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Leveraging competitiveness upon national cultural traits: the management of people in Brazilian companies

Betania Tanure and Roberto Gonzalez Duarte

Abstract This paper aims to discuss the leveraging of competitiveness upon cultural traits. Since the globalization process has raised a series of challenges for companies around the world, companies have sought to respond mainly through the adoption of management practices proved to be successful elsewhere. However, due to the anchoring of many management practices, especially those of human resources, in the socio-cultural context of a country, the import and/or transfer of management practices between different contexts risk resulting in changes which may be only superficial. There are, however, some exceptions. Some managers have chosen to build their companies' competitiveness through management practices firmly anchored on the cultural traits of their countries, instead of looking for practices from successful companies. This process is obviously not simple because it requires from company leaders first the capacity to re-signify the cultural trait in a different manner, i.e. to perceive it as a source of competitiveness for the company and, second, the competence to build a management practice upon this cultural trait so that it will leverage the competitiveness of the company. In order to illustrate how typical cultural traits from a country may leverage the competitiveness of a company, we present the case of Natura, a Brazilian cosmetics manufacturer, which has constructed much of its competitiveness through the adoption of management practices anchored in some typical Brazilian cultural traits. The analysis of the case demonstrates that this process of developing competitive management practices is feasible, but it must be based upon a solid system of values that the team leader practises or wants practised. Otherwise, it is unlikely that the management practices will stand or that people will be committed to them.

Keywords Organizational culture; societal culture; management of people.

Despite the pervasiveness of human resource management (HRM) theories, HRM practices carry significant local flavours. It can be said that, in each nation, HRM practices are rooted in the country's historical, political, institutional, economic, social and cultural peculiarities. Tayeb claims that, in contrast to etic (universal) aspects, emic (locally meaningful) aspects 'are based on the members' work-related values and attitudes. These values and attitudes have a strong association with the employees' cultural, occupational, educational and social backgrounds, which, in turn, are rooted in their societies' (1994: 440). HRM, in particular, seems to be a function that is closely anchored in a set of

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assumptions held by the managers. HR policies and practices reflect not only corporate culture but also the national culture of the company (Kovach, 1994; Laurent, 1986; Schneider, 1988).

Although certain management practices reflect both the corporate and the national culture, the globalization process – liberalization of trade and capital flows and the internationalization of production – has posed several challenges to companies throughout the world, including growth of common customer needs, emergence of global customers, development of global channels of distribution, movement of competitor companies and shift of governments towards the adoption of less protectionist policies (Child *et al.*, 2001). In short, competitiveness, efficiency and productivity have become key and primary concerns for many of these companies.

Brazilian companies have not been sheltered from these concerns. A series of structural reforms – trade policy, economic stabilization and privatization programme – adopted by successive governments in the 1990s had serious effects on domestic companies. Since business ineffectiveness could no longer be hidden behind chronic inflation or protected markets, the companies needed to change their organizational and management practices in order to remain competitive and, hence, to survive. Based on this need to improve business performance dramatically, managers have questioned the appropriateness of the organizational and management practices of their companies within this increasingly competitive environment.

Since the lack of competitiveness, efficiency or productivity may be, at least partially, attributed to the existing organizational and management practices, many managers have concluded that there was a real need to change them. Several companies have decided to import management practices already known as being successful elsewhere (Caldas and Wood, 1998). Foreign companies, due to their competitive advantage in having access to more modern and updated management practices in different parts of the world, transferred those that could ensure the competitiveness of their subsidiaries (Duarte, 2001; Moreira, 1999). Thus, in an environment of uncertainty, institutional isomorphism may favour the adoption of management practices and legitimize managers' behaviour (Clark and Soulsby, 1995).

However, due to the deep anchoring of HRM policies and practices in the historical, political, institutional, economic, social and cultural peculiarities of a country, the import and/or transfer of HRM practices risk resulting in changes which are only superficial, hence having weaker effects than might be expected. As in many East European countries, despite ownership changes, management practices remained basically the same because the legacy of the previous institutional environment continued to play a relevant role (Taplin and Frege, 1999; Whitley and Czaban, 1998). So, the challenge to companies that need to enhance their competitiveness appears to be the ability to build competitiveness and efficiency upon already existing cultural traits, and not the adoption and/or transfer of management practices that do not match their cultural background. This process is obviously not simple because it requires from company leaders the capacity to re-signify the cultural trait in a different manner, i.e. to perceive it as a source of competitiveness for the company, and the competency to build a management practice based on that cultural trait so that it will leverage the competitiveness of the company.

In order to discuss the leveraging of competitiveness based on cultural traits, we present the case of Natura, a Brazilian cosmetics manufacturer. It has leveraged its competitiveness through a management of people that was based upon the most distinguishable Brazilian cultural traits. For example, Natura remarkably reinforced and valued personal relationships within the company but mostly among its extensive network of consultants. In doing so, Natura has transformed the 'sunny side' of this trait, which was established as a core organizational value. Similarly, Natura used flexibility, which is another typical Brazilian culture feature, for its own benefit, providing autonomy to both middle managers and customer service attendants.

