

Sustainable and Profitable Business – The Case of Natura

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Abstract

The aim of this study was to identify the actions related to the “Sustainable Production and Consumption” initiated by the Natura, a Brazilian enterprise acting in the cosmetics sector. The method used was the incorporated single type case study. Eight (8) people with different posts within the company were interviewed, each of them having a function related to the socio-environmental management of the organization, as well as the “EKOS” cosmetic line, which uses ingredients obtained from the Brazilian biodiversity in an environmentally sustainable manner. The findings suggest that the excellent position of the company with regard sustainable production and consumption has generated a momentum for achievement, like a constant motor, stimulating new actions and goals within the different sectors and departments. It is also apparent that what defines the “magic” of Natura, or its differential attitude and results, is not isolated activities, but a set of elements composed of actions and plans disseminated by the organization, in the form of programs, initiatives and strategies. However, the results surpass these elements, a fact that permits us to state that Natura exercises the basic principle of the systemic view, when it emphasizes that “relationships” are the reason for its existence. The performance obtained is not explained in an isolated analysis of its activities, but is understood in its totality, as success is not in the individual parts but in the whole that they compose.

1. Introduction

This article reports the results of a doctoral thesis developed on the theme of “Sustainable Consumption”, which is inserted within the proposal for Sustainable Development, be it in the definition established in the Brundtland Report, or within the conception of the concept of ecodevelopment (Strong in Cavalcanti, 1995; Sachs, 2002; Guivant, 1995). The concept of Sustainable Consumption is the theme of Chapter 4 of Agenda 21, which presents the actions to be implemented with the object of promoting sustainable development.

In recent years, the pressures on companies to adopt environmental control measures and assume socio-environmental responsibility have increased. The main sources of pressure are: 1) environmental regulations, which have increased in number, specificity, range and rigor; 2) organized civil society, mainly through environmental movements, which have seen their membership multiply and have specialized and become more professional, making their activities ever more effective; 3) the product markets, which have witnessed a growing tendency among consumers to value environmental attributes of companies and products and which has been reinforced, by an increase in internal and external competition due to the international opening of

markets; 4) and from the sources of natural resources, mainly water and energy, which have shown signs of becoming limiting factors to the future growth and development of companies (Kinlaw, 1997).

Considering that concerns regarding environmental quality may influence the redefinition of roles and the *modus operandi* of organizations, this study was developed in order to further the knowledge of actions - related to the principles of sustainable production and consumption - assumed by Natura in search for the socio-environmental sustainability of its activities, the way in which these actions are structured, the factors that affect them and the influences that determine such actions. An attempt is also made to understand the way in which this organization impacts and influences the practices of its suppliers and consumers. Thus, the objective of this article is to assess the actions and initiatives assumed by Natura towards greater socio-environmental sustainability, examining them in the light of the perspectives of the concept of Sustainable Production and Consumption; and the way in which these actions and position influence the chain of production and consumption.

In the research, the focus of the study was the company Natura, which, given its outstanding performance in relation to socio-environmental management, as well as its commercial performance, is considered in this study as a "revealing case" within the corporate context.

An incorporated single-case study method was employed, since it will bring together, or incorporate, studies of sub-units of analysis of the Natura Company, such as suppliers and distributors. Eight in-depth interviews were carried out with technical and managerial staff from Natura, as well as interviews with managers and directors of the supplier companies. A focus group meeting was also held with Natura consultants, who are the people that have direct contact with the final consumers.

2. Sustainable Production and Consumption

As Williams pointed out (1976 in Featherstone, 1995), one of the first uses of the term "consume" meant "destroy, wear, waste, exhaust". In this sense, Featherstone 1995 highlighted the point that consumption as waste, excess and exhaustion represents a paradoxical presence in the context of the productivist emphasis of capitalist societies and socialist states, which would need to be controlled and channeled in some way. From this perspective, he suggests, we should look at the persistence, the dislocation and the transformation of the notion of culture as waste, squander and excess.

