THE BUSINESS OF THE BUSINESS IS NOT JUST
THE BUSINESS: BUSINESS SUSTAINABILITY
AS STRATEGIC ELEMENT

ABSTRACT

Based on theoretical and empirical studies, better business results are possible to achieve when there is alignment between the organization’s strategy and sustainability management, as this alignment generate value for the organization and attend its stakeholders directly. Thus, this paper aims to highlight the reasons why companies should invest in sustainability, drawing up conclusions from literature and the perception of managers and coordinators of different areas in a Brazilian mining company. In order to do that, a qualitative research was conducted based on semi-structured interviews with those responsible for the mining company. As the main result, we have a synthesis of ten reasons why companies should invest in sustainability, that are: image, increase internal and external sales, valorization in the capital market, reduction of costs, improvement in company’s image before its stakeholders, reduction of risks, attraction and retention of talents, innovative capacities, competitive advantage and quick response or anticipation to legislation.

Keywords: benefits, strategy, sustainability, competitive advantage.
1 INTRODUCTION

In the global market’s context, which is mutable, highly competitive and dealing with scarce resources (PARNELL, 2008), economist Milton Friedman’s vision that the business of business is business itself is perceived as a reductionist perspective on the current mission of companies (WILNER, 2003; DAVIS, 2005). The complement to that perspective is made based on Club of Budapest founder’s5 statement that states that the business of business is sustainable business (WILNER, 2003), broadening the way of generating value for stakeholders by meeting their pressures and, in addition, reducing their production costs.

The mentioned current scenario defies managers to position their organizations in order to generate sustainable value to their stakeholders by aligning their operations strategies with sustainable management (EPSTEIN; ROY, 1998). According to Hart and Milstein (2004), this alignment would help organizations to minimize their operations’ losses, while they reorient their portfolios of competence towards more sustainable skills and technologies. Complementarily, organizations must engage in more intense interaction and talk to external stakeholders, as a way of delineating how they could economically develop interesting solutions to future social and environmental problems.

The current form of creating value for an organization is laid beyond the integration of areas within the organization to get better financial performance. The new organizational value, named sustainable value according to Hart and Milstein (2004), addresses simultaneously bringing wealth for the shareholder and the pursuit for a more sustainable world, sustainable value comprehends, among others: the harmony between the expectations of interested parts, whether internal or external to the organization; concerns beyond economics, valuing the social and environmental aspects; recognition of the scarcity of resources; alignment among different strategies; organizational transparency through full reports that allow comparison (ANGELL, KLASSEN, 1999; OLSTHOORN et al., 2001).

As for the decisions between environmental protection and economic gains, Porter (1991) asserts that there is a false dichotomy based in a narrow vision about prosperity sources and a static vision of competition. The author argues that there should be more complex environmental rules to encourage organizations towards the modernization and innovation of their technologies for sustainable production, in many cases resulting in processes that not only pollute less, but also reduce costs or improves quality. Thus, the processes would be modified to decrease usage of scarce or toxic resources as well as to recycle byproducts, avoiding waste (PORTER, 1991).

Bearing this scenario in mind, considering the necessity in integrating the theme of sustainability in managers’ agenda and also considering the aid that the range of challenges of sustainability may represent in creating value for the shareholder, a path to increase future profit (HART, MILSTEIN, 2004), this paper raises the following issues: which reasons make companies invest in sustainability? With the intent of verifying what literature presents as justification for investments in sustainability, complementing the analysis with the business’ vision through a case study.

The objective of this paper is to highlight the reasons why companies should invest in sustainability, drawing up from literature and the perception of managers and coordinators of different areas of a Brazilian mining company. To accomplish this objective, this research has as specific objectives: discuss the relations between strategy and business sustainability; and describe the benefits that come from the inclusion of sustainability in business strategy with a theoretical and empirical ground.

5 Club of Budapest is an international organization established in 1995 from the knowledge acquired by its founder Ervin Lazlo at the Club of Rome (that aims to discuss the main causes of the crises facing the world today: our current concepts of growth, development and globalization). Its mission is to be a catalyst towards the transformation to a prosperous and sustainable world.
2 METHODOLOGY

Considering the general objective of presenting reasons why companies should invest in sustainability, drawing considerations from literature and the perception of managers and coordinators of different areas of a Brazilian mining company, the methodological procedures of this paper were divided into two stages.

