

RESEARCH YEARBOOK
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EDITOR IN CHIEF

Thomaz Wood Jr.

ASSISTANT EDITOR

Daniela Mansour M. da Silveira

EDITORIAL STAFF

Adriana Wilner, Lucas Callegari and Verônica Couto

ACADEMIC SUPPORT

Bruna Pereira Santos, Isolete Rogeski and Luciana Maria dos Santos

GRAPHICS AND COMPOSITION

Cris Tassi

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PRESENTATION

This yearbook provides a summary of some of the research undertaken by professors from FGV-EAESP.

The research projects were supported with grants from GVpesquisa, in four categories: two aimed to individual researchers and two aimed to research groups.

The volume also contains articles on subjects that have gained prominence in FGV-EAESP and is a reflection of the institution's emerging areas of expertise: international competitiveness, quality in public sector management, development policies, the inclusive green economy, education and human capital.

Examined together, these summaries offer a panoramic view of our researchers' diversity and wealth of reflections. They also provide opportunities for the identification of future theoretical and practical developments.

The research summaries were prepared by the journalists Lucas Callegari and Adriana Wilner. The reports were written by the journalists Verônica Couto and Adriana Wilner. The graphics were designed by Cris Tassi, and overall coordination of the project was the responsibility of Daniela Mansour M. da Silveira of the GVpesquisa team. The authors themselves provided decisive support in preparing the summaries.

We trust this yearbook will achieve its objectives, which are to disseminate knowledge generated in FGV-EAESP and to serve as a bridge between readers and authors.

My academic greetings,

Thomaz Wood Jr.

Coordinator – GVpesquisa

SUMMARY

SPECIAL ARTICLES - THINK TANK

INTERNATIONAL COMPETITIVENESS

- 10 The major challenges to gaining share in the global market

THE INCLUSIVE GREEN ECONOMY

- 14 A research base for a better world

EDUCATION AND HUMAN CAPITAL

- 18 Tradition and boldness in the training of managers

DEVELOPMENT POLICIES

- 22 The challenges Brazil faces in beginning to grow again

QUALITY IN PUBLIC MANAGEMENT

- 26 Leadership in innovation helps Brazil strengthen democracy and citizenship

SUMMARIES OF THE RESEARCH

Business Administration

ENTREPRENEURSHIP

- 32 The essential competences of women entrepreneurs
Vânia Maria Jorge Nassif, Tales Andreassi, Maria José Tonelli and Maria Tereza Leme Fleury
- 34 How incentive policies boost entrepreneurship
Gilberto Sarfati
- 36 What entrepreneurs learn at college
Marcelo Marinho Aidar

BUSINESS STRATEGY

- 38 Evaluating the competitiveness of nations
Luciano Castro de Carvalho, Luiz Carlos Di Serio and Marcos Augusto de Vasconcellos
- 40 Made-to-measure strategic management
Sergio Bulgacov, Pedro Josemar Pereira dos Santos and Márcia Ramos May
- 42 Measuring the operating performance of companies
Ely Laureano Paiva, João Mário Csillag, Luiz Artur Ledur Brito, Marcos Vasconcellos and Susana Pereira
- 44 Global mindsets: a challenge for Brazilian multinationals
Maria Tereza Fleury and Germano Glufke Reis
- 46 The impact of regulation on company performance
Paulo Arvate, Rodrigo Bandeira de Mello, David Kallas and Marina Gama
- 48 The economic value of political connections
Sílvio Parodi Oliveira Camilo, Rosilene Marcon and Rodrigo Bandeira de Mello
- 50 A success story in the health sector
Eduardo Loebel

MARKETING STRATEGIES

- 52 Hope as a driver of indebtedness
Lucia Barros and Delane Botelho
- 54 A full store is not always good for business
Marcelo Moll Brandão and Juracy Gomes Parente
- 56 Social networks: an opportunity for small businesses
Eliane Pereira Zamith Brito

ORGANIZATIONAL STUDIES

- 58 The colonialization of Brazilian management
Rafael Alcadipani da Silveira and Miguel Pinto Caldas
- 60 Organizational lessons coming from Antarctica
Maria Ester de Freitas
- 62 The corporate fraud show
Thomaz Wood Jr. and Ana Paula Paulino da Costa

FINANCE AND ACCOUNTING

- 64 How SMEs decide on their funding
Claudia Emiko Yoshinaga and William Eid Junior
- 66 Differences between British and Brazilian companies
Claudinê Jordão de Carvalho and Rafael Felipe Schiozer
- 68 Transparent enterprises
João Luiz Piccioni Jr., Hsia Hua Sheng and Mayra Ivanoff Lora
- 70 The advance in corporate governance standards
Bernard S. Black, Antonio Gledson de Carvalho and Joelson Oliveira Sampaio

- 72 Credit cards and university students: a delicate relationship
Wesley Mendes da Silva, Wilson Toshiro Nakamura and Daniel Carrasqueira de Moraes
- 74 The performance of Brazilian index funds
Claudia Emiko Yoshinaga, Elaine Cristina Borges and William Eid Jr.
- 76 Signaling dividends
Claudia Emiko Yoshinaga and Francisco Henrique Figueiredo de Castro Junior

INFORMATION MANAGEMENT

- 78 How banking correspondents work
Martin Jayo, Eduardo H. Diniz, Felipe Zambaldi and Tania P. Christopoulos
- 80 Cloud computing
Otavio Próspero Sanchez and Alexandre Cappelozza
- 82 The success of the Paulista Tax Receipt
Gustavo Hermínio Salati Marcondes de Moraes and Fernando de Souza Meirelles
- 84 A model for assessing IT management
Alberto Luiz Albertin and Rosa Maria de Moura Albertin

HEALTH MANAGEMENT

- 86 The unpredictable side of work in hospitals
Ana Maria Malik
- 88 The slow advance of technology in hospitals
Libânia Rangel de Alvarenga Paes

OPERATIONS AND LOGISTICS MANAGEMENT

- 90 Collaboration: the key to success in production chains
Luiz Artur Ledur Brito and Manoel de Andrade e Silva Reis
- 92 Professionals with logistics and supply chain competences are in short supply
Manoel de Andrade e Silva Reis
- 94 Theory of reasoned action and continuous improvement
Chen Yen-Tsang, João Mário Csillag and Janaina Siegler

SUSTAINABILITY

- 96 How to make a profit with green business
Renato J. Orsato
- 98 Forging the new consumer
Isleide Arruda Fontenelle
- 100 The environmental management and operational strategies of enterprises
Charbel José Chiappetta Jabboura, Eliciane Maria da Silva, Ely Laureano Paiva and Fernando Cesar Almada Santos
- 102 Innovation and sustainable practices: the Natura case study
André Pereira de Carvalho and José Carlos Barbieri

Public Administration

POLITICAL SCIENCE

- 106 Democracy and efficiency go hand-in-hand
Maria Rita Loureiro and Fernando Luiz Abrucio
- 108 What is an oligarchy?
Cláudio Gonçalves Couto

PUBLIC POLICIES

- 110 Activists in government
Luiz Claudio Marques Campos, Patricia Maria Mendonça and Mario Aquino Alves
- 112 Experiments in fostering family farming
Mario Aquino Alves and Zilma Borges

RESEARCH AND KNOWLEDGE

- 114 Ethics and science
Peter Kevin Spink

PUBLIC MANAGEMENT

- 116 The Brazilian elite is “country-dependent”
Luiz Carlos Bresser-Pereira
- 118 Public policy assessment: the road to transparency and accountability?
Ricardo Ceneviva and Marta Ferreira Santos Farah
- 120 Advances in access to government information
Marco Antonio Carvalho Teixeira and Fabiano Angélico
- 122 Training civil servants reduces corruption
Ciro Biderman, George Avelino Filho and Marcos Lopes
- 124 When government itself promotes social control of the State
Maria Rita Loureiro, Fernando Luiz Abrucio, Cecília Olivieri and Marco Antônio Carvalho Teixeira
- 126 The competitive advantages of alternative banks: lessons from Europe
Kurt von Mettenheim and Olivier Butzbach
- 128 Excellence in municipal management
Francisco Fonseca, Ricardo Ernesto Vasquez Beltrão and Otávio Prado

BOOKS

- 132 Books published in 2012



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SPECIAL ARTICLES THINK TANK

INTERNATIONAL COMPETITIVENESS

THE INCLUSIVE GREEN ECONOMY

EDUCATION AND HUMAN CAPITAL

DEVELOPMENT POLICIES

QUALITY IN PUBLIC MANAGEMENT

THE MAJOR CHALLENGES TO GAINING SHARE IN THE GLOBAL MARKET

FGV-EAESP is undertaking research that may help companies and the government in their search for successful internationalization processes and increased competitive capacity

Brazil is 48th in the World Economic Forum's 2012/13 Global Competitiveness Report. Compared to other BRICS members, Brazil is ahead of Russia (67th) and India (59th), but well behind China (29th); the list is led by Switzerland. Brazil's position simultaneously reflects its limited progress—the country was in 53rd position in the 2011/2012 ranking and in 68th in 2008/2009—and the domestic challenges that remain.

The World Economic Forum defines competitiveness as the cluster of institutions, policies and factors that determine a country's level of productivity, which in turn defines the level of sustainable prosperity that an economy can

achieve to produce greater income for its citizens, higher rates of return on investments and faster growth over the medium and long terms. The Forum bases its rankings on an evaluation of 12 pillars: institutions, infrastructure, macroeconomic stability, health and compulsory education, higher education and training, efficiency of the market for goods, efficiency of the labor market, sophistication of the financial markets, technological preparation, market size, business sophistication and innovation.

The concept of competitiveness can be applied to countries—as in the case of the World Economic Forum ranking—and to individual companies. Investigations undertaken by FGV-EAESP researchers focus on the concept's various levels and different magnitudes.

Competitive companies

Among Brazilian multinationals, the best reveal maturity in important management areas. "One of the key questions is that these companies have developed management models that are interesting to work on in other contexts," states FGV-EAESP's director and professor of international strategy, Maria Tereza Fleury. She cites the operational competence of groups that produce manufactured goods or services and have managed to gain entry to markets in which corporations from developed countries have been less successful. "There are Brazilian corporations acquiring companies in the United States and in Europe," she says. Fleury cited the cases of Ambev (which acquired Anheuser-Busch), and Friboi and Gerdau.

Fleury also emphasizes the sound performance posted by these corporations in countries with unstable institutional environments, such as those on the African continent. "They've learned how to survive in markets that have high inflation rates. They learned from the difficulties they experienced in their local market." Such was the case with Odebrecht, Vale and Andrade Gutierrez in the mining and engineering and construction sectors; it has been the experience of other companies also.

Conversely, notes Fleury, Brazilian companies' entry into European countries, the United States and Canada has also demanded a learning process to respond to the different conditions found there. "So companies need to think about how to adjust their management models, because, along with the many other changes that need to be taken into consideration, labor relations and the legal and normative structures are different."

In this sense, financing is sometimes available to provide support for these companies' efforts. In Brazil, the various forms of public support include a line of

financing from the *BNDES* (Brazilian Development Bank) that has been available since 2006 and actions undertaken by the Brazilian Trade and Investment Promotion Agency (*APEX*), in addition to resources from sectoral funds and specific programs.

According to Fleury, a growing number of Brazilian companies have been looking for other markets or following business partner companies and customers in the production chain. This movement is occurring in a number of sectors. Fleury also stresses that being large is not a prerequisite for international success. There are small and medium-sized companies operating outside Brazil in industries such as IT. "The deciding factor is motivation," she declares. "And the reasons behind the initiatives are varied. Companies are becoming international because they're searching for new markets or new technologies, avoiding the risk that results from having operations concentrated in a single country or learning to compete better in their own market, among other reasons. The important thing is the quality of the management and the decision to go international, to venture outside and accept the inevitable element of risk that results from this decision to move."

Managerial weaknesses

However, for Professor Luiz Brito of FGV-EAESP's Operations Department, which conducts research into operations management and competitiveness, adopting high management standards remains a challenge for many Brazilian companies. In his assessment, many "do not adopt tried and tested management and financial practices that are already widely accepted in the world's major markets and exhibit shortcomings in terms of both management and processes that involve planning, budgeting and activity-based costing."

This means that these companies are at a disadvantage from the beginning with respect to competitiveness, in particular, Brito notes, because the multinationals that have operations in Brazil have the same level of management and adopt procedures that are in line with those of their international head offices. "The impact can be seen on cost and quality and on their capacity to attract customers to buy their products and services."

In Brito's opinion, the reasons for this delay result from the difficulty that businessmen have in grasping the relevance of management quality. Investments in processes compete with many conflicting demands and tend to be looked down upon. "It's a characteristic phenomenon with companies that have spent a period of time in a protected market and, for this reason, have not prepared themselves." According to Brito, this phenomenon is more pronounced among medium-sized companies.

"Public policies focus on companies that are starting out and on micro companies, via entities such as *Sebrae* and the *BNDES*," observes Brito. "Large corporations also have access to domestic and international support mechanisms. Medium-sized companies, however, do not have any sources of assistance."

The professor declares that there are some corporations among large Brazilian groups that have practices that are so well established that they are being exported or are influencing other agents in the production chain, heading up production arrangements and boosting the need for certifications and standards. "We expect, for example, Petrobras to be developing suppliers that have good management practices."

Logistical challenges

Achieving a high level of competitiveness also demands a favorable environment. Professor Manoel

Reis believes that one area in which Brazil faces problems that directly impact company costs is logistical competence. The 2012 edition of the World Bank's Logistics Performance Index puts Brazil in 45th place. The indicator evaluates the following items: customs, infrastructure, international shipments, logistical competence, the monitoring and tracking of merchandise and punctuality. Singapore, which is in first place in this index, obtained a score of more than 4.00 for every category except "international shipments," for which it received a score of 3.99. Brazil did not receive a score of 4.00 for any item; its worst score, 2.51, was for "customs".

"Logistics increase costs in Brazil unnecessarily," says Reis. "It primarily involves the slow speed of the flow of vehicles that transport goods in the country, one of the key activities in the logistics process. The poor condition of the highways reduces speeds, decreases competitiveness and means that vehicles suffer more wear and tear, which increases transportation and fleet maintenance costs." Another weak point, in Reis's opinion, is the country's ports; he argues that they are not well suited for their activities. As a result, port operations take longer than in other countries, and port costs are higher.

"Time is a serious burden in terms of logistics," Reis states. "Certain types of cargo require rapid distribution, at high speed. They have a high added value, and the cost of having stock in transit can place an excessive burden on the operation's overall cost. For their part, those cargoes that do not require such speed are sensitive to transportation costs." Reis cites soybeans as an example of a product with an inelastic profit margin that requires extremely efficient logistics.

In addition to transportation, the equation also involves the quality of ports and the capacity of warehouses and customs clearance. "Since there are not enough warehouses to store products,

particularly agricultural products, producers are obliged to sell and dispatch their merchandise as quickly as possible, which is not always convenient. The ability to store a product adequately favors the negotiation of better prices at the most opportune moment. The lack of warehouse space also negatively affects Brazilian competitiveness." Reis also points to high costs related to bureaucracy, such as the lengthy periods of time for merchandise to clear customs and legalities that complicate operations.

"The application of ICMS (Value Added Tax on Sales and Services) in Brazil still represents a major problem," Reis argues, "caused basically by the contradictions in the various fiscal incentives offered by the states." As the taxation component accounts for a significant portion of the logistics costs (between 70% and 80%), companies accept paying more for transporting cargo and undertaking unnecessary journeys to enjoy state benefits. "Cargo 'wanders around' Brazil, and this is reflected in the wear and tear on our highways, the greater fuel consumption and higher fleet maintenance costs." Reis notes that an attempt to diminish the impact of this fiscal morass has been developed in the form of a Resolution project in the Senate (72/2011) that sets a fixed taxation rate of 4% in the case of inter-state operations for products that have not undergone any industrialization process or that have an imported content of more than 40%.

Investments and privatization

Another factor that puts pressure on Brazil's costs, in Reis's assessment, is the unpredictability

of routines. "Political and economic instability that compromise timeframes that have been agreed with customers is very bad for business. Without the customer's trust, the producer is obliged to sell more cheaply to gain market share." With respect to improving the situation, Reis highlights a number of federal government initiatives aimed at attracting private investment in the logistics sector.

Among these is Provisional Measure 595, which is intended to facilitate the granting of port concessions to the private sector. "The intention is to end limitations so that port operations flow more smoothly and more quickly," he explains. He notes that one of the current logistical obstacles is that the Port of Santos (which handles 25% of the total value of all Brazilian cargo) operates 24 hours every day, whereas the Federal Revenue service works just eight hours a day, five days a week.

Reis notes that President Dilma Rousseff published a Highway and Railway Concession Program in August of 2012, with the aim of investing R\$133 billion over five years. Of this amount, R\$91 billion is earmarked for 10,000 kilometers of railways and R\$42.5 billion for 7,500 kilometers of highways. Nine stretches of main arterial highways will be doubled.

"Within the spirit of this change, of this opening up, is the fact that private companies will be given the chance to operate and invest in this system. At present, the indices of privatization are low. If there are no ideological restrictions on the potential profitability of companies, the expectation is that these plans will work. However, the agreements will have to be technically and legally feasible. If they are not profitable, companies will not sign up for the program."

A RESEARCH BASE FOR A BETTER WORLD

Academic rigor and a contribution to change reality are the pillars for studies in social and environmental development

One of the themes that has recently become increasingly relevant in corporate management has been attention to social and environmental issues. In debates on the national and international stages, this topic provokes arguments that are often fueled more by passion than by reason. At FGV-EAESP, the challenge has been to empirically demonstrate the paths that lead to sustainable results for the private sector, the public sector, the environment and society. "We want to create a better world but with academic rigor that is relevant in practice," states Professor Renato Orsato. "It's different from the point of view of an activist, who

doesn't need research to adopt a stance with regard to what he believes is right and wrong."

Since the 1980s, FGV-EAESP has sought to develop instruments that are consistent with both social and environmental principles and economic rationality. "This could be viewed as a paradox or as the submission of sustainability to market imperatives, but that's not true," says Mario Monzoni, the coordinator of FGV-EAESP's Sustainability Studies Center (GVces). "It's perfectly possible to identify the areas of convergence between these different strands of logic."

It is not just any social and environmental strategy that will succeed, as most optimistic people seem to think.

"Depending on the company's business, sometimes it'll be worth it and sometimes it won't be," says Orsato. The most pessimistic calculations, which hold that no social or environmental investments are justified, are also incorrect. Monzoni explains that many current management models embrace only a partial view of reality. They fail to incorporate, for example, longer term projections and environmental costs that a company fails to consider because it passes them on to society.

When a social or environmental problem is serious and it makes no sense for individual companies to invest in solutions, it is up to the government to intervene with expenditures, incentives and impositions. "The construction of an inclusive green economy depends not only on sustainable businesses that operate in the private sector but also on social and environmental public policies that may be able to help create a more appropriate context so that these businesses can develop," states Monzoni.

Sustainable business and public policies

FGV-EAESP has been involved both in the assessment of sustainable businesses and in evaluating social and environmental public policies. In the business arena, for example, one of the most recent GVces projects—undertaken with support from the Citi Foundation—identifies innovative and sustainable experiments conducted by small and medium-sized companies that are part of major Brazilian companies' value chains. Among its other activities on the public policy front, GVces took part in 2012 in preparing the Technical Notes for the Industry Plan for National Climate Change Policy through its Environmental Policy and Economics Program. The Technical Notes will serve as the basis for the plan's development and implementation by

the federal government. The plan establishes targets for reducing greenhouse gas emissions in a number of industrial sectors (cement, aluminum, chemicals and pulp and paper) beginning in 2013.

These examples illustrate a marked change on this issue. In comparison, 30 years ago when FGV-EAESP included the question of pollution in its production management studies, "At that time, we had a defensive approach; the concern was only to comply with environmental legislation," declares José Carlos Barbieri, one of the faculty's pioneering professors in this line of study. "Currently, we have a proactive view. Companies are beginning to perceive the competitive advantages of having a social and environmental strategy, and the law itself addresses broader issues," he says. "Whereas companies previously regarded sustainability as a legal requirement, or a philanthropic action, the environmental and social aspects are currently a part of the core business of companies," adds Professor André Pereira de Carvalho.

Among the projects and studies of FGV-EAESP that demonstrate how social and environmental questions have become a central concern for companies, the creation of an index of sustainable shares on the stock exchange stands out. Created in December 2005 with financial support from the International Finance Corporation (IFC), the Index of Corporate Sustainability (*ISE*) consists of, at most, 40 companies that are part of the group of the 200 most traded stocks on the *BM&FBovespa*. GVces developed a methodology for choosing the companies that considers economic efficiency, environmental equilibrium, social justice and corporate governance.

The *ISE*'s creation reveals the important role FGV-EAESP has played in working with society to promote change. In the case of the *ISE*, a number of organizations from both the business and civil society

sectors took part in its development. Its board of directors includes 11 institutions: *BM&FBovespa*, *Abrapp*, *Anbima*, *Apimec*, *Ethos*, *IBGC*, *Ibracon*, *Gife*, *IFC*, the Ministry of the Environment and *Pnuma*. "GVces has been an important focus in establishing contacts and cooperation fronts with a variety of different social players," Monzoni states.

Another example of the coordinating role of GVces is the creation of a methodology for planning and monitoring the development of territories affected by major projects. The program, called Local Development and Large Ventures, arose out of a study conducted in connection with Juriti, a town in the far west of the State of Pará that was the site of a mining venture established by Alcoa in 2006. In partnership with Alcoa and more than 500 citizens and representatives of public and private social organizations, FGV put together indicators to monitor social, environmental and economic changes in Juruti and the surrounding region. These indicators are published at regular intervals and closely followed by the local population.

Based on its experience at Juriti, GVces developed a program to construct participatory sustainable development models and indicators based on local conditions, to undertake a vocational survey for sustainable economy initiatives, to map out potential transformations resulting from the activities of major ventures and to provide the support necessary for making local initiatives compatible with official municipal environmental policy agendas.

GVces also established an optional program called Integrated Training for Sustainability (*FIS*) to train managers who are concerned with environmental questions. The course includes classes and field work—for example, one class went to Altamira, also in the State of Pará, to speak with indigenous populations in the Volta Grande region of the Xingu River.

Challenges to studying an inclusive green economy

The inclusive green economy theme is currently incorporated in all of FGV-EAESP's courses, which helps explain why the college is considered one of the world's leading think tanks. The Administration and Production and Operations Departments concentrate on studies in sustainability as a competitive differential and, in the Master's and PhD courses, there is a line of research into social and environmental management. However, in reality, all of FGV-EAESP's departments are involved with this subject. A wide variety of research is being undertaken that ranges from sustainable retail to the inclusion of social and environmental criteria in public-bidding processes.

A single study often involves a number of fields. In one study of the supply chain for recycled materials, for example, it was noted that the main bottleneck was not in logistics, nor in connection with marketing or financial factors; instead, it was caused by a tax credit problem. "We had to talk with other departments at the university, as this question requires an integrated approach," says Professor José Carlos Barbieri.

According to Barbieri, one of the challenges for the future is to ensure that the question of sustainability is included in all fields. "This is a globally recognized problem, so much so that the UN made the issue of education for sustainability one of its objectives. How can you be a specialist and add a transversal theme?" asks Barbieri. For Professor Renato Orsato, success will only be achieved when sustainability ceases to be an issue. "If nobody needs to speak about it any longer, it's a sign that this issue has become as widely incorporated as the issue of quality is today," he says.

Another challenge is how to treat social questions in studies. The term "inclusive green economy"

began being used following the 2010 United Nations Conference on Sustainable Development, known as Rio+20, to make it clear that sustainability and social and environmental development involves three facets that cannot be ignored: economic sustainability, the environment and social inclusion.

There has been a significant change in understanding inclusion in recent years. If management studies initially considered the benefits of including the “base of the pyramid” in the consumer market, currently merely looking at inclusion from the viewpoint of consumption is deemed insufficient. “We are talking about human development, about reducing poverty,” declares Professor André Pereira de Carvalho. “Consumption in itself does not necessarily generate human development; it may

even worsen the situation if people are incurring debt to consume.”

As with environmental questions, not all the strategies for social inclusion are viable from the management perspective. “Our discussion involves how to reduce poverty using market tools,” says Orsato. “Due to the type of product or market, not every company can implement social inclusion.”

For Orsato, one difficulty that FGV-EAESP must face—as must other management schools throughout the world—is how to talk about an inclusive economy when the professors and students are not representative of the poorest layers of the population. “It’s not such a simple process, and one that involves a paradigm change: the inclusion of a widely diverse public within the school and a reinvention of the curriculum,” he says.

TRADITION AND BOLDNESS IN TRAINING MANAGERS

FGV-EAESP's goal is to continually renew its portfolio of training courses for managers to meet the needs of private, public and social organizations

More than a third of companies report having problems finding professionals with required profiles, as revealed by a survey of 38,000 companies in 41 countries conducted by the ManpowerGroup consulting firm in 2012. This survey noticed a phenomenon that first appeared a few years ago that has been called "a talent blackout".