Greater emphasis on the practice of sustainability seems to be the most appropriate response. Among such initiatives, the theme of Sustainable Consumption stands out, having been the subject of recent studies and consideration, especially in European and North American countries, and the focus of attention of institutions dedicated to conciliate development and the environment. The present production and consumption patterns in various countries in the world follow the North American and European model, which is based on high per capita consumption of goods and energy.

For Padua (1999), a key point that needs to be understood is that the iniquitous data on consumption of global ecology are indicators of profound processes of inequality that appear in the intra and international order. They reveal the result of social structures and dynamics, especially the stratification of societies. This last point was recognized, though in only in passing, by Agenda 21, the broadest document elaborated during the Rio 92 meeting. This recognition was important in the context of the international discussions on the environment, as it relocated the specific questions of pollution and environmental destruction within a general structure

incorporating everyday life in societies that, according to Padua (1999), essentially represent mechanisms of unsustainability. The most direct concern of the UNO document is situated at two levels: 1) The existence of production standards “that fail to take into account the true value of the capital of natural resources”; 2) the existence of consumption patterns, especially in the industrialized countries, that “bear little relation to the basic necessities of their inhabitants, that contribute to the worsening of the problems of poverty in underdeveloped countries and of the widening of the gap between rich and poor countries” (Maia e Guimarães, 1997: 386). Although, the developed countries are currently considered as priorities for actions directed at achieving greater sustainability, Brazil is inserted in the category of an emerging country, with immense social inequality, but with a section of consumers that have the same consumption potential as high classes in developed countries.

Initially, as defined in the Oslo meeting (1994), the definition of sustainable consumption established an intra and inter generational ethical commitment with the natural environment, being established as “the use of products and services that respond to the basic necessities and bring an improved quality of life, while, at the same time minimizing the use of natural resources and toxic material as well as the emission of residues and pollutants throughout the life cycle in such a way as not to prejudice the necessities of future generations”. Since the initial debates on aspects related to issues of sustainable consumption the concept has been broadened and new ideas incorporated. It is possible, for example, to question the emphasis given to aspects of demand, defending the widening of the focus, relating it to aspects of production and distribution. In the conception of this proposal, sustainable *consumption* is intimately related to sustainable *production*, as they are established simultaneously.

For example, an organization is at the same time, supplier and consumer of goods and services, inserted within a network of supplying and consuming and of relations that may or may not be coherent with a proposal of sustainability. Furthermore, it is possible to incorporate a broader approach for the analysis and comprehension of the theme, not merely from the logic of flow of material and scarcity of resources, but also considering related social, cultural and structural aspects. It is clear that, in order to meet the basic needs of the population, while avoiding or minimizing environmental degradation, more efficient consumption becomes a necessity. Yet, besides this, it is necessary to consider social and cultural aspects in the search for a better quality of life. A systematic view of the issue is therefore required, one that seeks to understand the problem in its context, and considers the multiple and complex inter-relationships.

From this general picture, it can be asked how evolution of environmental awareness occurs in organizations and how the proposed patterns of sustainable production and consumption can be arrived at. Or, moreover, whether there is any concern with environmental demands of the consumers and how they are appropriated by the manufacturer in the production process. And, considering the final consumers, it can also be asked what their attitude would be in relation to proposal of sustainable development and sustainable consumption.

The answer to these practical questions necessarily requires prior analysis, which would permit us to support a forecast that involved organizational actions in the environmental area: how are the environmental actions of companies inserted in context of sustainable production and consumption formed and how are they related systematically, and, what is the influence of these actions on consumers and suppliers in the construction of true sustainability. Therefore, though it is not the intention here to answer the practical questions contained in the previous paragraph, there is an intention to contribute by offering theoretical elements that make it possible consider them, beginning by responding on the “formation”, “development” and the “dissemination” of actions and of environmental awareness in favor of sustainability.

