

NATURA COSMÉTICOS: CONTRASTING VIEWS OF A BRAZILIAN COSMETIC
COMPANY THROUGH TEXTUAL ANALYSIS

By

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To my Mom who was with me when my love of Latin America began.
To all of you who picked up where she left off.
Thank you!

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Abstract of Thesis Presented to the Graduate School
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In Brazil, cross-sector partnerships have become the norm over the last decade. The political and economic situation of the last decade has called for innovative approaches that address the country's social and economic needs. Once a responsibility of the government, the last 10 years has seen the private and third sectors become much more active players in the country's development. In this regard, Brazil has emerged as a global leader. So has one of its most successful companies, Natura Cosmetics.

Our purpose was to document how Natura is portrayed across sectors; that is, according to the company's own identity as they express it, their identity captured by the business world and cosmetic industry as conveyed by mainstream and trade media, and the views of the academic sector. Understanding Natura from the various views will help determine if Natura's actions and communication are consistent with these views.

Mainstream and trade media lean towards describing and praising Natura's business model while critiques come from the academic world. The findings show that Natura does act and communicate consistently when compared to the above mentioned views.

CHAPTER 1 INTRODUCTION

“In view of the limitations of the state action and the nature of the phenomenon of social exclusion, only by extensive social mobilization will it be possible to bring together sufficient resources to confront the problem. It is therefore necessary to seek partners outside the State, that is, within society or, more specifically, in private companies and the third sector. The growing mobilization of private resources for public ends represents a break with a traditional dichotomy between public and private, in which the public was synonymous with the state and the private, with profit. The participation of citizens and the investment of businesses in social action configures the appearance of an unprecedented non-governmental public sphere and of a nonprofit and nongovernmental Third Sector whose growth contributes to the resizing of the State as well as the Market,” (Fisher 2005: 140). By Ruth Cardoso, Social Anthropologist and wife of former President Enrique Cardoso, then chair of Brazil’s Community Solidarity Council.

Still a relatively young concept in Brazil, corporate social responsibility (CSR) is strengthening and has been acclaimed by many to be the model of such collaboration worldwide (Fischer 2005: 141). Some say it is a legacy of Brazil’s smooth transition from empire to republic that carried into the country’s more recent transition to democracy (Sanborn and Portocarrero 2005); others attribute it to the response of the general opinion of a well organized civil society reacting to state inefficiencies under neo-liberalism (Sanborn and Portocarrero 2005). Regardless, the truth is that one of the 10th largest economies in the world has experienced a recent economic strengthening; however, it has not been accompanied by a significant increase in Brazil’s income distribution (Fischer 2005; 2007/2008 UNDP Human Development Report). The result? A societal awareness that called upon cooperation between the public and private sectors to help address Brazil’s problems of social inequalities.¹

As a result of Brazil’s CSR environment, cross-sector partnerships are no stranger to Brazil. The political and economic situation of the last two decades has called for innovative approaches to address the country’s social needs. Once a responsibility of the government the

¹ <http://www.gife.org.br/>. Retrieved September 30, 2007.

last 10 years has seen the private and third sectors become much more active players in the country's development. In this regard, Brazil has emerged as a global leader. So has one of its most successful companies, Natura Cosmetics.

Research Questions

The purpose of this thesis is to document how Natura is portrayed across sectors; that is, according to the company's own identity as they express it, the views of financial analysts and the cosmetic industry, and the views of the academic sector regarding Natura's business philosophy. Understanding Natura from the private and the academic worlds will provide a broader and clearer picture of the company than either sector is capable of on their own.

Natura is widely covered by mainstream and trade media by capturing the voices of the Natura, their business philosophy and company performance. A few case studies have emerged from business schools in the last decade along with another stream of analysis provided by the academe outside of business schools. It seems that evaluations of the company vary greatly across sectors.

Thus, this study aims to uncover the various views on Natura and its business philosophy.

The main research questions that guided this study are:

- RQ1.** How does Natura self-represent?
- RQ2.** How does the private business sector view Natura's business through mainstream and trade media?
- RQ3.** How do academic research institutions view and represent Natura Cosmetics?
- RQ4.** Based on the results of the previous research questions, are Natura's actions and communication consistent with the views of the other sectors?

It is a well known that there are many sides to every story. It is also important that consumers have access to all sides of the Natura story. The cosmetics industry is well known for

marketing-communication glamour and selling false hopes by persuading people that their products can help them look and feel younger, healthy, and more beautiful (Quarter, 2000). For consumers and various publics (market segments) to form their own opinion there must be a public sphere where all sides of the story can safely be brought out in the open.

Literature Review

Brief History of Brazil's Political Economy

Since Brazil's independence from Portugal in 1822, Brazil has alternated through periods of dictatorial rule and democracy. Brazil's economy has fluctuated between periods of liberalism and state intervention. During the late nineteenth and early twentieth century, Brazil's role in the international economy was that of exporter of raw materials, specifically coffee and agricultural products such as rubber, sugar and cotton, to the British industrial market. A periphery country feeding a center country's hunger for capital accumulation, the Brazil-Britain economic relationship is a model for classic dependency theory. According to Evans classic dependence is defined as extreme reliance on one single export² and equally on imports (1979: 59). Overdependence on one export product greatly increased Brazil's vulnerability to external oscillations and booms and busts in addition to fostering slow economic development (Leff 1982). Lacking local industry, Brazil depended on Britain for imports of almost any manufactured item³.

Working in Brazil's favor was the fact that coffee plantations were locally owned. Since the coffee industry required little surplus reinvestment to keep it going, profits were diversified

² In the early twentieth century Brazil exported two thirds of its agricultural products (Evans 1979: 58).

³ The inability to create local industry is another characteristic of class dependence (Evans 1979: 60).

instead of being used for capital accumulation. Alliances between coffee elites and the state strengthened and coffee earnings spurred development of local infrastructure (Thorp 1998). Over time this led to a development of a local manufacturing industry which ultimately changed the face of development for Brazil.

Following World War I and the shift in global powers that resulted, the United States replaced Britain as Brazil's hegemonic power. Brazil's manufacturing continued to develop and slowly manufactured goods that used to be imported from Britain began appearing as exports to the United States. However, as the Great Depression rolled in, demand for Brazil's exports came to a screeching halt. A low level of income was a major contributor to increased dependency (Leff 1988). The State's official policy of economic intervention began when military leader Getulio Vargas took the presidency in 1930, (Thorp 1998). In 1937, Vargas used the threat of a communist coup to implement his famous *Estado Novo* (Leff 1988). Congress was abolished and a new Constitution was created that gave him absolute power. As the State marched on with its nationalist economy, industrialization prospered, state financial and industrial institutions⁴ were born, official State "interventionists" were appointed and all forms of media were censored.

By the mid twentieth century industrialization in Brazil increased, the economy prospered and the face of its imports and exports began to change. In 1945, the overthrow of Vargas by the military brought a period of return to democracy and U.S. economic liberalism. The new face of foreign capital became U.S. multinational corporations. Although a small shift appeared in industrial production from center to a periphery country, the dynamics of the dependent relationships did not change. Five years later amidst frustrations and low growth, Vargas was brought back to power and state intervention returned.

⁴ Under Vargas state institutions for banking, oil, public service, iron, mining, power generation and automobiles were created for the benefit of the state only.

Following Vargas' suicide in 1954, Kubitschek was eventually elected and picked up where Vargas left off. His economic plan, *Programs of Goals*, aimed to solidify the alliance between the state and the private sector to modernize Brazil via the acceleration of industrialization and the construction of infrastructure (Skidmore 1999). It was Kubitschek who embarked upon the plan to open Brazil's interior by relocating the country's capital from Rio de Janeiro to the state of Goiás (Skidmore 1999; Browder and Godfrey 1997). High growth was a success under Kubitschek's but more so in terms of upholding the colonial legacy of Brazil's hierarchal society. Famous for printing money as a way to subsidize the state, inflation began to skyrocket and power continued to lay in the hands the elite and exclude the masses from any opportunity (Leff 1982). Brazil's economy could no longer sustain.

For the next twenty years Brazil's fate lay in the hands of the military. It was during these years that the Brazilian "Miracle" occurred due to the flow of foreign loans. Institutional lending was plentiful due to the availability of petrodollars from oil-exporting economies which contributed to what is often called "debt-led growth" (Skidmore 1999: 181). By the 1970s, Brazil's dependence had simply been transferred from one imperial power to another⁵. Considered the "internationalization of international capital," although Brazil was impressive in terms of industrialization, local bourgeoisie and politicians became puppets of foreign business owners.

This Brazilian model of "dependent development" carried out under the military during the mid 60's could be considered the origins of cross-sector partnerships in Brazil:

The military-authoritarian regime forged a "triple alliance" of state, national private and foreign capital, known as the *tri-pé*. This arrangement served several useful functions: it integrated the economy under central government stewardship; it gave national

⁵ At the turn of the century almost all of Brazil's exports were locally owned; by 1969, 40% were in the hands of foreigners (Evans 1979: 80).

businesses the opportunity to gain technological and managerial skills, and it gave the MNCS (multinational corporations) political legitimacy and local protection from nationalist critics. Internationally, the *tri-pé* legitimated the MNCS in the host country, and the state depended on this legitimation to raise development funds on the international market (Browder & Godfrey 1997: 67).

Evans' analysis of this dynamic described above is striking (Evans 1979: 82-3). As Brazil's sphere of influence was transferred from Britain to the U.S., and direct foreign investment in Brazil appeared in the form of MNCs, Brazil (the recipient nation of the investments) gained the upper hand. How? When an MNC investment heavily in a foreign land meant the MNC lost hegemonic power and thus the support of its home nation. MNCs in this position now had to comply with the investment nation (Brazil) in order to keep their support.

Decentralization and democracy began to appear in Brazil during the late 1980s. Followed by the economic liberation of the 1990's, the role of the state and the government's responsibility to the people were redefined. In response to the Latin American debt crisis, considered the Lost Decade of the 1980s, multilateral financial institutions such as the International Monetary Fund and the World Bank imposed structural adjustments upon individual nations in the region, often referred to as the Washington Consensus and the neoliberal model of development. In 1985, when the military dictatorship ended and Brazil returned to civilian power, all economic development efforts of the last 20 years basically self-combusted leading to the largest collapse of the state creating the opening for new players in development field in Brazil. The state as the apex of a nation's economy had failed. The only solution was to limit the role of the state by redefining it as regulator and lowering trade barriers to allow for the inflow of foreign capital (Fischer 2004).

The formal process of state privatization ultimately turned what used to be state enterprises over to the hands of private foreign owners. At the same time, budgets allocated for the social agenda were drastically cut leaving the majority of Brazil without resources.

Government's common role of acting in the welfare capacity was replaced by its new role of acting as a market regulator of the new free-market economy. Negative impacts were felt all over but especially in the Amazon region by government sectors, particularly indigenous affairs and environmental duties (Toni & Kaimowitz 2003). Areas that were already suffering were now worse off than ever.