The first stage is theoretical and includes revision of literature on the addressed subject, in order to raise and analyze what has been discussed about the concepts of organizational sustainability and business strategy. The second stage consists in gathering empirical data with the purpose to discuss how sustainability has been strategic in the field.

Our procedure is qualitative. It also can be viewed as an exploratory research, as there is not much information about the research’s theme, which indicates the necessity of improvement in the existing theories. Therefore, the exploratory research tried to “increase the number of information on a particular point to be investigated”6 (BASTOS, 1999, p. 66). The exploratory stage of this research began with a revision of literature, as proposed in box 1, as follows

<table>
<thead>
<tr>
<th>Addressed Topic</th>
<th>What to investigate?</th>
<th>Main authors studied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy</td>
<td>Explain the adopted concepts to define strategy in this study, highlighting their similarities and discrepancies.</td>
<td>Mintzberg (1987); Parnell (2008); Porter (1996); Steiner (1979).</td>
</tr>
<tr>
<td>Business Sustainability</td>
<td>Understand the concept of sustainability-oriented for organizations. Explain initially the concept of sustainable development that originated the concern with sustainability on various institutional levels and, later, specifically delimit the concept of business sustainability, the focus of this research.</td>
<td>Jamali (2006); Jiménez Herrero (2000); Kneipp et al. (2012); Lélé (1991); Lenzi (2006); Montibeller (2007); Munck (2013); Munck et al. (2011); Munck and Souza (2011); Munck and Souza (2009); Osório, Lobato and Castilho (2005); Pierri (2001); Quelhas (2003); Savitz and Weber (2007); Souza (2004); Souza (2010); Van Bellen (2004).</td>
</tr>
<tr>
<td>Business Sustainability as Strategic Element</td>
<td>Link sustainability and strategy, highlighting the benefits that come from the correct alignment of the themes.</td>
<td>Alberti et al. (2000); Epstein and Roy (1998); Kleindorfer, Singhal and Van Wassenhove (2005); Nidumolu, Prahalad and Rangaswami (2009); Parnell (2008); Porter (1990).</td>
</tr>
</tbody>
</table>

Source: by the authors.

The second stage of the exploratory research happened in the field, with interviews conducted with executives of the chosen organization for this case study, aiming to understand their main strategic motivations to invest in sustainability. The data was gathered in a mining company, fourth biggest Brazilian exporter in the year 2011, a closed capital organization managed by two shareholders that detains technology and necessary installations to extract, beneficiate, pelletize and ship ore.

This company was chosen for this study because it is a Brazilian company that presents its Sustainability reports in Global Reporting Initiative’s (GRI) standards, in the year 2012 and that has an A+ declaration grade.

The GRI is a non-profit institution that provides a structure of reliable sustainability reporting that can be used by organizations of any size, sector or locality. The job of this institution is a result of the dedication of over 30.000 professionals focused on sustainability, professionals that constitute international workgroups with engagement by stakeholders and public input, what makes their guidelines credible and widely used in the whole world.

6 Original excerpt: “ampliar o número de informações sobre determinado ponto que se quer investigar”.
According to authors such as Parris and Kates (2003) the GRI is an organization that provides the most prominent reports related to business sustainability and that are used by large world companies.

The Global Reporting Initiative developed three levels (C, B and A) of the declaration of appliance (or grades of coverage) to elements of GRI’s structure that were used in the elaboration of the report, being C the least coverage and A the most coverage. When an organization recurs to external processes of assuring fidelity, it can declare itself with a “plus signal” after the letter that symbolizes its level (C+, B+ or A+).

For this study we chose a Brazilian business organization whose reports are considered level A+ by the GRI, as it is the highest level of sustainability relevance and also because the A+ level represents organizations that work under the perspective of competence-based management to achieve strategic goals.

All companies that fulfill this requirement were contacted, but only one was willing to participate in this study within the deadline stipulated by the researchers. The participating company’s name will not be revealed in this paper, as the company did not authorize the use by signing the Termo de Consentimento Livre e Esclarecido (TCLE)³.

