is essential that CSR is not dropped from the agenda. It is becoming an increasingly important issue as, with growing populations and demands, resources are becoming scarcer. In order to deal with these issues countries and companies must start recognising their inter-connections and engage with each other on these issues. However, there is hope that a tipping point is almost being reached where the sustainable agenda will snowball in its importance and prominence.

This study is not without limitations. First, it relies on self-reported measures provided by company managers, even though the CSR reports were used to verify interview results. Another limitation is the fact that the sample size of six firms restricts generalization of results.

In spite of these limitations, the paper sheds light on the multifaceted aspects of CSR in Brazil and Europe. The research implications to get business even better engaged in sustainability practices require ongoing efforts in conjunction with government and society.

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