

# SUSTAINABLE DEVELOPMENT STRATEGY: HEADQUARTER/SUBSIDIARIES INTEGRATION IN A EUROPEAN MULTINATIONAL STEEL COMPANY

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## 1. INTRODUCTION

Recent decades have seen unprecedented worldwide development, in economic and technological terms. Great corporations impel the world economy towards development, with the aim of generating wealth through their growth strategies.

This development comes about through the constant search of these corporations for competitive advantages (WERNERFELT, 1984; PORTER, 1986; 1989; PRAHALAD AND HAMEL, 1990; BARNEY, 1991; HALL, 1992; PETERAF, 1993) capable of ensuring that they win over consumers. However, obtaining such competitive advantages has been proving more and more difficult. The complexity involved in the business world forces managers to be prepared to handle uncertainties related to the market and internal company resources.

Perhaps one of the most complex and important demands that causes managers reflection is the incorporation of the concept of sustainable development (considering development from the economic, social and environmental aspects) in business strategies. Martinet and Reynaud (2004) remind us this demand results from previously proven and evident effects in terms of soil, water and air destruction caused by the interaction and so called dominance of mankind over nature. Having this impact in mind, companies are persuaded to worry not only about the results presented to shareholders but also about results to be presented to various *stakeholders* (all those interested in the company, according to Freeman's definition (1984)).

This change has been demanding deeper managers reflection regarding the various trade-offs that involve the incorporation of the concept of sustainability into business strategy. These trades-offs become more complex when they involve large multinational companies that need to define global and local strategies concerning sustainable development. Immersed

in a highly competitive market, management finds itself in a situation in which there is a need to seek some sort of “balance” in the three aspects of sustainability when formulating their business strategy.

In the steel industry, sustainable development has been included within the strategies of important multinational groups in several parts of the world in view of the potential social and environmental impact of this kind of industry. The purpose of this article is to analyze the formation process of the sustainable development strategy in a multinational group (originally European) in the steel industry sector (between the headquarters in Luxembourg and the Brazilian subsidiary) as well as to propose alternative actions to promote good integration between the headquarters and this subsidiary, concerning sustainable development.

Given this situation, the article is structured as follows: (1) the methodological procedures that guided research; (2) the two major theoretical axes on which the research is based (Business Strategy and Sustainable Development); (3) analysis of the relationship between the Group headquarters and the Brazilian subsidiary (4) some proposed potential actions for the Group; and (5) final remarks.

## **2. METHODOLOGICAL PROCEDURES**

The present study is exploratory in nature and has been conducted according to an adductive logic. According to Charreire and Durieux (2003), this means throughout the entire period of research there has been a constant “coming and going” between theory and the empirical field, in order that each should be complemented by the other. Moreover, considering Martinet’s (1997) proposition of the existence of 5 different attractors that lead to research in the field of strategy (teleological, ecological, sociological, technological, ideological), the present research is more strongly based on the teleological attractor, because its purpose is to generate knowledge that can be applied by the managers of the company under study.

Two complementary stages were developed: theoretical research and case study of the multinational steel company.

### **2.1 Theoretical Research Stage**

This stage extended throughout the entire length of research, exactly because of its adductive nature. This means the theoretical references were constantly consulted in order to add new elements emerging from information coming from the empirical field. The two great theoretical axes that guided the research (Business Strategy and Sustainable Development)

were constructed based on the analysis of interviews and documents from the Group under study.

### 2.3 Case Study Stage in the Multinational Steel Group

At this stage, a case study (in accordance to Yin, 2005 and Stake, 2000) was carried out within one of the major European Steel Groups. This sector was chosen because of the social-environmental impact of this type of industry. The choice of the Group studied here was based on the fact that the Group has significant operations in Brazil and the fact that it has been explicitly developing strategic actions that take environmental preservation and social justice into consideration.

The purpose of this stage was to confront the management of these companies (those involved in the Group's sustainable development strategy) with the process of strategic creation, between the headquarters in Luxembourg and the Brazilian subsidiary. For that purpose, company documents were analyzed and interviews held with some of the managers.

