

Use the globalEDGE™ website (globaledge.msu.edu) to complete the following exercises:

1. Promoting respect for universal human rights is a central dimension of many countries' foreign policy. As history has shown, human rights abuses are an important concern worldwide. Some countries are more ready to work with other governments and civil society organizations to prevent abuses of power. The annual *Country Reports on Human Rights Practices* are designed to assess the state of democracy and human rights around the world, call attention to violations, and—where needed—prompt needed changes in U.S. policies toward particular countries. Find the latest annual *Country Reports on Human Right Practices* for the BRIC countries (Brazil, Russia, India, and China), and create a table to compare the findings under the “Worker Rights” sections. What commonalities do you see? What differences are there?
2. The use of bribery in the business setting is an important ethical dilemma many companies face both domestically and abroad. The Bribe Payers Index is a study published every three years to assess the likelihood of firms from leading economies to win business overseas by offering bribes. It also ranks industry sectors based on the prevalence of bribery. Compare the five industries thought to have the largest problems with bribery with those five that have the least problems. What patterns do you see? What factors make some industries more conducive to bribery than others?

CLOSING CASE

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Sustainability Initiatives at Natura, The Body Shop, and Aesop

Corporate Knights, a research firm from Toronto, Canada, puts together the Global 100, a ranking of the world's most sustainable companies, based on annual data analytics. Using data available publicly, Corporate Knights rates large firms on 17 key measures, evaluating their management of resources, finances, and employees (e.g., energy, carbon footprint, water use, waste productivity, clean air). They consider about 4,000 companies worldwide with market values of at least \$2 billion.

For several years, Natura & Co SA from Brazil has been among the world's leaders, regularly ranking in the Top 20 each year. This is an incredibly admirable feat, because Natura is also the world's largest cosmetics company. Cosmetics has a lot of potential to be less than sustainable in manufacturing and operations, but Natura has bucked that trend. Natura (naturaeco.com), headquartered in São Paulo, Brazil, was founded in 1969. The company has more than 18,000 employees and revenue of about \$4.4 billion. Natura has three prominent subsidiaries that strive to be as sustainable in their operations as possible: Natura Cosmetics, The Body Shop, and Aesop. The latter two brands are often viewed as standalone organizations by customers.

Natura Cosmetics develops, produces, distributes, and sells cosmetics, fragrances, and hygiene products. Natura's products include creams, deodorants, lipsticks, lotions, makeup accessories, perfumes, shampoos, shaving creams, soaps, and sunscreens, among others. Its portfolio is made up of brand names such as Amo, Ekos, Tododia, Aguas, Chronos, Erva Doce, Homem, Horus, Seve, and Luna. The company employs more than 7,000 people in seven countries: Brazil, Argentina, Chile, Mexico, Peru, Colombia, and France. Sustainable development has been Natura's guiding principle since it was founded. Sustainability, along with a passion for Customer Relationship Management (CRM), led the company to adopt direct sales as its main commercial strategy. To support its direct sales model, more than 1,421,000 consultants around the world promote the company's values and products directly to customers. To be sustainable, innovation is at the heart of Natura's development policy. For example, last year the company spent about \$75 million on product development, launching 164 products and achieving an innovation index of 64.8 percent (the percentage of revenue from products launched in the last two years).

The Body Shop is a well-known, formerly British cosmetics, skin care, and perfume company that was founded in 1976 by Anita and Gordon Roddick. The company offers more than 1,000 products, which it sells in some 3,100 owned and franchised stores in 66 countries. The Body Shop is still based in East Croydon and Littlehampton in the United Kingdom, but was bought from French cosmetics company L'Oréal (which owned The Body Shop from 2006 to 2017) by Natura in June 2017 for \$1.2 billion (£880 million). Famously, The Body Shop has been a leader in banning animal testing of cosmetics products worldwide since the 1980s and is tirelessly working to ban animal testing in the cosmetics industry. This position also feeds into its sustainability initiatives. Anita Roddick said that “My hope for the future of The Body Shop is primarily vested in those people who will be the custodians of our culture and values.”* This custodianship includes the pledge of being the world's most ethical, sustainable company. For example, The Body Shop has unveiled an “Enrich Not Exploit” slogan that will underpin all aspects of its operations. This pioneering commitment

reaffirmed the global cosmetics brand's positioning as a leader in ethical and sustainable business practices.