Socio-Economic Context

Understanding the socio-economic context of cross-sector partnerships is an important element in grasping the nature of their development in Brazil. Stagnant human development has been a large factor in Brazil's economic development. At the end of the nineteenth century, literacy rates and poor communication contributed to low rates of technological progress (Leff 1982: 140). A century later it was unfavorable conditions in Brazil's socioeconomic structure that hindered not only business development but that of the state as well (Fischer 2005: 141). As stated previously, decentralization took Brazil's development in a new direction. As social and economic conditions seemed not to improve, the third sector began to emerge to address these issues.⁶

At the time Brazil had 170 million inhabitants with 87% living in urban areas, 32% living in poverty and the GDP per capita was \$7625 (Fischer 2005). Businessmen started to realize the impact that this tremendous inequality could have on the future of Brazil's business and economic situation. High levels of poverty combined with low levels of education meant that the majority of the population was restricted from the market due to low purchasing power. This would certainly have a negative impact on the private sector and ultimately Brazil's economic

⁶ This new third sector is considered an "organization patchwork" of NGOs, private foundations, social aid and charity entities, religious organizations, and cultural and educational associations. (Fischer 2004).

performance on the global scale. How could these businesses position themselves as international players while anticipating such low levels of profitability?

Corporate Social Responsibility

According to GivingUSA 2008, Corporations and individual donors in the U.S. donated \$306.39 billion dollars in 2007⁷. Giving was 2.2% of the GDP, up 40% from 2006's total. In Latin America, it is not philanthropy that is new but rather the public discourse that is. Decentralization of government redirected the spotlight to private firms. As the military dictatorship was coming to an end in Brazil in the mid 80's, social movements formed minus the threat of any opposition. This was not the case in other countries in Latin America. Simultaneously, business leaders grew aware of the impact that globalization was having on educating consumers and raising consciousness about their participation in the market. Business leaders also became aware of social problems in their areas. Management theories and practice began incorporating a new role into business plans that connected them with their communities. They were no longer simply businesses providing a service; they were identified as members of society. Globalization is a large contributor in this regard as companies began moving overseas in search of lowering their costs. Environmental standards in the new host countries presented a whole new set of criteria. By moving abroad, businesses were often freed from having to abide by strict policies of home. Consumers and the public were not afraid to voice their opinion.

Rio Earth Summit of 1992

In 1992, the UN Conference on Environment and Development, coined the Rio Earth Summit of 92, took place in Rio de Janeiro. This event officially placed concerns about the environment and sustainable development on the map resulting in Agenda 21 which was the

⁷ <http://www.philanthropy.iupui.edu> (accessed Oct 20, 2008).

reaffirmation of the UN Conference on the Human Environment that had been agreed to twenty years prior. It placed human beings at the center of sustainable development not to be separate from environmental conservation.⁸

Business for Social Responsibility

Founded in 1992, the organization Business for Social Responsibility (BSR) based in San Francisco, California is a key player in the development of CSR in Latin America. In 1989 the Brazil Association of Toy Manufacturers (Abrinq) took up the cause in defense of children's rights. This led to the 1990 founding of the Abrinq Foundation which shares the same mission as Abrinq. Business leaders from Abrinq and other foundations became interested in CSR and coordinated with BSR. This led to their participation in BSR's Miami conference in 1997. The following year Latin American businesses were not simply guests but on the agenda as conference participants. BSR has since served as a model for those interested in developing their CSR agenda (Aguero 2005). Brazil alone had sent 12 participants who then became the founding members of Ethos (Ethos Institute for Business and Social Responsibility) that same year. Guillerme Leal, Natura's CEO, was one of those 12. Today Ethos is considered a global reference in CSR.⁹ They set the tone for standards and indicators, including upholding states of their responsibility to their citizenry. In 2002 Ethos consisted of 443 member firms and today that number totals 1375.¹⁰

⁸ <http://www.UN.org> (accessed Oct 10, 2008).

⁹ <http://www.Ethos.org> (accessed Oct 13, 2008).

¹⁰ <http://www.Ethos.org> (accessed Nov 2, 2008).

So what makes Brazil stand out among its neighbors? It is the only country in the region where companies actively report socially responsible activity and vanguard the movement with their emphasis on human rights.¹¹

The Media

Media hold the responsibility of reporting on business etiquette and performance, while also playing the huge role of shaping opinions of oneself and others (Ferguson 2008). Mainstream and trade media are often in support of Natura's business model and praising the company for its commitment to social responsibility. A common critique of the news media in Latin America is that they do not look critically enough at CSR and often do not associate it with corporate social action (Vivarta and Canella 2006). As a result, CSR is often falsely conveyed. This inaccurately portrays CSR by ignoring the problems that can arise with it. This is the recent case with Aracruz, Brazil's largest producer of paper pulp. Aracruz has a history of illegal appropriations of land and still will not self-admit even when ruled against by the jury (Fig 2007).

In Miami on September 2002, a conference was held that addressed the increase in local and multinational companies with a "purpose beyond making a profit." The Americas Conference on Corporate Social Responsibility focused on firms with a triple bottom-line: "Obtaining financial results and sustainable economic growth with more and better jobs and social equality," (Vives and Heinecke 2002). One panel, The Role of the Media in Promoting the CSR Agenda, focused on the influence the media has in shaping public opinion and attitudes.

¹¹ ETHOS Institute of 2000 observes the Universal Declaration of Human Rights and its relevance for companies: child labor, forced labor, freedom of association, discrimination (Felipe Agüero in Sanborn and Portocarrero 2005: 114).

According to panelist Ana Maria Majano, Executive Director of the Latin American Center for Competitiveness and Sustainable Development in Costa Rica, “In the majority of countries in the Americas, the most important communication media are owned by private companies” (Vives and Heinecke 2002). This serves two purposes: First, private companies are a driving force behind what gets reported and how it is reported; that is, they have a significant media agenda building influence. Secondly, these same institutions often develop programs of social responsibility on their own therefore marrying avenues of media with the advancement of their own specific issues.

Naturally, reporting becomes clouded. Discussant Mack Quintana, President of *El Paso Times*, stated that “communication media are in fact a business, but a special kind of business, with unique responsibilities not only as corporate citizens but also as community watchdogs and defenders of constitutional freedoms” (Vives and Heinecke 2002). According to Michael Reid, Americas’ editor of *The Economist*, the notion of CSR is relatively new in Latin America media, unlike that of British and U.S. media who have always voiced their opinions about private companies (Vives and Heinecke 2002). Reid included an important point about media in Latin America: They have a huge impact when promoting the CSR agenda. As already evidenced by the Edelman Report, private companies are preferred over politicians, which evidences that the media coverage of CSR can legitimize private business in the region. The media has two roles: Scrutiny, including self-scrutiny, and reporting on and encouraging best practices by private companies. The ability to do just this is, even if their job is to defend constitutional freedom, is often not up to the individual reporter, but the editors and company’s private or public owners.

Cross-Sector Partnerships

A partnership is: “relationships entered into by two or more organizations from the business and civil society to achieve respective or common goals,” (Austin and Reficco et al,

2004: 4). The partnering process occurs in three stages: philanthropic, transactional and integrative. Where a partnership in-the-making falls along the continuum is determined by decisions made by the partners regarding how integrative the partnership will be. Some institutions and businesses are engaged in many partnerships and each may appear at varying locations along the continuum. Within these three stages exist five dimensions to the partnering process: building cross-sector bridges and building alignment; generating value for all partners; managing the relationship; and finally, growth and innovation.

Cross-Sector Partnerships in Brazil

When compared to other Latin American countries, Brazil is the leader in regards to corporate social responsibility and cross-sector partnerships (Austin, Reficco, et al. 2004; Sanborn & Portocarrero 2005). Partnerships in Brazil fall directly in line with the profound emphasis on CSR that has become so accepted. Corporations often turn to NGO's and other institutions to achieve their goals as they have found that to be the more successful route. A survey of 385 companies revealed the relevance of cross-sector partnerships: 85% had social alliances, of which 80% incorporated NGOs, 56% included government entities, and 47% other companies (Austin, Reficco, et al. 2004: 6). Companies with over 1000 employees produced about 20% less programs than those with between 500-1000 employees who produced about 45% (Damiano-Teixeira and Pompermayer 2007).

A look at some of Brazils' largest companies reveals the magnitude of cross-sector partnerships in Brazil. In 1998, the Cardoso administration's Education Minister had school-business partnerships as number one on his agenda. In a short time 50 corporate-funded foundations with endowments of hundreds of millions of dollars had sprung up in Brazil (Padgett 1998). As the result of Natura's assistance with the Matilde School, the majority of its teachers have earned board certification. And the relationship is not a one way street. Not only does

Natura help local school children but under-educated factory workers from Natura are allowed to attend classes at Matilde.

Pão de Açúcar Supermarket, a Brazilian supermarket chain based in São Paulo, was founded by Portuguese immigrants Valentim dos Santos Diniz and his wife, Floripes Pires, in 1959. In 1992, the employees of Pão de Açúcar created Club Pão de Açúcar¹² with the collaboration of local school system in communities wherever one of their supermarkets is located. The goal of the Club is to improve the quality of life and combat sedentary lifestyles at no cost. Time has been set aside before school, during lunch and after school that allows employees to help students with athletic training ranging from running to squash. The dos Santos family was avid runners. President of the business until 1995, Valentim organized the first company sponsored marathon in 1993 as a way to engage the community and share something that he and his family were so passionate about.

Petrobras, Brazil's national petroleum company joined the Global Compact Initiative (GCI) in 2003 and added the principals of human rights, labor, and ending corruption to its core business. One of the many ways Petrobras contributes to the GCI came when it launched the Petrobras Zero Hunger Program on September 1, 2003. Petrobras committed \$303 million dollars to Zero Hunger by selecting projects that give preference to education and professional training, jobs and earnings, guaranteed rights of the child and adolescent, and social and volunteer projects¹³. A few of Petrobras' institutional partners include: Ethos Institute, National Council for the Rights of Children and Adolescents, National Program for Stronger Family Farming, and UNICEF.

¹² www.grupopaodeacucar.com.br (accessed Oct 20, 2008).

¹³ www.petrobras.com.br (accessed Oct 20, 2008)

The global mining company headquartered in Brazil, Company of Vale Rio Doce, has partnered with local governments and NGO's in the State of Maranhão to provide the Citizenship Train.¹⁴ Vale provides medical services and health education to local community members along the route that the train services. The train spends three months in the field returning home four times a year. The partnership includes the National Health Foundation, Acailandia, Pindare-Mirim, Vitoria do Mearim and Bom Jesus das Selvas City Halls, and the General Justice Bureaus. As of 2007 Brazil had 186 million inhabitants, 84% of who were living in urban areas and 22% living in poverty.¹⁵ GDP per capita has increased to \$8,205.

Methodology

Method

At the onset of the project the investigator had been communicating regularly with one of Natura's Community Relations associates¹⁶ and the company's department that works specifically with university researchers. It was collectively agreed that a questionnaire and interviews would be the best instruments to gather data. This data would be used to complement other primary and secondary sources on the company. Unfortunately, scheduled interviews were cancelled by the company following submission of the questionnaire to the Community Relations associate (at their request). Unable to meet this request, answering the research questions was conducted via qualitative textual analysis of available documents and media reports on Natura's business practices and philosophy.

¹⁴ <http://www.vale.com>. (accessed Oct 20, 2008).

¹⁵ UN Human Development Report 2007/2008.

¹⁶ For protection of identity this associate's name is omitted.