The document review and interviews were carried out between September and November 2006. Approximately 20 documents from the Group were analyzed (among which the 2005 sustainable development report was one of the most important) besides constant visits to the Group website (the international website and Brazilian subsidiary website). Furthermore, 6 interviews with some of the main managers in charge of sustainable development in the headquarters and in the Brazilian subsidiary were held. The interviews were carried out in French and Portuguese, according to a semi-structured questionnaire and lasted approximately 45 minutes each.

The profile of the interviewees can be seen in table 1.

**Table 1 – Profile of the Interviewees in the Groups**

Interviewee	Level	Language used in the interview
1. Group Director for Sustainable development	<i>Headquarters</i>	French
2. Person in charge of sustainable development in one of the plants in France.	<i>Headquarters</i>	French
3. Person in charge of sustainable development in the Brazilian subsidiary.	<i>Subsidiary</i>	Portuguese
4. Person in charge of sustainable development in one of the companies that compose the Brazilian subsidiary.	<i>Subsidiary</i>	Portuguese
5. Person in charge of sustainable development in one of the companies that compose the Brazilian subsidiary.	<i>Subsidiary</i>	Portuguese
6. Person in charge of sustainable development in one of the companies that compose the Brazilian subsidiary.	<i>Subsidiary</i>	Portuguese

Therefore, the results of these 2 stages of the research are presented as follows.

### 3. THEORETICAL REFERENCE

As previously mentioned, two theoretical axes structure this research: Business Strategy and Sustainable Development. It is worth mentioning that the theoretical contributions presented here do not represent the full content of the debate within each of these subjects. The contributions applied in the present study are limited to those that serve the purpose of analysis and propositions. Again, it is worth mentioning that following the adductive logic, the contributions presented here were not determined *a priori*, but defined during the constant “coming and going” between *ex ante* and *ex post* empirical research.

#### 3.1 Business Strategy

Although the discussion about business strategy is wide and extends into several complementary theoretical fields, the main points of focus here are two features that have already been discussed in the field of business strategy: the process of its formation and the relationship headquarters/subsidiary.

##### 3.2.1 Process of Strategy Formation

The process of strategy formation has been discussed over the years (ANSOF, 1977; MINTZBERG and WATERS, 1985; MINTZBERG et al, 2000; MINTZBERG, 2004; AVENIER, 1997; MARTINET, 2001, THIÉTART E XUEREB, 2005; JOHNSON ET AL, 2005, among others). Recognizing the constant debate in which, at times strategy is considered a deliberate process, at times an emerging process, and at times both, simultaneously, in the present study the process of strategy formation is considered to be the result of a complementary and antagonistic relationship between deliberation and emergency (MARTINET, 2001).

In this sense, Martinet (2001) proposes business strategy would be formed from an imposed sense and a constructed sense. The imposed sense would be the deliberate strategy, defined and planned by the managers of the company. The constructed sense would be the emerging strategy, that which emerges from practical action. Therefore, according to Martinet (2001), the process of strategy formation would not simply be planned/deliberate or practical/emergence, but a constant “interplay” between the two.

Thus, the process of strategy formation is understood here as this constant interplay of deliberation/emergence that transforms previously formulated strategies into effectively executed strategies.

### 3.2.2 Relationship Headquarters/Subsidiary

The relationship between headquarters/subsidiary is a central issue in the strategies of large multinational groups, especially for groups that have well developed activities in countries with different cultures.

This relationship has already been studied and discussed by researchers such as Ghoshal and Bartlett (1990), Bartlett and Ghoshal (1991) Doz and Prahalad (1991), Bartlett and Ghoshal (1993), Kim and Mauborgne (1993), Nohria and Ghoshal (1994), Birkinshaw (1997), Birkinshaw et al (1998) who have suggested ways in which it can be better understood.

For its purposes, the present study highlights and works with the contribution offered by Birkinshaw (1997). In analyzing the initiatives of subsidiaries in relation to their headquarters, the author proposes 3 different levels in which the relationship between headquarters and subsidiary may take place: local market, global market and internal market.

The local market would be related to the branch activity with local *stakeholders* and the response given to them according to the Group strategy. The global market would be related to the relationship between the subsidiary and headquarters and the global *stakeholders*, as well as the response given the latter, according to the Group strategy. Now, the internal market would be related to the internal relationships between the different subsidiaries, as well as their relationship with the headquarters.

