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CSR Actions of Brazilian Mining  
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# **INSTITUTIONAL INFLUENCES ON THE GLOBAL CSR ACTIONS OF BRAZILIAN MINING COMPANY VALE**

## **ABSTRACT**

This study examines institutional influences on the global Corporate Social Responsibility (CSR) actions of the Brazilian mining company Vale. The article combines the principles of Kostova, Roth & Dacin (2008) on the management of multinationals, the institutional factors proposed by Campbell (2007), and the ideas of Porter & Kramer (1999, 2006) on the interrelationship of companies and society. Using secondary data and interviews with people involved in the company's CSR actions, we find that Vale has a formal policy, integrated with its strategy and based on international standards. But it does not have a global governance model and its activities are legitimized by coercive isomorphism.

## INTRODUCTION

Corporate Social Responsibility (CSR) emerged in the late 1980s as a label for a philosophy of economic growth in business that values only those gains that can endure into future generations. Different organizations understand CSR in different ways. It used to be the sole preserve of socially progressive companies; now, most multinationals have adopted some CSR principles. The World Business Council for Sustainable Development (in "Making Good Business Sense"<sup>1</sup>) defines CSR as "the continuing commitment by businesses to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large." The CSR models discussed in the literature (Campbell, 2007; Carroll, 1979, 1991; Enderle & Tavis, 1998; Frederick, 1994, 1998; Marquis, Glynn & Davis, 2007; Quazi & O'Brien, 2000 and Wood, 1991) indicate moral, obligatory, legal and reputational motivations, with less emphasis on philanthropic activities.

Porter & Kramer (2006) argue that stakeholders do not necessarily signify the importance of an issue, either for the company or the world. In this respect their formulation is similar to that of Kostova, Roth & Dacin (2008) on global management practices and the behavior expectations of stakeholders.

In light of the limits and complementarities of these approaches, we focus our analysis on the study of Kostova, Roth & Dacin (2008) on the management of multinationals, with an emphasis on the institutional theory concepts of isomorphism and legitimacy, and the propositions of Campbell (2007) on the institutional factors that may act as determinants of CSR practices. We perform this integrated analysis in light of the thinking of Porter & Kramer (1999, 2006, 2008) on the interrelationship of firms' business strategy and social impact.

We examine these issues through a single case study of Brazilian mining conglomerate Vale, which has activities in both central and peripheral countries. We apply the methods of analysis of evidence proposed by Yin (2005), and of content proposed by Bardin (1998). Our data come from secondary sources and interviews with 26 current and former executives of Vale with involvement in its CSR actions in its central and peripheral countries in the period from 2006 to 2009. We take into consideration the fact that the mining industry is inherently tied to areas where mineral deposits are located, so that mining companies have less freedom in locating their operations, a condition that significantly increases isomorphism and legitimacy.

The evidence obtained contradicts of Kostova et al. (2008) who argue that irrespective of where they operate, multinationals have to live up to global management guidelines and the corporate responsibility expectations of their stakeholders, thus forming their own organizational fields at the meso-, meta- and intra-organizational levels. On the contrary, our findings reveal greater similarity with the neoinstitutionalist concept of alignment with the organizational field (Powell & DiMaggio, 1991; Scott, 2001), since Vale's legitimacy is based on coercive isomorphism as a result of formal and informal pressures – from government regulations, monitoring by institutional investors, and self-imposed industry regulations. These factors are defined by Campbell (2007) as determinants of responsible behavior. Additionally, our results suggest that Vale's CSR practices are integrated with its business strategy and generate value that is shared with society, in line with Porter & Kramer (2006, 2008).

Finally, we find that although Vale's CSR actions are linked to regulatory principles and seem to follow a formal policy orientation on sustainable development, its governance

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<sup>1</sup> Written by Richard Holme from Rio Tinto and Richard Watts from Royal Dutch/Shell Group. January 2000.

model is in an ongoing construction and consolidation phase, with actions focused on environmental matters in central countries, and community education and infrastructure in peripheral ones.