The paper is structured as follows. In the following section we explain how cultural traits may be a source of competitiveness of Brazilian companies. Subsequently, we describe three specific Brazilian cultural traits – power concentration, personal relationship and flexibility. The next section presents the case study of Natura and highlights how these cultural traits fit the theoretical framework. At this point we also develop some theoretical implications. Finally, in the last section we offer recommendations to managers within the limits of the paper, and some suggestions for further research.

Cultural traits: a lever for competitiveness

The relationship between national culture and organizational practices has opened several avenues of investigation. For instance, one strand of literature has attempted to identify which management practices are more likely to be affected by cultural factors. Various aspects, including members' work-related values and attitudes (Tayeb, 1994), interpersonal relationships (Child, 1981), human resource management (Schneider, 1988; Laurent, 1986), leadership and motivation (Hofstede, 1993) and strategy formulation (Schneider, 1989), have been said to be culturally bound. Culture affects not only management practices but management theories as well, because ideas reflect the environment in which they have evolved (Hofstede, 1993, 1996).

Another stream of literature has focused on the description of business systems – organizational structure and management practices – from different cultures/nations. This characterization is undertaken either comparatively, between two or more countries (Child and Kieser, 1979; Orrù, 1997; Tayeb, 1987), or by describing management features of one culture/country (Amado and Brasil, 1991; Barsoux and Lawrence, 1991; Rodrigues, 1996; Tanure, 2004; Tayeb, 1987). The logic of these two characterizations is distinct. While in the first case the aim is to compare and to search for similarities and/or differences between management practices in distinct countries, in the second case the objective is to draw out business practices from the history, the culture and the socio-economic and political environment of a given country.

For example, the historical development of Brazilian companies has been linked to the authoritarian and centralizing family of colonial times. Since the boundaries between family and production were not clearly defined in the sugar farms, which were the basic production units during this period, there was no separation between public and private. This remained a major trait of Brazilian society. In the second half of the nineteenth century industrialization began, financed mainly by the accumulation of wealth of the coffee farms, and then the same logic of action that existed in those farms was transferred to the industries (Davel and Vasconcelos, 1997; Vasconcelos, 1996).

Although this cultural trait, as well as several others, could still be easily identified within Brazilian companies, some of them suddenly became inadequate within an increasingly changing environment. Until the 1980s, Brazilian industrial policy was based on the expansion of the production capacity and characterized by a closed market, internally oriented production, a strong regulatory and entrepreneurial state, price control and no attention to competitiveness in the internal market. As a consequence, the industry presented poor indicators: backward products, low productivity, no competitive scale and low level of manufactured products within exports as a whole. By contrast, early in the 1990s, there was a rupture with this model. As a result of several macro-economic and structural changes, the industrial sector went through a deep transformation with consequent efficiency gains, innovation of products and processes, and management innovation.

Modernization, in many cases, has been made possible through the import of foreign management practices. Since there was no time to reinvent the wheel, Brazilian companies sought to implement different methodologies transferred from developed countries. However, attempts to implement some of those models have not been seen to yield full benefits. The adoption of these imported management ideas and practices may result, according to Caldas and Wood (1998), in three different patterns of organizational reaction. First, there is the behaviour 'for the English to see'[1] that involves the adoption in a temporary or partial fashion of the legitimized technique in order to reduce the pressures for adoption, yet without suffering substantial change or damaging those aspects considered untouchable in the *status quo*. Second, there is frustration and denial. In this case, because of either internal pressures and resistance or real incompatibility with local realities, the adoption of foreign technology is not functional. Third, there is the adaptation of concepts which takes into account the local reality. This occurs when the organization neither tries to pretend it is adopting a foreign technique in which it does not believe nor rejects it.

Less often, some Brazilian companies have preferred to build their competitiveness taking advantage of the Brazilian cultural traits instead of importing managing practices and/or discarding local ones. They have attempted to understand how certain cultural traits could contribute to enhance the competitiveness and/or the comparative advantage of the company. This option is no less risky than the previous one. It requires first from company leaders the capacity to re-signify a cultural trait in a different manner, i.e. to perceive it as a source of competitiveness for the company and not as something to be eliminated. Second, it demands from these leaders the competency to benefit from a cultural trait, i.e. to build people's management practices upon it so that they will leverage the competitiveness of the company.

The building of people's management practices upon existing cultural traits raises an issue about the extent to which former practices should effectively be replaced with new ones – more modern, updated and appropriate to a more competitive environment. Calás and Arias (1997: 323) suggest the concept of hybridization, which refers, for instance, to a re-structuring of the links between the traditional and the modern. Each company is a mix of 'modern and traditional' management practices, professional and family management, up-to-date technologies and clientelist relationships, and advanced HR practices and paternalism.

Brazilian cultural traits: power concentration, personal relationship and flexibility

Different authors have attempted to describe the cultural traits that distinguish the Brazilian culture (Amado and Brasil, 1991; Freitas, 1997; Rodrigues, 1996). These traits have been very well summarized and uniquely articulated by Barros and Prates (1996), who developed a model highlighting the features and the logic underlying both Brazilian culture and society. The model is composed of four inter-related subsystems: leaders, institutional, personal and guided.

The model developed by Barros and Prates (1996) was revisited by Tanure (2004) who replicated Hofstede's research, and added further explanations to three pillars of the Brazilian cultural system: power concentration, personal relationship and flexibility.