Thus, the relationship headquarters/subsidiary is understood here as the constant deliberation process of the headquarters (distinguishing macro directives in global, local and internal market) and constant emergence (new actions developing in global, local and internal markets).

### 3.2 Sustainable development

The debate on sustainable development is extensive and covers projects and actions developed at the national level as well as propositions and actions specifically related to the social responsibility of firms. In this sense, although the vast theoretical contribution is recognized (GLADWIN ET AL, 1995; EGRI and PINFIELD, 1999; SACHS, 1993; 2002; 2004; BANSAL, 2003; 2005; BANSAL and ROTH, 2000; MARTINET and REYNAUD, 2004; BARIN-CRUZ ET AL. 2006, among many others) in this field, here we shall focus on a few authors that will be used in later analyses.

Thus, the application of the sustainable development concept in business strategy is considered according to 4 elements identified as fundamental for this discussion: business governance, stakeholders, business ethics and organizational learning.

### 3.3.1 Business Governance

The features of the type of business governance adopted by a company will greatly influence the creation of business strategy. Mauléon (2005) affirms that the concept of governance directly addresses the debate about the role of the companies in society. The author reminds us that the basic concept behind it is the separation between those who retain the capital that finance the company (shareholders) and those who are responsible for managing the company (managers).

Given this situation, Mauléon (2005) points out that in recent years, the interest of different stakeholders in the business governance system has increasingly been taken into consideration. Mauléon (2005), D'Humières (2005) and Ballet (2005) complement each other in the idea that in recognizing the limitations of a system in which the only purpose is to respond to the interests of the shareholders, companies see the importance of a management style inclined towards social responsibility. Thus, the fact that companies recognize the needs of their stakeholders and the implications of their actions on company performance encourages them to seek a certain type of governance guided by the principles underlying sustainable development. Accordingly, Mauléon (2005) suggests the shift from a concept of governance centered only on stock market performance to a concept that takes sustainable development into consideration, requires transparency and responsibility towards all the stakeholders as well as mutual trust and the possibility of discussion, as Ballet (2005) reminds us.

Understanding governance as one of the main elements in strategies that seek to consider the ideas of sustainable development, Martinet and Renaud (2004) mention two key elements in the discussion about sustainable governance in the relationship headquarters/branch: sharing financial gains among stakeholders; centralization/decentralization of decisions. These two elements are examined here.

### 3.3.2 Stakeholders

As previously mentioned, there has been a tendency in the last few years towards not only maximizing the shareholder value in an organization, but also taking into consideration all those who somehow influence or are influenced by the organization, that means all the

stakeholders. In 1984, Freeman (1984) proposed a definition of stakeholder as, any individual or group that may affect or be affected by the fulfillment of company objectives.

Based on this definition, some authors (FROOMAN, 1999; JONES and WICKS, 1999; JAWAHAR and MCLAUGHLIN, 2001; BUYASSE and VERBEKE, 2003; MARTINET and REYNAUD, 2004, among others) have made contributions regarding the relationship between the organization and its stakeholders. For the purpose of the present study the contribution of Mitchell *et al.* (1997) which will be used.

Mitchell *et al.* (1997) propose a typology for the Theory of Stakeholders that has three dimensions: power, legitimacy and urgency. The authors indicate the classes of stakeholders that can be identified by their possession or attributed possession of one, two or three of the following attributes: the power of the stakeholder to influence the company; the legitimacy of stakeholders in the relationship with the company; the urgency of the stakeholders' claims in relation to the company. According to the authors, this typology defines the field of the Stakeholder Theory and the entities to which business management should pay attention, that is, it facilitates the classification of the different stakeholders, ensuring that any decisions made will be in favor of the company and the improvement of relations with those stakeholders.

Therefore, the stakeholders of a company and the importance given to each of them may vary according to the evaluation the company makes of the power they have, their legitimacy, and the urgency of their demands. This analysis may vary from subsidiary to headquarters, as well as change over time.