Brazil is second only to Japan in terms of companies having difficulty with respect to filling job vacancies; of those companies interviewed in Brazil, 71% indicated that they were unable to find suitable candidates for available job positions.

There is a lack of interested people, a lack of technical competence and a lack of experience. Furthermore, among the main gaps exhibited by the candidates are personal attitudes and skills (known as soft skills) such as enthusiasm, motivation, professional posture, interpersonal skills, attention to detail, capacity for teamwork, flexibility, agility, ability to address ambiguity and complexity, capacity to resolve problems and make decisions, willingness to learn and critical thinking.

For those in management positions, the ManpowerGroup's survey reveals enormous challenges. Managers must possess both technical and behavioral skills and ensure that those they are

leading also develop these skills. They must have what is known as global vision and understand the political, social, economic and cultural interconnections that affect the businesses they manage.

"Today, the market demands a citizen who's flexible and worldly, someone who can see and make sense of everything around him in the company and in other countries," says Marina de Camargo Heck, who is the coordinator for FGV-EAESP's Professional Master's Degree in Management (*MPA*) and OneMBA programs. "Currently, a manager is required to be a type of superman: creative, innovative, with experience, knowledge and a holistic view," adds Edgard Barki, who is the coordinator for the Professional Master's Degree in International Management (*MPGI*) at FGV-EAESP.

Business management: the challenge of internationalization

By detecting and even anticipating trends, FGV-EAESP has made its post-graduate management training courses increasingly internationalized and innovative but without losing the consistency that characterizes the school's instruction in technical and instrumental disciplines, such as those that broaden students' views of different features that mark the management of a business. "GV has sufficient competence to be able to look for innovation while simultaneously not losing sight of its tradition," notes Barki.

Heck says that the main challenge facing FGV-EAESP is to ensure that it always retains its leadership position. Both the *MPA* and the OneMBA are prominently positioned. FGV-EAESP's *MPA* was the first in Latin America to obtain triple international accreditation from the Association to Advance Collegiate Schools of Business (AACSB), from the

European Foundation for Management Development (EQUIS - Quality Improvement System) and from the Association of MBAs (AMBA). Fewer than 30 business schools worldwide have these three credentials, which are known as the "triple crown". Unlike a run-of-the-mill MBA, the *MPA* is a "*stricto sensu*" course at the end of which the student is required to present a defense of her dissertation to an examining board. However, unlike an academic Master's degree, the theme chosen may be much more attuned to issues faced by the student in their work.

Meanwhile, the OneMBA course is regarded as one of the 25 best executive courses in the world by the *Financial Times* of England, which rated it the best MBA program in Latin America. Additionally, according to the 2012 ranking by the same newspaper, the course is first in terms of the number of languages spoken, third in terms of the diversity of students from outside the host country and tenth in terms of international experience; finally, there is a 54% average increase in salary three years after completion of the course.

The OneMBA course is taught simultaneously at five schools on four continents: FGV-EAESP (Brazil), Chinese University of Hong Kong (China), RSM Erasmus University (Holland), Tecnológico de Monterrey (Mexico) and the University of North Carolina at Chapel Hill (United States). During the course's 21 months duration, students spend one week at each of the schools and undertake assignments in international teams in five subjects. "Generally speaking, those who do the OneMBA course are already in a high-level management position with a company," states Heck. "The course helps open up new horizons and opportunities. There are even some students who are recruited or who set up companies with colleagues from other countries."

There is also a substantial international component to the *MPA* course, although it is less pronounced

than in the OneMBA course. Students taking the *MPA* course can obtain two degrees, a Master's Degree from FGV-EAESP and an MBA from the business schools of the University of Texas at Austin (United States), the School of Management-HEC (France), the *Universidad Torcuato di Tella* (Argentina) and the Economics Faculty of the *Universidade Nova de Lisboa* (Portugal). They can also participate in exchange programs through the international network, Partnership International Management (PIM), which consists of 95 schools, with FGV-EAESP the only Brazilian institution represented.

A recent innovation in the *MPA* course was the introduction of a two-week immersion period, with the first week taking place at the start of the course in São Paulo and the other week taking place outside Brazil. In 2012, all the students went to the *Universidade Nova de Lisboa* in Portugal. "In this way, in addition to getting international experience, they form a more cohesive group and establish a network of relationships," the course's coordinator states.

The *MPGI* is another "*stricto sensu*" course that, in addition to training in a technical subject and soft skills, stresses management in an international environment. "Of the 50 students in a classroom, 40 are foreigners," declares Barki, the program's coordinator. As is the case with the OneMBA course, all lessons are in English; however, unlike the OneMBA and the *MPA* courses, which are directed at experienced professionals, the *MPGI* course targets those who are at the beginning of their careers and have graduated a maximum of three years earlier.

During the two-year course, students can study for one or two semesters overseas and obtain two degrees. FGV-EAESP has eight international universities as partners, including *Universitat St. Gallen* (Switzerland), *Università Commerciale Luigi Bocconi* (Italy) and Columbia University (United States). In addition, it is possible to study for two semesters at

two of the 28 partner schools of the Global Alliance in Management Education, a program regarded by the *Financial Times* as one of the world's three best professional Master's degree programs.

Another characteristic that sets the *MPGI* course apart, Barki says, is that it offers students a chance to undertake a project similar to a consulting assignment for a partner company. At the end of the project, the project group makes a presentation to the company's directors. "In the dissertation, the project can also be a practical application, such as the feasibility of launching a product in another country," notes the coordinator.

By way of its partnerships with top-level companies and organizations, FGV-EAESP not only provides students with knowledge but also gives them the opportunity to turn this knowledge into skills for specific contexts. "Our courses enable students to improve their capacity to mobilize people and to diagnose and solve problems. However, it is up to the students to put all the knowledge and their experiences into context," says Renato Guimarães Ferreira, coordinator of the Specialization Course in Business for Graduates (*CEAG*) and of the Master in Business and Management (*MBM*), two of the main "*lato sensu*" courses that FGV-EAESP offers in executive training (the first of these is for professionals who graduated more than three years earlier, and the second is for professionals who have graduated within the last three years).

Part of the *MBM* course, for example, is a partnership with Endeavor, one of the primary entrepreneurship-promoting organizations in the world. In 2012, students undertook consulting projects at 10 promising companies.

Continuing with the focus on entrepreneurship, it is possible as part of the *CEAG* course to take a vacation course offered by Babson College in the United States. Indeed, both the *CEAG* course and the *MBM* offer students the chance to take courses

in subjects at FGV-EAESP's partner schools around the world.

Public administration: the challenge of modernization

FGV-EAESP's programs for managerial training are not limited to the private sector. The Professional Master's Degree in Public Management and Policies (*MPGPP*) was created five years ago as a "*stricto sensu*" course that provides professionals who have fewer than three years' experience in public sector organizations the opportunity to broaden their knowledge and develop their role as agents of change. "It's no use just having money for public policies; we need managers in order to get better results," says Regina Pacheco, who coordinates the *MPGPP* course.

Those taking part in this program include employees of various state and municipal governments, federal employees, employees of the legislative and judiciary branches and staff from social organizations and consulting firms that seek to influence public policies. "Those participating bring their experience to the debate," declares Pacheco.

There is also a substantial international component

to the *MPGPP* course. Students can obtain a dual degree with Columbia University (United States) and also have the option to participate in an exchange program with seven public policy schools from around the world.

One of the high points of the course, according to Pacheco, is the dissertation assignment, in which teams of three or four people attempt to solve a practical problem from the public sector. One group had to address the problem of how the outsourced management of a public hospital could resolve the conflict between former employees and new employees, the latter of which were employed in accordance with the *CLT* (consolidated labor laws). Another group was given the task of drawing up a model to predict what level of future cost expenditure would be generated by a government investment. A third group was to discover ways to speed up the São Paulo's municipal government's achievement of targets. Perhaps not coincidentally, São Paulo's municipal government adopted the students' proposal to install recycling drop-off sites by putting containers in public places. *MPGPP*'s students often receive job offers after conducting such studies. "Studying the best forms of public sector management is one of the characteristics of FGV-EAESP," says Pacheco.

THE CHALLENGES BRAZIL FACES IN BEGINNING TO GROW AGAIN

Among the paths that researchers identify as important to recovery are adjustments in interest and foreign exchange rates, in addition to support for clusters and entrepreneurship

Development policies have been the subject of many studies conducted by researchers at the FGV-EAESP over the past few years. According to Luiz Carlos Bresser-Pereira, a Professor Emeritus at FGV-EAESP and a former Brazilian Finance Minister, there is presently a return to developmentalism in Brazil.

In Bresser-Pereira's opinion, a synthesis may be developing between the last two political cycles of the country's history: the "Nation and Development" and

"Democracy and Social Justice" cycles. This thesis forms part of his book, *The Construction of Brazil*, which has yet to be published. The basic argument of this book is that the Brazilian elite and Brazilian society are "national-dependent"; thus, they are ambiguous and contradictory. They are dependent because they see themselves as "European" and see their own people as inferior; simultaneously, they understand that there is a large domestic market and a capable state.

"There have been three cycles in the relationship between the state and society," explains the

professor. “The first covered the period of the empire, the formation of the state, which needed to integrate the nation under its command, which I call the ‘State and Territorial Integration’ cycle. After the First Republic, which was a transition phase, we have the ‘Nation and Development’ cycle, from the 1930 Revolution until the mid-1970s. This is the cycle of Getulio Vargas, of the capitalist, industrial and national revolution. Finally, we have the third cycle—‘Democracy and Social Justice’—which continued until the mid-2000s, which was characterized by the struggle to reduce inequality.” Since then, the former minister has detected signs of a possible synthesis of the most recent two cycles.

He notes that the economy’s average rate of growth during this last cycle dropped sharply to less than half the figure recorded in the previous cycle. “What brought Brazilian growth to a halt included a financial crisis, the recourse to external savings and the external debt crisis in the 1980s, which resulted in high inflation. Contrary to what they say, the crisis was not caused by exhaustion of the import substitution model; this had run out of steam way back in 1967. Brazil had a very successful manufactured goods export model.”

From 1994 onwards, Brazil did not grow because, in the opinion of this academic, “it ceased to have a national development strategy and accepted the policies of the Northern Hemisphere, which meant a macroeconomic matrix based on high interest rates and a heavily appreciated currency”. The dominant political coalition, says Bresser-Pereira, began to consist of “rentier capitalists, financiers and the representatives of foreign interests”. These groups no longer shared the developmentalist project, which was emphasized from the 1930s until the 1980s and which had been defended until then by a combination of businessmen, workers and middle class bureaucrats. Over the course of these

last 10 years, according to the professor, these new “liberal-dependent” political forces have attempted to resolve the macroeconomic matrix. “Progress was made on the question of interest rates, which fell by more than 10% during this period, but the exchange rate remains overly appreciated and is making rapid growth impossible in Brazil.”

Clusters and innovation

One of the effects of the foreign exchange policy was a gradual reduction of industry as a share of GDP in Brazil. However, Luiz Carlos Di Serio, a professor from FGV-EAESP’s Department of Production and Operations Management (*POI*), stresses the importance of the formation of clusters—Local Production Arrangements (*APLs*)—to strengthen the economy and increase innovation generation capacity. “What’s important is the possibility of using the cluster to develop public policies,” he says. “The cluster comprises a competitiveness strategy that can be adopted by companies and countries.”

Di Serio participates in the Microeconomics of Competitiveness: Firms, Clusters, and Economic Development (*MOC*), a research and knowledge network linked to the Institute for Strategy and Competitiveness, a collaboration between Harvard University and Harvard Business School. Among the institute’s activities is the study of clusters. These production arrangements are characterized by the geographically concentrated aggregation of companies from the same industrial segment—including competitors—acting in collaboration and cooperation. In the professor’s assessment, this is a strategic instrument for developing and promoting innovation.

He goes on to say that a single company can be enough to start a cluster. Di Serio recalls that the then-

president of Costa Rica, José María Figueres Olsen, who governed from 1994 to 1998, worked diligently to tackle the country's gaps in competitiveness and to persuade Intel, the world's leading producer of electronic processors, to set up an industrial plant in his country. "Figueres got the company to set up a plant that cost almost U\$ 1 billion, which mobilized hundreds of suppliers. He created an electro-electronic cluster in a country that had traditionally been a supplier of commodities, such as bananas, coffee and sugar."

APLs have different degrees of maturity. Di Serio is currently taking part in surveys relating to the sugar and alcohol cluster in the state of Sao Paulo, which accounts for 80% of the exports of these products from Brazil. The main manufacturers associated with related activities, in addition to universities and specialist research centers, are located in cities such as Ararquara and São Jose do Rio Preto. In Piracicaba, for example, Dedini has its *Centro de Tecnologia Canavieira (CTC)* [Sugarcane Technology Center] and the University of Sao Paulo (USP) has its *Escola Superior de Agricultura Luiz de Queiroz (ESALQ)* [Luiz de Queiroz Higher School of Agriculture]. "The idea is to share activities that leverage education and infrastructure resources for everyone," explains Di Serio.

Di Serio cites another example of success in the shoe manufacturers' APL, also in Sao Paulo, which includes the cities of Franca and Jaú. "This cluster is highly mature. They set up a shopping mall to bring all the stores together instead of having 50 separate stores all competing ferociously and selling shoes at extremely low prices. Currently, they even have a design school in the region." The professor estimates that there are a number of stable APLs in Brazil, but in his assessment there is a lack of focus on this model as policy. "Power is excessively concentrated at the federal level. Resources are not returned in

an efficient way to the municipalities, which is where things happen."

Furthermore Di Serio, who is also the deputy coordinator of FGV-EAESP's Innovation Forum, criticizes having to navigate an excessive bureaucracy to obtain access to lines of credit and training programs. "The scenario is very complicated for small businessmen," he says. "The main problem of developing countries is the power of large groups. Policies neither promote nor favor entrepreneurship."

In Di Serio's opinion, initiatives such as the regulations for the Individual Micro-Entrepreneur (created by Bill 128/2008 and set out in Article 966 of Law 10406/2002) become bogged down in the practical difficulties involved in getting processes approved. He argues in favor of setting up local facilities for the formation of APLs with tax incentives that are regional in their application. "General laws are unable to keep up with the specific details of the reality," he argues. Another path, he states, would be to promote risk-investment mechanisms.

Opportunity entrepreneurs

Despite these obstacles, FGV-EAESP professor Tales Andreassi believes that recent years have brought improvements. Andreassi coordinates the Fundação Getulio Vargas' Entrepreneurship and New Business Center (*GVCenn*), which has worked in partnership since 2000 with the Brazilian Production Quality Institute (*IBQP*) to create the Global Entrepreneurship Monitor (*GEM*). This survey collects data from 69 countries, accounting for approximately 90% of global GDP, in connection with various characteristics associated with entrepreneurship. Brazil placed fifth in entrepreneurship rates in the survey's most recent edition, *GEM 2012*.

Of the 10,000 Brazilians who were interviewed in

the country's five regions, 44% indicated that they imagined having their own company instead of a regular job. In 2002, 21% of the population was involved in setting up or managing a business; 10 years later, this figure had risen to 30% of the adult population aged between the ages of 18 and 64. There has been a 44% growth in the rate of entrepreneurship. Among the most significant trends detected by the survey, Andreassi highlights the growth in the participation of women and young entrepreneurs and, in particular, the marked increase in the number of "opportunity entrepreneurs".

This type of entrepreneur is different from those who set up a business because of a lack of options, out of necessity, and who have less chance of being successful. On the contrary, opportunity entrepreneurs have performed the research, assessed the possibilities and seen market potential. "These are entrepreneurs who can innovate, employ more people and expand their activities," explains Andreassi. In his opinion, those sectors that have

barriers to entry, such as demands for expertise, specific training, technology and investment, offer the greatest opportunities.

According to GEM 2012, seven of every ten companies that are started because of opportunity rather than necessity. The study attributes the more favorable environment to such factors as the consolidation of the domestic market (with approximately 100 million consumers), improvements in the legal environment for small businesses and increases in the education level of businesspeople, which is higher than the Brazilian average.

Micro and small companies account for 99% of all domestic enterprises, generate approximately 52% of the country's jobs and provide 40% of Brazil's aggregate income. However, they continue to be not particularly competitive either in the domestic market or internationally. Accordingly, Andreassi would like to see entrepreneurship courses offered across the entire range of graduate business courses.

LEADERSHIP IN INNOVATION HELPS BRAZIL STRENGTHEN DEMOCRACY AND CITIZENSHIP

FGV-EAESP helps make government administration more efficient and focused on society's needs

Public sector management has undergone immense changes around the world over the course of recent decades. Until the 1980s, a bureaucratic type of management was predominant, under which the essential component was to ensure compliance with the law. In Brazil since that time, with the pressure generated by the country's return to democracy, the question of guaranteeing contracts is no longer sufficient (although it remains necessary). In addition, the state should pay attention to three interrelated aspects of public policy: 1) adopting innovative public policies to provide social, cultural and scientific services, 2) undertaking the foregoing at the lowest possible cost and with the highest possible quality

and 3) creating mechanisms for citizens to monitor and demand results.

Luiz Carlos Bresser-Pereira, full professor at FGV-EAESP, says, "It's no longer enough for the government to be effective; it also needs to be efficient". FGV-EAESP has concentrated its research and encouraged debate on these three subjects, which now dominate the agenda on public sector management. The result is that FGV is now regarded as the main think tank in Latin America and one of the 30 most influential think tanks in the world, according to a University of Pennsylvania ranking.

Professors and students in the undergraduate and postgraduate courses in the Professional Master's Degree program in Public Administration and in

the Center for Studies in Public Administration and Government (CEAPG) study not only experiences related to the quality of public management; they also have a role in implementing policies, either indirectly using the recommendations resulting from studies or directly when they take up positions in government.

Bresser-Pereira, for example, implemented the so-called "management reform" in the federal government in 1995 when he was Minister of Federal Administration and State Reform. One of the main consequences of this reform was to introduce the idea of administration by results, which subsequently spread to a number of state and municipal governments.

It was a "culture shock," in the words of Fernando Abrucio, a professor at FGV-EAESP, who provided a critical assessment of the recent trajectory of Brazilian public management in an article published in the *Public Administration Journal (RAP)*. In this article, he highlights the strengthening of civil service exams and government careers, improvements in the quality of governmental information and the emergence of a legal framework that established important parameters in the form of budget restrictions and principles of efficiency, all of which occurred during the Bresser-Pereira period.

To put together his team, Bresser-Pereira called on a number of colleagues and students from FGV-EAESP, such as Cláudia Costin, Ângela Santana and Evelyn Levy (who had been his students) and Regina Pacheco (a professor who is currently responsible for coordinating FGV-EAESP's Professional Master's degree in Public Policy Management). "There is no other framework of reference in terms of reform of the state that's comparable to the Fundação Getulio Vargas," says Pacheco. "There are very few other universities that study the state from within, in the way we do."

Back at the university, Pacheco began to coordinate Master's degree dissertations and PhD

theses to determine the most effective ways for the government to achieve administrative efficiency because this issue is controversial. "There is no consensus, not even within FGV-EAESP, which is a healthy thing. What you do have is a firm idea of thinking about public sector management directed towards achieving results for citizens," says Professor Fernando Abrucio. "We're not looking for unanimity, but rather to bring more scientific answers to public management."

One of the studies coordinated by Pacheco reached the conclusion that Sao Paulo's state hospitals, which had signed management-by-results contracts, ended up better than they were prior to adopting this control model and also outperformed those hospitals that did not sign such agreements.

Other research sought to assess the impact of introducing variable remuneration to public sector management. A survey was taken of the police and fire departments in the state of Minas Gerais, which adopted this system in 2008. It was observed that this is, indeed, a delicate and controversial subject and that the results are not always positive. For example, some police officers began to reclassify crimes to improve their unit's statistics. "The student did not limit himself to identifying the problem; he investigated why this had occurred and determined that there had been failings in explaining the remuneration system," declares Pacheco.

The professor cites a third study, which addresses another controversial topic, the outsourcing of public services to social organizations. Cases were evaluated in the cultural arena, such as the *Pinacoteca do Estado de São Paulo* (Art Museum of the State of São Paulo) and *Osesp* (the Symphony Orchestra of the State of São Paulo). The conclusion was that superior performance required particular conditions, including the creation of a strong board and a clearly defined operating project.

According to Professor Mário Aquino Alves, one of FGV-EAESP's strongest attributes is its assessment of the implementation of public management experiments. "We don't merely listen to what those who are doing the innovating in the public sector say; we give them a voice," he says. One of the most striking examples was the presentation of annual awards for initiatives by state and municipal governments and by indigenous people's organizations, which CEAPG coordinated for ten years, from 1995 to 2005. This program, financed by the Ford Foundation and the BNDES, created a large database of public sector management innovations, as each competition receiving approximately 9,000 entries.

Before arriving at the five experiments chosen as the highlights, a great deal of research was conducted, including on-site visits. The award cycle was not limited to the choice of model examples but encompassed training activities and the production of theses, DVDs and books. After 2005, a new stage of the project was undertaken, with investment into the analysis of the trajectory and continuity of award-winning experiments.

In addition to "giving a voice" to innovative initiatives, FGV-EAESP undertakes research that eventually influences public management. "There are times when we participate and co-produce public sector innovation," states Alves. In partnership with the *Instituto Natura*, CEAPG constructed an internet platform to train educational leaders in Brazilian municipalities. Through this platform, it is possible to share information and create exchange networks between different boards of education and among boards and citizens, the Ministry of Education and other bodies in the educational structure.

To a greater or lesser extent, the research that FGV-EAESP conducts influences public management. "It is my belief that we end up having a profound impact due to the very nature of public administration, which

concentrates on governments," declares Professor Fernando Abrucio. "This is harder with private sector companies because there's greater fragmentation."

Abrucio cites a study that demonstrates that arrangements between municipalities in the form of consortia—in many cases including participation by state governments—resulted in improvements to the education system. There was greater innovation and an increase in response speed. For example, in the state of Mato Grosso, a Single Teaching System was set up, something distinctive within the Brazilian Federation. For example, a shared management system was implemented between states and municipalities that involves the joint purchase of school meals, sharing of human resources and training of teachers by a central body. "Research such as this produces results which, in one way or another, reach public policies," explains Abrucio. "In this case of the consortia, the study was used in a Ministry of Education administrative ruling."

Service provision remains a challenge in public management despite innovative initiatives such as the consortia between municipalities and states. "The state of Sao Paulo alone has 300,000 teachers. In all likelihood there's not a single company in Brazil that has so many people in a similar job," says Abrucio.

He says that FGV-EAESP's studies reveal that much greater progress has been made in public management policies that do not involve the provision of services. Such is the case with the *Bolsa Família* (Family Allowance) program, which created a powerful technological platform to generate a registry of 14 million families. Simultaneously, there was a well-designed model for income transfers that was dependent upon school attendance and public health. By providing the funds directly to families through an electronic card, the *Bolsa Família* program managed to have a significant impact without depending on local political intermediaries. "The world's largest income transfer register was set up," Abrucio states.

In addition to investigating government actions from within, the research conducted at FGV-EAESP involves complex phenomena that go beyond traditional management divisions, such as human resources, marketing and IT. "We take a transversal approach to major questions such as bureaucracy, federalism and transparency," explains Professor Regina Pacheco.

One of the themes on which the faculty has concentrated its studies is the question of transparency and so-called accountability, which entails the rendering of accounts, control of public sector policies by the citizens, the possibility of holding people (and governments) accountable, and, last but not least, the use of results to improve public management itself. "This is by no means a trivial circle," states Marco Antonio Teixeira, *CEAPG's* coordinator.

With the implementation of the General Law of Access to Information, which was enacted in May 2012, the government is obligated to give a quick answer to any citizen, and this change also facilitates the collection of data for research, according to Teixeira. FGV-EAESP undertook a study that assessed which government bodies received the greatest demand

for information from citizens during the first three months in which the law was in force. The agencies most in demand were Susep (the Superintendency of Private Insurance) and the *INSS* (National Institute of Social Security), both of which address health and social assistance. "This reveals a search for individual rights because the law allows those who believe they've been unfairly treated to put pressure on their service providers, or even to take them to court in defense of their rights," declares Teixeira.

In addition to examining how citizens oversee government, one of FGV-EAESP's challenges for the future, according to Professor Mário Aquino Alves, is to study movements in civil society. This is an area in which the faculty has previous experience because it formerly supported a Center for Third Sector Studies. For Alves, the last seven years have been characterized by federal leadership and currently we are seeing the emergence of actions that are designed to strengthen urban spaces, as shown by various emerging cultural movements and sustainable cities network projects. "We must pay attention to the idea that innovation in the public sphere often comes from civil society itself," he says.