Data Gathering

Several preliminary searches were conducted to identify the voice of the cosmetic company and the various voices of business and academia. Preliminary research involved searching for documents on Natura in Brazil and the United States using the Google Scholar search engine, Yahoo Brazil, multiple research databases, and visiting Natura's website and consulting colleagues. Brazil's magazine equivalents of the U.S.'s *Time* and *Newsweek* publications were also searched. These include *Veja*, *Epoca Negocios* (owned by Globo), *Globo.com*, and *Guia Exame*. *Epoca Negocios* produced one article; *Guia Exame* five; and various U.S. and European business journals and research databases produced a total of 12 items. Colleagues recommended Parcerias Florestais based out of the University of São Paulo in Brazil and six documents were provided from this nonprofit academic center. Not including the company website, a total of 24 articles and documents that incorporate interviews with Natura executives, including business case studies and academic research, are included in this study.

Data Analysis

The text for each article or document was read for major themes or frames, tones, and perspectives. Analysis of the content of the articles and documents was constructed using emergent coding, defined by Wimmer and Dominick as a "category system [that] is constructed based on common factors or themes that emerge from the data themselves" (Wimmer and Dominick 2006: 159). Constant comparison was used to create a thorough list of thematic and sub-thematic categories which assisting in preventing any bias from influencing the study. The main idea was then to contrast the views expressed by the three sectors captured by the study: Natura's self-identity, other voices through the media and academic institutions.

The three major sources identified about Natura's performance and business model were the cosmetic company itself, other business/industry voices through the media, and academic

institutions. The four categories of sources were then analyzed according to the following themes: CSR and sustainable development, company performance, Natura's role in transforming society, and community relationships (See Table 2-1). Within the sample, each article or document was first identified if it originated from Natura, the media, or an academic institution. The items were then read to isolate the subject and then textual analyzed again for whether it did or did not align with Natura's self-identity as a business committed to CSR and sustainable development; the company's performance; its role in transforming society; and finally its relationships with communities that have commercial agreements, particularly for the sake of Natura's Ekos line.

The majority of the items were published after 2003. The three that were not are also the only articles published by U.S. news journals: Padgett's 1998 article in *Time Magazine*; and Clark's 1999 article and Royal's 1999 article both having appeared in *Industry Week*. Natura's voice was captured by means of the company's website and contributions by company executives. Fourteen articles and documents focus on Natura's business philosophies of CSR and sustainable development (Natura Cosmetics' company website; Padgett 1998; Clark 1999; Royal 1999; Boechat 2008; Bruno 2003; Casado and Fisher 2003; Caldwell 2005; Daniel 2006; Figueiredo and Marcello 2006; Aparacida da Silva 2007; Jones and Reisen de Pinho 2007; Rebelo 2007; Padua and Padua 2008). Eleven focus on the company's performance (Natura Cosmetics company website; Campolim 2004; Caldwell 2005; Jones and Reisen de Pinho 2007; Agencia Estado 2008; Costa 2008; Herzog 2008; Herzog and Santa 2008; Lima 2008; Seale 2008.; Vaz 2008). Five highlight Natura's role in transforming the world (Natura Cosmetics company website; Padgett 1998; Clark 1999; Royal 1999; Casado and Fisher 2003). And finally nine focus on community-company partnerships (Natura Cosmetics company website; Casado

and Fisher 2003; Morsello 2004; Figueiredo and Marcello 2006; Morsello 2006; Morsello and Adger 2006; Ribeiro and Morsello 2007; Boechat 2008; Rizek and Morsello 2008).

Summary

The purpose of this thesis is to uncover the views of Natura Cosmetics according to the company itself, other voices as captured by mainstream and trade media, and academic institutions. Currently no research looks comparatively at these three sectors. Natura has set the bar for companies that want to adopt business philosophies of CSR and sustainable development. By examining the views of the media and academic institutions in contrast to the company's self-identity the hope is to provide a broader representation of just what kind of company Natura is. Revealing the views of Natura's business philosophies through the eyes of others will help contribute to a better informed general public about Natura Cosmetics.

CHAPTER 2 FINDINGS: NATURA COMETICS SELF-IDENTITY

This chapter provides an overview of Natura Cosmetics and the company's self-identity.

Natura Cosmetics

Brief History

Based in São Paulo, Brazil, Natura Cosmetics (Natura) is one of the most successful companies, not just in Brazil but on a global scale. Since Antonio Luiz da Cunha Seabra founded the company in a São Paulo garage in 1969, Natura's drive has been cosmetics as a means for self-knowledge and promoter of well being, powered by human relations as a way to express life.¹ Referring to a quote learned at age 16 by the great philosopher Plato, Seabra said "Man is part of everything; everything is part of man. That was a revelation for me. Ever since, this notion of being part of a whole has never left me" (Fraser 2006).

Like any business Natura struggled during its early days, especially with access to capital, the ability to produce on a large scale while providing the personal attention that Seabra knew his customers deserved. Natura launched the first men's line in 1970 followed two years later by the first women's line. In 1974, Natura overcame its challenge of providing personal attention through the incorporation of the direct sales business model. Sales consultants thus became the face of Natura. In 1979, Natura consultant Guilherme Leal was asked to join the company at the executive level and in 1983 was followed by Pedro Passos, a then colleague of Leal's. In the closed economy of the 1989, Natura existed as five separate entities. Seabra, Leal and Passos saw this economic situation as an advantageous moment. They decided to consolidate the five into one single company as a way to spur growth (Fraser 2006). In 1995,

¹ Natura Company Profile <http://www.natura.infoinvest.com.br>

these three who have been running the show from the front line decided to step back and named Alessandro Carlucci Natura's CEO. Seabra, Leal and Passos remain co-chairmen of the board of directors. Today Natura operates in Argentina, Bolivia, Chile, Peru, Mexico, Venezuela and France. It plans to enter the US market in 2009.

Reason for Being

Natura exists to create products that promote "Bem Estar Bem" or "Well Being Well." *Well Being* is the harmonious, pleasant relationship that one has with himself and his body. *Being Well* is the empathetic, successful, pleasurable relationship of an individual with another and with the natural environment that makes part of and all of everything. The belief is that life is a chain of relationships. Nothing in life exists by itself. Everything is interdependent. For this reason Natura chooses not to produce hair dyes or nail polish because of their destructive nature (Dinato and Nascimento 2006). The process of dying hair damages the hair and the use of Formaldehyde and Toluene in nail polish weakens the nails.

Company Values

According to Yara Rezende, Information Manager of Natura Cosmetics, internal and external relations of the company are upheld by the following four values (Rezende 2003): 1. Humanism: cultivate relationships and value them. Human potential with respect to stimulate individualism enriches diversity and looks to contribute to the improvement of society and give quality to relationships and the action of each. 2. Balance: inspires harmony and the natural dynamic of man. 3. Transparency: this leaves open the knowledge and processes of doing business in an open manner without ambiguity and discrimination looking for quality, recognition of imperfections, sharing questions and searching for answers. 4. Creativity: to dare and to innovate, looking for innovative relations with spirit, determination and passion, with the goal of continuous improvement, intuition, sensibility and knowledge.

In 1992 Natura implanted the first virtual system of information in the country known today as the first virtual library. With this action Natura rocked the world in regards to centers of business documentation. The goal of the virtual library was to permit the sharing of the most modern and innovative happenings in the world in regards to business, cosmetics, direct sales, dermatology, fashion, processes of making cosmetics, packaging, quality, protection and biodiversity of the environment, fitotherapy, psychology, consumption patterns, shared by similar businesses and among others (Rezende 2003). Natura was aware that on the footsteps of globalization, the concept of time and competition knew no limits.

Business Philosophy

Guilherme Leal, CEO of Natura Cosmetics and also Chairman of the Board of the Ethos Institute of Business and Social Responsibility² (ETHOS), states “A company can be a very powerful agent of social transformation. We are convinced that the continuity of a company is related to its capability of contributing for the improvement of society.³”

The beliefs and values that have built the Natura brand are also the pillars of the company’s mission: wellbeing with oneself, with others, with the environment, and with the world as a whole⁴. In 1990, Natura formalized its Principles and Beliefs: the importance of

² The *Ethos Institute: Business and Social Responsibility* is a non-governmental organization created with the mission of mobilizing, sensitizing and helping companies to manage their businesses in a socially responsible manner, making them partners in the construction of a fair sustainable society. Their vision is to promote a global conscience that engages everyone in a development process aimed at preserving the environment and our cultural heritage, promoting human rights and creating an economically prosperous and socially just society. The participation of the business sector is crucial, for its creative capacity, resources, and leadership (<http://www.ethos.org.br>).

³ <http://www.un.org/partners/business/gcevent/companies/natura.htm>. Last accessed Feb 23, 2008.

⁴ <http://www.naturabrasil.fr>

relationships; commitment to truth; continual search for perfection; diversity as an engine of vitality; the affirmation of a beauty that is free from stereotypes and manipulation; and the corporation as a promoter of social enrichment (Seale 2008.). In 2006, Natura eliminated testing its products on animals. In 2007 Natura committed to being carbon neutral with the launch of its Carbon Neutral Program, the direct result of a climate change project Natura was involved in on the Island of Bananan in Tocantins, Brazil. Certain products are now available that are 100% carbon neutral, including the product and its packaging.

Partnerships

Natura engages in partnerships for the purpose of CSR as well as a measure of business development. The company's philosophy has always been based on the importance of personal, business, and public relationships. Mauricio Bellora, Natura's Executive VP in Latin America states: "If we only care about financial goals, something will be missing," (Seale 2008). Natura's first experiment with social action was in 1993 when it created The Natura School. A school from the community of the company's headquarters, Matilde Maria Cremm, had approached the company for some financial assistance to repair its office equipment. This encounter was a turning point for Natura. Natura realized that they could be more than just a checkbook for the school but could act as a transforming agent in the lives of their community and maybe even elsewhere in Brazil (Clark 1999). As of 1998, Natura had donated more than \$3million to help train the school's teachers (Padgett 1998). At that time, the average length of schooling was four years and Brazil had the highest rate of elementary school repetition in all of Latin America. The students were suffering for a failed education system. Through this relationship, Fundação Abrinq (Abrinq Foundation for Children's Rights) has become one of Natura's core partners for social action. Abrinq is a non-profit organization in Brazil devoted to the protection and development of children in Brazil. Abrinq has over 70 programs to help the

state's elementary schools. This partnership allows Natura to play a vital role in children's education and thus the betterment of their country.

Attitudes of social action do not only occur outside the doors of Natura's headquarters and factories. In 1995, Crer Para Ver (See to Believe) was launched, a creation by the sales consultants themselves (www2.natura.net). Crer Para Ver is a partnership between Natura consultants and Education for Young and Adults. All the proceeds of the products sold in the Crer Para Ver program are given to the foundation and are then distributed to local public school system projects in the area. Since 1996, this program has raised \$8 million USD and supported 148 projects in 3,638 schools and in 2006, 120,000 students over the age of 15 had returned and completed school as a result of this program (www2.Natura.net; Seale 2008). In 2007, the project Reading Encounters was launched under Crer Para Ver for the national program Infant Education. The program utilizes reading as a way to broaden the social and culture awareness of children between the ages of 4-6. As Natura's commitment to sustainable development has deepened, it has expanded its educational support by funding the Ecological Research Institute's graduate program in conservation and biodiversity and sustainable development.