### 3.3.3 Business Ethics

The type of ethical behavior adopted by a company is one of the most important factors in the process of strategy formation (Pena, 2004). According to this author, companies try to adjust their formal system to the social demand, by adopting the correct attitudes towards that society. Thus, business attitude towards sustainable development influences and is influenced by the ethical behavior of the company.

Although there are numerous contributions dealing with ethics in the debate on sustainable development (BUCHHOLZ, 1998; DESJARDINS, 1998; BALLEST AND DE BRY, 2001; BANSAL & ROTH, 2000; SHARMA, 2000; PENA, 2004, among others), the present study makes use of the work of Rayborn and Payne (1990) and Payne and Rayborn (2001). The authors propose four different stages that companies should go through when

incorporating the concept of sustainable development into their strategies: basic, usual, practical and theoretical.

The basic level would be behavioral in which the company takes minimum action in order to fulfill the letter of the imposed laws, without actually being convinced of the importance of these actions. The usual level is that in which companies engage in activities related to sustainability required or by law or otherwise, but the only purpose of such actions is to guarantee greater short term financial benefit than the costs involved in the action. When companies are in the practical level, they adopt environmentally and socially “responsible” actions, because they understand that this is the “right thing” to do and mainly because of the possibility of entering new niche markets through such actions. The last level identified by authors is the theoretical level, in which companies engage in socially and environmentally responsible actions because they consider this must be done for the “well being” of everyone, having truly incorporated the concept of sustainable development within their strategy.

Thus, the ethical behavior of the companies is considered according to the four stages described by the above mentioned authors.

#### 3.3.4 Organizational Learning

The engagement and the awareness of the individuals at the different levels of the company, in the headquarters or in subsidiary, regarding the importance of the implementation of strategic action guided by the concept of sustainable development is an important factor in the implementation of such actions. Given this situation, employees go through a process of learning that influences their understanding of the importance of these actions, and this can reflect on their behavior in the company.

Some authors have already established a relationship between the learning within companies and the issue of sustainable development (SHARMA, 2000; BANSAL, 2003; BANSAL & ROTH, 2000; RAMUS AND STEGER, 2000; ANDERSON AND BATEMAN, 2000; REVERDY, 2005). Generally speaking, the authors highlight the importance of the generation of social-environmental awareness among the employees, and the need for an attitude within companies that encourages such awareness.

Although they make no specific reference to learning guided by social-environmental responsibility, the contribution of Argyris and Schön (1996) fits this discussion well, for it helps us understand the different types of learning the employees undergo, and the consequences of such types of learning.

According to the authors, individuals in an organization can go through two types of learning: single loop learning and double loop learning. The first is related to a type of instrumental learning that changes the action strategy or the premises that support the strategies, in such a way that the values that lead to the action are not changed. However, double loop learning suggests a type of learning that results in a change of action and the values behind the action. Therefore, if the predominant individuals within an organization undergo single loop learning experiences, the organization will only change a few strategic actions, always maintaining the same orientation. On the other hand, if such predominant individuals experience double loop learning, the values guiding the strategic action of the organization change, possibly inducing a change in objectives and macro directives.

Going beyond the contribution by Argyris and Schön (1996) towards the discussion of sustainable development, single loop learning could mean changes conducted by the companies at a strategic action level aimed at conforming to environmental and social laws or even obtaining benefit in terms of image. However, double loop learning would mean changes in the values of individuals who work in the company, making them aware of the importance of environmental conservation and social rights, and using this awareness to bring about change strategic action within the company, or even influencing actions and activities outside the company.

The types of learning individuals can experience in a company are considered here according to the concept of single loop and double loop learning.

#### **4. MULTINATIONAL STEEL GROUP CASE ANALYSIS**

The Group under study was founded in 2001, with the merger of 3 large European steel makers and has since undergone a series of structural modifications, and is today in the process of merging with another international steel Group. Currently, the Group has 4 main activities: flat carbon steel, steel services and solutions, long carbon steel and stainless steel. At the end of 2005, the Group had more than 92,000 employees and reported revenues of 32.6 billion euros.