Box 2 below contains details regarding the field of activity of each interviewee within the company.

<table>
<thead>
<tr>
<th>Name</th>
<th>Field of activity</th>
<th>Interviewees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gama Company</td>
<td>Mining</td>
<td>Interviewee 1 – Environmental Manager</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Interviewee 2 – General Manager of Strategic Planning and Management</td>
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<td></td>
<td></td>
<td>Interviewee 3 – General Manager of Socio-institutional Development</td>
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<td></td>
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<td>Interviewee 4 – General Manager of technology and Eco-efficiency</td>
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<td>Interviewee 5 – General Manager of Controlling</td>
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<td>Interviewee 6 – Manager of Management Systems</td>
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<td></td>
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<td>Interviewee 7 – General Manager of Environment and Licensing</td>
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<tr>
<td></td>
<td></td>
<td>Interviewee 8 – Human Resources Technical Coordinator</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Interviewee 9 – Communication and Socio-institutional Relations Technical</td>
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<tr>
<td></td>
<td></td>
<td>Coordinator</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Interviewee 10 – Environmental Technical Coordinator</td>
</tr>
</tbody>
</table>

Source: by the authors.

The process used to gather empirical data was built over non-structured interviews, in order to provide freedom for the interviewee to speak about how sustainable practices are strategic to the company. The role of the interviewer was to stimulate the participants of focal and individual interviews to give their opinions about the addressed subject. Content analysis, based on the researched literature, was employed in order to analyze the collected data.

3. WHAT IS STRATEGY

Definition of the term strategy comprehends a vast field in literature, with distinct meanings, but many times complementary, forms to analyze the term (PARNELL, 2008). This study is based on the perspective of three authors that, according to Parnell (2008), bring different ways to building their perspectives, none of them mutually exclusive.

The first perspective is Steiner’s (1979), who translates strategy as what top management does with the intent of reaching a company goal, therefore, the way a company stands before the competition. Mintzberg (1987), on the other hand, suggests that strategy is a plan, a strategy.

³ Equivalent to an Informed Consent (IC) form for social scientific researches.
path whose objective is to deal with a situation. This author highlights the necessity of revaluation and constant refinement of a company’s adopted strategy, given that there is the possibility of detachment between the intended strategy and the one put into practice.

Lastly, we consider Porter’s perspective (1996) that treats strategy as a company’s differential factor before the competition to reach a competitive advantage. This perspective is based on the fact that companies are incapable of focusing in all matters at the same time, such as being leader in cost and differentiation, thus the choice of strategy comprehends the trade-offs (PORTER, 1996).

For this study, the term strategy will be understood as a plan that indicates a direction, a guide or a course of action for the future, materialized as a pattern of behavior over time (MINTZBERG; AHLSTRAND; LAMPEL, 2000). The strategy will reflect in the company’s market participation, because the strategic positioning of the company will define how it will differentiate itself from the other similar companies in the market (SILVA, 2001).

4. BUSINESS SUSTAINABILITY

Initially, we would like to highlight that the concern with a sustainable development comes from the 1970s (RANSBURG; VÁGÁSI, 2007), starting with the first United Nations Conference on the Human Environment. More than a decade later, in 1987, the term “Sustainable Development” becomes known in a document named Brundtland Report, in which it is defined as a development that searches to satisfy the necessities of the current generation without compromising the capacity of future generations to satisfy their necessities (WORLD COMMISSION ON ENVIRONMENT AND DEVELOPMENT, 1987).

In that period, social demands raised concerns not only with economic development, but also with the preservation of the environment and social progress (RANSBURG; VÁGÁSI, 2007). There is a consensus among many authors, such as Lélé (1991), Jiménez Herrero (2000), Osório, Lobato and Castillo (2005), Montibeller Filho (2007) and Munck and Souza (2011), that sustainable development should encompass the conciliation among the three dimensions of human progress: economic, environmental and social.

Business Sustainability, in this context, is the set of more objective actions that promote the achievement of sustainable development. We admit, then, that sustainable development is composed by innumerable “sustainabilities”, among them the business sustainability because it aims for the sustainable equilibrium of an organization as a system; and sustainable development seeks the sum of these equilibriums and a more significant equilibrium composed by the interaction among various systems, that is, it seeks a systemic sustainability (MUNCK; SOUZA, 2009).