One of the most important features of the Brazilian culture is hierarchy, which has roots in colonial times. The economic core of this period was the patriarchal family that

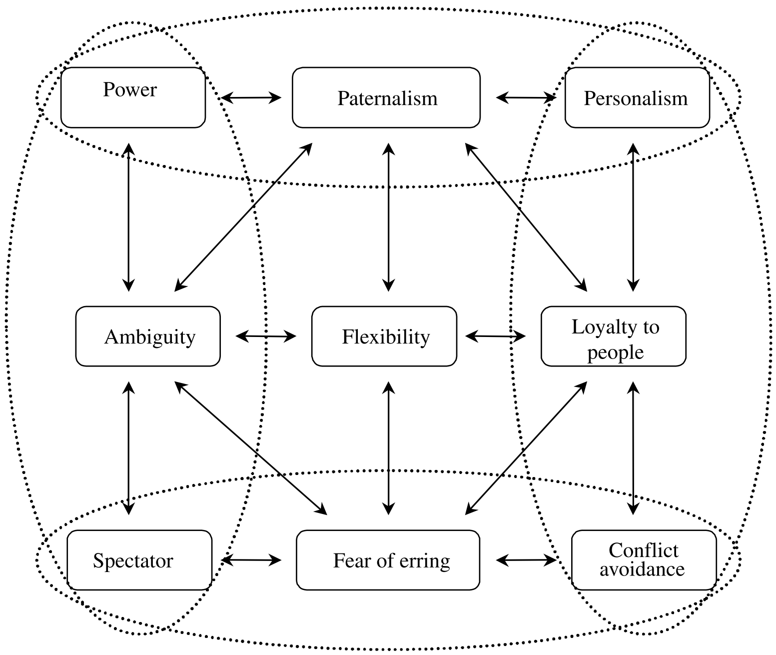

Figure 1 *The Brazilian cultural action system*

defined the domination norms, and remained as the moral model in the Brazilian organizational environment (Freitas, 1997). A direct consequence of this feature was authoritarianism. Historically, authoritarian attitudes have characterized the relationship between the state and people and even the relations within families in the rural north-eastern part of the country (Rodrigues, 1996).

When well-known typologies, such as those from Hofstede (1994), are taken into account, a better comparison between Brazil and other countries may be established. In Hofstede's study (1994), among the fifty-three countries studied, Brazil is ranked fourteen in the power distance index, twenty-six out of twenty-seven in the individualism index, twenty-one out of twenty-two in the uncertainty avoidance index and twenty-seven in the masculinity index. So, among the four dimensions considered, the power distance index is the one that most clearly distinguishes Brazilian culture. Hofstede's study was replicated in 2004 by Tanure, who noted that the trend towards power concentration in the Brazilian company remained. In Hofstede's study, Brazil ranked sixty-nine in a scale from zero, which denoted countries with a more egalitarian inclination, to 100, which indicated countries with greater power concentration. After almost three decades, the country remains in the same cluster, i.e. at the seventy-fifth index. This demonstrates that the basic value of how to handle power did not change, despite changing behaviours often observed (Tanure, 2004).

Another fundamental trait of the Brazilian culture is expressed in the manner and importance of personal relations. This is a society where the bonds among people are strong and shape the structure of relations in different social groups. Brazil is acknowledged by visiting foreigners for the friendliness of relations, hospitality and the inclusion of the personal dimension in professional relations.

This trait refers to the importance of relationships rather than individuals in Brazilian society. This is due to the role of the family. Families were centralized on the father figure and regulated by blood and affective relationships (Freitas, 1997). Brazilian people therefore feel rather uncomfortable in impersonal and formal situations, and try to create a climate of intimacy with strangers as a means of shifting from the unfamiliar to the familiar (Rodrigues, 1996; Da Matta, 1986).

In Brazil, where hierarchy and personal relations differentiate the citizens, the magnetism of a specific individual is highlighted by his relationships. Paternalism sprouts directly from this combination of power concentration and personalism (Tanure, 2004). The counterpoise to paternalism is the fear of erring; the desire to always do well and be recognized by 'big power' is one of the origins of this stance. Two remarks should be made *vis-à-vis* the fear of erring. It can be paralysing and negative to the performance of the organization or it can be well-handled by the leaders and become encouraging for improvement on the quest for self-actualization.

Social cohesion is subjected to social ethics, which in Brazil is manifested by loyalty, by which the group member values the needs of the leader. Therefore, the interconnection of the different groups of a society is person-centred upon, essentially, the leader. Trust rests on the leader. This process generates the feeling of belonging, which is a strong cohesion mechanism. The leader who obtains the loyalty of his group amasses personal capital by the quantity of followers and the amount of information accumulated from them. The price of this loyalty is the pressure applied by group members for security.

Another typical cultural trait of the Brazilian culture is flexibility, which is best expressed by the Brazilian '*jeitinho*' (Amado and Brasil, 1991). According to Freitas (1997), there is an 'intermediary path' between what is and what is not allowed. This search for an intermediary path reflects a way of life in which impersonal and personal can be related to each other. At the same time, it represents the flexibility and capacity for adaptation of the Brazilian people. The informality may be expressed by several means: communication, language, way of dressing, use of time and so on. It is also used to inject a greater degree of cordiality and hospitality into interpersonal relationships (Freitas, 1997; Rodrigues, 1996b).