Brazil was chosen by the Group as one of the main countries for development outside Europe. In Brazil, the Group is the result of the merger of 3 national steel makers in 2005. The Brazilian subsidiary has now 25 industrial units that produce and manufacture steel, with an annual production capacity of 11 million tons of steel, operating in the segments of carbon steel, long steel and flat steel. The subsidiary had 14 thousand employees and net consolidated revenue of R\$ 13.3 billion (Brazilian currency) in 2005.

## 4.1 Current action analysis

In the present study it was decided to analyze some of the Group's sustainable development actions (in the light of the headquarters/subsidiary relationship), according to the 4 elements of sustainable development presented in the theoretical reference: governance, stakeholders, ethics and learning.

### 4.1.1 Governance Structure

The Group's headquarters are located in Luxembourg. From a general point of view, the sustainable development director of the Group recalls the difficult task of convincing investors of the importance of sustainable development in the Group's strategy: *"If you take a look at the rating agency ranking, they never liked the steel industry... actually, an important job I developed was to quickly show these investors, explain what a steel company was and show that behind it all, we were actually very actively supporting environmental management programs, Human Resource programs for health and safety...so, it took us approximately a year and a half to become a reference... and very quickly we started to be selected in ethical and sustainable development rankings"* (Interviewee 1)<sup>1</sup>.

The Brazilian subsidiary is composed of 3 companies. Interviewee 3 also points out that a change in the behavior of the investors in the Brazilian subsidiary can already be noticed: *"Every day I see more investors who are willing to invest, not with a view to short term returns, but with a view to long term returns ... and in the long term, he is fully aware that it will depend on the company image, that the reputation of the company has to be associated with corporate social responsibility"* (Interviewee 3)<sup>2</sup>.

It is also remarkable that, although the search for maximization of shareholder value is the focus of the Group, the sharing of the results among the different stakeholders is one of the objectives that have been sought, at a global level, as well at a local level in Brazil. Even before becoming part of the Group, the companies that currently forming the Brazilian subsidiary already had a history of involvement within the community and of work related to corporate social responsibility.

From the viewpoint of the decision making structure, it can be seen that the Group centralizes some macro directives, that is, some macro-objectives related to sustainable development, however, it decentralizes the decisions regarding the development of local actions aimed at reaching those objectives.

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<sup>1</sup> Freely translated from French.

#### 4.1.2 Relationship with Stakeholders

Both at a global and local level, the Group seeks to develop a good relationship with the stakeholders. At the headquarters level the objective is to provide a good relationship with three main types of stakeholders: first internally, with the employee representatives and local and European committees; second with the institutional shareholders; and third with international institutions, public institutions and nongovernmental organizations (NGOs). They have power and legitimacy to make an impact on the Group, and their claims are considered urgent. According to interviewee 1, a change in the perception of the steel industry by those involved is sought: *“sustainable development and its two missions: cultural integration at a Group level and right behind, the intension to radically change the perception of the actors regarding the steel industry”*. (Interviewee 1)<sup>3</sup>

At the subsidiary level, the objective is to develop good relationship with 5 types of stakeholders: the first would be the shareholders, the investors, the financial institutions and the clients; the second would be the employees, retired employees an pensioners; third the communities, cultural institutions, unions, public institutions, government, NGOs and environmental organizations; the fourth would be the suppliers; and the fifth would be the educational and research institutions, the media and other representatives of the society. The claims of these stakeholders are considered urgent and legitimate, although not all of them have the same power to influence the Group.

#### 4.1.3 Ethical Behavior of the Group

At the headquarters level, the Group shows demonstrates it concern by always respecting the strictest international governance rules, that is, seeking to adopt a proactive approach. However, because it is considered a “heavy” industry, interviewee 1 points out that there was a need for a change of image: *“It was necessary to break the heavy steel industry image, the old industry that pollutes, in order to show that despite this there was good management, research and development and innovation and that there was in fact, aggregated value in environmental terms.”* (Interviewee 1)<sup>4</sup>. For that purpose, the Group tried to base its development policy upon 3 pillars, as mentioned by interviewee 1: *“first of all we had innovation, for we wanted to show that we could find*

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<sup>2</sup> Freely translated from Portuguese.

<sup>3</sup> Freely translated from French.

<sup>4</sup> Freely translated from French.