The article is divided into five sections, including this introduction. The second section presents a review of the literature, discusses various views of the models and concepts underpinning institutional theory and international business, corporate social responsibility and its practices in central and peripheral countries, and sets out the theoretical framework. The third section describes the methodology, while the fourth presents a case study of Vale and discusses its results. The fifth section offers some final considerations and discusses the management implications.

### **LITERATURE REVIEW**

The theoretical framework here is based on analysis Kostova et al. (2008), who posit that regardless of the countries or industries in which multinationals operate, they must respect global guidelines on the social responsibility expectations of their stakeholders, as well as on the concepts of isomorphism<sup>2</sup> and legitimacy<sup>3</sup> on which neoinstitutionalist theory is premised (Powell & DiMaggio, 1991; Scott, 2001).

Our intention here is to revisit institutional theory, taking into consideration Kostova et al. (2008), first by analyzing the view posited by Campbell (2007) for whom CSR is shaped – independent of economic factors – by institutional factors. We then turn our attention to the strategic CSR model proposed by Porter & Kramer (2008), which seeks to integrate value-chain practices and investments to enhance competitiveness.

To be viewed as legitimate by the different actors in their organizational fields, corporations should seek to expand beyond purely economic, technical and legal objectives, and consider not just their shareholders but the welfare of society as a whole (Carroll, 1979; Scott, 2001). In this section we present a review of the literature on CSR and its different practices in central and peripheral countries. In doing so, we also examine an economic model and concept of corporate governance<sup>4</sup> and comment on the practices in central and peripheral countries.

#### ***Corporate Social Responsibility in Central and Peripheral Countries***

Maignan & Ralston (2002) argue that CSR behavior varies between countries. Their studies of 100 companies in France, Holland, the United Kingdom and United States demonstrate that in a cross-border corporate context, CSR practices have important institutional implications. What prompts companies to act responsibly is managers' self-esteem, the belief that this behavior improves financial performance, and pressure from stakeholders.

Aguilera & Jackson (2003) support the relative influence of stakeholders in arguing that where institutional settings are nationally distinct, isomorphic processes lead to corporate governance practices that are similar within a country and different between countries. This diverges from the views of Kostova et al. (2008) that multinationals can either adopt local practices or a pre-established institutional model, and that isomorphism is not a necessary

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<sup>2</sup> A set of restrictions that cause an organization to resemble others facing the same set of environmental conditions (DiMaggio & Powell, 1983; Powell & DiMaggio, 1991).

<sup>3</sup> Acceptance and approval of the organization's actions by stakeholders (Kostova & Zaheer, 1999).

<sup>4</sup> Theories of corporate governance are based on agency theory, which analyzes the relationships among shareholders, directors, managers and workers and emphasizes the responsibilities of managers as agents of the owners (Jensen & Meckling, 1976).

condition for success. Although subject to institutional forces, multinationals have different backgrounds and hence adapt better to conditions of equivocality, ambiguity and complexity.

### ***Institutional Influence on CSR Actions***

Campbell (2007) further argues that tax legislation is an important property rights institution that can affect corporate behavior, suggesting that forms of government regulation can affect the degree to which companies behave responsibly. He adds that as economic activity becomes more globalized, and consequently harder to regulate by national governments, social movements, activists and other monitoring agents become more influential.

In line with Campbell (2007), Kostova et al. (2008) recognize that corporations tend not only to resist the imposition of regulations; they also influence regulators. Therefore, corporate behavior will depend not only on the existence of regulations per se, but also on the institutional architecture, the configuration of regulations and the balance of forces.

For Campbell (2007), the degree to which companies are socially responsible is influenced by a variety of institutional factors, especially economic and institutional conditions. Institutional conditions are defined as government regulations, industry self-regulation, monitoring by nongovernmental organizations, trade associations, unions and independent organizations, normative climates and institutionalized dialogue with stakeholders.