According to Tanure (2004) flexibility is, in fact, a double-faceted category, reflecting adaptability and creativity. Adaptability is identified in several situations in companies, such as the agility they show in adjusting themselves to the different government economic plans that have been so common in the recent past. Seen from the standpoint of process, the adaptability concept does not relate to producing anything new in the purest sense of creation, but it has to do with an adaptive capability exercised within pre-established limits.

The concept of creativity adds an innovative element. It occurs both in situations in which there is *de facto* originality as well as in those where there is *de jure* equality. Even in the so-called samba schools, there is that individual who stands out braced by personal relationship in the group or in the hierarchy. This is another hallmark of the Brazilian culture: the flexibility to coexist with hierarchy in a *de facto* egalitarian milieu.

Flexibility is also permeated by one of the outstanding traits of the Brazilian culture: affectivity. As Tanure (2004) shows in her model of cultural action, Brazilians disclose thoughts and feelings through the verbal medium and otherwise. They are inviting and do not shy away from physical touch; their gesturing and expressions are strong and their talk is fluent and dramatic. Their capability to hover in the spaces of leaders and followers or in institutional and personal spaces explains a few of the paradoxes of Brazilian society: it is happy and harmonic, even in poverty; it is creative but with a low level of critique. The manner of handling these apparent paradoxes is what typifies the Brazilian culture, and external observers marvel at the Brazilian way of being. Coexisting with opposites is an art typical of the country's culture.

As said earlier, if these traits may be seen as inappropriate within a more competitive environment, some companies, instead of discarding them, have attempted to use them for their benefit, i.e. as a lever to improve and enhance their competitiveness. In the following section, we present the case of Natura, a Brazilian cosmetics company that has successfully built its competitiveness upon these typical Brazilian cultural traits. The case is drawn from a previous study prepared jointly by Ghoshal and Tanure (2004).

The Natura case: the magic behind an admired company

The history of Natura

Exame magazine, in charge of a yearly company ranking in Brazil, compared the cosmetics company Natura, winner of the Most Admired Company Award in 1998[2], to the ideal Brazilian business model:

> A school of Samba [a Brazilian dance group which practices during the whole year to perform at Carnival]. Reasons: its capacity to mobilize each year, in a synchronized, spontaneous and informal movement, a mass of people highly motivated around a common goal.
>
> (*Exame*, 1998a)

When Natura was created in 1969 there was a clear division in the Brazilian cosmetics market. On one side were the cheap mass products found in drugstores and supermarkets and, on the other, a few luxury products sold in specialized stores. Aside from Avon, which entered Brazil in 1959 with local production facilities, there was almost no foreign competition. Import substitution policies implemented in the 1970s, with prohibitively high import tariffs, spurred domestic production for a virtually captive market. These anarchic policies lasted until the early 1980s when almost every American bank cut off its credit lines to Brazil due to the political instability in the region, bringing about a long-lasting recession. In the mid-1980s, attracted by high margins in the sector, giants like P&G entered Brazil – where Unilever had been operating since the 1960s – investing significant amounts and buying brands and companies. At that point Natura had built a prestige brand and a loyal customer base.

As Brazil opened its market in the 1990s, more foreign competition flooded in, and many of the Brazilian producers either disappeared or were bought out. Most local companies could not keep up with the innovation necessary to compete. For international players, Brazil was a naturally attractive market – the fifth largest market in the world in hygiene and beauty products consumption (measured in dollars) and the sixth largest in cosmetics. It was also twenty-seventh in income per capita, which, given its large population base (170 million), implied huge potential for increased consumption. With the inflow of foreign players, the cosmetics sector became even more concentrated than the food sector. Natura turned down repeated acquisition attempts, and was able to thrive in the face of strong competitors.

The market environment had become increasingly competitive. Domestic competition had intensified with the opening of the Brazilian market and the stabilization of the economy in 1994. The removal of import tariffs and the creation of trading blocks like Mercosur made the region much more attractive for foreign players. Large corporations already established in Brazil, like Avon, P&G and Gessy Lever, had begun to wake up from their slumber and new players had begun to pour into the region. Imports in the sector rose to US$250 million in 1997, more than double the US$118 million in 1996. Global consolidation trends put increasing pressure for Natura. With thirty-six major mergers and acquisitions in the preceding decade the industry was becoming increasingly concentrated in the hands of a few major global players. For Natura, the implications were that it had to benchmark itself against international standards of quality and innovation, and face competitors with deeper pockets and diversified product portfolios. The Brazilian consumer now had a more stable income, but had also become more demanding.

In 1998, the sales of cosmetics and toiletries in Latin America amounted to US$18.5 billion, of which Brazil represented almost half. Consumption in this sector more than doubled in Brazil in the three years after 1994 as inflation came under control and a new middle class began to emerge. In 1998, the largest player in the industry was Avon, with US$840 million in sales, followed by Natura. Other companies with significant presence include Gessy Lever, O'Boticario and L'Oreal. Among more upscale newcomers were Christian Dior, Shiseido and Davidoff.