Aesop was founded by hairdresser Dennis Paphitis in 1987 in Melbourne, Australia. Suzanne Santos, as Aesop's first employee, was also instrumental in the foundation and growth of the company. Aesop is viewed as an Australian skin care brand, owned fully by Natura since 2016 (although Natura had part ownership since 2012). The brand has been identified as unique in the way it markets itself in today's social media world. In a somewhat unorthodox way, this includes not using traditional advertisements or discount sales to promote its products. Instead, Aesop gets its promotional communication mostly by word-of-mouth for the design of its products, stores, and events, which are a singular mix of indulgent product experiences, thoughtful language, and modern minimalist design (compare this with the Swedish furniture giant IKEA that often receives similar reviews of minimalist but superb design in the furniture business).

With its core subsidiaries (Natura Cosmetics, The Body Shop, and Aesop), Natura & Co SA has redefined success in business on a global scale. It was the first publicly traded company to become a "Certified B Corporation." ^{Page 161} A Certified B Corporation is a company that focuses on two specific sustainability issues. First, it has reached a threshold standard for its impact on society and the environment. Second, the company must have committed to consider the impact of its business decisions on its wider stakeholders, not just its shareholders. Currently, only 2,200 B Corps exist worldwide, and their core sustainability focus is on the interdependence between society, environment, and economy. Importantly, Natura's actions show that it is possible to make a positive difference for the environment while also ensuring the financial viability of the company through profit making. This mindset also drove Natura's purchase of The Body Shop in 2017, the first billion-dollar B Corp acquisition by another B Corp.

*Roddick, Anita Dame, "Building For The Future. Our Values Performance 2014/2015 & Our New Commitment," The Body Shop, 2016.

Sources: Deanna Utroske, "The Body Shop Launches New Campaign for UN Animal Testing Ban," *Cosmetics Design*, March 22, 2018; Andres Schipani, "Body Shop Owner Natura Targets Global Growth," *Financial Times*, February 4, 2018; Corporate Knights, "2018 Global 100 Results," www.corporateknights.com/reports/2018-global-100; "The Body Shop Marks 40th Year with Pledge to Be World's Most Ethical, Sustainable Global Company," *Sustainable Brands*, February 12, 2016; Charmain Love, Katie Hill, and Marcel Fukayama, "Building Bridges: Natura, Aesop and The Body Shop Join Their Businesses as Forces for Good," *B the Change*, September 13, 2017.

CASE DISCUSSION QUESTIONS

1. With its three core companies (Natura Cosmetics, The Body Shop, and Aesop), Natura & Co SA blends three different business models for interacting with the customer. In the end, all three models are focused on sustainable business practices. What can other companies learn from Natura & Co SA on how to be sustainable?
2. The Body Shop has been a leader in banning animal testing of cosmetics products worldwide since the 1980s and is tirelessly working to ban animal testing in the cosmetics industry. Is this part of being sustainable or is animal testing a different focus?
3. Aesop is not using traditional advertisements or discount sales to promote its products. Instead, Aesop gets its promotional communication mostly by word-of-mouth for the design of its products, stores, and events, which are a singular mix of indulgent product experiences, thoughtful language, and modern minimalist design. If you had to interact with Natura & Co SA, which customer engagement model—Natura's, The Body Shop's, or Aesop's—would be the best for you and why?
4. How much would it mean to you that a company operated in a sustainable way? Would you pay 5 percent, 10 percent, or 25 percent more for a product if the quality was the same as non-sustainable alternatives? What if the quality of the product was lower but the price the same?

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Endnotes

1. T. Hult, "Market-Focused Sustainability: Market Orientation Plus!" *Journal of the Academy of Marketing Science* 39 (2011), pp. 1–6; T. Hult, J. Van O C Ferrell, and L. Ferrell, "Conceptual Framework," *AMS Review* 1 (2011), pp. 44–65.
2. S. Greenhouse, "Nike Shoe Plant in Vietnam Is Called Unsafe for Workers," *The New York Times*, November 8, 1997; V. Dobnik, "Chinese Workers Abused Making Nikes, Reeboks," *Seattle Times*, September 21, 1997, p. A4.
3. R. K. Massie, *Loosing the Bonds: The United States and South Africa in the Apartheid Years* (New York: Doubleday, 1997).
4. Not everyone agrees that the divestment trend had much influence on the South African economy. For a counterview, see S. H. Teoh, I. Welch, and C. P. Wazzan, "The Effect of Socially Activist Investing on the Financial Markets: Evidence from South Africa," *The Journal of Business* 72, no. 1 (January 1999), pp. 35–60.
5. Peter Singer, *One World: The Ethics of Globalization* (New Haven, CT: Yale University Press, 2002).
6. Garrett Hardin, "The Tragedy of the Commons," *Science* 162, no. 1 (1968), pp. 243–48.