Kostova et al. (2008), Aguilera & Jackson (2003) and Campbell (2007) share the view that their constructs support the hypothesis that since nations have different corporate governance profiles, the range of variation among corporate practices widens with the spread of multinationals.

### ***Definition of the Theoretical Framework***

We base our theoretical framework on the institutional theory of Kostova et al. (2008), which, with respect to management of multinationals, challenges the concepts of isomorphism and legitimacy formulated by neoinstitutionalism, and Campbell's (2007) views on the institutional conditions that make it more likely that corporations will practice social responsibility. In parallel, we analyze the interrelation of business strategy and social impact, based on the premises of Porter & Kramer (1999, 2006, 2008).

## **RESEARCH METHODOLOGY**

The research methodology used here, its limitations and ways to minimize them, rest upon the research classification of Malhotra (1996), the conceptual bases of the development of case studies of Yin (2009) and Eisenhardt (1989), and the content analysis method of Bardin (1998).

This article is exploratory in nature. According to Malhotra (1996), the exploratory approach consists of examining a particular problem or situation to shed light on a broader subject by analyzing secondary data and gathering information from focus groups.

Given the nature of this type of study, our findings should not be considered definitive, although the data may serve for more conclusive research. Since our aim was not to develop a theory, but rather to analyze a specific case in light of existing theories, we followed the steps described below.

### ***Modeling of instruments and protocols for the field study***

Following the recommendations made by Malhotra (1996) and Bardin (1998) on the concept of surveys, we prepared a mixed questionnaire with structured questions linked

directly to the theoretical framework. We also utilized non-structured questions to provide an opportunity for free response and consequent identification of new factors or phenomena. We pre-tested the questionnaire before conducting the actual interviews.

The questionnaire also asked respondents to provide information on their profiles. The respondents were chosen by non-probabilistic convenience sampling, with five defined focal groups: (1) managers; (2) general managers; (3) department heads; (4) global executives; and (5) consultants.

### ***Field study***

This step consisted of interviews (in person or via Skype or regular telephone) with senior people who influenced or participated in the company's CSR policies in the period from 2006 to 2009. All the interviews, conducted between August and December 2009, were recorded. We interviewed 26 people: 7 managers; 9 general managers; 6 department heads, 2 global executives and 2 consultants.

### ***Analysis of the data and convergence of evidence***

To analyze the data we applied the interview content analysis method recommended by Bardin (1998), according to which the content is described objectively, systematically and quantitatively in three basic steps: pre-analysis; exploration of the material; and treatment and interpretation. Following Yin (2009), we performed a convergence of the evidence from multiple sources to respond to the central research question, including a comparison with the theories presented on the theme and generation of inferences. The result of this convergence is presented in the case study section.

### **Limitations of the Methodology**

Aware of the limitations and seeking to mitigate them, we used the method advocated by Bardin (1998) for the extraction of content from interviews. This entailed comparison of facts and cross-referencing of information and reports. Two other limiting factors should be mentioned: the small number of respondents and their critical distance in relation to the company. To attenuate these and enable a comparison with views in the market, we included some former Vale employees among the interviewees (people who had left the company in the past 12 months), along with outside consultants involved in the company's CSR activities.

## **CASE STUDY: MINING COMPANY VALE**

This section describes the history and current situation of Vale, its competitors, and a longitudinal view of its CSR practices before and after privatization in 1997, along with the challenges of globalization in the countries where it operates. It presents a comparative analysis of the results of the interviews and the topics for discussion.

### **Background**

Vale, based in Brazil, is the world's second-largest diversified mining company and the largest privately owned company in Latin America, with a market capitalization of around US\$60 billion. It is the leading global producer of iron ore, pellets and nickel. It also produces copper, manganese, bauxite, alumina, aluminum, coal, cobalt, platinum and palladium, among other raw materials (Vale, 2009m). To support its production and delivery logistics, it owns and operates railroads and port facilities and takes part in power generation projects for self-consumption, to ensure competitiveness (Vale, 2008b). In 2008, it had gross revenue of US\$38.5 billion and net income of US\$13.2 billion (Vale, 2009g).