Avon competed with Natura for the same sales force, but its products were targeted at a lower-income client base, with average prices of one third of Natura's. Avon had over 500,000 re-sellers in Brazil, with a much lower productivity than that of Natura's consultants. In 1996, the average sale for an Avon representative was US$2,450 while a Natura representative made US$3,432. Product-wise, Natura's closest rival was O'Boticario, a Brazilian company with 1,616 stores, and a strong portfolio in perfumes. O'Boticario positioned its products 10–20 per cent cheaper than Natura's.

In 1999, Natura was the largest Brazilian-owned cosmetics company and the most profitable in the sector. In that same year, Natura marketed and distributed 300 prestige products across seven main categories: perfume, skin care, hair care, colour cosmetics, sun screen, deodorants and children's products, targeted at the middle- and upper-class segments. It had a very favourable image among Brazilians, being recognized and admired for producing quality products and for being a socially conscious company. The combination had earned Natura the title of best company in the hygiene and cosmetics sector in Brazil for three consecutive years, despite not being the largest player in the sector. Many business analysts had sought to pinpoint the formula of Natura's success, and had often resorted to 'Natura's magic' in trying to explain its performance and consistent customer loyalty under difficult circumstances.

Natura's motto, 'Truth in Cosmetics', resonated strongly among employees at all levels. According to Seabra, Natura's founder and one of its three presidents, 'in an industry famed for promises and the pursuit of success at any price, Natura prides itself in offering a truthful approach to consumers'. This philosophy translated into products that were clearly labelled and a sales force trained to give informed advice regarding the ingredients and appropriateness of each product. Natura's products must somehow contribute to the 'well-being' of its customers, both through its choice of technology and the message behind each product. For example, Natura did not produce hair colouring products because the process inevitably harms the hair. The same with nail polish: Natura did not include it in their cosmetics line until the R&D department found a formula that did not have formaldehyde and toluene, ingredients that tend to debilitate the nail.

New products and product lines were usually launched with a message of how they contributed to the customers' well-being, and that message was incorporated into commercials and into the training offered to consultants. The mother/baby creams, for example, were associated with the Shantalla method, encouraging touch and caressing, which creates stronger ties between child and mother. Chronos, the 'anti-wrinkle' cream, was marketed with the message that beauty was not achieved through the pursuit of youth but through the right attitude towards ageing. Natura believed this approach had contributed to its loyal customer base, and was a key differentiation factor for its products.

Natura's marketing campaigns highlighted the theme of 'Truth in Cosmetics' which sometimes went against the standards of the industry. The last commercial for the Chronos line (anti-wrinkle cream) used Natura consumers over 30 years of age instead of young models, with the implicit message, according to Leal, another president of Natura, that 'you will not look like Claudia Schiffer with our products but you're still beautiful'. This campaign, called 'Real Pretty Women', exalted middle-aged beauty, 'since outside of technology, a woman's beauty depends on her harmonious relationship with time and the different phases of life'. This campaign had made Chronos one of the most profitable lines in Natura even though the product did not seem very different from most anti-wrinkle lines found in the industry.

Building Natura's competitiveness

Personal relationship as an emblem of the sale's force. Luiz Seabra wanted to build Natura as a value-based company from its origin, and his commitment to truth and to the value of relationships had impacted on every aspect of the company: its products, training programmes, relationships among employees, etc. Natura's self-defined purpose was to provide well-being/being well, 'to create and market products and services that promote the individual's harmonious, pleasant relationship with himself/herself and his/her own body (well-being), and at the same time with others and with the world (being well)'. Seabra acknowledged that this might seem like 'an oxymoron in today's cosmetics industry', but believed that Natura had projected and been consistent with this philosophy in all its dealings with employees and customers.

Seabra was a firm believer in the power of relationships and demonstrated this in the way he treated his employees and the sales force. He personally called every manager and director on their birthdays, he knew the names of the cleaning personnel in his office and avoided formality in his interactions with people. His personal conduct had become a source of many of the stories and myths that almost defined the soul of the company. Most employees were ready to expound on Natura's values of transparency and respect in its approach towards employees, customers and the world around it. Manoel Luiz, a manager in the IT services division, joined Natura in 1996 after heading the IT department at Einstein Hospital, São Paulo's most prestigious hospital, and explained his reasons:

> Why am I working here!? . . . I have never seen a company like this one, never. The treatment of all the people, the truth with which we work throughout the chain: with our suppliers, our employees and our resellers. It is everything, treatment, truth, payment, benefits, the vision, the mission. . .. To give you one example, this year our founder-president is living in London, and the 6th of March was my birthday. I went away for the weekend, and when I arrived there was a message from him from London: 'I am very sorry I haven't met you but I'm calling to say happy birthday, happy new year of life.' It is very different – in the hospital I had to call people by Mr, Dr, to have some respect, this is not the way that I show respect. These are not the relationships I want in my life.
>
> (Manoel Luiz, IT Manager, Natura)

The office lay-out of Natura's headquarters reflected this sense of openness and camaraderie. Everybody but the three presidents sat in opaque pink cubicles in a large open space, from directors to customer service attendants. Everybody ate at the same cafeteria and there were no parking spaces reserved for management. Guilherme Leal, one of the members of the triumvirate of presidents, proudly contrasted Natura's culture to that of a bank he worked for earlier, where elevators were blocked every morning so that the President of the company could ride alone while the rest of the employees watched as they waited.