Business sustainability, as well as sustainable development, draws up from the understanding that the conciliation among the economic, environmental and social pillars is necessary. Dyllick and Hockerts (2002) understand business sustainability as the capacity of organizations to take advantage of their economic, social and environmental capitals by contributing to sustainable development, that is, the organizations’ ability to maintain good performance in the economic, social and environmental fields.

Munck, Munck and Souza (2011), following the same line of thought, understand that sustainable organizational actions are the ones that generate the least possible environmental impact and that are concerned in promoting a socioeconomic development that assures the peaceful survival of present and future generations.
Passet (1996), on his turn, segments business sustainability in three main pillars: economic pillar, environmental pillar and the social pillar. These pillars are part of one of the most accepted theories today concerning sustainability in the organizational medium: Triple Bottom Line, as proposed by Elkington (1999) to create a relationship among the three pillars. According to the principle, sustainable organizations must have the intent to reach higher sustainability in their operations and should make decisions based not only on financial gain, but also considering requirements such as environmental protection and social justice (ELKINGTON, 1999). Box 3 can be consulted bellow, for a better understanding of what is the range of each pillar of business sustainability:

Box 3. Theoretical detailing about the three pillars of sustainability

<table>
<thead>
<tr>
<th>Pillar</th>
<th>Concept</th>
</tr>
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<tbody>
<tr>
<td>Economical</td>
<td>Concerns the financial-economic viability and is related to aspects such as competitiveness, job offer, penetration in new markets and profitability. It is the organizational capacity to present a cash flow that assures the necessary liquidity. Responsible for the generation of wealth and indicates the capacity to perform activities responsibly and with profitability.</td>
</tr>
<tr>
<td>Environmental</td>
<td>Concerns environmental viability and is related to the prevention of negative impacts generated by an organization in natural systems, that is, the preservation and adequate management of natural resources. This practice involves more than law observance, it is also a comprehensive approach on organizational operations.</td>
</tr>
<tr>
<td>Social</td>
<td>Concerns social viability and is responsible for managing the impacts that an organization can provoke on social systems by its operational activities. Considers the expectation of diverse social groups relating to organization, paying attention to issues relating to human development, equity and ethics. It also concerns the outreach of equality and participation of all social groups in the construction and maintenance of the system’s balance, sharing rights and responsibilities.</td>
</tr>
</tbody>
</table>

Source: by the authors based on Dias et al. (2011); Dyllick and Hockerts (2002); Jamali (2006); Lorenzetti, Cruz and Ricioli (2008); Munck, Munck and Souza (2011).

According to Elkington (1999), the author of the Triple Bottom Line, business sustainability must rely upon those three pillars and needs simultaneous and interactive operationalization.

5. BUSINESS SUSTAINABILITY AS STRATEGIC ELEMENT

Nidumolu, Prahalad and Rangaswami’s assertion (2009, p. 2) that “in the future, only companies that make sustainability a goal will have a competitive advantage” is the base for the motivation in including sustainability in a company’s strategy. This business strategy is a key-element to conduct the company towards sustainability (KLASSEN; MCLAUGHLIN, 1996). From this discussion, Parnell (2008) brings the definition of sustainable strategic management that addresses the strategies and processes related to higher continued performance, both on the environmental and social side as in the market.

Sustainability through organizational viewpoint is a model that aims at maintaining the growth of companies taking in account the ethical, social and political variables, respecting the environment, without losing focus on civil, administrative and criminal responsibilities. With that, sustainability directs the institution to a stable future, without the risk of compromising its image and business (SILVA, GUERREIRO, NANNI, 2013).

Among the gains of maintaining a strategy focused on sustainability, we have: added value to the company’s image, which reflects in the influence of customer loyalty behavior; increase in employee’s production and personal satisfaction (MARTINELLI, 1999). Complementarily, we have the outreach to environmentally aware customers as a benefit of integrating sustainability to the business strategy, a fact that allows the use of an environmental marketing strategy (GINSBERG; BLOOM, 2004).
The outreach to new markets through the exportation to countries with more rigid environmental laws, the valorization of companies’ shares in capital market, the economic benefits following the disclosure of environmentally correct performance on companies’ behalf (ROSEN, 2001; PRESTON, 2001; MILES; COVIN, 2000), are motivators that directly interfere in the company’s profitability and that should have managers attention.