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The Essential Competences of women entrepreneurs

ARTICLE IN FOCUS:

Women entrepreneurs: a discussion about their competences

Vânia Maria Jorge Nassif, Tales Andreassi, Maria José Tonelli and Maria Tereza Leme Fleury

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he article "Women entrepreneurs: a discussion about their competences" analyzes the essential competences of women entrepreneurs in relation to the daily challenges of their businesses.

The data were collected through in-depth interviews and responses to a questionnaire. Analysis was based on the content-analysis method, and the answers were categorized into three groups: decisive factors in starting businesses, challenges and obstacles in a business career and competences developed and being developed during a career.

Seven women involved in an entrepreneurship development program financed by an American bank were interviewed. The purpose of this global program is to expand and strengthen women's competences by helping women develop their businesses.

The program is aimed at women who do not have the funds to pay for a similar course and who

have not studied at top business schools but who have overcome difficulties and created their own innovative and promising businesses.

The interviews revealed that entrepreneurial women have a perception of their potential and their limitations. They recognize the importance of developing a feeling for business opportunities and for the application of their leadership competences.

The research also revealed that two factors are always present in the decision to start a new business: having had enough of the routine of the corporate world and the desire to achieve autonomy and financial independence.

Regarding the challenges found in an entrepreneurial career, the seven interviewees stressed having the courage to start their own business without the money to invest in it, the lack of financing and relying on their own abilities.

In terms of obstacles, they emphasized having to pay excessive taxes, overcome "bureaucracies" and a lack of support from government and trade associations. They also cited difficulties in reconciling their private and professional lives, fear about assuming risks and difficulty in obtaining credit.

The study also emphasizes that many of the business obstacles identified by the interviewees are also found in other countries. These include difficulties in obtaining credit and low levels of training that are tied to the lack of opportunities to learn skills and the challenge of balancing their domestic and professional duties.

Regarding the competences developed and under development during a business career, the survey was able to distinguish between the cognitive and affective competences that actually support entrepreneurs in the development of their business activities. Entrepreneurs believe that they must develop formal communication skills, learn to negotiate, act proactively, improve their ideas and relationships and enhance their abilities to form partnerships. They believe it is important to be prepared to address unexpected situations in their business life.

In terms of the critical factors that might affect entrepreneurs' business performance, the interviewees identified knowing how to show they are confident, their skill in communicating and in forming interpersonal relationships, learning how to identify opportunities and establishing relationship networks. They also stated that other factors, such as loyalty to customers, financial availability and access to technology might also affect their business performance.

The article concludes that the survey shows that the women participating in the program developed skills and gained new knowledge that helped them in their business, increased their self-confidence and raised their companies' productivity and profit.

Contact the author: tales.andreassi@fgv.br

How incentive policies boost entrepreneurship

ARTICLE IN FOCUS:

Entrepreneurship and the two sides of institutions: entrepreneurship incentive policies in Brazil and Russia

Gilberto Sarfati

In developing economies such as Brazil's, formal institutions are typically fragile, and many studies have shown that this condition jeopardizes entrepreneurship. However, even with an absence of appropriate regulation, government incentive policies may have a partially compensatory effect, says Gilberto Sarfati, professor at FGV-EAESP.

In his article, Sarfati assesses the effects of policies intended to stimulate entrepreneurship in rapidly growing, innovative start-up companies. He did so by studying how support was given to two entrepreneurs whose companies grew rapidly; one entrepreneur was Brazilian, Daniel Heise of *Grupo Direct*, and the other was Russian, Yuri Deigin of *Pharma Bi*.

Brazil and Russia have several characteristics in common in terms of entrepreneurial activity. Entrepreneurship by necessity, that is, by people who have decided to start their own business company because of the absence of alternatives, respectively accounts for 31% and 27% of the total entrepreneurial activity in these countries. Brazil and Russia rank low on the World Bank's Ease of Doing Business Scale: 126th and 120th out of 185 countries, respectively, which indicates that an institutional vacuum may negatively affect entrepreneurial activity in both countries. In Brazil, it takes 13 procedural steps and 119 days to open a company; in Russia, it takes 9 procedural steps and 111 days.

Despite the unfavorable regulatory environment, both countries use innovative policies to support high-impact entrepreneurship. In Brazil, Finep's *Inovar* program encourages a risk-capital industry in the country. In Russia, the government has been attempting to create a high-impact entrepreneurial ecosystem in Skolkovo, a city near Moscow.

Both programs have well-trained bureaucrats, with relevant market experience. According to the

entrepreneurs interviewed, both programs have a support structure for any high-impact entrepreneur who effectively constructs a competitive advantage for his company.

The *Inovar* program was created in 2001 by Finep (a public company for financing science, technology and innovation) in association with the Inter-American Development Bank (IDB). *Inovar* fostered the creation of a national private equity and venture capital association (ABVCAP) and created fora to connect high-impact entrepreneurs with potential investors. It also created a fund of funds. This incentive assisted various private equity and venture capital operations, such as Stratus, *DGF Investimentos* and Fir Capital—and, more recently, angel investor networks—to raise funds. Between 2001 and 2011, the *Inovar* program attracted 17 partners, including 11 pension funds, and assisted approximately 24 funds to raise over US\$2 billion.

At one of the *Inovar* fora in 2001, entrepreneur Daniel Heise met investors, including *Rio Bravo Investimentos*, which became the first to invest in his business. Heise had set up an incubator in 1999 to run 13 projects, including *Ingresso Fácil*, a website that sells tickets. In 2000, Heise's team launched an online chat service to serve *Ingresso Fácil*, a service that grew and evolved into a separate business. Eventually, Heise sold *Ingresso Fácil* and invested in customer service businesses. After the investment by *Rio Bravo* in 2004, *DGF Investimentos* entered the business, finally selling its share in 2011. After the sale, Daniel Heise (as an individual) entered as an investing shareholder in the *DGF Inova* fund. This example demonstrates that *Inovar* was extremely important to the growth of Heise's business, which forecast sales of US\$14.5 million in 2012.

With respect to Russia, the government created the Skolkovo Foundation in 2010 by the government to create an innovation ecosystem similar to Silicon Valley. So far, almost 3,500 companies have applied to join the center, 670 have received resident status (which gives them the right to tax breaks) and 140 have received subsidies worth US\$270 million. The foundation offers tax exemptions, simplified bureaucracies, access to venture capital, exposure in the media and investments that can reach up to 100% of the company's capital in the initial stages.

Entrepreneur Yuri Deigin was one of those who benefited from Skolkovo. He had previously presented a business plan for a new biotechnology company to investors in New York while he was at Columbia University's MBA program and discovered the opportunity offered by Skolkovo. He received subsidies of US\$23.3 million and returned to Russia to manage his new company, Pharma Bio, together with his father, Vladislav, a renowned researcher in biotechnology who had immigrated to Canada. The company holds more than 90 registered patents. Yuri and his father were living outside Russia and would have started their business in another country had it not been for Skolkovo.

These examples show that incentive policies cannot completely fill the institutional vacuum in the regulatory sense, at least not in the short term. Nonetheless, they reveal how the government can be an important player in institutional change that allows other players—including teaching institutions, financial markets and entrepreneurs—to strengthen their connections and relationships. In this way, an entrepreneurial spirit is fostered in society, norms are established to facilitate entrepreneurship, and subsequently there is room for favorable regulation.

Contact the author: gilberto.sarfati@fgv.br

What entrepreneurs learn at college

ARTICLE IN FOCUS:

The role of business administration courses in training entrepreneurs

Marcelo Marinho Aidar

In Brazil, approximately 60% of higher education students think of starting their own business. To meet this demand, Brazilian universities are increasingly including in subjects related to entrepreneurship in their curricula. In the academic world, there is growing interest in the subject: by 2010, the number of scientific papers on entrepreneurship had risen by over 300% compared to 2000.

However, is teaching entrepreneurship in a classroom actually helping students with respect regard to setting up their own businesses? To answer this question, Professor Marcelo Marinho Aidar of FGV-EAESP undertook a survey of eight classes of former students at a business administration college. The study found that the course had little impact on students' decisions to become entrepreneurs. For most, the courses did not encourage them to start a new business—those surveyed felt that the emphasis on entrepreneurship is too recent to have had any effect.

In fact, although Brazil has a relatively large number of entrepreneurial education initiatives compared to the rest of the world, most of the country's universities only offer their students such courses as "An Introduction to Entrepreneurship" or "Creativity and Innovation," whereas in other

countries institutions delve more deeply into the subject and offer such advanced courses as “New Business Creation”.

According to Aidar survey, although the courses themselves did not encourage students to set up their own business, what students did learn continues to provide support for their efforts to identify business opportunities and to plan, implement and expand their activities. Furthermore, former students believe that the contacts acquired during their studies play an important role in both the creation and expansion of new businesses.

It is interesting to note how strong the intention to be business people is among former students of the business administration course who took part in this study. During their time at college, 41 of the 95 ex-students wanted to start their own business and, of these, just one no longer had this intention. By contrast, more than half those who said that they had no intention of being business people during the university course today say they intend to do so.

Naturally, there is a great distance between intention and entrepreneurial action; many people who are in fact not open to assuming some level of risk may spend years simply wishing to be in business without ever starting a company. This scenario is not the case with the former students consulted in the research; the survey indicates a relatively high level of conversion to an intention to take some entrepreneurial action—75% of the former students.

Although the subjects surveyed were relatively young at approximately 31 to 38 years old, approximately 65% of those who went into business had previously started more than one business since graduating. Almost half are no longer micro-businesspeople, and 17% had reached the position of medium-sized businesspeople, with their companies achieving sales of at least R\$16 million per year.

Just 2% of former students who became businesspeople did so out of necessity, or because of the lack of other options. In other words, 98% started a business because, in one way or another, they saw an opportunity. Another sign that the former students were well prepared is that more than half had previous experience in the area in which they started their business, and approximately 40% had formulated a business plan before going into business, a percentage that far exceeds that of entrepreneurs in general.

Although courses in entrepreneurship still do not have a formal impact on the students’ intentions and entrepreneurial actions, colleges appear to have some influence on preparing students for visualizing and introducing business opportunities. It is also important to note the role exerted by family on these entrepreneurs: approximately 65% were encouraged by close family members to begin their businesses.

This research provides indications of the complexity of the training process for entrepreneurs, and how that process is influenced by multiple variables. The intention to start a business is itself fairly dynamic and can change greatly depending on the maturity of the individual and his or her life situation at any given time.

Contact the author: marcelo.aidar@fgv.br

Evaluating the competitiveness of nations

ARTICLE IN FOCUS:

Competitiveness of nations: an analysis of the metric used by the World Economic Forum

Luciano Castro de Carvalho, Luiz Carlos Di Serio and Marcos Augusto de Vasconcellos

Internationally, the Global Competitiveness Index (GCI) of the World Economic Forum (WEF) is recognized as one of the three most important indices measuring the competitiveness of nations. The other two are indices created by the Institute for Management Development (IMD) and the United Nations Industrial Development Organization (UNIDO). Of the three, however, it is the GCI that has gained prominence because of its structural composition, sample size and frequency of publication.

According to the WEF, a series of institutions, policies and factors determine a country's competitiveness. The GCI is generated from 12 pillars that are divided into three groups: group 1 ("The Economic Basis") is composed of (a) institutions, (b) infrastructure, (c) macroeconomic stability and (d) health and primary education; group 2 ("Economic Efficiency") is composed of (e) higher education and training, (f) product market efficiency, (g) labor market efficiency, (h) financial market sophistication, (i) technological readiness and (j) market size; and group 3 ("Economic Innovation") consists of (k) business sophistication and (l) innovation.

The objective of the article in focus is to evaluate the relationships among the variables that comprise the GCI and to suggest a simplification of the model.

The article argues that there is another way of correlating the “pillars” to measure competitiveness in which the use of those most representative in each group enables a country’s competitiveness to be measured. Consequently, the model is simplified without losing measurement quality.

The study assessed the correlation between the pillars, identified those which best described the competitive condition of the countries and found changes in their competitiveness ranking when employing the new model for measurement.

The data used in this article are drawn from reports published in 2010 by the WEF in which 133 countries were analyzed. The reports generated competitiveness indices for each participating country, which were then ranked accordingly.

The authors initially found that nine of the twelve variables in the original model were strongly correlated and that they would together form the business environment construct. This finding led them to conclude that the groupings proposed by the WEF follow a logic of variables that comprise a certain area without necessarily any relationship among them.

The pillars considered by the WEF, therefore, favor countries with the greatest economic development. In fact, the results the authors produced led to changes in the order of the ranking of the most competitive countries. In the new ranking, Switzerland remains in first place, but the United States, for example, drops five places, from second in the original list to seventh in the modified model, and Japan falls from eighth place in the original list to tenth in the modified model.

In the list of the ten highest countries in both rankings, Sweden rose from fourth to second place; Denmark rose from fifth to third, Finland moved from sixth to fourth, and Holland went from tenth to sixth. Singapore and Canada, however, formerly occupying third and ninth in the WEF ranking, respectively, dropped out of the top ten in the new list. Although absent from the WEF’s top ten, Austria (eighth) and Norway (ninth) appear in the new top ten.

The study defines three main areas that comprise competitiveness in nations: the business environment, the basis of the economy and macro-economic stability. These groups were represented by their most significant pillars and, utilizing a regression analysis using the best subsets method, an equation was derived from the three pillars that together explain 96% of the WEF score. These three pillars are macro-economic stability, the quality of higher education and business sophistication.

It was also found that technological readiness explains the competitiveness of a country at the 87% level and that the combination of macro-economic stability, the quality of higher education and business sophistication lifts this percentage to 96%.

The authors suggest that the study should be broadened by adding new variables from government databases to assist decision-makers and public authorities make the necessary investments in areas of the economy that can leverage national competitiveness.

Contact the author: luiz.diserio@fgv.br

Made-to-measure strategic management

ARTICLE IN FOCUS:

The configuration of the organization and its relationship to formal and emerging strategic planning

Sergio Bulgacov, Pedro Josemar Pereira dos Santos and Márcia Ramos May

Is there a unique and superior way for an organization to prepare for the future? The results of a study conducted by Sergio Bulgacov, a professor at FGV-EAESP, in partnership with Pedro Josemar Pereira dos Santos and Márcia Ramos May from UFPR (Paraná Federal University), suggest not: strategic planning depends on how each organization is configured, i.e., its origin, its products and markets, its business structure, the profile of its managers and its management style.

Bulgacov, Santos and May undertook exploratory research that assessed the relationship between organizational configuration and strategic planning in two Brazilian companies that have achieved success and market leadership. The companies are the same size in terms of number of employees and have been active in the market for a long period of time, albeit in different sectors.

Both companies enacted effective strategic planning, but in completely different ways. In the first company, the process was considered by the authors to be "emerging". Strategies arose by way of an informal system that was based on a flow of information coming from players at the base of the organization (including salespeople, customers and suppliers) that eventually reached the directors. In the second company, strategies were "formally" defined. Strategy is decided by top management with the assistance of a managerial information system.

The two companies follow different but successful paths because they have been structured according to their different needs. The first company has an organic structure, whereas the second has a bureaucratic structure. The first is a large, regional and entrepreneurial company that has

family origins and operates in the retail market. The second deals in commercial automation, operates through branches in Brazil and international offices and is a publicly traded company founded by academics.

In the first company, information flows continuously through oral communication. The executive officers are averse to bureaucracy and formalism and there is little use of technology. Family ties are strong and facilitate interaction among the various operating divisions and in decision-making processes. Trust is the fundamental element of interaction in the company and in decision making. Strategic leadership, which is personalized by the founders, is part of publicized strategic conduct, as evidenced by the company's creativity, its search for new practices and its conquest of new markets.

Simultaneously, the researchers observed that strategic conduct had changed little throughout the company's history and thereby contributed to a stable, conservative and standardized structure. This environment, which is based on dialogue, enables strategies to emerge from top to bottom in the organization. For the authors of the study, the model is relevant to a market-oriented retail organization.

For the second company, the academic profile of its origin has instilled formal procedures in its search for continuous improvement in its innovation processes. By contrast to the first company, this company operates in an environment of constant change. The second company has instituted a formal system of corporate governance, with a board of directors, an audit committee and other committees. The greater degree of control favors the use of performance indicators and discipline in execution, which are aspects of management that inhibit informal interaction, according to the article.

It would be difficult to change the strategic planning model of either company. In the case of the first company, an organizational tradition has been built that focuses on social interaction. A culture of immediate response has been created that favors its market position, and a formal model might prove costly and ineffective. Similarly, the second company is supported by formal systems of company control and information that, according to the company's managers, has sustained its success over its 20-year history. Despite formalized activity programs, strategic maps and target systems, the instruments and their results are continuously reviewed.

The study's authors conclude: "There are signs that the paths were constructed over time because their origin, have been defined by the organizational structure, by forms of management, by social interaction and by the profiles of its executives. In short, the elements that go to compose its configuration, induce and condition its strategic planning practices."

Contact the author: sergio.bulgacov@fgv.br

Measuring the operating performance of companies

ARTICLE IN FOCUS:

Multidimensionality of the operating performance construct and its relationship to financial performance

Ely Laureano Paiva, João Mário Csillag, Luiz Artur Ledur Brito, Marcos Vasconcellos and Susana Pereira

The purpose of the article, “Multidimensionality of the operating performance construct and its relationship to financial performance” is to develop and test a measurement scale for operating performance in an emerging market. The scale relates various aspects of operating performance (quality, delivery, flexibility, innovation and cost) with those of financial performance (growth and profitability).

A bibliographic survey of the main Brazilian and international scientific journals was initially conducted into competitive priorities, operating performance and financial performance. Based on this survey, the variables of operating performance and their respective metrics or measurement indices were identified, and the model was thereafter refined in various stages.

In these stages, the article identified a sample of Brazilian medium-sized companies—from 100 to 5,000 employees—from 20 sectors, according to the National Classification of Economic Activities (CNAE). In each sector, 25 companies were randomly chosen. Telephone contact was made with 500 companies, and 44 of these responded. Interviews were conducted with experienced professionals from these companies who were familiar with the entire production process: production managers, industrial managers, and/or individuals with strategic positions in operations management.

There were two stages to the analysis. In the first, the goal was to establish the dimensionality, validity and reliability of the variables (quality, delivery, flexibility, cost and innovation) and the dimensions of financial performance (growth and profitability). The second stage investigated the relationships among the various dimensions of operating performance and financial performance. Because there are two variables for financial performance, two analyses were conducted: the first using growth as the dependent variable and the second using profitability as the dependent variable.

The study confirmed known relationships of cause and effect between innovation and growth and between costs and profitability. However, no significant relationships were found between other dimensions of operating performance and financial performance, such as quality and flexibility.

The researchers concluded that the effects of the operating performance dimensions may only appear in a combined and cumulative manner. It may also be that the effect of operating performance on financial performance is moderated by other control variables not studied, such as market dynamism. Finally, it may be possible that the effect is small in the Brazilian competitive environment and that, in reality, a focus on cost and innovation as the most important elements is necessary.

Contact the author: ely.paiva@fgv.br

Global mindsets: a challenge for Brazilian multinationals

ARTICLE IN FOCUS:

Brazilian multinationals: new mindsets for a promising new world

Maria Tereza Fleury and Germano Glufke Reis

The number of Brazilian companies going international is growing. In 2012, eight Brazilian companies were listed in the ranking of the world's 500 largest global companies published by Fortune Magazine, as opposed to seven in 2011, six in 2009 and three in 2005. Thirteen companies from Brazil are among the 100 that most distinguish themselves on the world stage, according to the Boston Consulting Group's 2011 New Global Challengers list.

However, to what extent do internationalized Brazilian companies really have a global mindset? Accustomed for decades to a closed and protected environment, are they able to maintain a global perspective and simultaneously operate in different countries in accordance with highly diverse political, institutional, legal and cultural conditions?

In an attempt to answer these questions, Professors Maria Tereza Fleury and Germano Glufke Reis from FGV-EAESP undertook a survey of 64 of Brazil's largest multinationals. Based on the answers

given by the managers in charge of these companies' global operations, they came up with three groups of companies: those oriented toward the domestic market that have only recently begun the process of internationalization (11% of the sample); those oriented toward the international market (28% of the sample); and those with a truly global mindset (61% of the sample).

The difference between the second and third groups is that those oriented toward the international market still do not have the intercultural knowledge required to operate in various locations, whereas those with a global mindset have not only developed a global orientation and strategy but also have global skills; in other words, cultural sensitivity permeates the latter organizations in the form of employees who are capable of working with people from different cultures, are able to speak a foreign language and have the capacity to adapt to other environments.

The stronger the global mindset, the more advanced the practices are of international human resources management. These practices include long-term human resources planning; recruiting employees who have international experience, particularly in culturally distant markets; training for expatriates; a salary policy that is linked to global business performance, and investment in both internal and external international education programs.

According to this study, the scenario is positive in general because the majority of the companies are among the most advanced in terms of internationalization. Such is the case with companies such as Embraer, Weg and Vale. "Nevertheless, the results should be treated with caution," the article proposes. It continues, "Apart from the fact that 39% of the companies are in groups that have not yet advanced so much in their global skills, the research includes only the largest and most internationalized Brazilian companies and cannot be applied to the country as a whole."

Members of the intermediate group are operating in many countries but do not have well-developed intercultural skills; the article argues that this group is of particular concern. Companies in this group have invested in international strategies but do not have the necessary skills; they may be unable to build good partnerships and adapt their products and services to local conditions or manage their human resources properly.

Contact the author: mtereza.fleury@fgv.br

The impact of regulation on company performance

ARTICLE IN FOCUS:

Regulatory quality and the performance of Latin American companies

Paulo Arvate, Rodrigo Bandeira de Mello, David Kallas and Marina Gama

In recent years, many emerging countries have undergone pro-market institutional changes. This movement has occurred by way of privatizations and outsourcing public services. To address disputes between companies and consumers in sectors that are now operated by private entities, such as in telecommunications and energy, a new regulatory framework was created.

Studies conducted on the effects of regulation in various economic sectors are contradictory. Some show the positive impact of regulation on economic growth, capital markets, and on company efficiency and performance. Others, however, indicate that the impact of regulation on economic growth is negative, in addition to contributing to corrupt practices, increased market concentration and unemployment.

These surveys evaluate factors such as price, cost and competitiveness, but not the traditional indicators of company performance such as sales and profitability. Moreover, most of the previous studies were undertaken in developed countries. Rodrigo Bandeira de Mello, David Kallas, Paulo Arvate, Marina Gama and Carlos Aveline from FGV-EAESP conducted research to discover the effects

of regulation on these indicators in companies from seven Latin American countries: Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela.

The sample included 1,498 companies in 31 sectors derived from the *Economática* database. The three performance variables considered were return on assets, sales and operating income.

To evaluate institutional changes, the following variables from the Worldwide Governance Indicators (WGI) were used: corruption control (perception of the use of public power for private profit), state of law (to what extent do people trust the rules governing society's functioning, such as compliance with contracts and property rights, the role of the police and the judiciary, and the probability of the occurrence of crime and violence), the quality of regulation (measured by the government's skill in formulating and implementing policies and regulations that enable private sector development), governmental efficiency (reflecting the quality of public services, the quality of the formulation and implementation of policies and the government's commitment to these policies) and freedom of opinion (to what extent do citizens participate in the choice of government and to what extent is there freedom of expression and association).

Of all these institutional variables, only one, the quality of regulation, was relevant in two statistical studies. According to the results of those studies, when the quality of regulation increases, the performance of companies decreases. The most consistent effects occurred in the sales indicator. For each percentage point improvement in the regulation quality indicator, there was a reduction of fourteen percentage points in company sales.

According to the study's authors, this relationship occurs because regulations that simultaneously attempt to benefit the consumer and society as a whole place limits on private sector activities. Moreover, companies may be discouraged from investing in regulated sectors if the government overemphasizes regulations.

In the long term, these effects can be prejudicial to the wellbeing of society as a whole. "Our results suggest that there should be a balance in regulation between wellbeing and business performance. Policymakers should find a level of regulation that benefits society and protects company investments," say the researchers.

Contact the author: paulo.arvate@fgv.br

The economic value of political connections

ARTICLE IN FOCUS:

Political connections and performance: a survey of companies listed on the BM&FBovespa

Sílvio Parodi Oliveira Camilo, Rosilene Marcon and Rodrigo Bandeira de Mello

Companies with political connections perform better on the stock market than those that do not have such connections. This is the conclusion of a study conducted by Sílvio Parodi from Univali (*Universidade do Vale do Itajaí*), Rosilene Marcon from Univali and Rodrigo Bandeira-de-Mello from FGV-EAESP, who investigated data relating to the non-financial value of companies listed on the São Paulo Stock exchange (*BM&FBovespa*).

To analyze the effect of political relationships, the study considered three variables: donations to political campaigns; hiring members with a political background as part of the administration (management and/or board); and hiring board members who have directorships with other companies that have directors with a political background (a situation known as interlocking board members).

The survey evaluated three presidential terms during the analysis period from 1998 to 2009, which

included the second term of President Fernando Henrique Cardoso (from 1999 to 2002), in addition to the first term (from 2003 to 2006) and a significant part of the second term of President Luiz Inácio Lula da Silva (from 2007 to 2009).