Natura's Linha Ekos

In 2000, Natura took its value of relationships to a new level when it launched Linha Ekos (Ekos); a product line built 100% on partnerships. This was a very significant moment because it meant that Natura had leveraged its bottom line on its commitment to sustainable development. Although it seems that some of these more recent partnerships have brought ambiguous benefits to all partners involved (Morsello 2004; Figueiredo and Morsello 2006; Rizek & Morsello 2008), Natura believes it has become the transforming agent it dreamed to be (Natura 2007 Annual Report).

Ekos Business Model

Brazil's biodiversity and sustainability are the core values of the Ekos line. According to Seabra, "For Natura Cosméticos, sustainable development is second nature" (Fraser 2006). This product line is developed through sustainable reserve extraction from Brazil's biodiversity. Ekos allows Natura to contribute to community and social development in Brazil. Partners include indigenous, traditional and rural communities throughout Brazil that provide the raw materials for Ekos products (5% of Ekos' natural ingredients come from communities); Cognis (a chemical MNC that processes oils from natural resources); and the Forest and Agriculture Management and Certification Institute (IMAFLORA), who acts as the certifier. IMAFLORA represents the Forest Stewardship Council and Sustainable Action Network in Brazil, two global institutions that monitor the certification of forest products and cultivation areas. Since 2000, participation has grown to include many local and international NGOs, research institutions and government entities. The sustainable development business model of Ekos allows Natura to raise awareness about the heritage of Brazil's biodiversity, making it available for future generations all while contributing to the quality of life of the supplier communities involved in the chain of production.⁵

As of 2007 the total number of raw materials sourced from communities was 41 (Appendix A) (www2.natura.net). All Ekos products are biodegradable, refills are available for all products, and packaging is made from recycled materials. Just the name alone is significant. In Tupi-Guarani, one of Brazil's indigenous languages, ekos means "life." In Latin, echo is everything that has resonance, reverberates and soon will be heard (Leal 2004). The pillars of Ekos are Brazil's biodiversity, sustainable development, and traditional ethno-botanical

⁵ "Natura Fosters New Supplier Relations for Sustainable Raw Materials." March 28, 2006. Weatherhead School of Management case study.

knowledge. Ekos' first two years brought Natura 38% of increased sales volume and their net profits skyrocketed from R\$ 30million to R\$119 million (Casado and Fischer 2003; Rezende 2003). 2008 started off no different: Natura's first trimester net profit was R\$ 79 million (Vieira 2008).

Challenges

A business venture with multiple stakeholders is bound to be filled with challenges. For Natura such challenges are seen as opportunities to create more partnerships. Some of those include: Lack of organized production chains, logistics constrains and difficulty accessing the communities due to their remote location. Low technical training has been overcome by turning to state entities and consulting technical teams. The passing of recent laws regarding access to biodiversity have pacified previous uncertainties. Natura's goals are to obtain certification for ingredients used in its products and support the communities in partnership with NGOs, scientists, researchers and governments. To decrease overdependence on Natura, alternative income generation is always encouraged, such as handicraft production and ecotourism.

Natura recently launched a new program called "Environmental Table."⁶ In this program each product is accompanied by a table that includes a breakdown of the source of ingredients, % of recycled material included, % of product that can be recycled, and how much carbon the product produced. Natura's decision to report is completely voluntary but is multi-purpose: it shows its commitment to transparency, the environment, ISO 14,000 standards for CSR, and the percentage of the product that has certification. It also raises consumer conscience.

⁶http://www2.natura.net/Web/Br/ForYou/HotSites/Campus/src/index.asp?url_redirect=http://ncp.natura.net/ncp/artigos.jsp

Sustainability Reporting

Natura's Sustainability Report is verified by DNV, a third party, who follows the Protocol for Verification of Sustainability Reports which is based on the principles of Global Reporting Initiative 2006. The majority of the report was found to be in compliance and satisfactory.

DNV did make valuable recommendations and their findings are available on Natura's website.⁷ Points worth mentioning are those that relate specifically to this analysis. It was suggested that Natura formalize the process of the relationship building to create consistency with the relationship building process for stakeholders. It was also recommended that the company formalize the process for assessing socio-economic risks and impact of Natura activities on stakeholders. Lastly, it was recommended that in regards to suppliers more detailed information be provided on the sustainability risks associated with Natura's activities and how they are managed.

Linha Amor America

This year the Ekos concept has been exported to Argentina, Chile, Ecuador and Peru via Natura's new line, "Amor America." Just as Ekos, Amor America sources biodiversity from these respective countries and currently produces three products from each country. If concerns have already been raised with Amor America's predecessor following only a short time in existence and clearly lacking longitudinal studies, this is rather unsettling. Has the Ekos model been exported too soon?

⁷ <http://www2.natura.net/Web/Brw/ForYou/RA2007/src/default.asp>

The Brazilian Market

The current economic crisis may have spurred Natura's recent decision to develop a product line priced for lower segment of society to its business plans for 2008 (Costa 2008 Agencia Estado 2008), but the demand exists independently.⁸

In Brazil's most popular prime time television "novela" Natura has been incorporated as a character. This one-hour television drama is viewed by all segments of Brazil's society, regardless of social class. A walk down the streets of Rio at 8pm is enough evidence of their popularity. Many restaurants, juice stands and bars have a television; at this time they are usually filled with customers and passerby's, eyes glued to the set. What does this mean? It means that a large portion of the company's potential consumer market is not being captured by Natura. The prime time novela is aired on TV Globo, Brazil's largest television network, and is viewed by every segment of society and not simply Natura's target market: the middle and upper classes. This excluded market segment makes up about 25% of the population.⁹

The U.S. Market

During a chance lunch with a Natura associate responsible for the Natura magazine, a marketing piece distributed to Sales Consultants every three weeks, this individual conveyed information regarding Natura's entry into the U.S. market. Originally planned for early 2008, it had been delayed indefinitely and its target market included cities with the smallest Brazilian

⁸ Brazil is also the second largest market for Botox and Retinol's, products targeted towards people because they hide wrinkles and get rid of acne (Campolim 2004).

⁹ 2007/2008 UNDP Human Development Report.

populations (Personal communication 2008). It was also disclosed that Natura was trying to shed its Brazilian identity and plans to use spas as its business model in the U.S. market.¹⁰

Summary

Natura self-identifies as a company committed to sustainable development, CSR, and the fact that life is a chain of relationships. Since its' early days in a São Paulo garage looking for a way to express life through human relations, Natura has been committed to improving humanity and encouraging others to do so. The motto of Well Being Well radiates through all of the company's actions. Deciding to conduct business through the direct sales model, offering refills during a time when nobody else was doing so, choosing not to produce certain products because of their destructive qualities, and engaging in partnerships as a way to turn around Brazil's weak public school system are just some of the ways that Natura has carried out its business and social mission. All of these actions paved the way for the launch of the Ekos line followed recently by its international component, Amor America.

Nowhere in company literature or publications, including the website, is there any claim to have the best products or to be the best cosmetics company. Rather their identity is constructed on the same values that many individuals often uphold themselves to in life. Natura is more than just products; it's a way of life.

¹⁰ According to Euromonitor International Natura just recently announced it has decided to cancel its plans to enter the U.S. market altogether. For more information please See www.euromonitorinternational/Natura_Cosmetics_SA_, Nov 24, 2008). (ccessed December 10, 2008).

Table 2-1: Source of Article or Document & its view towards Natura's business philosophy.

	Natura	Media	Academic
CSR:	N+	M+	A+
Performance:	N+	M+	A+
Transforming Society:	N+	M+	A+
Community Relations:	N+	M+	A+/-

N = Natura; M = Media; A = Academic. A (+) or (-) sign identifies the article or document does or does not support the specific Natura business philosophy.

CHAPTER 3
FINDINGS: VIEWS CAPTURED THROUGH MAINSTREAM AND TRADE MEDIA

Mainstream Media

Views captured by mainstream and trade media consist of two major themes. First is Natura's overall success as a company, its commitment to sustainability, corporate social responsibility, and good corporate citizenship. The second focuses on Natura's business plans and financial performance which tends to be delivered rather directly and with little description as it is directed towards a target audience.

According to Direct Selling News, Natura:

“is a company whose core principles are embedded in every facet of its operations, from its stated purpose to sell products that promote the well being of individuals and of nature as a whole, to the listing of its stock on a segment of the Brazilian stock exchange called the New Market, an index with more stringent transparency rules and better shareholder rights than previously existed in the country” (Seale 2008).

In 1997, 1998, and 1999 Natura was elected “Best Business of the Sector” in Brazil's *Guia Exame's* the Best and the Biggest contest. This same Brazilian magazine elected Natura the “Business of the Year” in 1998. In 1998, 1999, 2000 and 2001 Natura was one of the “Most Admired Companies in Brazil” by Brazil's *Carta Capital* magazine, beat out only by Microsoft in 2002. *Guia Exame* named Natura one of the Top 100 Best Companies to work for in 2000 and 2002. The 2003, Natura was elected as the Best Company for Women to Work for in Brazil. *The Financial Times* and *Pricewaterhouse Coopers* partnership found it to be one of “The World's Most Respected Companies.” In 2004, Natura became Brazil's most admired socially responsible company. When the company went public in 2004, it was the third to go public on the São Paulo's New Market Stock Exchange, known for businesses committed to transparency. According to Unibanco Bank's Basilio Romalho, “From what we can see about the company's history, you really have to search hard to find anything negative” (Mota 2004).

Milton Friedman is famous for saying that there is no social responsibility for corporate officials “other than to make as much money as possible for its shareholders” (Friedman 1970). Daniela Bretthauer, analyst with the firm Goldman Sachs, states “I do not follow socio environmental performance” (Herzog 2008). Analysts are not concerned with not how the company packages its products or where the company chooses to obtain its prime materials but rather a business’s annual performance and profitability, loss, dividends payout and EBITDA (Earnings Before Income, Taxes, Depreciation, and Amortization). Natura has proven this school of thought wrong with repetitive success at both performance and sustainable development since its first days in 1969.¹ Their success seems to actually increase as the company’s commitment to CSR strengthens (Siqueira 2005).

Growth

According to Unibanco analyst Tania Sztamfater: “The main growth opportunity for the company continues to lie in the still under-exploited domestic market” (Fraser 2006). Brazil is the secondary largest market for Botox and Retinals (Campolim 2004) and in 2005 Brazil surpassed Germany and the U.K. to become the world’s third largest cosmetic market (Fraser 2006). Internationalization is clearly not Natura’s only opportunity for success.

Consumer Attitudes and Behaviors

The Quorum Brazil Institute conducted a consumer survey for Brazilian magazine *Guia EXAME of Sustainability* in September 2008 focusing on consumer attitudes and behaviors towards buying products that are environmentally friendly (Lima 2008). The consumer survey produced mixed findings. Seventy percent of respondents stated that products claiming to be environmentally friendly tend to cost more than those that do not. Seventy four percent claim to

¹ See Appendix B

be concerned about using environmentally friendly products due to their concern for preserving nature and of future generations to come. Yet, 47% of respondents say that when it comes to price they are forced to purchase the non-environmentally friendly product because of the price difference. The company most mentioned by consumers as part of this survey was Natura Cosmetics.