On the operational level, for organizations to reach sustainable value by integrating sustainability in the company’s general strategy, the operations’ strategy must comprehend the creation and usage of technologies focused on environmental protection, in which these technologies can no longer be considered merely as an option, but as an unavoidable path (ALBERTI et al., 2000).

Ways of adjusting the operations with sustainable strategic management can be analyzed in our adaptation of the value chain box proposed by Porter (1990) and elaborated by Epstein and Roy (1998), which included the environmental aspect in operations. Figure 1 present this value chain, that demonstrates ways of observing the impact of the inclusion of one sustainability’s aspects in the chain of value, the environmental one, assisting in the decision making concerning sustainability that, according to Epstein and Roy (1998), must be aligned with the company’s environmental strategy.

Kleindorfer, Singhal and Van Wassenhove (2005, p. 484-485) present four factors that justify the investment in sustainable management of operations:

1. Material and energy costs will continue to grow as the world economy expands and countries with rapid industrialization, such as China and India, make strong demands over these resources.
2. Public pressure for environmental performance, health and safety will probably remain strong, reinforcing property rights, additional rules, international agreements over negative externalities and preservation of resources and subsidies reduction.
3. Increase of awareness about the Triple Bottom Line could increase consumer’s demand for products made by companies that assimilate these practices.
4. Growing popular antipathy towards globalization is creating a strong activity of NGOs to companies’ sustainable performance.
In short, the inclusion of sustainability aligned with all the business strategy represents, beyond the items above mentioned, a direct decrease in money used for environmental fines (HUNT; AUSTER, 1990) and, in a complementary manner, BM&BOVESPA (2010, p. 9) sums up nine advantage points in adopting a sustainability agenda integrated with business strategy:

- identification of new business opportunities;
- anticipation of legal and societal pressures;
- reduction in production costs, due to decrease in waste and economy on inputs;
- bigger attraction and retention of talents;
- ease of access to capital;
- lower exposition to risks;
- positive impact in reputation (intangible actives);
- consumer loyalty;
- and better internal alignment in relation to practices and adopted policies.

From the highlighted benefits pointed by theoretical analysis, we made a parallel with the reality of a mining company in Brazil with the intent of corroborating or refuting the literary assumptions concerning the motivation for integrating sustainability in the company’s strategy.

6. BUSINESS SUSTAINABILITY AND STRATEGY: A PRACTICAL CASE STUDY

An empirical study was carried out with the fourth biggest Brazilian exporter in 2011, a closed capital company managed by two shareholders and that detain technology and necessary installations to extract, beneficiate, pelletize and ship ore.

Interviewing the directors of the company, that is highly respected in terms of business sustainability, we found that the investment in sustainability help the company to stay in the market, the investment being a strategic element to organizations. We point out the following excerpts:

From about six months until now, we have been discussing a lot about this: we will not grow unless we have the so-called social license and the granting by the public power. Our
activity is mining and it has a very negative impact that is extraction. In a way, people's awareness starts to repudiate already...

According to the interviewees, the fact that the company acts in a sector whose environmental impacts are severe, generating air pollution, among other detriments to autochthonous communities makes the institution alert in the way of transmitting to the population its sense of belonging and profits of belonging to that place.

In this sense, the organization is worried about transmitting benefits through its presence, due to their several negative impacts. Therefore, the organization is aware that it needs to offer gains to the community, for the community to understand the benefits of the company’s presence in their region, otherwise, if only detriments exist, the community can rebel against the company and claim its expulsion from the region.

So, what happens, it is clear, what we can perceive today is, in local or world level, is a greater environmental awareness. Environmental movements are increasingly present, charging us that wealth gets to the environment, they do not claim wealth generation, they charge us wealth distribution. So that has to be a part of it. There is not one stakeholder that, if you do not give access to some resource, is going to be happy. On the contrary, he/she will question you.