The survey revealed that connections to the political environment were related to increased company value. In periods of the greatest political instability, such as during the 2002 elections, companies increased their political activities by way of political donations or by hiring board members who had political experience. "Such political actions are perceived by the market and reflected in performance indicators, which are associated with risk and uncertainty," says the study.

According to surveys conducted in various countries, the proximity of companies to governments favors access to financing and attracts new business. This situation guarantees the flow of resources, which is essential for the business to continue to generate value.

However, studies that evaluate the influence of political connections on company performance are new to Brazil. It has been found that a significant part of campaign funds comes from businesses. In addition, contributions to federal congressional candidates in Brazil have been associated with a high return on company shares. Companies that contributed were substantially leveraged compared to others and secured greater access to lines of credit.

This is a pioneering study because of its in-depth analysis of the participation of board members with résumés that include positions in government. These board members are attractive because of the prospect of facilitating relations with institutions that are important to the company's future.

A board member's background and the number of participating board members are important indicators. Experienced and well-connected board members facilitate contacts for organizations, producing favorable market reactions that may be reflected in share prices.

The presence of board members who work on other boards alongside colleagues who have political backgrounds (interlocks) is a practice as old as capitalism itself and transmits a favorable image to the market. "Connections by way of interlocking are considered to be political actions that facilitate access to financial institutions, developing, via these relationships, mechanisms for the extraction of income and contributions that protect the firm from its competitors (and even enable them to act politically with these institutions in restricting funding opportunities for competitors)," says the study.

Contact the author: rodrigo.bandeira.demello@fgv.br

A success story in the health sector

ARTICLE IN FOCUS:

The performance of companies that figure in the regional “Who’s Who in the Greater ABC Region” ranking: an analysis of the causes of the performance of SHAM

Eduardo Loebel

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he health plan operator *Santa Helena Assistência Médica* (SHAM) has distinguished itself in recent years with superior performance compared to other companies in the supplementary health sector that operate in the Greater ABC Region [*São Paulo Metropolitan Region*].

Eduardo Loebel’s article, “The performance of companies that figure in the regional ‘Who’s Who in the Greater ABC Region’: an analysis of the causes of the performance of SHAM,” investigates the trajectory of SHAM, which is headquartered in São Bernardo do Campo (SP) and has a portfolio of 170,000 beneficiaries.

The starting point for the survey was an analysis of various editions of the “Who’s Who in the Greater ABC Region” yearbook, published by the *Diário do Grande ABC* [*local newspaper*]. Reports, presentations, newspaper reports and financial statements were also used; the main executives of SHAM were interviewed.

The study identified multiple causes that explain the performance of SHAM. In essence, the merit of the company was that it adopted an efficient health care management process, which is reinforced by organizational mechanisms and conditions.

One of the decisions that had a positive effect on performance was the adoption of an information system in the 1990s. The organization first used this system to control various routines (such as how long a patient remains in the waiting room). Improvements in the system over time allowed for greater management efficiency, both in terms of care and in one key variable that reflects the technical and financial balance of a health plan operator: its claims' ratio.

The certificates the company acquired are also notable. To obtain these certificates, the Santa Helena Hospital, which is controlled by the operator, developed routines and practices that also had a positive influence on the group's performance. In addition to its care units and the Santa Helena Hospital, SHAM has a maternity hospital and an ophthalmology center.

Another significant factor is vertical integration, i.e., providing care directly to beneficiaries, which minimizes the involvement of intermediary agents and generates operational synergy, in addition to reducing outpatient and hospitalization costs. The care verticalization vision was an element of the business model from the company's founding. According to an executive who was interviewed, "There's no other operator in the market with the level of verticalization we have. So, you can say that practically 98%, 97% of our demand is met within our own structure".

To explain the operator's good performance, it is also worth highlighting the role of the supplementary health sector's regulatory framework. Adopted at the end of the 1990s, the regulations established requirements that resulted in increased operating costs. It was an exogenous shock that led to many competitors going out of the market because it was impossible for them to meet the requirements of the National Supplementary Health Agency (ANS). SHAM's sales' policy, however, was aligned with the changes imposed by the regulatory framework. Unlike many of its competitors, the operator previously prioritized issues such as quality of service, which allowed it to maintain its expansion program.

Other success factors highlighted by this research include the doctor-manager program, commercial practices, the fulltime clinical staff, care that focuses on quality and safety and claims' management.

According to this study, specific conditions of the health operator led to the development of a series of skills that have been adapted over time and now systematically provide above-average returns, despite the significant changes observed in its environment.

Contact the author: eloebel@uol.com.br

Hope as a driver of indebtedness

ARTICLE IN FOCUS:

Hope, perceived financial risk and propensity for indebtedness

Lucia Barros and Delane Botelho

In general, people hope everyday: a man who wants a new job hopes to obtain it; when a mother sends her children to a good school, she hopes they will have a good future. When a person has an objective, he/she hopes and believes he/she can achieve it. These objectives are often related to an acquisition or to the consumption of a good or service. Consequently, hope is relevant to the literature that investigates consumer behavior.

Hope plays an important role in the use of personal credit because using credit allows the individual to acquire goods and services despite present restrictions. However, hope can also reduce the perception of risk and encourage consumers to adopt harmful behaviors.

In "Hope, perceived financial risk and propensity for indebtedness," Lucia Barros and Delane Botelho investigate precisely the influence of hope on the perception of financial risk and the propensity for indebtedness.

The authors undertook two empirical studies to investigate the relationship between hope and indebtedness. The first involved former MBA students from all over Brazil. In this experiment, a projective technique was used in which the subjects put themselves in the life of someone else in such a way that the hope of this third person was manipulated. The second study involved university students from a private college who replied to an on-line questionnaire about their hope of building a successful career and finding the employment they always dreamed about, which might induce them to incur debts to cover college costs.

The results of the first study confirmed that hope has an influence on propensity for indebtedness. When a person was most hopeful, he/she was more likely to get into debt than when he/she was less hopeful. It can, therefore, be said that hope had an influence on the perception of risk. The authors believe that a reduction in the risk perception may have contributed to the increase in the probability of indebtedness.

The second study investigated the impact of hope on risk perception and the propensity to incur indebtedness in a more realistic situation than in the first study. In this case, no significant relationship was found between hope and the propensity to indebtedness. One explanation for this result is that the students thought it was worth running the risk of getting into debt to get a job—regardless of their level of hope—because all of these students had previously decided to go to college.

The research offers practical contributions. The results suggest that consumers may underestimate the risks involved in the process of contracting debt. To counter this tendency, companies should develop mechanisms to prevent selling goods to people who might underestimate their payment capacity.

These results also serve as a warning to consumers. When they perceive the mechanisms underlying their behavior with regard to debt, they should develop more sensible strategies for maintaining their financial health, and they should be aware that high levels of hope (whose valence is only positive) may have negative consequences.

Contact the author: delane.botelho@fgv.br

A full store is not always good for business

ARTICLE IN FOCUS:

Do Brazilians like noisy crowds? The impact of human density on purchasing behavior

Marcelo Moll Brandão and Juracy Gomes Parente

Different factors in the environment of a store have been investigated as influences on consumer behavior: physical space, lighting, music, the presentation of products, design, service and other aspects. One of the least studied in Brazil is the phenomenon known in marketing as crowding. How do customers react when a store is jam-packed with customers?

Various pieces of research conducted abroad have attempted to understand this question. Human density in a store supplies a clue to the price level of the products. Empty purchase environments may lead to the perception of high prices and cause little motivation for buying; conversely, full stores may suggest attractive prices, but may also indicate uncomfortable buying conditions.

Most of the work undertaken in the United States provides evidence of negative consumer reactions when there are high levels of human density. However, studies on the phenomenon of crowding outside the United States do not always lead to identical results. In fact, research in countries in which higher levels of human density are customary reveal the opposite conclusion.

Given the cultural differences that affect the phenomenon of crowding, professors Marcelo Moll Brandão from the Nove de Julho University and Juracy Parente from FGV-EAESP conducted an empirical study to check how Brazilians react to variations in human density in stores.

In addition to considering extreme levels, a crowded store and an empty store, they added an intermediate level because research conducted around the world suggests that consumers prefer medium density levels. The degree of satisfaction of graduate and post-graduate students in administration was assessed when they looked at photos of a bookstore in three different situations: with many people, with medium crowding levels and empty.

The results indicated that consumers are not very sensitive to variations in human density between low and medium levels. However, a negative reaction becomes marked when the number of people present in the bookstore jumps from medium to high.

The authors' analysis is that in a country such as Brazil, consumers most likely take longer to perceive the phenomenon of crowding because they are accustomed to heavy pedestrian movement, congested urban traffic, packed public transportation at rush hours and long lines and lengthy waits in hospital and health centers.

Because the study participants were all administration students, the income variable was not decisive in their perception of crowding. However, in an additional study undertaken to check if consumers who are more familiar with certain crowding situations would tend to be more satisfied, the income factor was relevant. Students with a lower income level proved to be more familiar with crowded environments, thus presenting a lower perception of crowding and greater satisfaction.

According to the authors, the question of the influence of different income standards requires testing in popular environments. When they observed purchase environments in the city of São Paulo in different retail contexts, the authors found great differences: centers such as Largo Treze or São Miguel Paulista, which target the low-income population, have higher levels of human density when compared to shopping malls and other retail locations that target populations with higher levels of income.

In addition to the question of familiarity, the authors tested another variable that interferes with the perception of crowding: the capacity of the consumer to perceive the aesthetic details of the store. The hypothesis that is commonly discussed in marketing literature but that has not yet been proven is that individuals with greater levels of environmental discernment respond more intensely to different density levels; thus, such individuals have more negative reactions to stores in which the density pattern is higher. In fact, the research did show that an increase in the level of aesthetic perception aggravates the negative reaction of consumers to crowding.

In terms of the implications for the day-to-day routines of the retail trade, Brandão and Parente stress the need for better management so that tolerable human density levels are maintained in store environments. To attain those levels, effective planning is necessary to speed up service and thus reduce the feeling of discomfort. Developing internal communication and appropriate visual merchandising also contributes to expanding the tolerance level of the consumer in situations of high human density.

Contact the author: juracy.parente@fgv.br

Social networks: an opportunity for small businesses

ARTICLE IN FOCUS:

Company consumers on the fanpages of Facebook: an analysis of the on-line communication strategies of small companies

Eliane Pereira Zamith Brito

According to data from ComScore, in 2011 Brazil ranked as the 7th largest Internet market in the world with 46.3 million users. The country is also prominent in terms of the social media usage, which accounts for 23% of the total time spent by Brazilians on the Internet. On average, Brazilians spend 4.8 hours a month on Facebook alone. These figures reflect the importance of social media and indicate their potential for generating business. When such media are incorporated into company strategies, they can offer greater interactivity and direct communication with the consumer.

The article "Consumers and companies on the fanpages of Facebook: an analysis of the on-line communication strategies of small companies" by Eliane Brito investigates how small businesses can create value by way of trust, engagement and social capital in an exploration of brand fanpages on the largest social network in the world.

The literature indicates that virtual brand communities create value for the consumers and companies that participate on such pages. However, most of the research does not consider the

perspective of companies that sponsor the brand. There is also no research in the marketing literature that examines the behavior of the virtual consumer and the communication strategies of companies on the Internet in emerging markets.

To conduct this investigation, this author chose companies from different sectors that have active fanpages on Facebook, constant postings and a reasonable number of participant interactions. The study analyzed the case of five companies: a beauty salon, a pub, a health service company, a small hotel and a brewery.

In interviews, company representatives indicated that social networks are important communication tools. It was also discovered that the objectives of the fanpages of each company differ considerably. Pub managers, for example, want to create an environment for people to “exchange ideas,” leading to interactions with the brand about such subjects as beer and rock’n’roll. The brewery’s main objective, by contrast, is to encourage consumer engagement with the brand.

According to Eliane Brito, the research enabled her to identify the difference between brand communities and fanpages. Whereas in brand communities consumers can develop new ties among themselves, on fanpages people strengthen previously existing bonds. It also enabled her to identify the difference between Internet forums and fanpages. On fanpages, the lack of interaction between participants does not encourage the involvement of consumers who seek connection and conversation and may not necessarily be fans of a particular brand, which is unlike what might occur in a forum.

Another contribution of the research is its proposal regarding the flow of events that occurs during a consumer’s interaction with a brand on Facebook. Engagement increases as the consumer begins to trust the company. Participating on a fanpage can increase a consumer’s social capital.

Another interesting discovery of the study suggests that small companies may obtain good results by focusing their strategies and investments on Facebook. People interact on fanpages and comment when the content is of relevance to them. Engaged netizens, attracted by the company’s strategy, will disclose their messages on social networks and may attract other fans to the brand.

The author observes that it was impossible to measure by how much these activities on fanpages impact results and that future studies might quantify the financial gains obtained from these communities.

Contact the author: eliane.brito@fgv.br

The colonialization of brazilian management

ARTICLE IN FOCUS:

Americanizing Brazilian management

Rafael Alcadipani da Silveira and Miguel Pinto Caldas

Six decades after it first appeared, business education has reached a significant level in Brazil. The country currently has some 50 PhD management programs, more than 10,000 courses for executives and approximately 250,000 teachers dedicated to the management field. Every year, more than 1 million people enroll in some 2,000 courses.

The article "Americanizing Brazilian Management" examines how the United States influenced the development of Brazilian business schools. The authors' argument is that this type of school is the result of a colonial logic and was created through the spread of a North American ideology, in which defense of the liberal state and democracy and the imposition of North American living standards prevail as achievable goals.

Brazil's first business schools appeared in the middle of the last century and played a central role in importing the North American management model. The first to appear at the end of the 1940s was the Superior Business School (ESAN). However, it was institutions created by the Fundação Getúlio Vargas (FGV) in 1951, the Brazilian School of Public and Business Administration, and the FGV-EAESP in 1954 that determined the future of business education in Brazil.

Conceived of as a business school, the FGV-EAESP became a reality following an agreement between the Brazilian and American governments; the agreement involved FGV and Michigan State University. Because of an agreement with Michigan State, a mission was sent to Brazil that influenced the direction the FGV-EAESP for the ensuing 10 years. The latter, in turn, acted as the model for business schools that were subsequently set up in Brazil. The relevance of this institution can be measured by the fact that a new profession was established by law: that of the administrator.

For this study, importing a profession created in the United States reveals one of the colonial facets of the process. The students would leave trained in a new profession that would possess precisely those qualifications required by subsidiaries of North American multinationals that were previously active in the country. The view of the North American management model as being synonymous with "modern practices" is also colonial in nature, being a counterpoint to the traditional forms of administration used by Brazilians.

The adoption of an Americanized model in Brazil also leads to a particular manifestation a form of colonialization by which scientific knowledge allows the native elite to integrate themselves into the dominant ideologies of the Western world. The phenomenon of Americanization was so influential that the idea that North American management knowledge is superior remains even today.

Studies have also shown the great weight of ideas coming from the United States on Brazilian academic production. A recent study concluded that Brazilian research is strongly influenced by Anglo-Saxon authors and that writings by North Americans represent 61% of all references in Brazilian research on management. Consequently, the colonial pattern is being reproduced not only in what is taught in schools of administration but also in the form of influence on the knowledge generated by researchers in some of these institutions.

Contact the author: rafael.alcadipani@fgv.br

Organizational lessons coming from antarctica

ARTICLE IN FOCUS:

Organizational lessons coming from Antarctica

Maria Ester de Freitas

In 2009, the American Elinor Ostrom was selected for the Nobel Prize in Economics. Her studies stood out because they demonstrate in which contexts collective property can function—and function better than individual property. For Maria Ester de Freitas, a professor at FGV-EAESP, Antarctica perfectly fits Ostrom’s model. In a study published in the *Public Administration Journal*, Freitas documents the characteristics present in a research station in Antarctica in which military personnel and professionals from different universities unite to preserve a greater good.

The Brazilian Antarctic station that was inaugurated in 1984, Comandante Ferraz (EACF), was practically destroyed by a fire that started in the early hours of the morning of February 25, 2012. Two soldiers died. The government estimates that the station will only be fully rebuilt in 2016. Freitas’ study was conducted before the disaster and reveals how important it is that the type of organization established there is reconstituted and improved, and that it may even inspire other organizations.

Unlike utopias that are constructed never to be achieved, Antarctica exists as a collective and open work. The continent has no owner. The Antarctic Treaty states that only the nations that install scientific stations or bases there can decide on the future of the continent. “It’s a place where there’s no money in circulation, where differences in status go unperceived, where survival awareness is imperative and where the voice of nature is sovereign,” says Freitas. Neither is it a land with ancestors. In Antarctica, history is in the making. There is no center—whether economic, religious, political, cultural or administrative—that is recognized as a common point of reference.

In this environment, researchers are regulated by a work philosophy based on cooperation. This philosophy finds its essence in the Antarctic Treaty, which encourages them to decipher the unknown, to develop and publish a set of interdisciplinary studies and to develop strong subjective ties among members of the group.

Despite being confined inside a station without privacy, the professionals interviewed for the study did not identify those conditions as an inconvenience. It was observed that interculturality is a marked characteristic, not only in the interactions with foreign colleagues but also between Brazilians who come from different cities and institutions.

Two distinct groups coexist alongside one another in the Brazilian Antarctic station: the military, for whom hierarchy is fundamental, and the scientists, who value autonomy. This difference could cause friction, but this does not appear to be the case. The station has routines related to organization, time management and the environment, which are primarily the responsibility of the military. Safety is the only point that is not negotiable. Scientists, by contrast, have the autonomy to address subjects relating to their projects.

Those interviewed indicated that the differences help develop a common basis for coexistence. In fact, when the researchers go back to their cities and universities they say they feel disoriented and have problems with the light, with traffic and with the use of money. They confess that they miss the silence and having infinity as a landscape.

This bucolic view does not mean that management of the station is simple. The station is a complex system, which begins with the directives outlined in the Antarctic Treaty; it includes the structures of member-countries' national governments and then moves on to the regional level (with the academic institutions involved), and finally to the local level with the execution of projects.

The decision-making processes at the different levels can take different directions, with or without the consultation and participation of all the stakeholders. The force of cohesion comes from a community of researchers who share interests, curiosities, experiences, studies, challenges and projects. This is an open system, which comprises various groups that operate in different institutional spheres that are linked to projects that have different scopes and durations. It works because extraordinary and non-standardized work is being performed in the Antarctic. The main source of power for the members of this system comes from peer respect and reputation.

Each member depends on the others; each one is a spokesperson for and guarantor of someone other than themselves. All see science as collective work. Commitment to work, the acceptance of others as being necessary and the absence of status symbols or the use of money mean that the risk of the group breaking down and collapsing is reduced.

However, this is a temporary moment in life. Because they only stay a few months in Antarctica, researchers later return to their "normal" lives, surrounded by conferences, symposiums, classrooms, students, books and the rules and regulations that structure and discipline their academic work.

Contact the author: ester.freitas@fgv.br

The corporate fraud show

ARTICLE IN FOCUS:

Substantive and symbolic actions in setting up and carrying out a corporate fraud: the Boi Gordo case

Thomaz Wood Jr. and Ana Paula Paulino da Costa

How does corporate fraud occur? Thomaz Wood Jr., a full professor at FGV-EAESP, and Ana Paula Paulino da Costa, a professor from BSP-Business School São Paulo, studied a notorious case of corporate fraud that occurred in Brazil: Boi Gordo.

Founded in 1988, Boi Gordo launched a pretentious and innovative investment system. It established a contract per arroba [standard unit of weight—15 kg] and promised to buy and fatten calves for cash. At the end of 18 months, the company guaranteed investors a return of 42%, which was much higher than other investment alternatives at the time. It was an unattainable rate of return, but one that attracted a large number of investors. In 2001, when the company went into liquidation, it had 30,000 investors. Not one has so far recovered their money, which was illegally diverted to buy farms and line the pockets of the company's controlling shareholder, Paulo Roberto de Andrade.

The authors of the study, published in *Cadernos Ebape.br*, indicate that the fraud can only be understood as a process with three stages: conceiving the fraud, introducing the fraud and maintaining the fraud.

Various factors contributed towards the fraud's conception. The first relates to a peculiarity of the agriculture and livestock farming sector: a trust culture. The controlling shareholder himself stated that his company was "heavily backed by its reliability". The second factor is related to a gap in the regulatory framework. The business model, which mixed financial investment and livestock farming activities, was unknown at the time. The third factor relates to the characteristics of the company's controlling shareholder: he was ambitious and capable of articulating an image for his business that was simultaneously traditional, modern and sophisticated.

Paulo Roberto de Andrade's past was not publicly available at the time he created Boi Gordo. Between 1966 and 1989, he had been prosecuted nine times; he was found guilty in two cases and served eight years in prison. One of these cases involved a company set up by de Andrade and his brothers that offered higher than market returns on investment contracts based on variations in the price of gold. The company was accused of larceny and a crime against the public economy.

Andrade knew how to manipulate his image and that of his business by way of "symbolic actions". Simultaneously, "substantive actions" were taking place with the creation and implementation of schemes to generate the fraud; a public relations agency was hired and a promotional campaign was launched that stressed the pioneering aspect of the company, its use of leading edge technology, its profitability, and the tradition and entrepreneurial image of the controlling shareholder. The company's farms were used for filming Globo TV's soap "O rei do gado" [The Cattle King], and the show's leading actor was hired for Boi Gordo commercials.

Once the company's reputation had been built, it helped neutralize or give new meanings to any negative signals that might arise. Thus, when the company used diversification to undertake its fraudulent process, this strategic action was perceived as a sign of the strength of a large business group. Likewise, when the company needed to auction off a large number of its breeding cows (which in fact compromised the future of the business), the event was promoted and perceived as a sign of the prestige and power of the controlling shareholder.

The use of symbolic actions makes fraud feasible and may prolong its existence, which is clear in other famous cases of corporate fraud perpetrated by top management. Enron, for example, had an exemplary code of ethics and widely publicized it; Bernard Madoff cultivated the image of a philanthropist and smart investor. Daslu's image was associated with luxury and good taste. Santos Bank promoted itself as a competent and technologically advanced institution, while Edemar Cid Ferreira, its majority shareholder, cultivated an image of cultural sophistication as a patron of the arts.

The breakdown occurs, argue the authors of this study, when there is a disassociation between substance and image. When the contradictions become clear and external pressure increases, it is no longer possible to maintain an artificially constructed image. New measures are applied to hide the misappropriation, but by then there are no more symbolic actions that can successfully preserve the company's image and that of its controlling shareholders to avoid the fraudulent scheme coming to an end.

Contact the author: thomaz.wood@fgv.br

What determines the financing decision in SMEs

ARTICLE IN FOCUS:

A study into the financing decisions of small and medium-sized Brazilian companies

Claudia Emiko Yoshinaga and William Eid Junior

The article “A study into the financing decisions of small and medium-sized Brazilian companies” investigates the behavior of companies when they make financial decisions and examines whether there is a common pattern among them, or if it is possible to detect some industry peculiarity. The analysis verified the financial statements of a sample of 10,000 small and medium-sized companies over a 12-year period.

Divided into three parts, the research investigates the relationship among the characteristics of the companies and decisions relating to: (i) total leverage (ii) short-term leverage and (iii) long-term leverage. The company characteristics that were considered were: profitability, tangibility, firm size, investment in fixed assets, cash, dividend return and time.

The three analyses detected a negative relationship between leverage and profitability. This finding indicates that companies deciding about debt /equity financing are consistent with pecking

order theory because, when they need resources, they first choose to retain profits, then access debt and lastly they issue new equity. Thus, the more profitable enterprises tend to be the less leveraged.

By contrast, the tangibility variable, which measures the proportion of fixed assets relative to the company's total assets, gave different results in short- and long-term analyses. If the company has a greater proportion of fixed assets in its structure, it can more easily raise long-term funding. Because these companies have access to long-term financing at lower costs as a result of offering its assets as collateral, they tend to have a smaller amount of short-term debt (which debt is more costly).

The size variable gave different results, according to the dependent variable. For general leverage, company size positively influences the capacity to raise funds from third parties, whereas long-term leverage had a negative coefficient, which might indicate that larger companies do not need to raise long-term funds from third parties. The results of the research for the short-term were not significant.

The relationship of leverage with the investment in fixed assets variable presented a positive signal in the estimates, but was not significant in the long-term analysis. In general, the signal was positive, which indicates that companies tend to raise more funds from third parties when they invest more.

The cash variable had a negative and significant sign in the three analyses. Companies tend to take on more debt when cash levels fall.

The dividend variable was only significant with respect to the general leverage model, which indicated an increase in leverage when companies reduce their dividend payment level and which may show that companies reduce the distribution of their dividends and take on debt to make new investments or address situations of greater financial stress.

Finally, the time dummy variable was significant in the model, which indicates that macroeconomic conditions are fundamental for explaining the leverage of companies in general, whether over the short or long term.