Reasons for Success

Natura's overall success as a company is largely attributed to its commitment to sustainability and CSR. It is no secret that since its early days, Natura has been committed to the value of what it means to be human. Since day one Natura's core motivator has been that life is a chain of relationships. This motto is probably the biggest contributor to this company's pioneering status in the world of sustainability and CSR. According to Fraser, "the company appears to practice what it preaches" (2006). In 1983, Natura was the first cosmetics company in Brazil to offer refills on many of its products. In 1992, the company partnered with its first NGO as a way to support the public schools in the community where its headquarters was located. Natura associates have always been held to the same standards as the company and their involvement in social action is a part of their job description. In 1995, with the assistance of the Sales Consultants, Crer Para Ver was launched, another program aimed at improving Brazil's public school system.² In 2000, Ekos was launched and the company reached its goal of being carbon-neutral a year earlier (Rosenberg and Ferraz 2007). It was as if Natura had been planning such a strategy all along.

There is no separation between Natura's social mission and its business mission (Clark 1999). It is the first company to leverage its bottom line on its social mission which demands

² A consultant survey recently conducted, Natura Sales Consultants recently gave Natura a 91% satisfaction rating (Seale 2008).

that all sectors of society work together to improve regional problems, specifically those of educational concern (Clark 1999). Natura's then Vice President Guilherme Leal stated, "I do not know if education will solve all our problems, but without it, we'll solve none of them" (Padgett 1998). Natura's encounter with the Matilde School in 1993 was a turning point for the company. The company realized that they could be more than just a checkbook. Through this relationship the company has become a transforming agent in the lives of their community and that of others in Brazil (Clark 1999). In 1997 alone Natura donated more than \$3 million US dollars to help train the school's teachers (Padgett 1998).

In 1999, Natura again embarked on a similar matter (Clark 1999; Royal 1999). Brazil's landless movement of the 90s demanded large property owners give them land to live on. Shortly after, the government distributed some land to these individuals although they lacked basic infrastructure.³ In an effort to assist, Natura again partnered with Abrinq. Together they organized the Pedagogic Journeys project. Four hundred teachers were chosen to be trained on subjects that would be taught in rural schools in resettlement areas. Training included local dialects and cultural differences respective to each zone. Had Natura and Abrinq not entered the picture, there is no guarantee that public education would exist in these communities.

Cosmetic Industry

Access to the cosmetics industry reports are very limited only available to members of the industry or those willing to purchase online industry market magazines. Literature from this industry relays the Natura story via means of "company reports" which include not only giving Natura company and product information but also financials, strategy and industry performance.

³ According to a Boston market research firm, "What we see happening is that companies are moving away from licensing agreements to cause branding as a reflection of their deep, integrated commitment to a cause or nonprofit over a long period of time" (Royal 1999: 2).

Natura is Brazil's biggest domestic capital-based cosmetics company (Rebelo 2007). Avon Cosmetics is the largest cosmetics company in the world but in Brazil Natura has the best direct sales franchise (Rebelo 2007). Between 2001 and 2006, Natura experienced 26% revenue growth on an annual basis.⁴ (Caldwell 2005). Global markets vary and for Latin America direct sales have been Natura's avenue of expansion. In 2005, Natura entered the European market by opening a flagship store in Paris, called Maison Natura. Ekos is the only line offered at this store. Paris was chosen due to the high consumption of cosmetics in France compared the world around. (Caldwell 2005). Due to the lack of familiarity with Natura products in Europe, it was decided that opening a store was the best way to enter this market. Maison Natura is located on Paris' famous shop-filled avenue, the Champs Elysees. Research has shown that in Europe, Avon, Natura's number one competitor in cosmetics and the direct sales industry, purchases are common. As a result, once brand loyalty has been achieved and the timing is right, Natura will expand its direct sales model to Europe (Caldwell 2005).

Natura is still considered a local (Brazilian) company where Avon Cosmetics has already achieved the status as a global corporation. In Brazil, Natura regularly outperforms Avon; however, more recently Avon has responded by directing its energies into building its sales consultant base and strengthening its marketing initiatives. Since the majority of the income generated by Natura's 600,000+ Sales Consultants supplements an already existing income, about 30 % sell Avon products as well, thus adding to the competition between the two competitors (Vaz 2008). Today's global economic crisis, Natura's international growth, and Avon's increased strategies have played a role in Natura's atypical weak performance thus far in 2008 (Vaz 2008; Agencia Estado 2008). According to Carlucci, Natura's president, marketing

⁴ This surpasses Brazil's annual growth which is 13% a year. See Caldwell 2005 for details.

plans for 2008-2010 include investing 400 thousand R\$ in marketing, Sales Consultants, and restructuring to improve efficiency without letting go of any of its 36 managers (Vaz 2008). Holding true to their word, a few months later Natura let go 200 administrative employees (Herzog and Santana 2008). One contributor even recommended a three-point plan for Natura's future growth in the face of increased competition by Avon (Rebelo 2007).

Summary

Natura's voice is clearly captured and supported by mainstream and trade media and absent are, as Mota said "From what we can see about the company's history, you really have to search hard to find anything negative" (2004). The company states that one of their goals is to be an agent of change and partnerships have played a huge role in bringing this goal to fruition. Conveyed from the above mentioned sources is the impression that Natura is alive, caring and respectful, inspiring, and truly altruistic. Natura business philosophies are never challenged.

Highlighted topics are the Natura partnerships with Abrinq and with communities through the Ekos line. These relationships allow them to play a role in Brazil's education and community development. The increase in attention by mainstream and trade media follows the launch of the Ekos line in 2000.

Financial analysts provide data on the company's performance, stating from the get-go that their only concern is the bottom line. Numbers are their game and they do not deviate. Industry coverage focuses on Natura's shop in France and companies that are engaged in Direct Sales, basically Avon. It is problematic that cosmetic companies engaged in partnerships similar to Ekos, and for the same reasons as Ekos, are excluded as competitors. The U.K.'s The Body Shop and the U.S.'s Aveda Corporation are two such companies. Due to the lack of information available to individuals not in the cosmetic sector, it is unknown why these companies are left

out in market research. Including these companies may provide information that assists consumers in understanding Natura's Ekos' partnerships and their contribution to society.

CHAPTER 4 FINDINGS: VIEWS OF RESEARCH INSTITUTIONS

“The ways that NTFPs contribute to peoples livelihoods can best be understood by taking peoples livelihoods rather than NTFPs as the central focus of study (Ros-Tonen and Wiersum 2003).

The increased interest in Natura by research institutions is a response to Natura’s new image that led to the launch of the Ekos line in 2000. Most research is directed towards this line. Recent research among environmental scientists has begun to question the sustainability of company-community partnerships regarding NTFP commercialization, specifically the impacts they have on the rural forest peoples and the indigenous and extractive communities of Brazilian Amazonia, the source of the ingredients for Natura’s Ekos product line (Arnold and Perez 2001; Morsello 2004; Morsello 2005; Figueiredo and Morsello 2006; Morsello and Adger 2007; Ribeiro and Morsello 2007; Rizek and Morsello 2008; Ros-Tonen and Wiersum 2003). The findings of this type of research are not available to the public as easily as articles, information and other documents presented in Chapter 2.

Parcerias Florestais

Parcerias Florestais (Forest Partnership) is an on-going project funded by the NGO Rainforest Alliance that analyzes agreements between forest communities and corporations, governments or civil society organizations for the commercialization of NTFPs. The project’s purpose is to evaluate if and how these trade deals can better serve forest conservation, while improving the livelihoods of forest communities (www.Parceriasflorestais.org 2008). They are a research initiative based in São Paulo, Brazil dedicated to the research and exploration of corporate-community agreements for the commercialization of non-timber forest products (NTFPs) in the Brazilian Amazon.¹ This research team of Brazilian scholars began organizing

¹ <http://www.parceriasflorestais.org>

this long-term multi-phase project in early 2000. Although the database for research on forest conservation is abundant, that is not the case in regards to NTFPs. Parcerias Florestais is currently the most thorough project that includes qualitative and quantitative data and specifically addresses the cosmetics industry and Natura partnerships in particular. The purpose of their initiative is to uncover the motivations of companies and communities to engage in such agreements as well as explore the opportunities and problems associated.

Brazilian Amazon Context

So why are these partnerships so abundant in places like the Brazilian Amazon?

“In the Brazilian Amazon region, non-timber forest product (NTFP) development has been considered an effective alternative to modernization-driven deforestation by large-scale development projects and a promising strategy to generate income for poor populations. The economic viability of NTFP development largely depends, however, on the degree to which a localized production chain can be established and this, in turn, requires partnerships between actors at various levels” (Otsuki 2007).

According to Parcerias Florestais, the sector most engaged in such partnerships tends to be the cosmetics sector. This is said to be a direct result of the increase in CSR practices and the switch from animal to natural sourcing.² Although there is still no general consensus, it is widely believed that the commercialization of NTFPs produces minor negative ecological impacts while simultaneously generating income and local development for forest inhabitants (Rizek and Morsello 2008). Thus are the incentives for institutions like the World Bank, research institutions, civil society organizations and national and foreign businesses to such implement partnerships. Other reasons include: globalization, changes in governance models, privatization of states, and pressure from civil society. However, the Brazilian Amazon is unique in that for the last two decades it has been amidst its own identity reformation. As forestry initiatives for indigenous rights and sustainability have increased, this area has become more under control of

² <http://www.parceriasflorestais.org>

indigenous and extractive reserve communities thus making access to NTFPs not as easy as it used to be. The social movement of the 80s led by rubber tapper Chico Mendes is the pivotal moment in the escalation of land rights movements and the formation of Extractive Reserves (Morsello 2004) which brought remote, local communities and their inhabitants to the foreground. The result? Community partnerships with corporations have become one of the only viable ways to bring income and opportunity to these once isolated lands. Lastly, Amazonianness sells and thus has become one of the strongest drivers in the cosmetics industry (Downie 2007). These products are seen as somehow purer than those from other parts of the world and companies tend to be motivated by the diversification of product offerings and the advantage gained through association with the Amazon through social marketing. According to Alessandro Carlucci, Natura's CEO, "Through the diversity of our (Brazil's) active ingredients we can offer benefits to different countries and different ethnicities" (Downie 2007).

Overview

Parcerias Florestais focuses specifically on three case studies from the cosmetics industry: Natura Cosmetics and Médio Juruá Extractive Reserve³ communities in the western state of Amazonas; The Body Shop⁴ and indigenous communities in the southeastern Amazonia

³ Any reference to Médio Juruá communities throughout this paper can be assumed to be related to Natura unless otherwise specified.

⁴ The Body Shop is a British cosmetics company founded in 1970 with product lines that use NTFPs from Brazil sourced through partnerships. This relationship is unique in that the Kayapó initiated the relationship http://www.thebodyshop.com/_en/_ww/index.aspx (accessed Oct 15, 2008).

Altamira region; and The Body Shop and Aveda⁵ with communities from ASSEMA, a cooperative in the municipality of Lago do Junco, Maranhão, in Eastern Amazonia.

Companies often start by making improvements to current infrastructure of the communities, as was the case with The Body Shop. In exchange for installing some sinks, showers, wash basins and artesian wells and building a hotel on an island of the Xingu River, the Body Shop received rights to associate their company name with the image of a generic Amerindian (Ribeiro and Morsello 2007: 8). Once Natura launched its Ekos line it saw an immediate spike in earnings. One main critique by this research group is that in all three cases investigated, there was no monitoring protocol in existence that would measure the impact of the agreements on the communities, unless the companies were pushed to do so. Natura appeared to have been preparing one but it excluded consultations from third-parties and the communities themselves thus clouding its abilities (Morsello 2005).