In the opinion of Princen et alii (2002), many have adhered to the theme of sustainable development without dipping into the treacherous waters of consumption. The western life style and its pattern of consumption are serving as the model for the rich classes in China and India, for the countries of Eastern Europe and the former Soviet Union, as well as middle and rich classes in the emerging countries such as Mexico, Venezuela, Brazil, Turkey, South Korea, Taiwan, Indonesia, Malaysia and Thailand. It is estimated that these new consumers total around 750 million people, a number similar to the total number of consumers in the developed countries (UNEP, Sustainable Consumption: A Global Status Report, abril/2002).

It becomes clear, then, that whatever the extension and depth of the proposed changes in the structure of the market, if the issue of consumption is not dealt with, little will be achieved in the search for sustainability. PACKARD (1960, in ROBINS, 1999) was one of the first authors to draw attention to the issue of consumption and of its social, environmental and cultural consequences, using expressions such as “built-in obsolescence” and “throw away society”, more than forty years ago. At that time, few paid any attention to his criticism. Currently, however, the issue of how to make the patterns of consumption sustainable has become the number one priority in the international development and environmental agendas.

According to the II Oslo Symposium (1995), sustainable consumption is an “umbrella expression” that brings together some main themes, such as how to meet basic necessities, improve quality of life, optimize resource efficiency, minimize residue generation, assume a life cycle perspective and consider the issue of equity of consumption (ROBINS, 1999). While the world population increases, the per capita consumption of some resources (water, food, forest resources) increases 8 to 12 times more quickly than the growth in population (PRINCEN, MANIATES, CONCA, 2002). On the other hand, the average consumption of African homes decreased 20% in 20 years (ROBINS, 1999). Although the so-called affluent Northern countries (North America, Western Europe and Western/Eastern Asia??), highly industrialized or already in a post-industrial economy may have greater responsibility for the present unwanted effects of the production and consumption patterns, South and North should confront the issue together. Although the affluent countries may have the priority of bringing about change, emerging economies should also be alert to the issue.

A complementary view of sustainable consumption is presented by the IIED, International Institute for the Environment and Development, based in London. According to the IIED (ROBINS and ROBERTS, 1998), sustainable consumption is a demand based strategy that seeks to modify the use of natural resources and economic services, in order to meet the needs and improve quality of life in general, regenerating the natural capital for future generations.

3. The Case of Natura

The company Natura was chosen because it encompasses many of the actions discussed in the literature on Sustainable Production and Consumption. In the study that was undertaken, a strong component was found to be related to motivation, inspiration, and the feeling of “doing the right thing”, subjective elements, but important in many of the reports that were heard. In relation to the interviews with the directors and staff of companies that act as suppliers to Natura, the high degree to which Natura was able to influence these organizations was of particular note, be it in the form of performance requirements or jointly developed projects which have led to other initiatives within these companies. The focus group held with the consultants showed that they feel themselves to be engaged in a mission to clarify concepts and advance any of the elements related to the principles of sustainability and socio-environmental management.

Having been in existence for 36 years, Natura has consolidated itself as an example of business competence and as a model of socio-environmental responsibility in Brazil, as well as being the largest cosmetic manufacturer in Latin America. Besides, Brazil Natura is present in Peru, Chile, Bolivia, México and Argentina, as well as having points of sale in Paris. With a zero level distribution system, it has 482 thousand independent consultants in Brazil and 36 thousand abroad. In 2005, it produced a net profit of 190 million dollars.

Founded in 1969, Natura began life in a garage in the city of Sao Paulo, applying some of the principles that characterize the company today: a personalized approach, a view of cosmetics as therapeutic treatments and products customized for the humid climate of Brazil and different skin types. One of the most distinctive features of the company, its attitude towards social responsibility, is present from its origins and been strengthened over the years.