*solutions that could help the clients...the second pillar was all the types of client service and the third pillar is the sustainable development...to say this is an important foundation element for the Group” (Interviewee 1)<sup>5</sup>.*

Besides following the recommendations of local and international legislation, the Group also engages in the use of international methodology in measuring sustainable development activities, such as the Global Reporting Initiative (GRI). This index is implemented at a global level, but also in local level, in the Brazilian subsidiary. The Group tries to structure all sustainable development activities by measuring objectives and goals, in line with the 3 great axes of sustainable development related actions: economical, environmental and social.

In Brazil, the Group focuses its social responsibility work in programs aimed at improving the quality of life of the people and for the growth of the municipal districts in the States where it is located. Both at an international level and in Brazil, the Group works towards sustainable development according to 4 major axes: people, planet, partners and profit. It is noticeable that the approach of the Brazilian subsidiary is to anticipate environmental and social legislations and recommendations, and the sense of corporate social responsibility expressed at an international level seems to be reflected within the Brazilian subsidiary.

Therefore, referring back to the proposition of Rayborn and Payne (1990), it can be seen that the Group has progressed in recent years through the 4 postures, currently approaching a posture between the practical and theoretical levels.

#### 4.1.4 Organizational Learning

The Group seeks to develop a policy where sustainable development can reach all the employees, thus making them aware of the importance of environmental protection and actions aimed at local community involvement. Interviewee 1 highlights this aspect: *“I think we have been able to convince people that sustainable development is not just something to talk about, but something more serious in management, that it is a project that must be taken to all the employees.”<sup>6</sup>* (Interviewee 1)

From the viewpoint of the exchange of information and experience between headquarters/subsidiary and/or subsidiary/subsidiary, it is based on a formal/informal process. Although formal exchange have already been taking place through sustainable development reports from subsidiaries and macro reports from the headquarters, much of it takes place in

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<sup>5</sup> Freely translated from French.

<sup>6</sup> Freely translated from French.

informal exchanges, through personal contacts. There is a noticeable variation between single and double loop learning in the headquarters and subsidiary relationship seen in both new actions that simply reinforce previously developed actions and new actions that are developed based on local reality. This was the case of an action by one of the companies compromising part of the Brazilian subsidiary in engaging local entities (in the region where it acts) and helping the region in the development of the local agenda 21 project.

While some macro directives are implemented in Brazil, simply at the deliberation of the headquarters (*single loop*), other directives are adjusted to the local reality giving rise to new insights (*double loop*). Interviewee 4 comments: *“The reality in Europe is different from here... so you have to adjust the activities to the reality of the region in which the company is located ... there are basic fields of action, education, environment, health and culture but if your region has different needs, you can try to meet them.”*<sup>7</sup> (Interviewee 4)

Another important activity developed in the Brazilian subsidiary is to increase the awareness of the main leaders : *“It is part of my job description to promote leadership education towards sustainability”*<sup>8</sup> (Interviewee 3). Thus, leaders are invited to consider the role of the company in the community and become more aware of the importance of environmentally and socially responsible actions.

#### 4.2 Proposals for action with regard the Headquarters/Subsidiary relationship

Regarding the 4 highlighted elements (business governance, stakeholders, company ethics and organizational learning), and the 3 types of market (local, global and internal) suggested by Birkinshaw (1997) in analyzing the relationship between headquarters/subsidiary, after the analysis of the actions that have already been carried out by the Group, some proposals for actions that could improve the sustainable development activities, regarding Headquarters/Subsidiary relationship have been defined. These proposals are presented in table 2.

	Local Market		Global Market		Internal Market	
	Headquarters	Subsidiary	Headquarters	Subsidiary	Headquarters	Subsidiary

<sup>7</sup> Freely translated from Portuguese.

<sup>8</sup> Freely translated from Portuguese.