Having realized early on the power of relationships over people's well-being, Seabra, Guilherme and Pedro, who personified the magical power of the triumvirate, decided to make Natura a vehicle for these rewarding relationships. The direct sales method was an integral part of Natura's business identity, and, although alternative methods like franchising or even catalogue sales had been proposed through time, they had so far been discarded. Natura believed that it was the only significant company worldwide to successfully use direct sales to access upper and upper-middle demographic segments. An army of 300,000 consultants who received continuous training and the highest commissions in the industry provided Natura with a significant competitive edge and created a strong barrier to the entry of newcomers. Natura had perfected its success formula in recent years: a well-trained and motivated door-to-door direct sales force of 300,000, selling premium, high-margin cosmetics and personal care products to middle- and upper-class customer segments in Brazil (an unusual customer base in the direct sales industry).

Natura also tried to differentiate itself through the constant and personalized contact with the sales promoters, a complete sales support system and its positive image in the marketplace. Sales promoters organized 'Natura Meetings' for their consultants every twenty-one days (equal to one cycle) which provided continual training and reinforcement of Natura's values. These meetings tended to be fun gatherings where the promoters would present promotions of new products and provide a thorough description of the products, their ingredients, attributes, and of target customers. For every meeting, the promoter counted on a video and the newsletter 'Natura Consulting' put together by the headquarters for every cycle. Consultants received free courses, free support materials and were part of an elaborate recognition programme, which celebrated both performance and seniority.

Natura differentiated its direct sales operations by emphasizing the development of strong relationships between its consultants and the ultimate consumers. Consultants were trained to create trusting relationships with their clients, to provide personalized advice and educate their clients on the benefits of Natura's products. Partly due to this personalized treatment, Natura had the highest consumer loyalty within the industry.

Relationship building was encouraged not only towards clients, but also within the organization structure. Sales promoters, each in charge of 250–300 consultants in a specific region, had more than a sales co-ordination role; they served as counsellors and friends. The promoter met with the consultants on a one-to-one basis at their homes, where the consultants were interviewed, and was thereafter available to discuss non-work-related issues. Unlike with the competition, most of the promoter's salary was dependent on the retention of consultants rather than on sales.

During 'Natura Meetings', which occurred every three weeks, the promoters introduced new products and promotions and took the opportunity to socialize and share experiences. They usually invited some of their consultants – fifty to sixty at any given meeting – to maintain a manageable group. The meetings were initially held at the promoter's home, where the whole family participated in the cooking and decoration, creating an intimate and personal atmosphere. The meetings were full of cheering and applauding as almost a quarter of the consultants present received a gift of some sort for high performance in sales, for bringing new consultants to the company or from random lotteries. Each promoter was free to incorporate other activities during those meetings. For example, at the beginning of the year a promoter devoted her session to explaining the reasons behind the recent currency devaluation and its effects, and on another occasion she celebrated Mother's Day by reading poems and singing. Natura has the lowest turnover ratio among all direct sales companies.

The sales promoters benefited from an extensive and structured training programme: after two formal training sessions in the first three to four months of work, promoters were required to return to the headquarter every two years for a week-long Advanced Formation Programme, taught by experienced promoters, sales managers and outside experts. New promoters were introduced to more experienced promoters working in the same region to build mentoring and support relationships that often lasted throughout their careers.

Respect for personal relationships can also be viewed in the relationship held between the three presidents – an uncommon model in the entrepreneurial context: despite their differences, Luiz Seabra, Guilherme Leal and Pedro Passos hold a friendly relation, which generates complementarity. Such respect for differences and team work permeates the various levels of the company, having, therefore, a decisive impact on the practices of people management.

Transforming power concentration into power

Due to the strength of the personal relationships within Natura and the way of articulating power, all decisions have to be negotiated and discussed among the three presidents. The percentage of stock they owned did not influence the decision power held by each of them. Most issues were resolved in a series of meetings at different levels of the organization to encourage teamwork and discussions, although most decisions were still reached in an informal manner, 'on the corridor' as they put it. In a recent article on Natura, the authors summarized this system: 'Natura's management style can harmonize informality, intuition, cleverness with the necessary accuracy to control and run the company' (*Exame*, 1998a).

Openness and inclusiveness were hard-wired in Natura through a proliferation of committees at all levels of decision-making. At the top, the three presidents met periodically to discuss major strategic issues like whether they should continue with direct sales, whether they should expand in Latin America or Europe, etc. These meetings began with Guilherme Leal articulating the issue at hand and its effects. Luiz Seabra tended to examine the issue from unexpected angles and Pedro Passos, another president of the company, provided a reality check and brought everybody down to earth. They often disagreed openly, but not on a personal level. These meetings were not scheduled on a regular basis, but happened 'spontaneously'.