In 1999, Natura was already the largest Brazilian cosmetics company and the most profitable in the sector. It enjoyed a highly favorable image among its consumers, being recognized and admired for the quality of its products and for being a company with a highly satisfactory performance in the area of corporate social responsibility. Many analysts attempted to explain the success formula of the organization and referred to the “magic of Natura” in order to explain such a successful performance. The company slogan “Truth in Cosmetics”, was well accepted among the staff of all levels. In a sector that is not always so accurate in preaching the benefits of its products, Natura was proud of not making empty promises and instructed its sales force to offer correct information regarding the use, limitations, indications and ingredients of its products. Hence, in line with this policy, Natura does not produce hair dyes, as the process of coloring the hair inevitably damages it. Similarly, it doesn't produce nail polish because the need of using Formaldehyde and Toluene in its formula, ingredients that tend to weaken the nails. Successive new products have been incorporated into its product line, within the concept of “Well-Being” for its users, such as a line of creams destined for mothers and babies, which was commercialized in parallel with the idea of Shantala massage method. The Shantala massage, originating from India, stimulates touch, gentleness and closeness between mother and child. Chronos, the “anti-aging signs” cream from Natura, was marketed with the message that beauty is not reached in the search for youth, but by the attitude taken in relation to aging. Thus, according to the declaration of the Co-President of the Chairman Board of Natura, Guilherme Leal:

“We believe that we can transform the lives of people and of society. We do that which we believe in and we make a profit with it. The functionality of our products is only one aspect of the needs that they meet ... we deliver, with our products, much more than functional answers, we deliver emotions, spirituality, intellectual ideas that can improve the lives of people”.

Natura soon discovered the power of relations, or relationships, for the well-being of people. Direct sales through the Natura consultants is part of the corporate identity of the Company, and in this way reaches the middle and upper middle classes, being the only company in the sector that reaches this segment using a direct sales strategy. The consultants receive continuous training and the largest commissions in the sector, guaranteeing the company a significant competitive advantage and a barrier to the entrance of competitors.

In a sector where constant innovation is a rule, Natura also favors the use of innovatory marketing concepts and arguments. The Research and Development Department of the Company maintains close ties with universities and research centers in Brazil, France and the United States of America. It has thus become innovatory, producing, on average, a new product every three working days. Traditionally, the process of innovation at Natura begins with the monthly meetings between the Presidents, the Marketing Director and the Director of R&D, in which new ideas and technological advances are discussed. The differential is the speed with which the new

products are tested, as the consultants can obtain an immediate response from the consumers. The consultants are encouraged to telephone the clients after the sale of a new product in order to check its level of acceptance and maintain the relationship channel constantly open. Also, a new product can be barred, due only to the reaction it receives from the consultants, and can be withdrawn from the market rapidly.

Natura has a developed and structured environmental policy, and assumes this policy as one of its three sources of its chain of sustainability, together with those of the social and economic areas. The Company evolved the environmental management of its productive processes in the spaces Natura Cajamar and Itapeirica da Serra, in Sao Paulo, extractivist processes seeking the best practices in the use of non-renewable natural resources and the low residue generation. In 2005, despite a 24,5% increase in production at Natura, the consumption of electrical energy was reduced by 8,5%, of water 5,6%. Recycling has an important role in the company's environmental management and several materials that were previously incinerated or discarded are now reused. The Natura Composting Center receives residues originating from the restaurant, and from the pruning of the garden and the trees. In recognition for its efforts, the Company won the Social Value Award for the use of the Life Cycle Analysis study in the packaging of Natura products, when it was found that the plastic bag used to send the products to the consultants was among the items that had greatest environmental impacts, and it was substituted.

An annual report is published by Natura, in which the economic, social and environmental results of the company are included, in an effort to adequately portray the search to establish equilibrium between the three dimensions of sustainability in the development of its business. In order to produce these reports, the Company uses the guidance of the Instituto Ethos de Empresas e Responsabilidade Social (Ethos Institute of Corporate Social Responsibility) and adopts the model of the Global Reporting Initiative, GRI. The Ethos Institute, founded in 1998, has the aim of encouraging and guiding companies in managing their businesses in a socially responsible manner, disseminating the practice of corporate social responsibility.

The annual report from 2002 was considered the 16th best from among 350 company reports from throughout the world. The assessment was made by SustainAbility, an international consulting firm, in partnership with the Standard & Poor's rating agency and the United Nation's Environment Program.