<b>Business Governance</b>	Motivate subsidiary to share results with local stakeholders.	Try to clearly share subsidiary results with main local stakeholders.	Clearly define global stakeholders with whom the Group will share results.	Clearly identify the subsidiary share of contribution in sharing results with global stakeholders.	Share investment in sustainable development actions fairly among subsidiaries.	Transparently report (to headquarters) the real local sustainable development action investment needs.
<b>Stakeholders</b>	Decentralize the action definition to be made with local stakeholders, according to power, legitimacy and urgency of their demands.	Try to develop actions in response to local stakeholder needs, respecting macro directives of the Group.	Define macro directives for international operation of the Group, regarding global stakeholders.	Develop relationship with global stakeholders.	Motivate formal/informal contacts among subsidiaries and decision making based on these contacts.	Engage in formal/informal contacts with other subsidiaries of the Group. Influence of these contacts over local decisions.
<b>Company Ethics</b>	Motivate subsidiary to take actions that are ahead of local social and environmental legislation.	Constantly monitor local social and environmental legislation, trying to anticipate it.	Define global actions for the Group that are ahead of international laws and recommendations.	Try to follow international social and environmental laws and recommendations.	Encourage information exchange among subsidiaries about social and environmental legislation from each country, aiming at a constant anticipation.	Engage in constant information exchange with other subsidiaries, aiming at incorporating actions taken in other places, where it has already been turned into legislative demands.
<b>Organizational Learning</b>	Encourage conferences and local meetings, with other companies or with local stakeholders, for experience exchange purposes.	Engage in local event planning that allows experience exchange with other companies in the country and with local stakeholders.	Have annual conferences and mutual visits (headquarters/subsidiaries) in order to exchange sustainable development experiences.	Engage in conferences organized by the headquarters, and send representatives for periodic visits to headquarters as well.	Encourage meetings and visits among subsidiaries in order to exchange sustainable development experiences. Organize internet structure for a constant experience exchange.	Engage in the development of meetings and visits to other Group subsidiaries in order to exchange sustainable development experiences. Actively use experience exchange tools.

It can be noted that the propositions made have been based on the concept of constant movement between deliberation/emergence (between Headquarters and Subsidiary) in the formation of a sustainable development strategy for the Group. The purpose is to create

movement in which proposals at the 3 levels (local, global and internal) for the learning element (through experience and information exchange) can influence proposals for the elements of governance, stakeholder and ethics (decision structure, relationship with stakeholders, legislation approach, etc), and vice-versa. Therefore, these proposals can be used by the Group managers as a base for reflection, with the aim of improving the formation strategy process for sustainable development, in the relationship between headquarters and subsidiaries.

## **5. FINAL REMARKS**

The present article had the purpose of constructing a set of proposals for the relationship headquarters/subsidiaries, with regard the formation strategy process for sustainable development within the multinational Group under study.

For that purpose, research was carried out in 2 stages. The first stage was characterized by bibliographical research, and has been conducted throughout the entire period of the research (adductive logic, in a constant movement “coming and going” between the empirical field and theory). In this stage, 2 major theoretical axes were considered: Business Strategy and Sustainable Development. The second stage was characterized by 1 case study of a large European multinational Group in steel industry.

Throughout the two stages and especially in the latter, an attempt was made to build a knowledge base that could be applied by the managers of the company under study, (teleological attractor, according to Martinet, 1997). Thus, a set of proposals based on the deliberation/emergence between the headquarters of the Group in Luxembourg and the Brazilian subsidiary has been constructed. The proposals are presented in a matrix format, where actions for the headquarters and the Brazilian subsidiary of the Group were proposed, in the three types of markets mentioned (local, global and internal) for each of the sustainable development features (governance, stakeholders, ethics and learning).

From the academic viewpoint, the proposals are the result of the interaction between theory (Business Strategy and Sustainable Development) and the empirical field, as well as the conception work carried out by the researchers. From the business viewpoint, the proposals show the complexity and the dynamics of the formation strategy process (Headquarters/Subsidiary) with regard sustainable development, and could be used as reference by the managers when conducting, in their context, the strategies of the Group.

The impossibility of carrying out a longitudinal study since the formal introduction of the sustainable development policy in the company under study can be pointed to as a limitation of this research. It is understood that such a follow-up would further enrich the collected information, and enable a closer connection between researcher and the managers of the Groups. For future research it is suggested that studies along these lines be carried out.

In conclusion, the description of this case and the proposals made at the end encourage discussion about the insertion of sustainable development strategies in large international Groups, a discussion that, considering current events in society and in the planet deserves ever more room for academic and management reflection.

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