According to the authors, the research may yet be expanded to analyze other aspects of the financial decisions of small and medium-sized enterprises, so that this group of companies, which are representative of the economy, can be studied in more depth.

Contact the author: claudia.yoshinaga@fgv.br

Differences between british and brazilian companies

ARTICLE IN FOCUS:

Working capital management: a comparative study between the practices of Brazilian and British companies

Claudinê Jordão de Carvalho and Rafael Felipe Schiozer

The article "Working capital management: a comparative study between the practices of Brazilian and British companies" presents the results of research into working capital management practices based on responses by the administrators of 447 micro and small enterprises (*MPEs*) located in the states of São Paulo and Minas Gerais. The study compares the results obtained to similar research that was conducted in the United Kingdom.

The authors stress that legal, institutional and developmental differences and variations in the sophistication of financial markets in the British and Brazilian economies are determining factors and have an influence on the managerial practices of directors.

The results show that the average application frequencies of the working capital routines of Brazilian companies are greater than those of British companies, except for the practice of using a cash budget. In Brazil, special attention is paid to controlling payment and receipt periods.

In Brazil, the existence of four types of companies have been identified based on the emphasis of working capital management on timescales, credit, stocks and others/those with no specific focus. In the United Kingdom, by contrast, the timescale component (the one on which companies in Brazil concentrate most) did not prove to be important, whereas cash budgeting was understood as an essential element.

It was also discovered that micro and small Brazilian enterprises review their working capital routines more frequently than do their British counterparts, which corroborates the idea that activities relating to improving short-term cash flow are more important in Brazil because the cost of money is greater.

The study also showed that Brazilian companies offer less trade credit than British companies and that Brazilians fund themselves with less trade credit compared to the British. This result perhaps results because the production chains of these companies involve other small companies that have little capacity to offer trade credit.

The authors observe that caution is required when interpreting the results. First, there is a time difference of between six and eight years between the surveys conducted in the United Kingdom and in Brazil. Technological developments over recent years and cheaper management software costs, in particular, may have given rise to different realities when routines adopted at different moments in time are compared.

Taking the results of the individual interviews conducted with directors as its basis, this study identified the impact that recent technological and financial innovation has had on the finances of the companies studied. The adoption of information technology and credit cards has reduced the need for companies to raise traditional financing via banks because card administrators use automatic limits for advances of receivables to affiliated companies. Therefore, the commercial relationship between suppliers and customers, not the banking relationship appears, to be the more valuable resource for Brazilian managers.

Another reason for caution is that the Brazilian sample is restricted to two of the richest states in Brazil. Thus, it is probable that companies from these regions have more sophisticated financial management and greater access to external credit (bank and/or trade) compared to companies from other regions in the country. Therefore, it is possible that the typical Brazilian micro and small enterprises have even more pronounced differences relative to British companies.

Contact the author: rafael.schiozer@fgv.br

Transparent enterprises

ARTICLE IN FOCUS:

Mutual fund managers' stock preferences in Latin America

João Luiz Piccioni Jr., Hsia Hua Sheng and Mayra Ivanoff Lora

The purpose of the article “Mutual fund managers’ stock preferences in Latin America” is to test the hypothesis that when foreign mutual fund managers invest in Latin America, they prefer companies that offer more information. The study also compares the preferences of foreign managers with those headquartered in Latin America.

The focus on Latin American countries is the work’s main contribution because the region is experiencing strong growth in terms of its mutual fund industry and stock exchanges, but it remains at a lower stage of development compared to other regions.

The researchers assembled a database showing the position of foreign and domestic mutual funds in companies listed on stock exchanges in Latin America during three periods: 2008, 2009 and 2010. The study included the following countries: Argentina, Brazil, Chile, Colombia, Mexico

and Peru. Together, they represent approximately 99% of the region's market value. The companies chosen are listed on the stock exchanges of these countries and their details are available on the Bloomberg and Thomson Reuters systems.

Based on the information supplied by the Bloomberg system, data were selected that have an influence on investor decisions, grouped into "basic characteristics" and "visibility characteristics".

The first group brought together information relating to the balance sheets of the companies and their trading activities, such as share price, the relationship between share price and profitability, the relationship between share price and net assets, asset worth, the amount held in cash, sales' growth, average daily business, the number of negotiation days, etc.

The second group brought together three sub-groups of data: (a) the number of analysts who cover the company's shares, (b) whether the company has ADRs that are traded on the New York stock exchange and (c) if the company was an exporter of goods.

The mutual funds were classified as domestic or foreign according to the origin of their assets.

The results of the research confirmed the hypothesis that characteristics linked to the visibility of the asset in other markets are relevant to foreign managers. They prefer to invest in companies that have ADRs, have greater cover by analysts and are exporters. These characteristics are important for reducing information asymmetry, which implies less investment in markets that are not so well explored.

The research also found investor preference for companies with a greater market value, with high liquidity in their markets and that have been listed for less time.

With respect to domestic Latin American investors, the results indicated that these managers have a more widely dispersed range of investments in the companies listed and consequently have different preferences from those observed in foreign managers.

Domestic investors focus their investments on companies with a lower market value, with less volatility, with greater liquidity and that are older. Unlike foreign managers, characteristics linked to visibility did not prove to be important to this group of investors.

Contact the author: hsia.sheng@fgv.br

The advance of corporate governance standards

ARTICLE IN FOCUS:

The evolution of corporate governance in Brazil

Bernard S. Black, Antonio Gledson de Carvalho and Joelson Oliveira Sampaio

The recent evolution on corporate governance standards in Brazil has not been adequately addressed in the literature. The article “The evolution of corporate governance in Brazil” fills this gap.

As the Brazilian economy has stabilized over the past few decades, it has undergone great transformations: its public debt securities have achieved investment-grade status, various Brazilian companies have become world-class competitors and the economy has experienced moments of high growth rates. A local capital market arose and the pension funds industry developed, both of which became major investors in the securities of publicly quoted companies.

Changes in the market for corporate shares were also significant. Until the beginning of the last decade, Brazil was known internationally for having incipient corporate governance standards. It is no coincidence that a ranking prepared at that time placed Brazil 43rd (out of

49 total countries) with respect to guaranteeing investor rights and 40th place with respect to accounting standards. Disrespect for the rights of minority shareholders was fairly common among publicly traded companies.

Concern for the weak protection of minority shareholders gave rise to three new markets based on high standards of governance. In 2001, *Bovespa* (now *BM&FBovespa*) created the New Market Level I and Level II listings. This decision was important because, beginning in 2004, most of the large number of initial public offerings (IPOs) that occurred were located in these new stock exchange segments. Some older publicly quoted companies also migrated to the higher level listings.

To obtain a picture of the evolution of corporate governance practices in Brazil, this study was based on a survey of company information for 2004, 2006 and 2009. The first survey coincides with the beginning of the wave of IPOs, whereas the last survey coincides with the beginning of the international financial crisis that led to a drastic reduction in the number of IPOs. The documentary investigation also included financial information supplied by companies to Brazil's Securities and Exchange Commission (CVM) and other information collected by *Economática*.

The research aggregated the information into six indices to cover the main aspects of corporate governance, including board structure, property structure, board procedures, transactions with related parties, shareholder rights and the disclosure of company information. The board structure index was divided into two sub-indices: one related to board independence and the other to the audit and supervisory committees. Taking the average of the six indices, it was possible to calculate a Brazilian Corporate Governance Index (BCGI). The focus of the research was Brazilian private companies, which thus excluded state-controlled or foreign-owned companies.

The analysis found that corporate governance practices have improved significantly during this period, which can be attributed to two fundamental factors: first, an increase in the number of companies listed on the New Market and Level II listings that had strict corporate governance practices; and second, improvements in governance practices in companies that were previously listed, which in some cases included a change in the listing level.

Governance practices in companies that became listed on the New Market and Level II remained stable during this period, and there were general improvements in companies that were previously listed on an exchange, including improvements related to greater board independence, in board procedures, in shareholder rights and in information disclosure. The authors believe that many New Market companies ended up exceeding the minimum requirements of the listing segment.

Contact the author: gledson.carvalho@fgv.br

Credit cards and university students: a delicate relationship

ARTICLE IN FOCUS:

Credit card risk behavior on college campuses: evidence from Brazil

Wesley Mendes da Silva, Wilson Toshiro Nakamura and Daniel Carrasqueira de Moraes

Access to credit strongly influences life styles, providing individuals with purchasing power and increasing their social status. However, the indiscriminate use of credit cards can have negative consequences. Irresponsible financial behavior on the part of young adults may harm their academic performance and compromise both their physical and mental health.

The article entitled "Credit card risk behavior on college campuses: evidence from Brazil," authored by Wesley Mendes da Silva, Wilson Toshiro Nakamura and Daniel Carrasqueira de Moraes, analyzes the behavior of university students—a group of users that often displays little responsibility in the use of financial products.

According to economic psychology, heavy indebtedness is generally associated with high levels of physical and psychological stress. Research in the United States has documented high levels

of indebtedness in student groups. They frequently use credit cards to pay college fees or buy study materials. The high level of indebtedness of American college students recently led to the establishment of restrictions on requests for credit cards by university students.

In Brazil, part of the higher education system is public and free, which results in expenses that are different from those incurred by students in the United States. Moreover, the credit card industries of the two countries are different. Nevertheless, the use of cards in Brazil is increasing and has affected consumer behavior. However, although this phenomenon is undeniably important, it has not yet been examined in detail.

The article in focus fills this gap. The research randomly approached 769 students in São Paulo who were studying at FGV-EAESP, Mackenzie Presbyterian University, the Armando Álvares Penteado Foundation (FAAP), the Álvares Penteado School of Commerce Foundation (FECAP), Bandeirantes University (UNIBAN) and the School of Economics, Administration and Accounting of the University of São Paulo (FEA-USP).

The students surveyed were classified as having financially risky behavior when at least one of four characteristics was found: (a) the existing balance on their credit cards was equal to or greater than R\$ 1,000; (b) they had experienced a delay of 60 days or more in the payment of a bill in the last two years; (c) the full limit of a credit card was reached in the last two years or (d) the total amount of the bill was never (or sporadically) paid in full over the last two years.

Analysis of these data identified associations between personal characteristics and financially risky behavior in the use of credit cards. Many individuals try to achieve greater social status or acceptance in their group through consumption, which may lead to adopting non-rational behavior patterns.

Of the 552 respondents who said they had credit cards, 35% had at least one of the behaviors classified as risky; of these, almost one-third engaged in two or more risky behaviors.

An important finding of the research related to students with three cards or more; this group of students is more likely to have debit balances over R\$ 1,000, thus supporting the findings of previous studies, which held that individuals possessing a large number of credit cards tend to buy compulsively, acquiring goods and services that are of little use to them.

The research also indicated that students who are in a stable, loving relationship appear to be more inclined to take on higher balances. However, these individuals are also least likely to make partial payments of their credit card bills.

With regard to maintaining debit balances, a knowledge of the levels of interest rates leads individuals to avoid partial payments of their bill, a result that is in line with the assumption that a financial education leads to a more responsible and balanced use of cards.

Contact the author: wesley.silva@fgv.br

The performance of brazilian index funds

ARTICLE IN FOCUS:

Exchange-Traded Funds versus Indexed Funds in Brazil

Claudia Emiko Yoshinaga, Elaine Cristina Borges and William Eid Jr.

At the beginning of the 1990s, a modality of investment arose that revolutionized financial markets. Based on indices, with their quotas negotiated on stock exchanges in the same way as shares, exchange-traded funds (ETFs) or index funds have become increasingly important. In February 2012, more than 3,500 ETFs existed throughout the world and accounted for approximately US\$ 1.5 billion in assets. Since 2000, the annual rate of growth for ETFs has been more than 30%. In Latin America, average annual expansion has been 65% since 2002.

The success of ETFs is mainly attributed to their structure—a combination of a mutual investment fund and shares listed on the stock exchange—in addition to their diversification and ease of negotiation. Investors acquire a basket of assets in a single operation, and ETFs offer the possibility of entering and exiting the investment at any time. Furthermore, the administrative charge on an ETF is much lower than on a mutual fund.

Although it is an important phenomenon, little academic work has been performed on this subject either in Brazil or in the rest of the world. This absence of research motivated Elaine Cristina Borges, William Eid Junior and Claudia Emiko Yoshinaga to prepare the article “Exchange Traded

Funds versus Indexed Funds in Brazil,” which assesses the performance of ETFs in Brazil compared to indexed mutual investment funds.

In the study, the authors assess the profitability of three Brazilian ETFs compared to several mutual investment funds that are indexed in the same reference index as the ETFs: Ishares Bova CI (BOVA11), Ishares Brax CI (BRAX11) and Ishares Small CI (SMAL11).

The study found out that Brazilian ETFs generally provide a superior return than other funds with the same benchmark index.

According to this study, this result may be explained by the lower administrative charges that the ETF managers levy, although the transaction costs of ETFs (such as commission and custody charges) are borne separately by the investor, and thus are not included in the price of the ETFs and vary with the amount invested and the broker selected to make the investment. With respect to indexed mutual funds, the fund manager absorbs these costs, which are divided among all investors and, therefore, reduce the value of the quota and its return. Because of this accounting difference, the superior rate of return for ETFs may be solely the product of different ways of paying the transaction costs of each of the modalities of investment considered.

With respect to adherence measures, the authors concluded that Brazilian ETFs generally provided inferior results than other indexed funds when daily closing prices are used. This may be the result of the prices of ETFs being determined by supply and demand; because they have only recently been introduced in Brazil, there remains insufficient liquidity in the country to bring ETF prices closer to the asset value of their quota shares, which would represent their fair pricing.

Nonetheless, when analyzing average daily prices instead of closing prices, Brazilian ETFs appear to have the best adherence performance of the entire sample. Using average prices both in the case of ETFs and of financial indicators is justifiable because investors on the stock exchange trade all day long and not only at the end of the day. Thus, the average daily prices should best represent daily transactions. In this case, ETFs are better able to replicate financial indicators than traditional mutual funds precisely because their structure allows buying and selling transactions throughout the day, just as occurs with the shares that financial indicators attempt to represent.

Because ETFs are relatively new in Brazil, the article warns that there is an insufficient number of funds available and there is not a sufficiently large historical basis for performing a more robust statistical analysis. Moreover, the low liquidity of these funds, a condition that has yet to be discovered by the majority of Brazilian investors, affects their price dynamics and worsens adherence to them.

Contact the author: claudia.yoshinaga@fgv.br

Dividend signaling

ARTICLE IN FOCUS:

Does a variation in dividends signal future profitability?

Claudia Emiko Yoshinaga and Francisco Henrique Figueiredo de Castro Junior

The expression "information content of dividends" (ICD) refers to the hypothesis that dividends provide important information about the profit prospects of companies, allowing investors to make prognoses. The article "Does a variation in dividends signal future profitability?" by Claudia Yoshinaga and Henrique Castro analyzes ICD hypothesis for the Brazilian market in accordance with the corporate governance level of companies.

The research tested the relationship between variations in the value of dividends and interest on equity paid every year and the future profitability of companies, based on models proposed in previous studies.

Considering that both dividends and interest on equity are funds distributed to shareholders, the

research treats both types of payment in the same way and considers them to be the total funds paid to shareholders in each accounting period.

The sample was segmented into companies listed at different levels of corporate governance on the BM&FBovespa and companies listed in the traditional segment.

For the entire sample, changes in dividends were unable to predict future fluctuations in the profitability of companies; thus, the study rejected the information-content-of-dividends hypothesis. However, when the companies were separated into groups with and without special corporate governance practices, the results were different.

In the first group of companies, which are characterized by better corporate governance practices, the results corroborate the ICD hypothesis. However, for companies in the traditional segment, the result was the opposite: an increase in dividends may signal a drop in future profitability. Thus, the study suggests that the validity of the ICD hypothesis is conditioned on the quality of a company's corporate governance.

According to the study, for companies in the second group, negative and statistically significant coefficients were obtained in the context of certain specifications, which indicates that companies that have no strict concerns for corporate governance appear to increase or reduce their dividend payments independently of their future profitability. This phenomenon may be explained by managerial overconfidence.

It is possible, therefore, to infer that companies that are more concerned for their minority shareholders and more aware of good corporate governance practices distribute more dividends and pay more interest on equity to their shareholders when there are more chances of better profitability.

Contact the author: claudia.yoshinaga@fgv.br

How banking correspondents work

ARTICLE IN FOCUS:

Groups of services delivered by Brazilian branchless banking and respective network integration models

Martin Jayo, Eduardo H. Diniz, Felipe Zambaldi and Tania P. Christopoulos

In the last decade, Brazil has adopted an innovative banking expansion model for its low income population. By way of partnerships with retailers and other companies, banks have begun operating in the most remote areas of the country. Their partners, known as banking correspondents, rely on terminals that allow their customers to pay bills, receive government benefits and gain access to various banking services.

In 2008, a short while after the relevant regulations were published, the number of banking correspondents reached the equivalent of five times the number of bank branches in Brazil. A survey by *Febraban*, the Brazilian bank association, shows that there are 150,000 correspondents in Brazil, responsible for 6% of the banking transactions and for serving 40 million people.

Recognizing the importance of the theme, researchers Eduardo Diniz and Felipe Zambaldi from *FGV-EAESP* and Martin Jayo and Tania P. Christopoulos from *USP* conducted research to identify the activities and operations that banks delegate to correspondents.

Based on 20 interviews with bank managers and the data managers of financial operations undertaken by 300 banking correspondents, this study concluded that the more services the correspondents offer, the more they are controlled by the banks. Banks can either hire an integrator as its correspondent, who in turn hires independent retailers, or banks can work directly with service providers.

Banks fully delegate technical and logistical activities—in addition to business processes—when the correspondent is limited to receiving bank invoice payments from customers. This full delegation model occurs both in regions that are economically dynamic and in the poor areas in northern and northeastern Brazil. In these locations, banks are able to alleviate crowding in their branches by offering the opportunity for people to pay their accounts at banking correspondents. The latter develop such a degree of know-how that they manage to conduct these operations in a more efficient way than the banks.

By contrast, when it is a question of working with social benefits or with the traditional services that a financial institution offers (such as opening an account and making deposits), banks prefer to delegate neither their technology and logistics platform nor their business processes. In these cases, the bank places and operates its technology through small retailers or comes to an agreement over the use of previously available terminals, such as those at cash registers at large facilities (e.g., the Post Office locations and lottery ticket outlets).

According to the study, the results suggest that there is greater uncertainty in the contracts because these services are more complicated than the simple payment of bills. There is also the need for specific assets and a qualified labor force. It is difficult to find entities better able to undertake all these operations than the banks themselves.

Coordinating activities—recruiting, training, negotiating, monitoring and guaranteeing different services—appear to be more feasible using internal bank mechanisms rather than banking correspondents. By operating in this fashion, banks gain economies of scale and reduce their transaction costs.

This centralized operating model has been adopted in remote areas, such as the Amazon. The researchers believe that this practice indicates that banks are interested in offering banking services in regions with unexplored demand.

In addition to the question of efficiency and scale savings, the study's authors posit another hypothesis for banks not fully delegating their activities to banking correspondents. In their view, banks may not fully trust that they will have sufficient legal and regulatory guarantees in the event of problems with their banking correspondents. Another delicate question is the great reluctance banks have in sharing strategic processes and information with their customers.

Contact the author: eduardo.diniz@fgv.br

Cloud computing

ARTICLE IN FOCUS:

The background to the adoption of cloud computing: the effects of infrastructure, investment and size

Otávio Próspero Sanchez and Alexandre Cappellozza

The adoption of cloud computing is understood as an opportunity to reduce investments in information technology (IT) and to achieve greater flexibility in the demand for services reduced costs. Through cloud computing, companies can maintain their financial resources and increase their capacity for investing in their businesses, while leaving the administration of technology assets to third parties. However, cloud computing may also provide competitors with access to resources that were previously scarce or distinctive and that might be the source of competitive advantage.

Given these movements and the fact that IT is an expensive and perishable resource, the article "The background to the adoption of cloud computing: the effects of infrastructure, investment and size" investigates the dilemmas a manager faces in deciding whether to invest in or hire IT.

The research, conducted by Otavio Próspero Sanchez and Alexandre Cappelozza, explores the background factors that lead companies to adopt cloud computing. The article contributes to managerial practice by identifying the choice mechanisms of organizations.

The base data were taken from the June 2010 edition of *Info Exame* magazine's "The 100 Most Switched on Companies in Brazil," which includes 100 companies from various business sectors; of these, 56 were considered by the authors.

The research came to various interesting conclusions. First, it found that companies with a larger infrastructure attempt to expand their investments in IT because of their need to expand their business or because of their search for economies of scale. Second, it showed that smaller companies (typically when trying to acquire a competitive position) tend to adopt cloud computing whereas larger companies seek to protect their competitive assets by not revealing them externally. Third, the study found that even organizations that can maintain their investments also consider the possibility of adopting certain cloud computing initiatives to become more liquid and to increase their capacity for investing in alternative projects.

In general, larger organizations rely on their own economies of scale that enable them to shun cloud computing. This decision acquires a strategic importance because the hiring of a cloud supplier may enable a company technically and economically to obtain and pass on an economy of scale to smaller potential competitors. Furthermore, if maintained internally, computing capacity and technical competence can be transformed into a barrier to the efficient operation of competitors that do not have this competence.

The authors conclude that organizations that possess a large infrastructure may be interested in hiring cloud computing when their technological assets are threatened by obsolescence or as the cost of maintaining their technology base up-to-date drains substantial resources away from new strategic projects.

According to the authors, the decision to adopt cloud computing cannot be understood as an inevitable consequence of the availability of IT resources produced as technology evolves; instead, it is the result of well-conducted strategic analyses that consider supplier, customer and competitor movements.

Contact the author: otavio.sanchez@fgv.br

The success of the paulista tax receipt

ARTICLE IN FOCUS:

Electronic government in the State of São Paulo: a case study in the Paulista Tax Receipt program

Gustavo Hermínio Salati Marcondes de Moraes and Fernando de Souza Meirelles

The article entitled “Electronic government in the State of São Paulo: a case study in the Paulista Tax Receipt program” analyzes an initiative by the São Paulo state government: the Paulista Tax Receipt (PTR) program. This study focused on this program because it is the largest computerized tax control initiative in Brazil as measured by the amount of resources involved, users registered and access. Furthermore, the program has produced significant results, and it has been replicated in other states and cities.

The objectives of the program are to combat tax evasion, reduce informal trade and eliminate trade in illegal products by encouraging consumers to demand tax receipts. Citizens adhere voluntarily by registering on the program’s website and providing their personal tax number or corporate tax payer number to obtain a receipt or tax coupon for every purchase they make. The processes are all computerized to minimize failures.

The researchers conducted semi-structured interviews with the program coordinator and with specialists in electronic government systems (e-gov). They also undertook non-participative observation and analyzed documents.

To understand the program, its development phase required definition because more technological improvements were required as the program became more advanced. The model that was adopted—which was developed by the Gartner Group—identifies four phases: information, interaction, transaction and transformation. According to this study, the PTR program can be included in the transaction phase at the point when citizens have managed to undertake full transactions over the Internet and there is no need for a physical presence in public offices.

During this phase, internal processes are redesigned with the aim of increasing the quality of the services, which occurs continuously with the PTR where there is a considerable saving in time, paper and money.

The main problems of this phase involve security and personalization, such as the provision of digital signatures. In fact, the coordinator of the program told the authors that it was not yet possible to transmit the expected level of security to the population, which is the main reason why many citizens still do not ask for a Paulista Tax Receipt.

The research found that the relationship between business sectors and the IT sector is fundamental with respect to meeting the expectations of citizens. According to the authors, the IT governance exercised in the Finance Department facilitates the actions of the PTR managers because business and IT managers make the fundamental technical and operational decisions jointly.

According to the authors, the adoption of the PTR required overcoming internal and external difficulties. Because the Finance Department is a body that collects taxes, the program has an apparently inverse orientation from an internal perspective, which is the return of part of the tax collected. Externally, there was a “cultural” challenge because the population had doubts about the validity of the promise to return money.

One of the main results obtained by the PTR was to enable a “culture change”. In the opinion of the program coordinator, people currently have no problems using the internet for registering and exploiting the benefits acquired in the program. There is also an actual fiscal gain that is represented by the increase in the amount of tax collected.

Another relevant gain relates to the amount of information that is passed on by companies. Every movement in the database of the PTR program is recorded at a high level of detail. Such information assists in other projects, such as the on-line transmission of retail transactions.

According to the authors, the results of the study can aid the speed of implementation of similar programs in other contexts by supplying information relevant to anticipating problems and overcoming possible barriers.

Contact the author: fernando.meirelles@fgv.br

A model for assessing IT management

ARTICLE IN FOCUS:

Dimensions of the use of information technology: an instrument for diagnosis and analysis

Alberto Luiz Albertin and Rosa Maria de Moura Albertin

In the search for competitiveness, companies in countless sectors are intensifying the use of information technology (IT). However, the opportunities and expected benefits are often not achieved because of inadequate IT management.