> There is no process, it's informal and just requires 'lending an ear'. When one feels we need a rule, we try to create one, for example with the issue of setting up a board. Otherwise, in reality we go to each other when the heart orders, in the corridors, by telephone, in meetings. It's rarely an economic matter; normally it's a question regarding the climate of the company. A rule, 'what's above five million must be reached by consensus', that's ridiculous. If it's changing the climate of the company then it's required.
>
> (Guilherme Leal, CEO Natura)

The Natura Strategy Planning Committee brought together the ten directors from different business areas and Pedro Passos twice a month. They discussed results, follow-ups on strategies, HR policies (salaries, bonuses, benefits, etc.) and determined the main strategies that needed to be followed on a five-year horizon. The strategies were communicated to all employees. Every three months the presidents held a meeting first with the ninety-six senior managers and then with a much broader group of supervisors to respond to any concerns and listen to ideas. Seabra believed that such discussions developed interest and creativity among the workforce. Through these meetings and a monthly publication distributed around the company, all the employees had an opportunity to understand and learn about the decisions that were taken and how consistent they were with Natura's values.

There were no rules set for decision-making. Certain issues like those pertaining to the structure of the company needed consensual agreement. This had sometimes led to impasses. The decision to separate the production and distribution centres dragged on for a year before consensus was reached. Sometimes, decisions were made unilaterally. For example, Passos decided to hire services to install SAP, and Leal found out about this decision, which involved millions of dollars, through the newspapers. On a different occasion, Passos decided to call back a product from the market because of quality problems. It was not a problem the consumer could notably feel; the wax in one of their lipstick products was crystallizing, which made it uncomfortable to wear. Passos gave orders to advise all the consultants of the incident so they could pass it on to customers and reimburse them. According to Passos, this decision was in accordance with Natura's values and thus he did not need to discuss it with the other presidents.

Creating value from flexibility

Middle management enjoyed a very high level of flexibility and autonomy in the organization. Of their annual bonus, half depended on the sales target achieved by the company and the other half was based on achieving the targets of their particular division. Managers devised their own yearly targets and then discussed them with their direct bosses. Because of this freedom to set their own targets, people tended to aim very high – much higher than they would accept if the targets came down from above.

Although managers set their own targets, they needed to be consistent with Natura's overall goals. Every September, all the managers received Natura's yearly strategic plan devised by a top management council led by Pedro Passos. The plan described the overall goals for the year, including growth targets in the domestic and international areas, growth in new businesses, etc. Each manager then prepared the strategic plan of each area (sales, IT, logistics, manufacturing, etc.) that would help Natura achieve those goals.

> I ask myself, what do I have to do to leverage the goals of Natura? I prepare my plan first. For example, I have to have more availability of the system, more facilities for the consultants, etc. I discuss it with my director who passes it on to Pedro. Pedro tells us it's good here, it's not enough here.... It is discussed until everyone agrees.
>
> (An executive)

Likewise, the company's telephone operators enjoy a lot of autonomy. Natura's customer service hotline (SNAC) played an important role in collecting feedback from customers. The forty telephone operators received 50,000 calls a month, regarding all types of customer needs: complaints, feedback, questions about products, etc. To encourage feedback from Brazilian customers unused to those services, the attendants enjoyed a high degree of flexibility and authority in solving customer concerns. Attendants could reimburse or replace a product under any circumstances, pay doctors' fees in case of adverse reactions to Natura products, reschedule a consultant's debts, if found appropriate, etc.

Case discussion

It was claimed that the globalization process or, more precisely, the characteristics defining this process have meant a series of challenges for companies around the world. They are facing a more competitive environment in which competitiveness and efficiency have become a *sine qua non* condition for them to survive. Even though these challenges have been common to companies, regardless of their size, nationality or sector, some companies seemed to be more prepared than others to respond to these challenges. Certainly, the companies least prepared to respond to the requirements posed by the shifts of the world economic environment were those from countries like Brazil that have been closed to the foreign market for many years and disregarded competitiveness, efficiency and productivity issues.

The new configuration of the economic world environment has first evidenced that these companies would need to change in order to respond adequately to the demands arising from a more competitive scenario. Second, it has prompted the managers of these companies to search for means to respond to these demands. Naturally, the eyes of these managers turned to those companies that were a model, i.e. a reference in terms of competitiveness and efficiency. This has led to the adoption of these 'successful' organizational and management practices, regardless of their origin. The suitability of these practices to the company seemed to have remained a secondary issue. And the literature has shown that this is definitely not a minor aspect, as 'successful' practices elsewhere, especially the emic, i.e. the locally meaningful ones (Tayeb, 1994), such as HR practices, may not be successful everywhere.

There are, however, some exceptions. Some managers, instead of looking for practices from successful companies, have chosen to build their competitiveness through management practices firmly anchored on the cultural traits of their countries. Natura is an excellent example of the viability of this path. Its choice demonstrates, first, that a company may be successful with management practices rooted in typical Brazilian cultural traits. Second, the case of Natura shows that this option may be less risky than the adoption of foreign management practices because the legacy of the Brazilian institutional environment may continue to play a role, as some authors (Whitley and Czaban, 1998; Taplin and Frege, 1999) argue was the case in some East European countries. So, the adoption of 'successful' practices may in reality yield less positive results than management practices based on cultural traits assessed as invaluable in competitive environments.