The biggest factor changing the landscape of trade and resource use is globalization (Morsello and Adger 2007). As globalization forces operate, “the world’s needs and desires have been irrevocably homogenized” (McMichael 1996). At home globalization forces are met with the contrary force of localisation: a societal based response to increasingly distant decision making (Morsello and Adger 2007: 147-148). Corporate-community agreements in the Brazilian Amazon focusing on NTFP trade are the direct result of a collision between these two schools of thought. These days lots of attention is now received by these commercial agreements as they are seen as addressing multiple issues at once: improving the well being of the local peoples

⁵ Aveda was founded in 1978 and has partnerships world-wide. Brazil partnerships include people from the state of Maranhão and the Yawanawa peoples of Brazil. www.aveda.com (accessed Oct 15, 2008).

while practicing forest conservation. They may be addressing these issues but are they contributing to the problem or the solution?

Case Studies

Case 1

In 2006, Parcerias Florestais investigated the impact that Natura's Vegetable Oil Project and its commercial production was having on traditional use of natural resources in the Médio Juruá Extractive Reserve (RESEX) in the western state of Amazonas (Appendix C) (Figueiredo and Morsello 2006). The first research site included the community of Roque, a village founded in 1969 and comprised of about 53 families or 480 inhabitants, who has the agreement with Natura (Rizek and Morsello 2008). The second was the village of Pupuaí founded in 1980 and consisting of 180 inhabitants (Appendix C) (Rizek and Morsello 2008). This community does not have a commercial agreement and is considered the control group. After conducting quantitative household surveys and conducting semi-structured interviews, their findings determined that cultural transformations were taking place in Roque only, especially in regards to traditional household and community dynamics. Conflicts seemed to increase and there was less sharing and exchanging of subsistence resources, a traditional practice among these communities. It was also clear that there had been a decrease in commitment to traditional subsistence activities such as hunting, fishing, and agriculture in Roque. Interestingly, they did notice an increase in the collection of NTFPs. Since many NTFPs are consumed in the home, the researchers suggest that maybe community members are trading in old ways for new techniques and consuming NTFPs more as a result of the commercial agreement.

Case 2

In 2008, Parcerias Floresais returned to these same two research sites to conduct follow up research (Rizek and Morsello 2008). The focus was to measure the effect of the commercial

agreements on the traditional system of exchange and sharing of goods with the RESEX of Médio Juruá. The purpose of these traditions is to guarantee subsistence during periods of scarcity. After implementing the same methodology as in 2006 (Figueiredo and Morsello 2006) they found a decrease in the sharing of goods, especially protein. They found that this was in direct relation to the development of an internal market in Roque, a direct result of the partnership. It is important that this internal market is nonexistent in the control community. Where before, “if one man fished the whole community ate fish,⁶” today the attitude is more individualistic and less communal. Goods and money have much more value and now replace the traditional system of acquiring subsistence goods. In 2008, 1/3 of the goods entering households in Roque did so as the result of this internal market. In Pupuaí, less than 2% of goods entered households non-traditionally.

The hope was that the participatory process of decision making would increase community cohesion but that did not seem to be the case. However, these changes cannot be blamed on the new activity nor are they irreversible. Rather the researchers purport that the community members themselves have the power to apply the same participatory techniques and use it to revive traditional practices, thus reducing the impact the commercial partnerships are having on Roque. They also go a step further by saying that past, present, and future researchers have a responsibility to be aware of current initiatives regarding environmental and social implications (Figueiredo and Morsello 2006: 12). Trends can be identified and directives developed that support the planning and implementation of more effective initiatives that will improve the peoples’ quality of life and environmental conservation.

⁶ Interview acquired from a 66 year old man in Roque, the community engaged in commercial activity with Natura.

Case 3

In 2007, Parcerias Florestais investigated the longest standing commercial agreement. It is between the Kayapó and the U.K.'s The Body Shop for the commercialization of Brazil nut oil⁷ (Morsello and Adger, 2007). The agreement was initiated by the Kayapo back in 1983. Over a two year period they collected data from the A'Ukre⁸ village of the Kayapó, interviewed The Body Shop representatives and other villagers not involved in the agreement. The findings concluded that although individuals involved in the commercialization of Brazil nut oil may find changes in regards to their agricultural, hunting, fishing, socializing activities, it is not all negative. In the case of the Kayapó, the agreement itself had many flaws. The commercial agreement and the rules of each party were coordinated after the agreement was made. Amazoncoop, a cooperative originally setup by FUNAI to "extend commercialization benefits to other indigenous societies in the middle Xingu," did not include any indigenous people in its organizational structure, nor did indigenous societies participate in the profit sharing of the cooperative (Ribeiro and Morsello 2007: 8-9). Also, The Body Shop prepaid the Kayapó with supplies and foodstuffs thus co-opting them into the old patronage system of *aviamento*.⁹ The cost for these items was deducted from their Brazil nut contribution decreasing their final take home payment. Part of this survey explored how these items were distributed. There was no real method identified which further impacted the egalitarian nature of this traditional community. This commercial agreement caught the attention of many and since then there has

⁷ This study is included for the sake of providing a comparative to the Natura site studies.

⁸ A'Ukre is one of two of the 18 villages in the Kayapo that engaged in a partnership with The Body Shop. This is also the longest standing NTFP agreement today (Morsello and Adger 2007).

⁹ The *aviamento* system is a colonial system whereby slaves were indentured servants.

been an increase in stakeholder activity. The increased activity not only assists with NTFP production but also with forest conservation.

Trade in rainforest products, and particularly non-timber forest products, NTFPs, have been proposed for about twenty years as a strategy that may allow forest conservation while improving local well-being, (Morsello 2004). NTFP production does increase income in the partner communities, although not enough to improve livelihoods (Morsello 2004; Figueiredo and Morsello 2006; Ribeiro and Morsello 2007; Rizek and Morsello 2008). Incorporation of communities into new markets has been seen to disrupt the egalitarian nature of communities (Ribeiro and Morsello 2007). However, at the same time it is difficult to really focus on this issue because households choose to participate or not and thus must be held responsible for their decision. Yet, when literacy and power relations are involved, this argument faults. The biggest constraint on these partnerships is in regards to communication and ensuring that capacity building is passed along to the communities especially with literacy being an obstacle. In this regard, monitoring is crucial.

In communicating with Dr. Carla Marsello, Parcerias Florestais lead researcher, it was revealed that Natura cancels meetings with her regularly (Personal communication January 2008). At the time of this conversation the interview to be included in this work had been set; unfortunately, the end result was the same. For one researcher, it was only one experience; for Marsello and her team who have been conducting research on Natura for years it seems to be a regular occurrence.

Business School Case Studies

Business School Case Studies provide well rounded analysis of Natura. The Social Enterprise Knowledge Network (SEKN) prepared two individual case studies on Natura in partnership with one of SEKN's partners, Harvard University Business School.

Case 1

The 2003 case study “Natura-Ekos: From the Forest to Cajamar” by Casado and Fischer examines the Ekos product line from beginning to end. Natura is placed within the global context of the direct sales industry. Ekos is a cross-sector partnerships comprised of supplier communities and supply companies like Cognis, NGOs, governmental agencies, research centers and universities. The case includes a detailed description of the public agencies involved in the partnership: the Brazilian Institute for the Environment and Renewable Natural Resources (IBAMA), the National Center of Sustainable Development of Traditional Populations (CNPT), and the National Indian Foundation of Brazil (FUNAI). Natura began the transition from a family run business to a professional organization, focused on how it could improve its social action and the development of the relationships of the Ekos Project. Ekos was Natura’s first project that incorporated communities outside of its headquarters.

According to Pedro Passos, Natura’s Chief Operating Officer, “Ekos is the materialization of what we have been striving for, in terms of values – natural active ingredients, awareness and responsibility. Our company is reaffirming its origins” (Casado and Fischer 2003: 4). Simultaneously, Passos addressed concerns about the negative effects such an endeavor would have on operations. The first two years of life for Ekos brought increased sales to Natura of 38%. Natura’s net profits increased from \$30 million reais¹⁰ to \$119 reais.¹¹ Seabra, Leal, and Passos knew making Ekos would not be difficult but keeping it successful would be.

Natura first contracted the Cognis Company to obtain the herbal raw materials and the oils that come from the natural resources of the Amazon. Natura purchased 85% of their products

¹⁰ Brazil’s local current is the “real” or “reais” for plural. The exchange rate is currently R\$2.3 reais per/\$1US. See [www. X-rates.com](http://www.X-rates.com) for details. Rates are for Nov 2008.

¹¹ See Table 1

from Cognis. Natura quickly realized that the traditional communities who provided Cognis with the raw materials to produce the oils were located quite a distance from the company. Most of the local communities in addition to lacking health care, education and basic infrastructure were also completely inaccessible and lacked any means of transportation. When constructing the relationship Natura came upon cultural differences such as child labor and local knowledge of how things should be done to collect the NTFPs. Earning the trust of the communities was essential.

To assist with implementing the “Amazon Care Chemicals” project, which consisted of relocating the oil production process to the communities, Cognis contracted the government agencies CNTP and IBAMA. The mission of the project was socio-environmental sustainability and creating value and building capacity in the communities. Now the communities would be in charge of processing the oils and not simply the collection of raw materials. Cognis’s responsibility was left to refining the oils of inferior quality. Natura voluntarily contracted IMAFLORA to certify the ingredients according to Forest Stewardship Council (FSC). Governmental agencies assisted in preparing the communities to meet certification requirements. IMAFLORA acted as the production chain auditor making recommendations as needed.

Each partner involved benefited from this cross-sector project. Cognis now had new strategies to increase its activity in the natural oil market. IMAFLORA expanded its knowledge network. Communities received home improvements, education, medical services, learned new methods of sustainable harvest and how to manage business. This was very important because the communities did business with other companies and Natura had no control over how these other organizations conducted their business. With the help of partner organizations, Natura continued to build capacity among the communities by training them on the fundamentals of

sustainable flora management. This allowed them to control how they conducted business with other companies, not the other way around. Now not only did Natura have a very successful product line but it was also ensuring that its commitment to environmental sustainability reverberated throughout Brazil.

Case 2

“Natura: Global Beauty Made in Brazil,” (Jones and Reisen de Pinho 2007), analyzes Natura in relation to the cosmetic industry and the global market. The “Lost Decade” of the 80s was an opportunity for Natura. According to Passos, “International players left the country or halted their investments while we saw a lot of woman, the primary source of Natura’s workforce, eager to enter the market,” (Jones and Reisen de Pinho 2007: 4). Natura chose to expand throughout Brazil and also saw its neighbors as perfect markets.

Natura’s target market has always been Brazil’s middle- and upper-class. The cosmetic and healthy and beauty industries are based on constant innovation and continuous introduction of new products to the market. To meet this demand, Natura began taking actions which would allow them to constantly produce new products either at their headquarters or through a partner. One such action was the acquisition of Flora Medicinal, a phytotherapeutic product manufacturer, in 1999. This move made it easier for Natura to develop an herbal tea product line.