We can see that the company is aware that the community expects to be benefitted by the wealth generated by the company. That is why they invest in social actions, employ people from the region, promote events, in order to integrate the autochthonous population to the company, mainly targeting the non-questioning on the community’s part, that should perceive that the presence of the organization in their home’s surroundings is more beneficial than detrimental.

And at least it is clear to us that, in order to evolve, and we want to grow if the market’s demand allows us, that we will not be battling to achieve only a license to build or for an industrial equipment. Where will we be charged? It will be exactly on our relation to society. So there is no way, I think that the world will not allow anyone to think about growth with his/her back turned on society, one must grow with it...

When questioned about the financial aspects of practices concerning the community that return as financial questions, if it would be more in the way of reaching more credibility in the community so the company can continue to be there, to expand its operations, the company responded that:

Absolutely, 100% that. In the case we cannot do it, as I have joked, the big difficulties in the social area, in our area that is also socio-institutional, is for someone to tell the direct financial gain. To measure it. For example, we have a strong presence at the institutional level, so the company does not have any kind of movement trying to halt operations. So, we have been doing that. Yeah... What does it affect? How would I measure it? What I would measure, maybe parting from a projection, is that if I did not do that, what would be the size of... Would this operation end? Certainly. As we have already had manifestations to stop operations, they are what we always have. So, what is this gain, how do you measure it? It is a big discussion. That is, along the year, hypothetically, if I did not do anything, I would have my operation halted 30 days or 60 days and I could calculate: 1 day idle, how much does it cost? Six millions? Eight? So you measure how much you do not gain. Summing up, we are talking about an operation that is 5,4 billion Reais8, that is, it is the biggest operation in Brazil today. How much does it cost per day having this operation idle? Now, is this a complete operation? No, I can move this staff to another place. I do not have a completely idle operation, unless the installation license is canceled by the environmental agency. So, there are many possibilities that we could create hypothesis about, just to say: look, if that

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8 Reais is the Brazilian currency.
happens, that costs this much; if it remains 60 days idle, it costs this much. The license, when it was granted, the installation license, we had a predicament that it would be granted in 2010 still, and that license was granted only in 2011. We lost six months. We had to play hard on the institutional side to have the license granted...

The response of the company’s directors clearly states that actions aimed at social and environmental aspects are carried out with the intent of obtaining social legitimacy, so society does not block the granting of environmental licenses needed for the continuation of the company’s activities. It is also relevant in the interviewee speech that this sector of high environmental impact is obliged to invest in environmental aspects, or else they are not granted the license to operate and are not accepted by consumers and investors.

We can relate this reality to Dias and Barros’ statement (2008) that implementation of a sustainability policy in companies is linked to strategic management, because it results in better product acceptance, innovation and cost reduction; in addition to reducing chances of exposure to lawsuits, improving companies’ reputation and market value.

7. CONCLUSION

Concerns about sustainability are present in all types and sizes of organizations, considering both the impact that the absence of this concern causes, and the benefits derived from it. This study brought sustainability’s focus to the benefits obtained through the inclusion of this theme in business strategy given that, by aligning the company’s strategy with correct social, environmental and economic activities, the organization generates value to its stakeholders.

Our study approached the relations between the themes of strategy and business sustainability, we identified that sustainable strategic management is related to the treatment of strategies and processes related to a higher continued performance, both on the environmental and social sides as in the market. From empirical data analysis, we were able to observe that theory and practice agree, considering direct and indirect benefits coming from the inclusion of sustainability in company’s strategic management, thus answering the specific objectives of this research.

Lastly, an answer to the main objective proposed by this study, it was possible to perceive at least ten reasons by which companies should invest in sustainability, that are: improvement in image, increase in internal and external sales, valorization in the capital market, reduction of costs, improvement in company’s image before its stakeholders, reduction of risks, attraction and retention of talents, innovative capacities, competitive advantage and quick response or anticipation to legislation.

As a limiting factor to this study, we had the empirical aspect, which was based on a company representative of only one economic sector, which can be considered as a unilateral approach on the subject. As a proposal for futures researches, we suggest researches for reasons in other sectors of the economy, allowing comparison beyond literature, through observation of the convergences or divergences of opinions in different economic sectors.
REFERENCES