This paradox leads us to a critical aspect of this case. Although Natura's management practices, mainly regarding people's management, are clearly based on typical Brazilian culture features and also are a major reason for its competitiveness, the company's management practices are essentially distinct from those of most Brazilian companies in the uniqueness of its way of articulating and re-signifying Brazilian cultural values. In this sense, cultural trait and management practice should not be mistaken. The same cultural trait can be the origin of very distinctive management practices, with different meanings. Put differently, the lack of competitiveness of many Brazilian companies should be attributed not to the Brazilian cultural traits inherent in these practices, but to the management practices that were built upon these cultural traits. This leads us in turn to another important issue of the case: the re-signification of a cultural trait as an assumption on which to build a management practice that is a source of competitiveness.

The process of building competitive management practices upon typical cultural traits is thus a very complex one. Power concentration, personal relationships and flexibility are typical Brazilian cultural traits that can be at the origin of management practices which are completely outdated and inadequate to respond to the increasing demands that the changing world economic environment raises. These were the management practices likely to exist in those companies whose managers, once competition in Brazil became fiercer, turned their eyes to the outside looking for management practices built upon different cultural bases. By contrast, Natura has sought to re-signify these cultural traits, i.e. to understand how they could be a lever for its competitiveness (and not a cause of inefficiency). The essential difference between both groups of companies was possibly the set of values embraced by the team leader.

The basis of the process of re-signifying some Brazilian cultural traits was the establishment by Natura's top management (or its three presidents) of the fundamental values of the company: commitment to truth and value of relationships. So, re-signifying a cultural trait requires more than perceiving such a trait in a different manner; it also needs the implementation of mechanisms to favour the consolidation of these values and the mode of operating them. Furthermore, in order to crystallize these values, the HR top management team needs to engineer processes and systems which support the construction of the management practices around these values. Fundamentally, it is imperative for the management team to be genuinely committed to the whole process.

The process of developing competitive management practices must thus be based upon a solid system of values that the top management practises or wants practised. If this is not solid enough, it is unlikely that the management practices will stand or that people will be committed to them. And, since a company's value system is unique, this will probably lead to the re-signification of a set of cultural traits, and hence the building of a complex and interrelated set of management practices that will be the source of the company's competitiveness. In other words, once the team leader embraces a set of values, this means that different cultural traits (and not a single one, for example) are to be re-signified.

In the case examined in this paper, Natura has favoured personal relationship as a central axis of its sales force. Personal relationships maximize the potential mobilization of people, a characteristic in strong demand in our times. Natura also has taken advantage of the cultural trait of flexibility in order to create value; it granted autonomy to its middle managers and telephone operators. It should be observed that neither personal relationships nor flexibility could have been useful as a basis for competitive management practices if power concentration had not been re-signified. While transforming power concentration simply into power (and this was perhaps the most fundamental change in terms of re-signifying a cultural trait), Natura's top managers enabled the other management practices to be established, thereby creating the interdependency of these management practices.

Concluding remarks

There is no doubt that, in the global and competitive world, managers, especially HR ones, must be competent to manage according to world-class standards. In terms of the management of people this implies respecting the particularities of the country's culture and of the organizational environment. However, it is not enough to take these particularities into account. The leaders of a company may respect the particularities of the culture of a country, but not embrace values that will not support competitive management practices. Also, leaders need to re-signify the cultural traits that characterize a country in such a way that competitive management practices may be erected upon those cultural traits. So, defining values and re-signifying cultural traits are initial requirements for the establishment of competitive management practices which take into account the local culture. This is a complex process, but perhaps less risky than that of importing foreign management practices that may not match the local culture.

This paper approaches an issue that has not been extensively discussed in the literature. The literature has normally focused the problems and difficulties inherent in the transfer of management practices, especially HR management practices, between distinct environments. The literature has also examined how some business practices from certain countries, mainly from the less developed ones, may be inadequate to sustain the economic development of a country and/or ensure the competitiveness of a company. In this sense, the debate about the building of a company's competitiveness and efficiency upon typical cultural traits from a given country is only incipient. The aim of this paper is thus only to raise an issue that, in our opinion, deserves to be more deeply investigated.

Three issues discussed in this paper need to be further explored. One refers to the idea of re-signifying a cultural trait. Although the case discussed in this paper has allowed us to put forward this idea and analyse it within the context of the case, it should be looked at more closely in different cultural contexts. Also, it would be worthwhile examining whether other competitive companies have been doing this, i.e. re-signifying local cultural traits in order to build competitive management practices. The other issue refers to the link between organizational values, the re-signification of the cultural traits and the construction of competitive management practices. In examining this, it would be possible better to explain the logic underlying the link between these three aspects. Finally, a third issue would be to compare companies with different management practices but common cultural traits. Such a comparison would help to corroborate the arguments that have been advanced in this paper.

Notes

1 Caldas and Wood explain that 'in the Brazilian culture, the expression [for the English to see] reveals the intention of creating an illusionary reality to provoke a certain effect in the eyes of someone we respect or fear, without really changing substantially what lies beneath the surface' (1998: 517). ' For the English to see' is a literal translation of 'Para inglês ver'.

2 Natura was chosen as best company of the year by *Exame*, Brazil's major business magazine (*Exame*, 1998b). Natura has also been the number one company in the hygiene and cosmetics sector for the years 1997, 1998 and 1999.

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