The objective of the article "Dimensions of the use of information technology: an instrument for diagnosis and analysis" by Alberto Luiz Albertin and Rosa Maria de Moura Albertin is to present a "simplified model of the dimensions of the use of information technology in benefit of business". The model establishes five dimensions for the use of IT: its use *per se*, the benefits it offers, its contribution to corporate performance, IT governance and administration, and the role of executives.

The authors conducted a case study on a leading company in its sector with a significant investment in IT that began using this instrument for assessing and monitoring the use of this

technology. The company works in commerce and has annual revenues of approximately R\$1 billion. With five business units, the company invests approximately 2.5% of its net revenue in IT.

The case study analyzed two priority IT use projects: (a) the “supply chain project,” which consisted of adopting a new system for improving the quality of the information for the whole of the supply chain that allowed for the integrated management of all suppliers and (b) the “new product information system project,” the objectives of which were the development and adoption of an information system for a specific category of company products.

The authors argue that the model is suitable for assessing and obtaining information for successful IT administration because it allows its use in the company to be understood by identifying the particular context of each investment. When this model was used, the coherence between the use of IT and the benefits offered become explicit, which allowed them to be analyzed and questioned.

According to the authors, corporate performance indicators must be aligned with the benefits offered. IT governance and administration models are the bases for coherence among the dimensions of IT use, which facilitates the analysis of expenditure and investments in this area and thereby contributes to the quality of the decision-making process.

Contact the author: albertin@fgv.br

The unpredictable side of work in hospitals

ARTICLE IN FOCUS:

Work in hospitals

Ana Maria Malik

Hospitals are increasingly introducing mathematical management models that attempt to predict and control all details of their activities. However, as Ana Maria Malik, a professor at FGV-EAESP, observes, such systems can improve operations but may neglect to consider a key variable: those who undertake tasks and achieve (or not) the planned goals are people who look after others in a context of pressure and fragility.

In the article "Work in hospitals," published in the journal *Tempus Actas de Saúde Coletiva*, Malik unearths the complexity of human relationships in a hospital. Any process to be introduced depends first and foremost on the behavior of the patient, which is highly unpredictable. Identical drugs generally have similar effects on different patients, but patients do not always take drugs in the same way or allow themselves to be medicated.

Professionals from the healthcare sector have also long believed that patients would be unable to evaluate the services they are provided because of a lack of knowledge. Nonetheless, the patient knows much, although obviously not as much as healthcare professionals. However, whereas the latter understand diagnostic techniques, care techniques and management processes, patients have a clear understanding of how they are feeling, if the care they are receiving appears attentive, and even if they are following the recommendations of the health team. For Malik, the patient should not be understood as anybody's object of action, but as its subject. Surrounding the patient are his or her companions, who also have opinions and doubts to be considered.

Doctors, in their turn, still resist following recommended guidelines. They allege that "each case is unique" or raise characteristics that are peculiar to their clinic. They have more autonomy and power than other team participants. Because of the aura that surrounds them, says Malik, discussing doctors' work in the hospital is not an issue to be treated lightly.

However, doctors would be unable to do their work without a team to help them, either directly or indirectly. Collaboration is essential both in direct care and diagnosis, and in the provision of services such as food, changing bed linen and administering medication. Receptionists, cooks, those responsible for the purchasing area and other employees also participate indirectly but do not always perceive the relationship between their work and patient care.

Despite no lack of formal communication instruments that connect these people, there are obstacles to interaction. Interaction depends on the goodwill of each, on their competence and their adherence to other rules of the organization. Furthermore, the use of jargon and other forms of specific communication creates barriers. It is difficult for patients to ask questions, to ask for information to be repeated and to have doubts clarified.

It is common for professionals to go to work in hospitals without being clear about what they must do, how up-dated they must be and what is expected of them. "Many of the so-called medical errors in the application of medication and even in the type of procedure that should be performed, could be avoided if these people listened more, talked more and if meetings were in fact for informing and not merely for the fact of holding them," says Malik.

For the author, one of the positive practices currently advocated is that any professional who has contact with a patient should actively identify themselves and use a name badge that links them to the organization. "This type of attitude must be encouraged. It is rare to value the fact of knowing the patient by name and, principally, for the patient to know the name of the person who is looking after them," she says.

Depending on the desires and expectations of those working in hospitals and how they interact, the objectives of organizations in caring for patients will or will not be met.

Contact the author: ana.malik@fgv.br

The slow advance of technology in hospitals

ARTICLE IN FOCUS:

The adoption of information technology in hospitals

Libânia Rangel de Alvarenga Paes

Studies show that computerizing healthcare contributes to improving the quality of care, reduces costs and provides patients greater safety. A survey conducted by Oracle Healthcare Insight in more than 270 American hospitals showed that the use of information technology (IT) in administrative areas can lead to a reduction of 4% in operating costs, which is the impact generated by the introduction of tools for controlling the logistics chain, electronic payments and improvements in the quality of information generated.

However, research also shows that organizations in this sector have been slow to adopt such informative tools. In "Adoption of information technology in hospitals," Libânia Rangel de Alvarenga Paes, professor at FGV-EAESP, verifies that information systems have in fact only recently been introduced into Brazilian hospitals.

The research was conducted with a sample of 31 general or specialist hospitals, out of the 199 hospitals in the municipality of São Paulo. In this sample, 45% of the hospitals are linked to direct government administration, 35% are charitable organizations and 19% are autonomous government agencies. Not-for-profit hospitals were not included in the survey.

All the professionals interviewed said that their hospitals had information systems, but only two were in use before 1997. In 36% of the cases, technology for hospital management was adopted less than five years ago. "The data show that the level of adoption of care information systems has been growing in recent years, with the increase in the introduction of new functionality or tools," says Paes. "If this research had been conducted five years ago, for example, the results we would have had would have been almost 50% lower than current results."

Just 20% of the hospitals in the sample do not work with electronic prescriptions. In the organizations that offer the resource, 48% of employees use the tool on average. Approximately 42% of the hospitals surveyed have previously installed the PACS system, which integrates diagnosis by imaging equipment and allows images to be observed electronically. In all cases, this system was installed less than six years ago and an average 63% of healthcare employees access it.

The research reveals that technology use is in the initial stages. For 52% of those interviewed, the next projects in the IT areas will involve the introduction of new functionality or systems. Next, among the priorities will be data virtualization or outsourcing (19% of the cases). Security, which is an essential item according to the study, appears in only three of the organizations surveyed (and the "updating" and "integration" items). "With the increase in the use of technology and the ethical question of patient privacy with regard to data, the security topic perhaps deserves greater attention," says Paes.

The number of employees per computer varied between one and seven. According to other research conducted by the FGV-EAESP that served as the basis for this study, companies in the maximum stage of informatization use have a computer use index equal to or less than one, whereas those that are in the initial stages work with more than three employees per computer, which was the case with 35% of the hospitals studied.

According to the results of the research, top management of the hospitals appears to be fairly heavily involved with investments in information systems: 84% of those surveyed said that top management is heavily committed to informatization efforts. In 32% of the cases, the IT department has a representative linked directly to directors or the superintendent.

In general, hospitals with more medical technology and investments in diagnosis and treatment equipment are those that have been using IT the longest. The author explains that the two types of technology are more and more interlinked. When an organization invests in a digital X-ray machine and does away with its analog equipment, physical film gives way to electronic images and the results are released directly to a database. "This integration between technologies has proved to be beneficial," says Paes.

Contact the author: libania.paes@fgv.br

Collaboration: the key to success in production chains

ARTICLE IN FOCUS:

The impact of relationship resources on value creation

Luiz Artur Ledur Brito and Manoel de Andrade e Silva Reis

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he impact of relationship resources on value creation” continues research originally conducted in 2011, in which collaborative relationships in production chains were examined from the viewpoint of suppliers. In this research, however, the authors examined the same relationships from the viewpoint of buyers. The investigation collected information from professionals in the food and drink sector and the personal hygiene, perfume and cosmetics sector.

Adopting collaborative relationships between companies and their suppliers has a positive impact on performance. Choosing a common strategy and integration and cooperation practices

among members of the same network creates value for participants, but there is a lack of detailed studies on this subject. This research fills that gap.

The authors used a questionnaire administered to professionals responsible for relationships with suppliers. The respondents were top executives, principally in the area of company procurement or logistics. A total of 67 questionnaires were collected, of which 42 were from the personal hygiene, perfume and cosmetics sector and 25 were from the food and drink sector.

Most of the companies surveyed are small. In 64% of the cases, they have fewer than 250 employees. With respect to revenue, 30% have average annual sales of between R\$2.4 million and R\$16 million, and 19% between R\$16 million and R\$90 million. Only 22% of the companies have average annual sales in excess of R\$300 million.

Respondents were invited to choose an important supplier with which it had had a relationship for at least two years. The suppliers chosen provide basic raw materials (40%), packaging (27%) or ingredients, including fragrances, preservatives and colorings (19%).

The research found that the relationship between suppliers and buyers leads to a growth in appropriated value. The results suggest that 43% of the variation in value created in the relationship may be explained by two relationship resources: inter-organizational alignment and knowledge sharing. Furthermore, it was found that as companies increase the value created in the relationship, both sides benefit and are able to appropriate a greater share of this value.

Contact the author: luiz.brito@fgv.br

Professionals with logistics and supply chain competences are in short supply

ARTICLE IN FOCUS:

Logistics and supply chain professionals— understanding the market

Manoel de Andrade e Silva Reis

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he logistics and supply-chain fields are gaining increasing importance in companies that are looking for more efficiency and competitiveness. Consequently, there is growing demand for professionals in these areas, but there is a great shortage of data about them.

The article by Manoel de Andrade e Silva Reis addresses the results of the first phase of research into this area and is entitled “Logistics and supply chain professionals – understanding the market”. The objective of this study is to collect information that reveals the necessary aptitudes—in addition to knowledge gaps—of those who work with logistics operations and in supply-chain management in Brazil.

To conduct the investigation, two questionnaires were prepared, one for completion by professionals and the other by companies. With respect to the professionals, 60% have been working with logistics and supply chains for seven years or less, 45% have a degree in administration and 45% intend in specializing, mainly by doing an MBA course. Among the companies, 52% belong to the industrial sector, 61% have revenues over R\$50 million per month, 87% have a logistics sector and 74% have a supply-chain department. A considerable number of these companies do not invest in training their professionals: 63% said that they never or rarely offer courses or refresher training in logistics and supply-chain management.

Through the questionnaire administered to professionals, the researcher was able to assess their level of knowledge in the competences the market demands. It was also possible to learn what training they judge to be necessary and the gaps they perceive in their training.

From the questionnaire administered to managers who coordinate or have coordinated logistics and supply-chain teams in the past, the study identified the desired managerial and operational competences, the factors that weigh on the hiring process, the real competence levels of the professionals that are currently hired and missing skills.

The research further identified the skills required by logistics and supply chain professionals, the aptitudes available and those not available, the main problems of the companies with respect to professionals and the main points of attention raised by the professionals regarding their training.

According to Silva Reis, cross-checking this information allows a comparison to be drawn between the views of the professionals and those of the companies, thereby identifying the points at which they converge and diverge. It was found, for example, that the professionals do not meet the expectations of the companies with respect to various managerial competences, such as understanding the relationship between the internal and external public, distribution knowledge and the capacity to make strategic decisions. Such competences are among the most relevant for companies. Similar gaps were found with respect to more advanced competences, such as integrated planning and the stock management of multiple products.

According to the author, the results of the research may be useful for companies and government bodies by contributing to the more efficient planning of recruitment and personnel management processes for the sector. The study will also assist education institutions adjust their curricula for the logistics and supply-chain fields.

Contact the author: manoel.reis@fgv.br

Theory of reasoned action and continuous improvement

ARTICLE IN FOCUS:

Theory of reasoned action for continuous improvement capabilities: a behavioral approach

Chen Yen-Tsang, João Mário Csillag and Janaina Siegler

The importance of the interaction between operations and personnel management is increasingly stressed in the literature. The article “Theory of reasoned action for continuous improvement capabilities: a behavioral approach” by Chen Yen-Tsang, João Mário Csillag and Janaina Siegler adopted the theory of reasoned action suggested by Froelhe and Roth to analyze operational competences. The objective is to explore the adaptation of this model in the context of operations management and the behavioral aspect of operational skills from the perspective of organizational routines.

The theory was operationalized using the behavioral model of Fishbein and Ajzen (F/A) and analyzing the competence of continuous improvement. Continuous improvement (CI) is an

indispensable process for maintaining a company's competitiveness. The innovations that cause breakdowns are not in themselves sufficient for maintaining a firm's competitiveness over time.

The research investigated three enterprises chosen by the criterion suggested by Christopher Voss and other authors: a reputation for continuous improvement capacity, or having shown a disposition for CI initiatives even if these have not been fully developed. The selection of the enterprises was also based on the presence of three pieces of evidence combined over three years: consistent growth in revenue, continuous improvement of the product or service offered and continuous improvement in internal processes.

The companies were chosen from a set of candidates that had pre-established criteria. With this objective in mind, data from Brazilian magazines were consulted (*Exame*—Biggest and Best 2009/2010, Best Companies to Work For 2009, The Brazilian Steel Industry—Statistical Yearbook 2009/2010) and in the publications from national conferences, including the Symposium of Production Administration, Logistics and International Operations (*Simpoi*) and the Meeting of the National Association of Post-Graduation and Research in Administration (*EnANPAD*).

The three companies were labeled A, B and C. With annual revenues of more than US\$240 million and 600 employees, Company A operates in the field of transportation infrastructure. The company looked for continuous improvement in 2008 and 2009 by renewing its portfolio of products and by performing incremental improvements, such as the introduction of software to make its information technology (IT) resources more efficient, adjusting its internal procedures to improve customer service and by adopting a system to increase control over its vehicle fleet.

Also with revenues in excess of US\$240 million and 900 employees, Company B is a metal-working organization. It presented elements of a program of continuous improvement with a constant search to simplify internal procedures adopted by the employees. These included eliminating tasks on the assembly line, the installing intermediate ventilators, increasing the productivity of its printing machinery, improving the work environment by installing an exhaust fan to remove the smell of solvents and adopting procedures for reusing raw materials.

Operating in the foundry segment and with revenues of over US\$100 million, Company C has 500 employees. Its continuous improvement process has concentrated on perfecting the quality of its processes. In recent years, it has planned for and managed to reduce internal losses by 10%.

The above results indicate that this model partially explains the behavior of continuous improvement and that certain contingent variables may have an influence on the general relationship between the variables involved in the F/A model. Thus, intention may be eliminated by normative motivations and may not be the determining variable in this context; additionally, it may not mediate the other variables required for this type of behavior.

Contact the author: joao.mario.csillag@fgv.br

How to make a profit with a green business

BOOK IN FOCUS:

Sustainability strategies: when is it worth being green?

Renato J. Orsato

Most people want to migrate quickly to more sustainable societies. After all, if it was simultaneously possible to create wealth and preserve nature, who would be against it? In *Sustainability strategies: when is it worth being green?* Renato Orsato, a professor at FGV-EAESP, analyzes this complex issue.

To make a profit (which is the primary objective of any enterprise) and to simultaneously manage a return on eco-investments is not simple. "Although I'd prefer the scope of the win-win scenarios to be broader than it is in practice, a realistic consideration is more useful than beliefs that are not founded in reality," says Orsato. "This does not mean that the opportunities to make industry greener do not exist. They really exist and are vast. However, they are spread widely apart, confused by the context in which the companies operate and limited by the competences they possess," adds Prof. Orsato.

This book is based on extensive field research into the sustainability strategies adopted by companies in various parts of the world. Based on this research, the author shows how sustainability strategies, to be effective, must be well-chosen. "In the same way that an athlete trained to win a marathon has few chances of winning the 100 meters, a company prepared to qualify for a social and environmental stamp may not be ready to compete in the biopolymers market or become the leading organization in the assembly of a Green Club," he states.

Orsato suggests five different strategic positions that enterprises can follow based on his analysis of the external context and internal competences. The first strategic position is eco-efficiency, which involves moving towards processes with the lowest cost. Simultaneously, the company manages to

earn extra revenue through gains in synergy, such as the transformation of by-products and waste into new a business or the generation of carbon credits. Many companies linked to agri-business and to the food and drink industry fit into this category, as do energy-intensive industries.

The second strategic position is process eco-differentiation, which occurs when the company examines its processes as in the first strategy but with differentiation as its main concern, as opposed to costs. In addition to doing its homework to reduce its environmental impact, the company tries to improve its reputation by enrolling in Green Clubs. However, possessing a particular certification may be insufficient for improving a company's image. Leaders in this strategy typically become involved in a series of programs for dialogue, commitment and communication with their interest groups. For this strategy to work, the company must identify who in fact values this type of eco-investment.

The third strategic position comprises social and environmental brands. This tool is a differentiation strategy, as with the previous strategy, but it focuses on the product and not the process. The challenge is to identify consumers who are prepared to pay more for eco-differentiated products. In the case of industrial markets, the benefits are normally translated into cost savings resulting from the better performance of the product (which serves as an input for industrial processes) and a reduction in environmental costs. In consumer markets, by contrast, there is more room for a product to generate an emotional and symbolic appeal, which is a process that requires more marketing efforts on the part of the company to sell its image of social and environmental responsibility.

The fourth strategic position is leadership in the area of environmental costs, which means concentrating on products (as in the previous strategy) but on low-cost products. This strategy is difficult to undertake because to reduce the environmental impact that is intrinsic to the products and keep costs low, companies must innovate by investing in developing new products, and in new ways of selling them. Packaging manufacturers, for example, can reduce their environmental burden and simultaneously reduce the cost of their products with eco-design.

The fifth strategic position is innovation of sustainable value. Unlike the first four, this strategy does not involve existing markets but innovation in creating new markets. The starting point is identification of the end service that a product must provide. In the case of the automobile market, for example, there is evidence that there are alternatives to individual motorization that may be more profitable, more efficient and with less of an impact on the environment. This is not technological innovation—such as vehicles driven by lower impact fuels—because these solutions keep most of the inefficiencies that are intrinsic to the vehicle and its use intact. The solution may be simple, such as vehicle sharing. Orsato believes that the introduction of novel strategies depends more on the capacity to generate managerial innovation than on technological developments.

Contact the author: renato.orsato@fgv.br

Forging the new consumer

BOOK IN FOCUS:

Consumption as investment: constructing the healthy consumer through the business media

Isleide Arruda Fontenelle

In recent decades, the predominant view of consumption has changed significantly. Consumption formerly was an escape valve. The act of consuming represented a period of time when someone who was dedicated to working could enjoy fun without commitment, or even engage in childish enjoyment. No longer! Today, consumers must be “healthy”. They have assumed responsibility for their acts of consumption, which must take into account their physical and mental well-being. Consumption has been transformed into a form of investment that offers returns on so-called “human capital”.

Isleide Fontenelle, a professor at FGV-EAESP, investigated how this view of the consumer who “invests” in a “healthy life” has been constructed by the business media. She believes that the media function as a mirror of the corporate world, which in turn, is a weighty player in constructing the consumption narrative.

In analyzing 11 years of reporting in *Exame* magazine (from 1996 to 2007), which is the leading business publication in Brazil, Fontenelle identified two views related to the theme of healthy

consumption. The first is that there is a business opportunity in the idea; there are many reports of inventors of health drinks and natural sandwiches being successful. The second view is related to the executive as a healthy consumer in search of a "quality life".

The dominant discourse is that having a balanced diet and an exercise routine must form part of the investment horizon in the body and personal well being even when faced with a frantic work schedule. However, Fontenelle warns, the "frantic agenda of the executive" is not open to discussion. "No one questions why it's necessary to work even when you're eating. No one discusses that working during lunch may perhaps be exactly the wrong point in this equation. However, in producing the discourse with regard to this issue this is the one point that cannot be changed."

It is not the political, social and economic model that is found in business media discourse. Instead, everything boils down to personal choices. The individual as consumer is the only person responsible for what occurs in his/her life. Through good habits, body treatment and a healthy diet, life becomes a great enterprise. Each person is responsible for his/her health, mobility, adaptation to the work routine and for updating his/her knowledge. Each person must manage his/her human capital throughout life.

Within this concept, there is no room for collective movements, and government actions are undesirable. The consumer's model of choice is now understood as the most appropriate for all forms of citizenship and social action, and the market is construed as the only means of social coordination that can ensure both freedom and progress.

Of all the reports analyzed by Fontenelle, the most illustrative of the construct of enterprise and consumption as investment is a set of book extracts. The book, published by an executive, indicates how we should reinvent ourselves: "greater care with the body," a "strategy for maintaining bodily health," "a daily walk," "a balanced diet," and "regular check-ups". There is even "special attention to spiritual health". In other reports, stories appear of successful executives who were able to achieve a balance between a frantic agenda and a high quality of life, which reinforces the dictum "that each one must 'manage' their own life and as a result obtain satisfactory results," according to the researcher.

Any external interference in "I Ltd" is rejected. "It's no coincidence that the magazine criticizes any form of regulation of advertising; of drinks, cigarettes, food or any other category, using the defense that advertising sustains freedom," says Fontenelle.

This discourse, frequently found in the business media, has become rooted in corporations, according to Fontenelle. To consume in the corporate world is to pursue alone a quality life, capabilities, skills and competences. Everything is oriented towards consumption and consumption increasingly becomes an investment: formal education, specialization courses, language courses, etc. The new professional believes that, as the owner of human capital, he/she will obtain a return that is consistent with his/her expectations through this "investment".

Contact the author: isleide.fontenelle@fgv.br

The environmental management and operational strategies of enterprises

ARTICLE IN FOCUS:

Environmental management in Brazil: is it a completely competitive priority?

Charbel José Chiappetta Jabboura, Eliciane Maria da Silva, Ely Laureano Paiva and Fernando Cesar Almada Santos

The involvement of companies in environmental management practices can be explained by various factors, including the expectation that there will be an improvement in their performance. Some research has previously shown that being proactive in environmental management may lead to positive financial results and greater operational efficiency. The market value of companies tends to increase when they gain environmental management certificates, such as ISO 14001. There is also evidence that the integration of environmental management with other organizational functions may result in improved marketing performance, in the company's image and even in the growth of its sales abroad.

One way of integrating environmental management with operational strategy is to consider it as a competitive priority, as an aspect that is as important as cost or quality. However, it seems that there is no consensus about the influence of environmental management on the competitive priorities of production.

Given the need to undertake more empirical studies on this theme, the article "Environmental management in Brazil: is it a completely competitive priority?" poses the following question: Can environmental management be considered a new competitive priority for industries in Brazil? To answer this query, the authors undertook a study of 65 Brazilian ISO 14001 certified enterprises.

The results of the study showed that environmental management is, in part, considered to be a competitive manufacturing priority of companies in Brazil. For example, firms tend to substitute raw materials or suppliers to improve their environmental performance, and they explore the environmental competences of suppliers instead of developing their own environmental capabilities.

These results also suggest that these enterprises understand environmental management as a competitive priority for manufacturing, using the so-called 3R principles: reduction, recycling and reuse. This outcome indicates that companies adopt environmental management practices related to the principles of clean manufacturing, which mitigate the environmental impact of the early stages of the manufacturing process. These results relate to the prevention phase, according to the evolutionist model of environmental management.

This preventive orientation requires human resources management practices that train employees to work on recycling and reuse programs and on the rationalization of basic inputs. Therefore, the focus of a company on environmental management may be characterized as a limited competitive advantage because other advanced practices of environmental management are missing. However, even when a company uses a preventive approach, environmental management has an influence on four of the priorities of production management that are aimed at competitiveness: cost, quality, flexibility and delivery.

The authors observe that environmental management should be integrated with other functional areas. For example, innovative practices related to environmental management, such as its inclusion in product development, may contribute to increasing the proactivity of environmental management.

The authors note the limitations of their research, which focused exclusively on the manufacturing sector. They also add that their conclusions must be considered with caution regarding companies not located in Brazil. In fact, the Brazilian context for environmental issues is identical to that in industrialized countries, and even for other emerging countries. For example, the differences regarding the economy, legislation, and the availability of natural resources must be considered, as should the level of involvement of the low income population in recycling activities.

It is also important to note that the Brazilian territory is extensive and that some of its regions are isolated from the rest of the country. There are regional differences in terms of economic development, which lead to differences in legislative compliance. Such factors may affect adoption of environmental management as an organizational routine.

Contact the author: ely.paiva@fgv.br

Innovation in sustainable practices: the case of natura

ARTICLE IN FOCUS:

Innovation and sustainability in the supply chain of a cosmetics company: a case study

André Pereira de Carvalho and José Carlos Barbieri

The article entitled “Innovation and sustainability in the supply chain of a cosmetics company: a case study” identifies how a company induces innovative social and environmental practices in its supply chain. This case study was conducted of Natura, the largest Brazilian manufacturer of personal hygiene products, perfumes and cosmetics.