Many other actions seen in Natura, and are listed below in Figure 1, which shows some parameters and variables described in the theory and that the company effectively performs in its activities.

PARAMETERS	VARIABLES
Consumption levels, origin and sustainability of raw materials	<ul style="list-style-type: none"> • Substitution of raw materials with renewable or less pollutant raw materials • Investment in R&D in order to develop new, less impacting materials, etc
Consumption levels, origin and sustainability of energy.	<ul style="list-style-type: none"> • Minimization of the energy use.
Influence on demand patterns	<ul style="list-style-type: none"> • Offer the market sustainable products and services • Extend their responsibility in relation to the life cycle of the product • Shared responsibility in relation to potential risks

Influence on purchasing decisions of organizations and final consumers	<ul style="list-style-type: none"> • Seeks to alter consumer behavior
Values	<ul style="list-style-type: none"> • Is guided by ethical values and seeks to awaken the notion of extended responsibility in consumer choices • Develop actions related to social and environmental objectives • Posture and institutional behavior in relation to social and environmental issues • Values and ethical standing related to activities of the organization.
Dematerialization of the economy	<ul style="list-style-type: none"> • Incentives to prolong the useful life of the products, the reuse of components and the recycling of materials
Minimization of residue and pollution	<ul style="list-style-type: none"> • Investments in the environmental area • Ecodesign • Control, monitor and seek to minimize emission patterns • Reduction, reuse and recycling of materials • Alter productive processes • Alter company operations • Change suppliers
Raising socio-environmental awareness	<ul style="list-style-type: none"> • Involvement in environmental education actions • Communicate the social and environmental benefits • Seek to broaden the awareness of stakeholders with regard the systemic relations of their activities

Figure 1: Actions of Natura related to Sustainable Production and Consumption

Source: Elaborated by the authors

4. Final Remarks

In a world of growing ravines of inequality, we may have unrealistic consumer expectations, economic problems and social tensions, and provoke the destruction of the natural environment. Hence, with a profusion of goods and services, a society dominated by the predisposition to buy emerges.

In the current paradigm of our patterns of production and consumption, many organizations do not, as yet, feel willing to include social and environmental dimensions in their activities. Today, to speak of “Sustainable Production and Consumption” means having the understanding that it is necessary to work concomitantly, with consumers and suppliers of goods and services, and act towards the transformation of the productive chain in which we are inserted in the benefit of greater social and environmental adequacy. Natura appears to have found its own way to sustain its activities, a path based on convictions present since its foundation. Values such as respect and

transparency are very clear for all those in the organization that state that “a company is a set of relationships”. We can understand the reality of Natura by using the analogy of the company and the corporative world with biology, a world in which equilibrium (and its maintenance) defines the success or failure of the life within it. In fact, by favoring the relationships with the different stakeholders, Natura is also taking responsibility for the quality of the results of these different relationships. Furthermore, upon developing the EKOS product line, of products with active ingredients from the Brazilian bio-diversity, the company has engaged itself in a project involving the sustainable development of communities and the certification of extractivist processes. Besides having a system of environmental management, Natura inserts social and environmental objectives into its balanced scorecard and pro-actively encourages its suppliers to also search for their own solutions. Moreover, it uses its sales force - the Natura Consultants – and its corporative communication instruments as a means to provoke the awareness of the consumers, encouraging the use of refills, and explaining the social and environmental benefits of their products.

We also perceived strong signs that involve the subjectivity and the emotion of the people, that, when they feel they are moving in the “right direction” in projects that find echo in individual motivations and in the personal ethics, and that, thus, engage them to a surprising degree in the objective to be reached, and at the same time surpass, the results. Much is said concerning the “magic” of Natura, a company that stands out for its excellent economic results, number of awards won and positive comments from the specialized press. Our perception suggests to us that this “magic” is in fact something that does not succumb to simplification or any attempt at reduction. It is something that extrapolates the isolated elements of its many management and strategy initiatives and is in fact, above all, based on its relationships and its particular manner of positioning itself as an organization.

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