The challenge with taking Natura international lay in the fact that Natura’s culture needed to be transferred prior to the product’s arrival. In 1999, Alessandro Carlucci, Natura’s then sales director, was sent to Argentina. Shortly after arrival, Argentina was hit with the worst financial crisis ever. In response to competitor’s increase in prices, Natura declared a marketing strategy that during this time of crisis, the price of Natura products would be fixed regardless of Argentina’s economic situation. Met with success this strategy was then exported to Peru, Child

and Bolivia and the company has seen the same results in these locations. Mexico was the one place where hiring a local executive to shadow a Brazilian executive would be vital. This would help ensure transference of culture in a location where Natura's competition was high (Avon had been in Mexico since 1956). Together the two executives targeted potential sales consultants and the training began. Internationalizing Natura contributed to the professionalization of the company. With the lack of professionally trained executives Natura's challenges were larger than anticipated. Because of Mexico's proximity to the U.S. market they knew that success in this market would have a ripple effect in others.

In 2005, international sales represented 3% of total sales. Brazil is still the largest market yet in order to be competitive in the global economy it was clear Natura needed to go abroad. The company had been approached by competitors to partner but according to Seabra, "To preserve our values and beliefs is fundamental, and a new partner will just know to sell its own brand" (Jones and Reisen de Pinho 2007: 17).

Russia had been seen as a potential market with Avon as its prime competitor. However during a focus group in Russia, although Natura's products had been competitively priced and valued with Russian brands and consumerism was extremely high, it was clear that there was no regard for environmental sustainability. It was all about the bottom line. Seabra commented: "Data analysis and metrics will be always important tools, but the emotional touch is fundamental to making a decision," and for that reason Natura opted to leave Russia (Jones and Reisen de Pinho 2007: 17).

Other Institutions

Guiliana Ortega Bruno explores two other Natura partnerships, that with Grafica Laramara and COOPERSOCIAL (Bruno 2003). Association Laramara is the Brazilian Association to Assist the Visually Impaired. It was created in 1993 to habilitate, rehabilitate and

promote the inclusion of the visually challenged, focusing specifically on children and adolescents. Grafica Laramara is a department within Laramara that produces paper inserts that accompany many of Natura's products. These inserts include a description of the product, ingredients, and other information helpful to the consumer. Natura is not their only partner as this department provides the same service to many pharmaceutical companies and other industries. The Editorial and Graphics department of Laramara is the only department that employs individuals with vision; however, there is one staff member that is visually impaired.

The second partnership is with COOPERSOCIAL (A Social Cooperative of Special Professionals). This cooperative was created in 2002 as a way to organize visually impaired and disabled individuals with the objective of social and economic inclusion by means of employment (Bruno 2003: 57). COOPERSOCIAL is directly involved in the Sensory Research in Natura's R&D Department. They assist specifically in perfume development and are the only provider of this service to Natura.

Natura's partnerships with Grafica Laramara and COOPERSOCIAL provide many benefits. They assist their partners in achieving their goals of social and economic inclusion; in Brazil these individuals are normally excluded from the job market. Jobs provide income and thus self sufficiency, self esteem, and ultimately social and economic inclusion. The training provided by Natura makes available the necessities for the partners to add to their business relationships.

Summary

More recently Natura has become the focus of two types of academic research studies: the environmental scientists and business schools. As the literature suggests, researchers must make livelihoods and not raw materials the center of their focus. The development of NTFP products is regularly pushed as an economic alternative to poor populations but the researchers at

Parcerias Florestais have revealed that this may be easier said than done. Critiques absent from mainstream and trade media abound here as researchers have discovered that since the implementation of commercial agreements community dynamics have changed. A monetary economy is making its way into the villages, they do not produce enough income to make the changes worthwhile, subsistence food gathering is being altered and traditional barter and exchange activity is decreasing. The general assumption is that Natura partnerships are not beneficial for communities. However, nowhere does it say that change is bad. It is understandable that since not all villages in a community chose to participate in the business arrangement there is the possibility that differences may arise in attitudes towards the changes but there has yet to be any study conducted on community members regarding their level of satisfaction since the partnerships began.

The business school case studies do support Natura's business philosophy. They do not critique or make any suggestions; rather they serve as instructional tools to assist business students in developing their business development skills. Both Harvard case studies thoroughly explore how Natura developed its current business philosophy, its execution and its maintenance. Bruno's work on Natura's partnership with Laramara and COOPERSOCIAL presents another way the company assists in transforming society.

CHAPTER 5 CONCLUSION

Brazil's political economic history lay the foundation for cross sector collaborations which created space for new approaches to emerge regarding the country's development. Once a responsibility of the government specifically the last 10 years has seen the private and third sectors become much more active and visible players in Brazil's development. In this regard, both Brazil and Natura Cosmetics have emerged as global leaders.

Although Brazil experienced periods of tremendous economic growth throughout history, it has been plagued by unequal income distribution and economic collapses. Approaches to development have reinforced the colonial hierarchy that for a long time has formed the base of Brazilian society. A lack of opportunity for the lower echelons of society may have upheld this socioeconomic structure but it also played a major role in Brazil's inability to develop and sustain itself as an independent global economy. The elite may have gained wealth and power but their illusion of control had unanticipated negative ramifications. As a result of this structure, a vast segment of the population has been unable to participate in the market. Eventually realizing the potential negative long-term impact this could have on national companies and ultimately Brazil's global economic performance, the private business sector finally responded. Attitudes towards business changed and became less focused on supporting the societal hierarchy and more engaged in responsible social action. In this transition, Natura Cosmetics has pioneered.

Since its early days, Natura's strategy has been motivated by the founder's commitment to not just the bottom line but the importance of personal, business and public relationships. Beginning in 1974 with the direct sales model, offering product refills in 1983, it seemed only natural for Natura's next step to be the launch of Ekos in 2000. Ekos has been a large

contributor to Natura's global success. Although it seems that its number one competitor is catching up, Natura does not see this as a threat but rather as a challenge in which Natura can further deepen its values. According to Natura, bringing the company into partnerships in the Amazon and across the borders is more about sharing the Natura philosophy than it is about meeting financial goals. Through partnerships with Abrinq and the commitment of its Sales Consultants, Natura plays a tremendous role in helping improve Brazil's public education. It is not afraid to think outside of the box and continuously carves the way for others to do the same.

In 2008, Natura received the award for Sustainable Company of the Year by Brazil's executive business magazine *Guia Exame*. Natura Cosmetics is recognized as a model for cross-sector partnerships and sustainable development, not only in Brazil, but on a global scale. Consistently proving the Friedman school of thought wrong with strong financial performance while being committed to sustainable development and social responsibility, Natura regularly receives kudos from its peers. Natura is a top performer in the cosmetics industry and the business sector and is also a pioneer regarding sustainable development.

Limitations and Areas for Further Research

As Vivarta and Canella (2006) have stated, in Latin America the press tends to shy away from holding a critical lens at companies with claims of CSR practices. As a result, problems that can arise with CSR often go overlooked. This possibly helps explain the consistent production of material via mainstream and trade media that supports Natura and its business philosophy and the absence of anything otherwise. Or as Fraser stated previously, "the company may just practice what it preaches" (2006). Further research on the relationship between Natura and media ownership will help develop this argument.

The largest limitation in this research was that it was conducted outside of Brazil and therefore Natura's largest consumer market. This would have helped in a few ways. First,

Natura advertising could have been included in Natura voice. In addition, a consumer survey would enhance the findings of this study.

One Harvard Business School case study states “the Indians still hoped that the new alliance would solve all of their survival problems” (Casado and Fischer 2003: 9). This line stirs reminders of colonialism and modernization vs. backwardness. Implied is Indians are backwards and thus obstacles to progress and need to be changed. Closing with such a general assumption could have been better supported had it been preceded with documentation that the Indians wanted the company’s help and because they had lots of problems.

Researchers concerned about the other side of Natura, the side that brings many Natura products to life, have presented an important chapter in the story that is ignored by media sources and business school case studies. The sustainability evaluation of Natura’s 2007 annual report supports the findings of Parcerias Florestais. There is strong suggestion that Natura hone in their strategies in regards to building relationships with community suppliers. Not doing so may soon lead to the collapse of not only the product lines supported by these relations but the livelihoods of the many traditional partner communities but also the company’s reputation. At the same time, it is also important that researchers not be sidetracked by areas of the company in need of improvement. Companies that thrive off innovation and R&D are bound to have many learning opportunities, and, these take time. Has there been any attempt by Parcerias Florestais to publish the findings of its research in mainstream media in order that they may be more easily accessible by the public? This may pacify any concerns that may arise over their motives, help clarify the purpose for their research and how it can help Natura. However, an important consideration is that the segment of the population that would be concerned with these findings is minimal and thus it is safe to say that the publication of these findings may not significantly impact or tarnish

the performance or identity of the company. The same group of consumers concerned with these findings is also the same group of consumers that understands the challenges that accompany such a hefty task as Natura is taking on by offering economic opportunities to communities often ignored by government development initiatives.

Time and research are instrumental in providing clarity to what is happening in Natura partner communities. Research conducted on other cosmetic companies with commercial agreements with communities in Brazil also supports the findings in Natura communities by *Parcerias Florestais*. What does this all mean for Natura, a company whose values include constant improvement of society and itself and self-reflection? Natura states that they seek to support the communities with the assistance of NGOs, scientists, researchers and governments. Based on this information it seems that it may be time for Natura to reconsider cancelling interviews with the only researcher team whose work focuses specifically on Natura's most complex partnerships. Just as the business sector tends to omit certain matters, researchers have also excluded any mention of the company's success. It seems time that credit is given where credit is due.

In the health and beauty and cosmetic industries products have short lives. Natura has over 900 products and on average produces 180 new products a year (Daniel 2006). Communities with commercial agreements are responsible for five percent of the raw materials that are used in the Ekos product line. Yes, five percent is a minimal, but the Ekos product line is the face of the company's internationalization strategy. If the company continues to use the Ekos line in this fashion there is surely to be a response in terms of fluctuations in supply and demand. Natura and other partners encourage the communities to diversify to avoid overdependence on one company for this exact reason. Unfortunately not all partners arrive at the negotiating table with

the same set of skills and tools. When dealing with such communities, an evaluation of the commercial agreement could help identify a buffer mechanism that would help soften the transition for supply communities should the agreements ever need to be terminated by the company. Research on Natura's exit strategy and its responsibility to the communities will be helpful in learning more about Natura's commitment to the communities and ensuring sustainable development. Further long term research on Natura partner communities and the impact of the commercial agreements over time will enhance current findings and be an asset to the company, the CSR environment as well as be a great contribution to the knowledge database of partnership development.

This takes us to the final research question which asks: Based on the results of the previous research questions, are Natura's actions and communication consistent with the views of the other sectors? Overwhelmingly this question can be answered with a simple yes. A quick glance at Table 2-1 summarizes the defense. Natura's actions and communication are consistent with mainstream and trade media as well as academic institutions. Their commitment to CSR and sustainable development continue to strengthen as years go by. Natura's continual receipt of awards for their endeavors offers further evidence. Natura achieved carbon neutral status a year ahead of schedule and as a catalyst in Brazil's education they have assisted in improving the country's socioeconomic condition. Yes, there is one area that still needs fine tuning but that is not unexpected considering the magnitude of the undertaking. Natura makes no attempt to keep this critique from its consumers by including the evaluation in the company's 2007 Annual Report, available on the company website in English, Portuguese and Spanish.