With annual revenues of approximately R\$5 billion, Natura has its own operations in France, Argentina, Chile, Colombia, Mexico and Peru, in addition to its Brazilian operations. The company also has distributors in Bolivia and in several countries in Central America. In 2010, Natura invested 2.8% of its net revenue in innovation. Its shares began to be traded on the *BM&FBovespa* in 2004 as a participant in the New Market, a special level that requires a more sophisticated degree of corporate governance. Since 2005, it has been part of the Corporate Sustainability Index (*ISE*).

The company values sustainability and has made it a central theme of its business model. It has obtained recognition in Brazil and abroad for its sustainable use of Brazilian biodiversity.

Natura adopts various strategies that focus on its supply chain. The company encourages its suppliers to undertake self-assessment processes regarding quality, the environment and social responsibility. The company also arranges training programs for suppliers in the preparation of sustainability reports and in their quantification and management of greenhouse gas emissions.

The company also has practices that are directly related to certain of its product lines. The authors cite the case of its Ekos line, which seeks to reduce environmental impact throughout the production chain. The products in this line were developed with the use of clean technology.

There is also a specific driver with respect to the formulae of company products, the objective of which is to avoid the use of raw animal materials, and of mineral and synthetic materials, in favor of alternatives that have a vegetable origin. The target is to reduce the environmental impact of the product's entire life cycle.

To guarantee that inputs use raw materials extracted in a sustainable way and to promote hunting and gathering communities socially, Natura implemented its Ingredients Certification Program in 2008.

According to the authors, such strategies and actions are the result of the company's capacity to promote innovation while influencing and directing the agents in its supply chain. This conduct leads to positive results in the three dimensions of sustainability: economic, social and environmental. The Natura case demonstrates that it is possible to adopt innovation and generate social and environmental benefits along the entire production chain.

Contact the author: jose.barbieri@fgv.br

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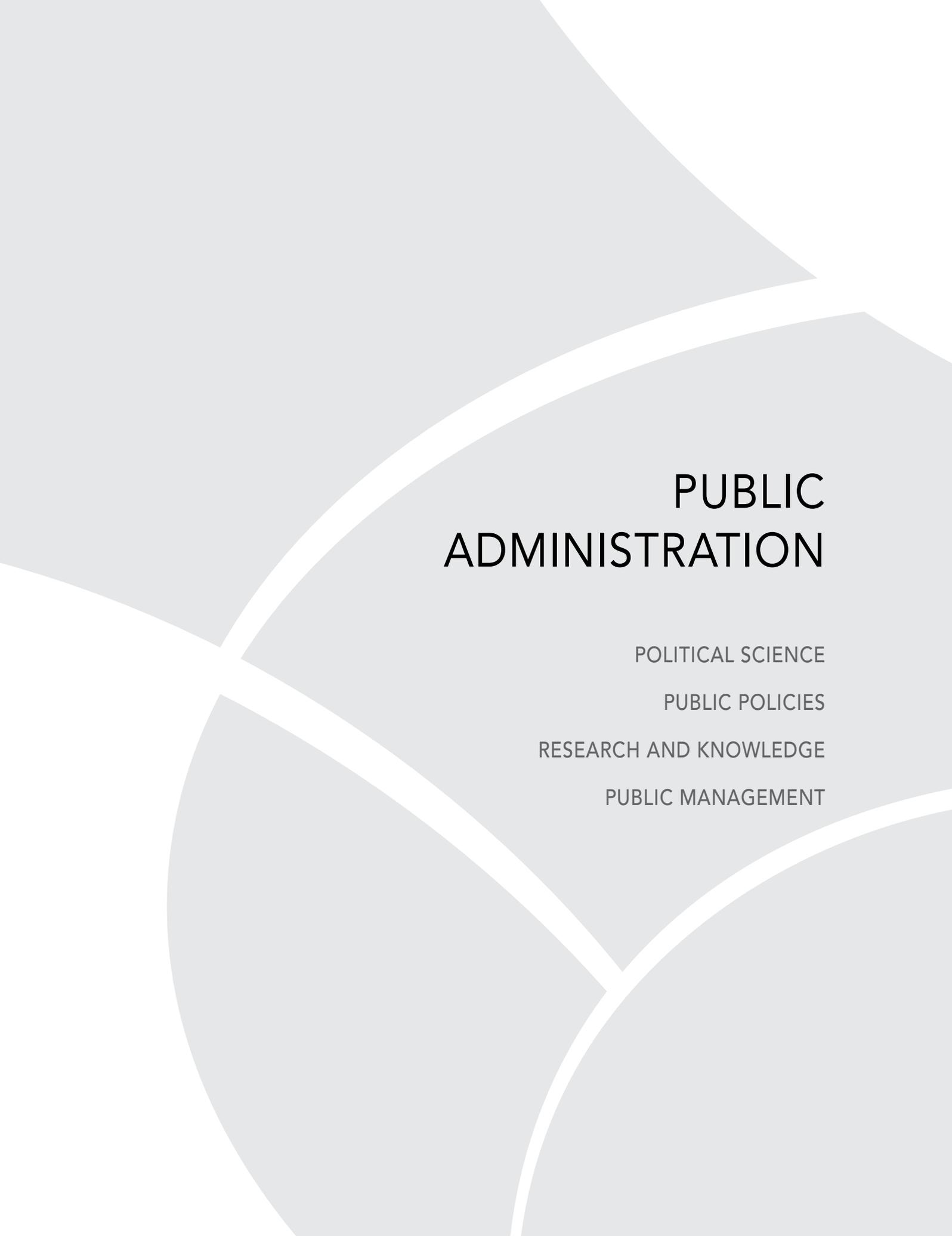
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Democracy and efficiency go hand-in-hand

ARTICLE IN FOCUS:

Democracy and efficiency: the difficult relationship between policy and economics in contemporary debate

Maria Rita Loureiro and Fernando Luiz Abrucio

Common sense sees politics as irrational, state action as inefficient and democratic practices as an obstacle to the efficacy of economic policies. In an essay published in the *Economic Policy Journal*, professors Maria Rita Loureiro and Fernando Luiz Abrucio from the Department of Public Management of FGV-EAESP demonstrate how this understanding is marked by a limited and economistic view of the world.

The problem, according to the authors, is that efficacy and rationality are restricted concepts with respect to understanding and addressing politics. Since the rise of the neoclassical school of economics, economics has had a scientific pretension to discover “natural laws” and “general principles”; thus, it has been preoccupied with precepts that are universally valid and unquestionable. However, behind such mathematical “truth” there are assumptions about how citizens think and how society functions: people act in a selfish way to maximize their interests and the conjugation of desires and actions “naturally” lead to a state of equilibrium—if external influences do not interfere.

Public Choice Theory, by transferring these market concepts to the sphere of politics in extremely simplistic and impoverished terms, defines the politician as a seller of political programs and voters as the buyers of these programs. In their turn, bureaucrats are also understood as rational players who seek to maximize their self-interest, i.e., to expand the power and resources at their disposal in the government apparatus. Thus, the state would have a tendency to expand, and its main players would take advantage of possible breaches of safeguards to appropriate available resources.

However, what is there to guarantee that individuals only think about themselves? Loureiro and Abrucio cite Amartya Sen, Nobel Prize winner in Economics in 1998: "Universal selfishness as actuality may well be false, but universal selfishness as a requirement of rationality is patently absurd". The idea of a market that produces equilibrium has been even more vigorously questioned. For the authors of the essay in focus, this notion, which presupposes neutrality vis-à-vis values and denies social conflict, ends up rejecting politics.

For those who support the economistic view, which starts from the concepts presented above, the governability and actual decision-making capacities of the state can only be guaranteed if economic decisions do not suffer any political interference, or if there are institutional arrangements that concentrate power. In other words, there is a need to reduce the arenas in which divergence, conflict and possible areas of consensus of opinion might arise. Government decisions should, at most, be handed over to the technicians or to the market.

Loureiro and Abrucio defend the opposite view, which does not separate politics from economics. They believe that we should not look in a stylized way at human behavior, seeing only the one aspect of maximizing self-interest. "Ethical orientations and institutional arrangements, by which the broadest interests of society are filtered, prove decisive for economic performance itself," they argue, based on theoretical discussions and empirical research. They also cite recent studies that describe the successful implementation of public policies by way of processes that involve ample negotiation and debate with many political players because in engaging in negotiations and in rendering accounts, the formulators of policies increase their understanding of problems, expand their capacity to obtain critical information and are able to correct calculation errors that most likely would only appear at the time of policy implementation. In short, the authors stress that an assumption that is dominant in the economic mainstream and in political science is already being overturned—the assumption that the concentration of power (which is a manner of reducing the political sphere) is a necessary condition for effective government or governability.

Contact the author: maria.loureiro@fgv.br

What is an oligarchy?

ARTICLE IN FOCUS:

Oligarchy and the oligarchization process: the contribution of Michels to contemporary political analysis

Cláudio Gonçalves Couto

The word oligarchy is today loosely used not only in newspapers but also in the academic world. There are researchers who designate traditional groups that dominate certain regions as “oligarchical”. Others say that oligarchs are groups of rich people. There are also those who associate oligarchization purely and simply with right-wing political parties.

According to Cláudio Gonçalves Couto, professor at FGV-EAESP, this lack of precision means that the word “oligarchy” has become yet another adjective that is used in accordance with the wishes of each author rather than a concept that can serve as an instrument for theoretical reflection and empirical research in the social sciences.

In reflecting on the work of the main academics on the subject, Couto prepared a definition of oligarchy as: “an organizational regime in which individuals who hold positions of command manage to act continuously in a way that is not subordinated to the current legitimacy principles because they cannot be controlled by the other members of the organized collectivity, being thus able to direct it in such a way as to favor their own objectives in detriment to what others wish for and/or to the legitimate functioning principles of the organization”.

In the article, “Oligarchy and oligarchization processes: the contribution of Michels to contemporary political analysis,” published in the *Journal of Sociology and Politics*, Couto unravels this concept and demonstrates how the behavior it describes can appear in organizations as diverse as governmental units, political parties, trade unions, universities, sporting clubs and religious communities.

“Acting continuously” is an important part of the definition. For Couto, when leaders act in a way that is contrary to the principles of collectivity only on a sporadic basis, it cannot be said that the regime is oligarchic. “This irresponsible leadership needs to be institutionalized, in other words, it characterizes a situation that is inherent to the structure of the organization itself, although not in accord with its legitimate purposes,” says Couto.

With respect to the oligarchization process, Couto is supported by Robert Michels’ work, “On the sociology of political parties”. The origin of oligarchies is in the complexity of collective life, which requires a division of labor in which the power to decide for others is delegated to some individuals. However, some individuals are also handed the organizational resources that will allow them to make decisions, which opens up the possibility that those with delegated power will extrapolate the delegation received and use the organization to their own advantage.

When the organization ceases to pursue the ends for which it was created or those desired by the majority of its members, it begins to seek out other goals established by its leaders in disregard of the mandate received and the will of the rest. The search for purposes that are different from those desired by the members in general is more a consequence of the oligarchization process than the cause of it, argues Couto.

In addition, authorities with the power of decision act in a way that is considerably free of effective controls on the part of those who are the objects of their decisions. Anyone who rebels against illegitimate decisions runs a high risk because this insults the power structure and the preferences of the members of the group which has the power of decision—impertinence that rarely goes unpunished. In a Kafkaesque manner, those who are punished are those who require respect for legitimate rules.

In the extreme form, organizations can be oligarchic such that some set of persons (a) without the authority to decide, makes decisions, (b) makes decisions that lie beyond the boundaries of what should be acceptable and (c) makes decisions by resorting to unacceptable procedures. Analyzed parsimoniously, oligarchies are organizations in which at least one of these three ways of illegitimately exercising power is satisfied.

It is easy to imagine an oligarchy functioning in a democratic system: an entrenched minority making decisions that harm the interests of the majority. Couto demonstrates that the concept of oligarchy can be used in various other situations, such as in a pretentiously meritocratic institution. This institution would supposedly base its decisions on the functional merit of its members. However, a meritocracy may be oligarchized when the criterion of merit gives way to favoring the interests of the minority in positions of command. Benefits are assigned to the protégés of the oligarchs and not to those who prove to be more competent.

According to Couto, the development of the concept of oligarchy allows empirical studies to be conducted on various organizations in ways that provide us with a better understanding of the mechanisms by which elite directors are converted into groups of oligarchs.

Contact the author: claudio.couto@fgv.br

Activists in government

ARTICLE IN FOCUS:

From “dot.org” to “dot.gov”: professional crossings in the Brazilian national policy on HIV/AIDS

Luiz Claudio Marques Campos, Patricia Maria Mendonça and Mario Aquino Alves

The article “From “dot.org” to “dot.gov”: professional crossings in the Brazilian national policy on HIV/AIDS” investigates the importance of relationships between state and society in the formulation of public health policies based on the role activists from social movements played in the formulation of programs for controlling AIDS.

The researchers interviewed fifteen activists who currently work in the Health Ministry and in state and municipal government AIDS control programs. All had previously worked in NGOs or community organizations that had some relationship with HIV virus victims or that were involved with organizations that defend the rights of minority groups.

AIDS policies began to be outlined in Brazil in the 1980s and involved a wide range of social players. The particular conditions of that period contributed to mobilizing many social groups: the democratization process, the appearance of common spaces to bring government and society together to define social priorities, the redefinition of state health policies, the epidemic profile of AIDS (and its particular effect on the gay community) and the lack of information about the problem that led to panic and prejudice regarding the disease.

In this context, individuals involved in various fields organized themselves and set up AIDS NGOs. The process provided a feeling of unity to the group. A collective identity was also forged that drew together social groups, healthcare professionals who work in public hospitals and public employees. This process also established the limits of these groups' operations and the ways in which those groups were related to the state.

This study shows how social movements contributed to transforming the ethos of state bodies. An analysis of the path taken by professionals who left NGOs to work in state bodies helps us understand the innovative character of official Brazilian policies for controlling AIDS.

Simultaneously, by crossing the boundaries from NGOs to the state, these professionals began to work in new structures, which is particularly true of activists. This migration led to activists changing their opinions about state and government policies but also to changes in the bureaucratic structure. The presence of activists led to alterations in organizational dynamics that allowed for a more open dialogue and greater flexibility of action.

Values and ideologies based on the right to have full access to health policies and solidarity with and respect for minority groups affected government structures. Activists from NGOs also helped promote synergy, which increased the capacity of the government to meet the demands of society through dialogue and by adopting practices that are typical of NGOs.

Certain skills and capabilities brought by the activists were absorbed by the new structures within government that were created within the scope of policies concerning AIDS. Simultaneously, because of today's permeability, the process also led to changes in the NGOs.

It is important to stress that all those interviewed categorically reaffirmed that their activist identities had not been lost after they assumed positions in government, although bureaucratic functions had in some cases created a more nuanced discourse and perspectives in such activists.

Contact the author: mario.alves@fgv.br

Experiments in fostering family farming

ARTICLE IN FOCUS:

The value chain in family farming: the innovation and needs indicated by Brazilian experiments

Mario Aquino Alves and Zilma Borges

W

e find the largest concentration of poor people in the Brazilian population in rural areas. In 2010, some 8.5% of the population lived in a state of extreme poverty in Brazil: 5.4% of the urban population and 25.5% of the rural population. Thus, outside of towns and cities, a quarter of all Brazilians live in poverty.

One means of reversing this situation is family farming, which is a subject that has gained in importance on Brazil's social and economic agenda. In recent times, specific government policies have been created for family farmers, who are defined as people who live and work in small areas and organize farm production with labor derived from the family itself.

The Public Administration and Government Studies' Center of FGV-EAESP, coordinated by Mario Aquino Alves and Zilma Borges, conducted a survey regarding family-farming public policies that

were implemented between 1996 and 2005 with the objective of ascertaining which policies have been the most effective and to identify upcoming challenges.

The study examined consortia between municipalities, the structuring of joint sales networks and associative ways of integrating production (including strategies that were prominent in discussions in public bodies, rural councils and among farmers' agents). One conclusion was that progress in promoting farmers' access to better structured value chains is dependent upon the participation of farmers in decision-making processes.

With respect to government initiatives, 41 federal programs were identified in various ministries that were aimed either directly or indirectly at family farmers. Of these, 24 were chosen for analysis because they had a direct relationship with the family farming value chain. In general, it was found that such programs are typically oriented towards financing, commercialization and technical assistance.

One of the main programs is the National Family Farming Program (*Pronaf*), a milestone program because it placed the topic of family farming on the public policy agenda in Brazil. Another important federal initiative is the Food Purchase Program (*PAA*), which was instituted in 2003 to buy agricultural products from farmers involved with *Pronaf* and to distribute those products to people with food and nutritional insecurity.

In addition to federal programs, local governments have developed innovative initiatives. In Tupandi, in Rio Grande do Sul, the town administration set up a fund to finance farmers and to help with earth-moving and supplying tiles for setting up their enterprises. Consequently, the quality of pig-rearing production in the town increased. According to the Municipal Department of Agriculture and the Environment, 30% of all the family producers in the municipality produce pigs and chicken in a manner that is integrated with food processing industries.

Another case analyzed was the Small Agricultural Production Verticalization Program (*Prove*), which was developed in the Federal District. Although it trained more than 100 family agro-industries and inspired other municipalities to introduce similar family farming verticalization policies, *Prove* has been discontinued. According to the majority of those interviewed, this occurred after a change in government in the Federal District.

The survey conducted by the Studies' Center of FGV-EAESP demonstrates that there are many innovative policy initiatives for encouraging family farming. The survey also identified challenges, such as the formalization and articulation of the category of family farmers, the integration of production channels and the influence that changes in government administrations can have on existing programs.

Contact the author: mario.alves@fgv.br

Ethics and science

ARTICLE IN FOCUS:

Ethics in scientific research

Peter Kevin Spink

Various ethical and moral questions have arisen in the field of science. To address them, various codes of conduct have been produced. In 2011, the Code of Good Scientific Practices from the *Fundação de Amparo à Pesquisa* [Research Funding Agency] of the State of São Paulo (*Fapesp*), the report and recommendations of the Research Integrity Commission of the *Conselho Nacional de Pesquisa Científica* [National Council for Scientific and Technological Development] (*CNPq*) and the public consultation on the revision of Resolution 196/1996 of the National Health Council, which addresses ethics in research on human beings, were published in Brazil alone.

Peter Kevin Spink, a professor at FGV-EAESP, believes this is a sign that researchers, managers, editors, users and science funders have reached the conclusion that the chaotic democratic and collective culture that sustained different scientific communities and guaranteed the circulation of knowledge currently faces serious problems with respect to addressing the challenges of “how to do,” “how to communicate” and “the limits of what to say” in research.

The first aspect, “how to do”, comes from the growing subordination of science to powerful private economic groups says Spink in an article published in the journal, *GVexecutivo*.

He cites factors that have led to growing list of ethical concerns: bio-piracy, the use of vulnerable populations for clinical trials, reformatting results to facilitate the race from laboratory to market and the abuse of scientific language to support proposals with an ideological basis.

The first challenge is linked to the second: “how to communicate”. Researchers have difficulty in seriously and responsibly addressing the pressures to raise both funds and their academic status when the competition to increase academic production reigns supreme. Spink believes that being made accountable for results is healthy. The question, however, is how such accountability is instituted. There is a tendency to measure productivity by the number of publications in excellent journals and publishing houses, which in turn compete among themselves in terms of impact factor. “The almost inevitable consequence has been an increase in publications shared by many authors, research programs whose results are sliced into many articles and growing examples of plagiarism and self-plagiarism,” Spink says.

The third challenge relates to the “limits of what to say”. For Spink, expressions such as “Science shows us that...” which are found on the pages of daily newspapers, among other places, induce readers to accept that science occupies a privileged place in directing decisions and public funds. However, according to Spink, scientific communities have the responsibility vis-à-vis society to emphasize the limits of their certainties. He asks: “On what and how far can or should science give its opinion?”

In Spink’s view, codes of ethics may address these issues, but always only partially. Ethics and morals, he says, are dynamic, founding parts and active components of social life. The documents that have been created to address the dilemmas discussed above are versions of and positions on science. The introduction of rules does not necessarily mean that ethical practices are adopted.

Spink also indicates a fourth challenge: “What to investigate?” The predominant argument is that each investigator should have the freedom to follow his or her own interests. However, this does not always occur in practice. In times of war, for instance, when the sciences are actively involved in questions of national defense, this principle is frequently suspended. By contrast, when researchers have freedom and use it to advance society, the results may be significant, as demonstrated by the mobilization around HIV/AIDS in the 1980s, which showed, according to Spink, that “it’s possible to articulate competence and the leading role of the sciences and other knowledge in a democratic way to assume the moral responsibility of serving collective interests”.

In short, ethics in scientific research cannot be reduced to “how to do,” “how to communicate” and “the limits of what to say”. The overriding task is being alert to what will be investigated and by whom. “If not, we run the risk of having a very correct science, with audited procedures, publication codes and best practice manuals, but that is morally irresponsible.”

Contact the author: peter.spink@fgv.br

The Brazilian elite is “country-dependent”

ARTICLE IN FOCUS:

The three cycles of society and the State

Luiz Carlos Bresser-Pereira

The foundations of Brazil's elite are built on ambiguity: although the elite admires what comes from rich countries and despises its own people, it receives support within the country's borders from its relationships with the state and the returns it receives from a large domestic market. Referencing these conditions in the article “The three cycles of society and the State” in *Perspectivas* magazine, Luiz Carlos Bresser-Pereira, an emeritus professor at FGV-EAESP, defines the bourgeois, political and intellectual elite of the country as “country-dependent”.

The “dependent” side is easy to detect and was exhaustively explored by the theories of dependence that intellectually dominated the Brazilian economy in the 1970s and 1980s. There are countries with higher levels of economic, technological and institutional development, argues Bresser-Pereira. “This superiority, however, should not lead to subordination if the national elite realizes that the interests of rich countries are not its interests,” says the economist.

However, there are also many factors that mark the “national” side of the elite: the interests of businesspeople in the domestic market, the existence of a state to protect the interests of the elite against rich countries, a past full of struggle and the strength of cultural identity.

At certain moments in history, the dependence of the elite was greater, such as in the shadow of communism in 1964, and when the neoliberal ideology was hegemonic in 1990. At other times, however, the elite were more nationalistic, such as during a large part of the period between 1930 and 1964 and after 2000, because serving its interests depended on the country's development. Bresser-

Pereira believes that the more dependent the national elite is, the more Brazil will stagnate and the more national it is, the greater the probability is that the country will achieve "true development".

The last period that was dominated by dependence, the 1990s, meant that for some time Brazil returned to the semi-colonial situation it experienced before 1930. The chronic macro-economic instability of the time meant that the capitalists who live exclusively on their investment income and the financial sector took advantage of the situation to ensure a policy of high domestic interest rates, an over-valued exchange rate and strong external dependence.

For Bresser-Pereira, the economic policy adopted at the time was not an inevitable choice for combating the country's problems. He rejects the idea that Brazil required external credit and believes that this thinking meant that the elite accepted recommendations coming from creditors by way of the international agencies uncritically. To guarantee its credibility, Brazil introduced reforms and policies that the very countries that recommended them did not adopt when they were in corresponding stages of development. An extreme example of national alienation, according to Bresser-Pereira, was permission for foreign companies to receive income from the operation of monopolistic public services, such as electricity, fixed-line telephones and the operation of highways.

In Bresser-Pereira's view, "capital is made at home". It is of no utility if it arrives from outside the country: the capital that enters Brazil does not add to internal savings and total investment. Instead, it merely drives up the exchange rate, promotes the substitution of domestic savings for external savings and induces an increase in consumption to the detriment of investment.

Beginning with the third year of the Lula government, an important change occurred. After reestablishing the confidence of the financial markets, the government was in a position to reconquer its national autonomy. According to Bresser-Pereira, this new period, with its emphasis on nationalism, was marked by the support of the *BNDES* for Brazilian companies and for a distributive policy based mainly on an increase in the minimum wage and expansion of the *Bolsa Família* [family allowance] program.

Despite no changes in the exchange rate, which continues to over-value Brazil's currency prejudice Brazilian industry, the distributive policy created a market for Brazilian manufacturers that resulted in a substantial drop in the real rate of interest without any loss of control over inflation.

Although the economy in the 1980s, between 1990 and 2005 it grew at rates of approximately 2% a year, and between 2006 and 2010, growth was close to 4% a year. However, in 2011, the economy grew by only 2.7%, and there is nothing to indicate that it will return to the 4% level.

For Bresser-Pereira, the discourse of Lula and Dilma has been more distributive than nationalistic, but he believes that there is now room for fuller development, with the strengthening of the state and the fostering of conditions for Brazilian companies to better compete. In the economic policy plan, Bresser-Pereira identifies the need for correcting exchange and interest rates; regarding the income sharing plan, there is a need to continue the policy of reducing inequality, strengthening the concept of the nation and a national development project.

Contact the author: luiz.bresser@fgv.br

Public policy assessment: the road to transparency and accountability?