Even a company that consistently wins awards for top performance, commitment to sustainable development and the best work environment has room for improvement. Natura sets

the standard for others who wish to join the movement and continuously raises the bar. The recent launch of their new line, Amor America, shows there are no limits when it comes to making a difference in lives. The intrigue now lays hidden in what endeavor Natura will embark upon next.

APPENDIX A
COMMUNITIES WITH COMMERCIAL AGREEMENTS WITH NATURA

norte

- A** RESEX Médio Juruá
Andiroba e Murumuru
- B** MII Madureiras
Louro Rosa
- C** COOPERFRUTI
Buriti
- D** Agropalma
Palma
- E** RDS Iratapuru
Castanha, Copaíba e Breu
- F** Beraca
Argila Branca
- G** Comunidades Belém
Priprioca, Estoraque, Vindicá,
Pataqueira, Capitu e Caatinga-de-
mulata
- H** CAMTA
Açaí touceira
- I** Nova Amafrutas
Oleaginosas

nordeste

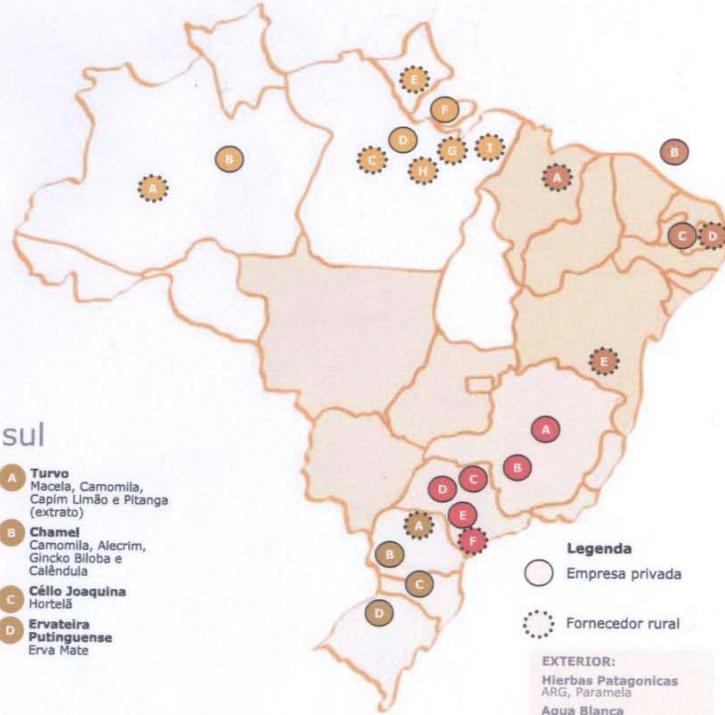
- A** ASSEMA
Babaçu
- B** ASSESA
Algas
- C** Princesa Isabel
Aloe Vera
- D** Cabaceiras
Palma Forrageira
- E** ONÇA
Guaraná
Cabruca
Cacau
COOPROCAM
Sapucainha e Urucum

sudeste

- A** Flora do Brasil
Maracujá
- B** Atina
Candeia
- C** Fazenda da Terra
Café
- D** Fazenda Alpina
Pitanga (óleo) e
Chamma
- E** Centroflora
Jambu
- F** Consórcio
Terra Medicinal
Pariparoba, Chaga S.
Sebastião, maracujá
doce e chá verde

sul

- A** Turvo
Macela, Camomila,
Capim Limão e Pitanga
(extrato)
- B** Chamel
Camomila, Alecrim,
Gincko Biloba e
Calêndula
- C** Célio Joaquina
Hortelã
- D** Ervateira
Putinguense
Erva Mate



Legenda

○ Empresa privada

⊙ Fornecedor rural

EXTERIOR:

Hierbas Patagonicas
ARG, Paramela

Agua Blanca
ECU, Palo Santo



BIODIVERSIDADE
BRASILEIRA E
RELACIONAMENTO
COM COMUNIDADES

ativos da
biodiversidade

APPENDIX B
THE HISTORY OF NATURA COSMÉTICOS AND SOME PERFORMANCE RESULTS

The First Phase: 1969-1989

1969 - Founded by Luiz Seabra when he was 28 years of age, in São Paulo with a capital of US \$9,000, a partner that had inherited cosmetics formulas from his father, and seven employees.

1974 - Seabra was in charge of demonstrating & selling the products, the work of Natura consultants begins.

1979 - A sales' volume of US \$5million and 1000 consultants.

1980-89 – Sales volume multiplied 35xs; product line enlarged; number of consultants grows to 33,200.

The Second Phase: Decade of the 1990's ---- Management Professionalization

1990 - Implementation of the Itapacerica da Serra plant, innovation and quality programs.

1993-97 - **Efforts** towards expansion of production capacity made. The new plant, NEN (Natura's New Space) expressed Natura's belief in human relations.

1998 – Awarded the "Company of the Year" and became one of Brazil's most valuable brands (www.exame.com.br).

1989-Natura acquired a natural products laborator, Flora Medicinal. The company invested in frastructure & new products. Underwent significant exchange crisis, in a stagnation tendency during 98/01.

The Third Phase – from 2000 ---- "Ekos"

2000 - New logo, new brand, and new slogan: "Well Being Well." Integrated managerial systems with SAP technology and restructuring of the operations in some Latin American countries. Received awards in Human Resources. Identified as among the most admired companies in the cosmetics sector.

Business Performance Between 1998-2002

Business Performance	1998	1999	2000	2001	2002
Sales Vol (\$ thousands):	979,46	665,14	742,09	722,19	567,61
# of Consultants(thousands):	215	228	270	300	322
Productivity (\$consultant/yr):	4,393	2,889	2,775	2539	1835
# of products launched:	197	150	206	165	91

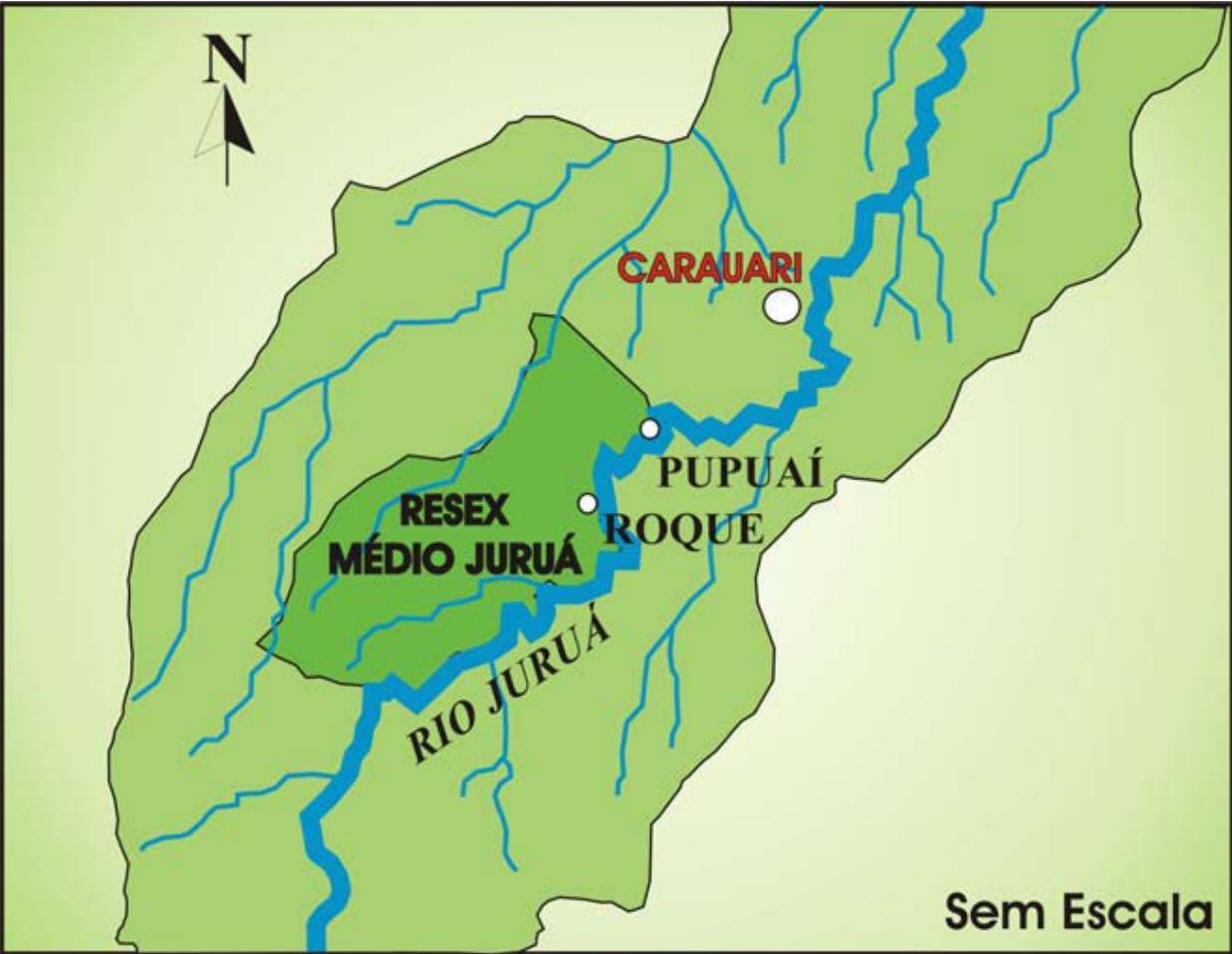
*Data Source: 2002 Annual Report – Natura (São Paulo: Natura, 2003)

Financial Performance Between 1998-2000

Financial Performance¹	1998	1999	2000	2001	2002
Gross Operating Income:	685.6	465.6	519.6	505.5	397.3
Net Operating Income:	481.2	306.3	353.2	350.5	278.4
Operational Profit:	74.3	35.3	27.9	46.8	50.3
Net Profit:	53.5	34.7	15.2	17.8	33.7
Investments:	70.6	66.5	68.8	30.3	17.3

*Data Source: 2002 Annual Report – Natura (São Paulo: Natura, 2003) ¹ All numbers are in US \$ million. Adapted from Harvard University Business School Case Study #SKE016, 2003.

APPENDIX D
MAP OF ROQUE AND PUPUAI



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BIOGRAPHICAL SKETCH

S. Elizabeth Smith was born in 1972, the only child of her loving mother Joan E. Smith, in Ft. Lauderdale, FL. She moved to Arlington, Massachusetts, shortly after her birth. Her love for Latin America began during her high school years at Lawrence Academy in Groton, Massachusetts. Here she had her first introduction course on Tropical Biology taught by tropical biologist Jim Serach. The seed was planted and her love for the complexities of the region only grew from there. As her education continued, interrupted by the sudden tragic loss of her mom to cancer in 1993, interests in rainforest ecology extended to include its cultural and social elements. Elizabeth has lived and worked in Costa Rica for almost three years, traveled and studied widely throughout Central and South America, and speaks Spanish and Portuguese. She has worked extensively with Latin Americans new to the U.S. and cultural transitions, especially regarding U.S. banking practices and home-ownership. She earned her bachelor's degree from the University of Massachusetts, Boston, where she designed her own program in culture and politics in Latin America. Upon completion of her master's degree Elizabeth will return to live in Costa Rica with Alex, her fiancé. They are expecting a child in May 2009.