ARTICLE IN FOCUS:

Assessment, information and accountability in the public sector

Ricardo Ceneviva and Marta Ferreira Santos Farah

In recent years, the term “accountability” has gained importance in public sector administration. The idea has been spread that bureaucrats and those governing must be supervised and held accountable for their acts and omissions in public sector management. Concern with transparency and accountability has been accompanied by an emphasis on the assessment of government policies and programs, and assessment began to be understood as a means of checking the results of government action and holding public agents accountable.

Two branches of literature establish this link between assessment and accountability: one branch that addresses the reform of the state and the other with recent trends in assessment. Nevertheless, only rarely have studies, particularly in Brazil, investigated how assessment of public policies in practice is related to a greater promotion of administrative transparency and the accountability of government agents.

Ricardo Ceneviva of the Brazilian Analysis and Planning Center, and Marta Ferreira Santos Farah of FGV-EAESP, fill this gap by studying whether the introduction and institutionalization of the policy assessment systems in the state of São Paulo have led to higher levels of transparency and an improvement in the accounting and accountability procedures of government. The researchers studied the introduction and early years of existence of two public policy monitoring and assessment systems: the School Return Assessment System of the State of São Paulo (*Saresp*) and the Monitoring and Assessment System (*SMA*) of the State Program for Sexually Transmitted Diseases and AIDS (*DST/AIDS*).

Analysis of these cases showed that the assessment systems can, in fact, contribute to greater transparency in public management and hold public agents accountable for the results of government policies and programs. However, unlike what is suggested in the literature, there is no automatic relationship between assessment and accountability; similarly, there is no automatic relationship

between assessment and transparency. The latter, in turn, is a necessary, albeit not sufficient condition, for accountability.

The degree to which advances occur will depend not only on the manner in which assessment data are presented and disclosed but also on the involvement of the players who help manage the process for formulating and implementing the policy in question.

In an article published in the *Journal of Public Administration*, Ceneviva and Farah show that the conduct of different players is crucial in the accountability process. In the SMA and DST/AIDS State Program cases, civil society organizations (OSCs) participate in the project management process, including annual planning, setting targets and monitoring results. This institutionalization of participation and social control has ensured the clear disclosure of the information generated by the assessment system and also established the accountability of politicians and bureaucrats for the results of the program.

In the case of Saesp, the institutional design was different. The school assessment system in the state of São Paulo was conceived and introduced in a fairly centralized manner by the State Education Department. Thus, although the program had served to improve school management, the same degree of visibility of actions and results of the assessment tests were not observed in the period considered by the study. Consequently, it was more difficult for the school teams in the public education system to use the information to account for their activities and to hold them accountable for the same. Therefore, no advances were observed in terms of encouraging the population to demand quality compulsory education in the state.

The authors of the study draw an analogy between the two cases and the control categories formulated by McCubbins and Schwartz in their article "Congressional oversight overlooked: police patrols versus fire alarms" in the *American Journal of Political Science*. According to these authors, there are two basic forms of parliamentary control: the "police patrol," in which Congress selects and supervises programs in a centralized way, and "fire alarms," in which rules and procedures are established that enable citizens, interest groups and the media to supervise government and ring "alarm bells" that call for parliamentary action.

Drawing a parallel, Saesp functions more as a "police patrol" with direct supervision centralized in the State Education Department; its actions are limited to the application of mechanisms for measuring school performance. The DST/AIDS Program, conversely, is ruled by "fire alarms" because its control depends on social participation by way of OSCs and user associations.

For the authors, the success of the assessment of public policies as a democratic control and accountability mechanism is subject to two conditions: clear information (which requires care with the language used in disclosing the assessment) to allow citizens to appropriate the results of the assessments and hold public agents to account, and the incorporation of rules and supervision procedures through popular participation. In the cases analyzed for the period considered, the DST/AIDS program was much closer to meeting these two conditions than Saesp, which did not disclose information in an understandable manner to society and did not facilitate teacher and school principal contact with its nearest users: students and members of their families.

Contact the author: marta.farah@fgv.br

Advances in access to government information

ARTICLE IN FOCUS:

Access to information and communication action: a new trump card for social management

Marco Antonio Carvalho Teixeira and Fabiano Angélico

How the right to information can give a voice and power to social groups is a subject that continues to develop. In the past 20 years, dozens of countries have enacted national laws covering access to information. In Brazil, a law on this topic was sanctioned at the end of 2011 and came into force on May 16, 2012. Marco Antonio Carvalho Teixeira, a professor at FGV-EAESP, and Fabiano Angélico, with a Master's degree from FGV-EAESP, both researchers at the Center for Studies in Public Administration and Government (CEAPG), conducted a study to assess the reduction in information asymmetries made possible by the new law, and how such a law can make the relationship between state and society more democratic.

In an article published in the journal, *Desenvolvimento em Questão* [Development in Question], Teixeira and Angélico undertake an assessment of the first three months of the new Brazilian legislation. According to information disclosed by the Office of the Federal Controller-General (CGU), in this period 25,065 requests were submitted, of which 89% have already been answered. Of the requests that have already been answered, only 9% had their request turned down, according to the CGU, because they either addressed personal information, confidential documents, requests that required data treatment, general requests or requests that were not understood. Seven percent could not be addressed because they did not refer to material that came within the legal competence of the agency to which the request was directed or because the information did not exist.

The agency that received the most requests for information, with 11% of the total, was the Superintendency of Private Insurance (Susep), which regulates health services for private insurance

companies. Following *Susep*, came the *INSS* [National Social Security Institute], with 7% of the requests. "This reveals that the law is an important instrument for the defense of individual rights, to the extent that it allows important data to be accessed so that those who believe they have been prejudiced in some way can pressure their service providers or even take them to court in defense of their rights," say the researchers.

The *Ibama* and *CGU* ministries are also in the ranking of the agencies receiving the most requests, together with the Central Bank, *Caixa Econômica Federal* and the Post Office. According to the study's authors, this means that it is not only individual rights that can be defended by a frank and less asymmetric dialogue, but debates about topics of more general interest—such as access to land (*Ibama*) or fighting corruption (*CGU*)—are also strengthened in this process.

Different social organizations submitted requests based on the Law of Access to Information. The NGO *Conectas*, for example, made three requests: one asks for access to telegrams from Itamaraty relating to the Organization of American States (OAS) that aims to discover how the Brazilian government oriented its diplomats during the process of strengthening the Inter-American Human Rights System; another requests accurate information about the conditions of women prisoners in São Paulo, including prison capacity and hygiene and health conditions; and the third is for access to information about torture.

The Ethos Institute, in turn, asked for information about the infrastructure and funds used in construction work in twelve cities that will host the 2014 Soccer World Cup. The Workers Without Land Movement said that it wanted information on public debt, settlements and large rural properties.

Although the Brazilian law is young and does not, therefore, allow for a safer assessment through comparisons, the researchers believe that it is already possible to register important progress in the field of power relations. Before, citizens and their representative organizations had the possibility of obtaining information; today, they have the right. They can now have a dialogue with government because they can arm themselves with valuable information, and government bodies, which before could or could not reply to requests in an arbitrary way, now have the duty to make information available under penalty of sanctions if they refuse.

There is, therefore, great potential for dialogue in the relationships between those in government and those being governed. Nevertheless, the authors of the study warn that simple access to information that was once concealed does not automatically guarantee that citizens will prepare their demands based on the collective interest, and does not ensure that the decision process is actually democratic. Obtaining information is fundamental, but for it to be transformed into demands, it is necessary to work on the information obtained, contextualize it and give it meaning, which is a task that requires both human and financial resources.

Any asymmetry in the relationship between the state and society may increase rather than decrease instead if only limited numbers of citizens are able to address the information available. Thus, public government information must be available in a manner that may be appropriated by all.

Contact the author: marco.teixeira@fgv.br

Training civil servants reduces corruption

ARTICLE IN FOCUS:

The training program of the Office of the Federal Controller-General and its impact on corruption indicators in Brazilian municipalities

Ciro Biderman, George Avelino Filho and Marcos Lopes

After finding that many employees of Brazilian municipalities had no technical skills for managing public funds, the Office of the Federal Controller-General (CGU) decided to introduce a program to train them. The program includes the distribution of a technical bibliography, training in the administrative practices pertaining to public funds, ethics, governance and compliance with current legislation and strengthening the institutional capacity for internal controls.

Despite the program functioning since 2006, no evaluation was undertaken to determine whether it had in fact helped reduce the incidence of corruption in the participating municipalities. George Avelino Filho, Ciro Biderman and Marcos Lopes, researchers from FGV-EAESP, conducted a specific study on that topic. Of the 5,564 Brazilian municipalities, 1,803 have previously enrolled in the Program for Strengthening Public Management. After registering, the municipalities that participate in the program are randomly selected because the CGU does not have sufficient capacity for training all those who are enrolled.

The authors collected data from audits conducted in these municipalities after transfers from three ministries, Health, Education and Social Development, which correspond to two thirds of the total volume of funds passed on. It was possible to codify the audits for approximately 80% of the 615 municipalities that enrolled in the CGU program and had been inspected.

Some audits occurred after the CGU training, whereas others occurred before the training or occurred in municipalities that enrolled but had not been selected for the training program by the time the survey was completed. The group formed by those who had been trained before the audit was compared with those who had not been trained, or with those who attended the CGU program after the audit.

For purposes of analysis, the service orders relating to processes for purchasing and hiring and carrying out public works were examined. The results indicated that the CGU training program has reduced the occurrence of corruption in the service orders that were investigated.

However, in a comparison with the municipalities that had not yet been trained, or who had received support from the CGU before the audit, there was no statistically significant difference. The authors believe that this finding is related to a limitation of the study: it was not possible to collect information about the exact date on which the transfer of funds from a particular service order occurred, whether before or after the municipal agents had received their training.

If this caveat is taken into consideration, say the study authors, the "training of agents seems to reduce considerably the probability of corrupt occurrences in municipalities, indicating that passive corruption may be fairly high".

It is worth noting that the program acts only on one of the causes of corruption, the inability or administrative incompetence of local public managers, and not on premeditated corruption, which is practiced by opportunistic agents. Nevertheless, by decreasing observed corruption levels, it is to be hoped that the quantity and quality of goods offered will increase, thus expanding the well-being of the local community.

"The good news is that it is apparently possible to train employees. So, although politicians tend to choose employees with political objectives, who in some cases do not correspond to the merit criteria, it is possible to reverse this inefficiency," argue the researchers.

Contact the authors: ciro.biderman@fgv.br and george.avelino@fgv.br

When government itself promotes social control of the state

ARTICLE IN FOCUS:

From internal control to social control: the multiple operation of the CGU in Brazilian democracy

Maria Rita Loureiro, Fernando Luiz Abrucio, Cecília Olivieri and Marco Antônio Carvalho Teixeira

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ithin a decade of its establishment, the Office of the Federal Controller-General (*CGU*) has played a prominent role in the construction of Brazilian democratic order. With its status as a ministry and its administrative continuity, the *CGU* has performed several functions: combating corruption, monitoring public policies, promoting transparency and, most innovative of all, mobilizing civil society.

In an article published in *Cadernos Gestão Pública e Cidadania* [Public Management and Citizenship Reports], Maria Rita Loureiro, Fernando Luiz Abrucio, Cecília Oliveira and Marco Antônio Carvalho Teixeira, all from FGV-EAESP, analyzed the role of the *CGU* in training civil society for exercising social control over government officials. The authors indicate that this is a first for Brazil, "a bureaucratic body encouraging control by society over the state itself."

The *CGU* was constituted as an instrument for internal control. However, it began undertaking two activities traditionally performed by representative political institutions not by substituting for

them, but by creating room for partnerships: first, by politically organizing civil society through fora or collegiate bodies and second, by training members or leaders of civil society.

The article's authors found examples of significant activity by the *CGU* in mobilizing civil society. One activity was the creation of the Transparency Web Portal, which has been available on the internet since 2004. This portal enables free access by every Brazilian citizen to thousands of pieces of information relating to the federal government, including building work, public tenders, public policies, data about the beneficiaries of social programs, government expenses, salaries and daily allowances of civil servants and transfers to states and municipalities. Since the web portal was set up, the number of visitors has grown: in 2004, there were just over 64,000 visitors, whereas there were almost 4 million visitors annually by 2010.

Another action by the *CGU* was the creation of the Public Transparency and Fighting Corruption Council (*CTPCC*), a consultative collegiate body with ten representatives from state institutions and ten representatives from civil society. The *CTPCC*'s objective is to suggest and debate measures for improving methods and systems for controlling public funds, promoting transparency in public management and fighting corruption and impunity. For example, participants include the Order of Attorneys of Brazil (*OAB*), the Brazilian Press Association (*ABI*), the Ethos Institute, the Brazilian Association of Non-Governmental Organizations (*Abong*) and Transparency Brazil. The *CTPCC* has placed on the agenda, for example, the Law regarding Access to Information, which after years of debate was enacted in 2012.

The authors of the article also highlight the *Olho Vivo no Dinheiro Público* [Close Watch on Public Money] Program, which attempts to develop the technical capacity in civil society for exercising the function of social control. The program was created as the result of the discovery that certain of the irregularities that are found in municipalities that undertake building projects with financial resources coming from central government arise because of a lack of preparation or training for civil servants. Over four years, the *CGU* thus held 124 meetings to train staff from more than 1,000 municipalities that involved more than 15,000 town councilors, public agents and local leaders.

Finally, emphasis is given to the National Conference on Transparency and Social Control (*Consocial*), which occurred in May 2012 in Brasília and attended by representatives from civil society and the government. Before that conference, other conferences were held at the municipal, regional and state levels, which mobilized approximately one million people.

The authors' conclusion is that as a result of these actions, the *CGU* has clarified the link between public management and democratic control. By exercising internal control and finding that it was necessary to improve not only fraud control but also public management itself at different levels of the government, the *CGU* realized that it would be necessary to involve social players to simultaneously fight corruption and train society to hold government accountable. "In short, it's necessary to act in favor of educating citizens in order to build governments that perform better," say the researchers.

Contact the author: maria.loureiro@fgv.br

The competitive advantages of alternative banks: lessons from Europe

ARTICLE IN FOCUS:

Alternative banking: theory and evidence from Europe

Kurt von Mettenheim and Olivier Butzbach

Employing long-term strategies, delivering sustainable profits, utilizing participative governance and in some cases acting as instruments of public policies, alternative banks include credit cooperatives, savings banks, credit guarantee societies and development banks.

Their characteristics differ from private banks, whose strategies aim for maximizing profit to satisfy shareholders, a goal that may often lead to the adoption of unscrupulous marketing activities and high-risk operations.

“Alternative banking: theory and evidence from Europe” by Kurt von Mettenheim and Olivier Butzbach explains why alternative banks perform better than private banks.

The authors remember that the liberalizing reforms of the financial market that were implemented

from the 1980s aligned with the information technology (IT) revolution that led to an intensification in competition between banks, which eventually resulted in the consolidation of the sector through mergers and acquisitions. In this environment, European alternative banks adopted a series of strategies to become more competitive.

Cooperative banks modernized, took part in mergers to gain economies of scale and expanded their wholesale areas to offer new products and services to their members or clients. Development banks in Germany and France, in their turn, also modernized and looked for capital and partners for expanding their operations into the realm of encouraging the private sector. These institutions function as “banks behind the banks,” acting to correct the failings of the market relative to the financing needs of the private sector.

Several studies have demonstrated the superiority of alternative banks with respect to costs, profitability and risk management. Certain research, for example, has concluded that European savings banks are as profitable as commercial banks. Other research has shown that the cooperative segment in France, Italy and Spain is, on average, more efficient than commercial banks in those countries.

For the authors, the evidence indicates that alternative banks offer fewer risks, have more stable profit over time and are less exposed to default problems.

Their sources of competitive advantage include lower cost of capital, lower bank branch costs, relationships, economies of scale, operations over longer time horizons and their capacity to smooth out intertemporal risk.

Having an ample retail network minimizes pressure to maximize profits and provides a stable base of deposits and cheaper sources of capital. Alternative institutions manage to raise funds by way of profit retention (in the case of cooperatives and savings banks), on-lending (in the case of cooperative banks and development banks) or by issuing securities. With a safer deposit base and lower interest rates, these institutions also offer financing at lower costs.

Alternative banks can also retain capital at comfortable levels of liquidity, which provides an “equity advantage,” for example, during adoption of the mechanisms required by the Basel Agreement.

However, one of the main advantages of alternative banks is their capacity to smooth out intertemporal risk. Larger institutions are capable of accumulating capital in good times for use in bad times. They have technical reserves for managing risk. Trust with regard to alternative banks is fundamental. Clients tend to withdraw deposits from private banks during banking financial crises, and, at these times, deposits in alternative banks frequently tend to grow.

Contact the author: kurt.mettenheim@fgv.br

Excellence in municipal management

ARTICLE IN FOCUS:

Assessing the capacity of government: reflections on the experience of the “Municipalities that get a better return” Prize

Francisco Fonseca, Ricardo Ernesto Vasquez Beltrão and Otávio Prado

The article by Francisco Fonseca, Ricardo Beltrão and Otávio Prado analyzes the experience of the “Municipalities that get a better return” Prize, which was developed by researchers from CEAPG of FGV-EAESP and applied to municipalities in states in the south of Brazil in 2010 and in the State of São Paulo in 2011.

The Prize evaluated aspects of municipal administration, such as its contribution to local development, the opening up of channels to popular participation, management transparency, the institutionalization of the policies adopted and the combination of fiscal and social responsibility, among other aspects.

Starting with the “government triangle” developed by Carlos Matus in his well-known government planning method, Situational Strategic Planning (SSP), the article investigates in particular the “government capacity” of the municipalities voluntarily enrolled in the Prize. “Government capacity”, the specific assessment object of the Prize, comprises one of the three sides of the “government triangle”, and the other two are government projects and governability.

The authors describe the Prize’s assumptions and the criteria and methodology that were adopted. They also reflect on the challenge represented by evaluating municipal management, particularly with respect to the theoretical and methodological choices to be made. They stress that whether it is for purposes of a prize award, or for academic research, concern with theoretical and methodological choices is fundamental for success.

The authors highlight various aspects concerning the development and Prize application processes. The first aspect is a set of topics related to the standard of comparison among different realities, such as the impact of historically inherited inequalities, the level of economic development, income *per capita*, the elements that allow for observation of management performance, fiscal restrictions, the cover of social policies and existing infrastructure. For the researchers, comparing municipalities regarding these aspects requires that criteria are chosen by way of indicators that are capable of making this comparison by taking into account their differences; thus, context is considered in accordance with how local governments operate. This point is crucial to the text's argument.

The second operational aspect involves the choice of the qualitative and quantitative indicators that are capable of recognizing the aforementioned different contexts of participating municipalities: a comparison by population (fewer than 50,000 inhabitants, between 50,001 and 250,000 inhabitants and over 250,001 inhabitants), indicators involving topics related to municipal competence (public policies that are constitutionally linked to the municipalities) and the indicators that provide information about the conditions under which the city administration operates (whether by income *per capita*, budgets, etc.). With such definitions, a comparison between the municipalities became equitable from the point of view of measures capable of relating different situations. Although the award method was qualitative (the analysis of questionnaires and on-site observations), the indicators contributed to the process by which the specialists who judged the municipalities made their decisions and provided details to help when reflecting on government capacity.

Another aspect relates to the challenges of the field work. Attempts were made to avoid the Prize having an "official view," which is why the collection of information included consultations with the opposition and autonomous people/groups in formally and/or informally. Furthermore, the prize evaluation committees consisted of independent members: professors, researchers and specialists in public administration from EAESP and other partner institutions, all of whom had complete autonomy vis-à-vis the municipalities enrolled in their various stages.

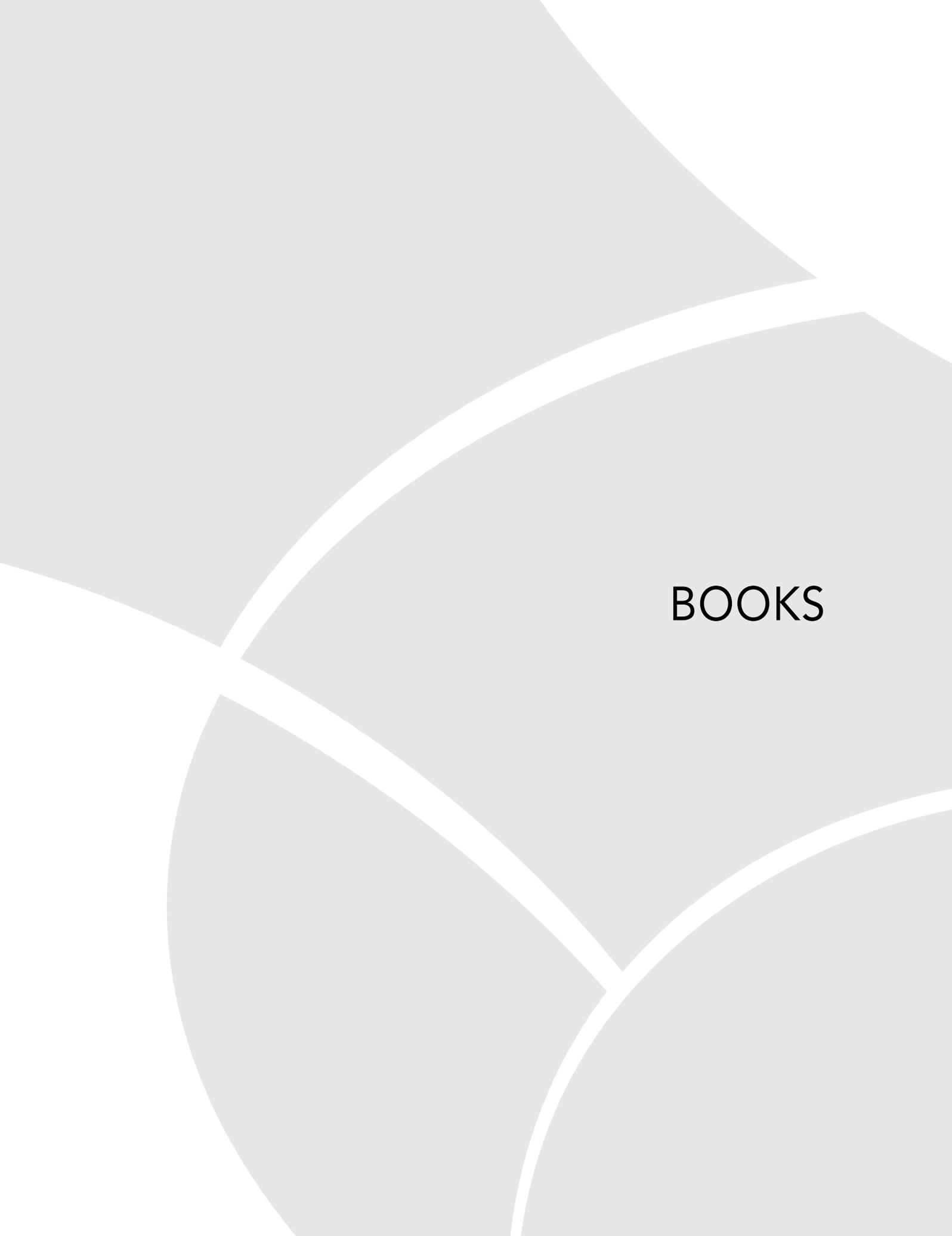
A fourth aspect refers to the expression "get a better return," which in no way implied the adoption of a single management model. The researchers found different ways in which a municipality "got a better return," which entailed looking at diversity, one of the assumptions of the award. Thus, the award confirmed one of its most important assumptions.

Finally, the reflection of the role of the theoretical reference point of Carlos Matus, which was used as inspiration for the award, was also important for its development. This is because the relationship between the three sides of the "government triangle" summarizes the challenges of public management and, above all, any evaluation of it. According to the authors, such challenges show that the theoretical/methodological construct of strategic situational planning, notably the question of "government capacity," can be taken as a conceptual point of reference for an analysis of administrations, particularly from a comparative perspective because it inspired comparative (qualitative and quantitative) indicators. In this sense, the cross-checking of data (indicators) by researchers must be stressed to show how the governing conditions of the municipalities were, in fact, different: these are the contexts referred to above.

The authors argue that the award is intended to value public management as a whole and not only a government program. This intention implies an evaluation of various items directed at "government capacity," including (it is reiterated) transparency with respect to public funds, channels of popular participation, the combination of fiscal and social responsibilities, the institutionalization of successful policies, support for local development and other aspects. The idea is that the two editions of the award might inspire other municipalities to undertake democratic reforms with the intention of achieving similar ends, but with different means (ways of governing). Thus, evaluation of government capacity was not simply confined to rendering accounts, which represents a step in the direction of greater social control by citizens over government.

The researchers consider that this award innovated by evaluating municipal management as a whole and, above all, by imposing theoretical/methodological challenges that are of interest to both the academic world and public administration and by joining these challenges together in the context of the democratization (in its broad sense) of the state at the municipal level in Brazil.

Contact the author: francisco.fonseca@fgv.br



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