The company was created by the Brazilian government in 1942, under the original name Companhia Vale do Rio Doce (CVRD),<sup>5</sup> from the merger of two private mining companies with the Vitória-Minas Railroad, at the behest of the U.S. government to provide iron ore for the war effort. Since its inception, an important part of its market has been abroad. In the early decades, it had customers in Europe and Asia as well as the United States (Vale, 2009a).

In 1949, it was responsible for 80% of Brazilian iron ore exports. After privatization in 1997, it expanded its global presence through local divestments and foreign acquisitions and joint ventures, moving beyond being mainly an exporter to being a company with international production operations (Vale, 1998).

One of the key transactions in its strategy of internationalization and diversification of its product portfolio occurred in the last quarter of 2006, with the purchase of Canadian mining company Inco Limited (later renamed Vale Inco), at that time the world's second nickel producer, with reserves in Canada, New Caledonia and Indonesia (Vale, 2007b).

In February 2007, it acquired AMCI Holdings Australia Pty, a coal producer headquartered in Brisbane (Vale, 2007a). The following year it bought another Canadian nickel producer, Canico, and 50% of an African commodities joint venture, along with the coal assets of the Colombian company Argos, a cement producer (Vale, 2009h).

The globalization of Vale's activities from 2002 to 2008 is reflected in its gross revenue by origin, with the Brazilian market gradually supplanted by exports to Asia (Vale, 2009e, f, g). This change of profile and the start of its foreign structuring helped it to become the first Brazilian company to obtain an investment grade rating in 2005 (before Brazilian sovereign debt became investment grade), from three rating agencies: Standard & Poor's (BBB), Moody's (Baa3) and Dominion Bond Rating Services (BBB low) (Vale, 2008b).

Although it is active in over 30 countries on six continents, bringing it into contact with many different social realities, the majority of its operations are located in peripheral, relatively underdeveloped, countries (Vale, 2009c). Most of its capital expenditure is aimed at organic growth, particularly through greenfield projects in Brazil, Mozambique, Oman, Oceania, Peru and Colombia, and in research and development.

In the first quarter of 2009, Vale closed a deal with the Anglo-Australian mining company Rio Tinto to purchase iron ore assets in Brazil and potash assets in Mendoza and Neuquén, Argentina, and in the province of Saskatchewan, Canada (Vale, 2009i). Besides this, it formed a consortium with Woodside Energia Investimentos em Exploração de Petróleo for exploration of natural gas in Brazil (Vale, 2009k).

## **The Competition**

Australian BHP Billiton and UK/Australian Rio Tinto are Vale's main competitors. BHP Billiton, the world's largest mining company, produces aluminum, iron ore, diamonds, coal, manganese and petroleum. Its revenue in 2008 was US\$59.5 billion and profits were US\$15.4 billion (BHP Billiton, 2009). Rio Tinto, the world's third-ranked mining company, produces iron ore, aluminum, copper, diamonds, coal, gold and other industrial minerals, such as titanium and salt. In 2008 its revenue was US\$22.3 billion and profits were US\$10.3 billion (Rio Tinto, 2009). Between 70% and 80% of these two groups' operations, offices and prospecting activities are located in peripheral countries.

Both of them claim to be committed to sustainable development and engaged in CSR initiatives. For BHP, sustainability means assuring a positive legacy for future generations and providing benefits to society through respect for the social, environmental, ethical and

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<sup>5</sup> The original name comes from the river valley ("Sweet River Valley") where its original mineral reserves were located (and where many still are located).



economic dimensions of everything the company does (BHP Billiton, 2009). For Rio Tinto, acting and working responsibly means creating long-term benefits for shareholders and other interested parties by reducing risks and costs and assuring a good reputation, to ensure ongoing access to people, capital and mineral resources (Rio Tinto, 2009).

### **Longitudinal Vision of Corporate Social Responsibility at Vale**

Originally a state-owned company, conceived as an anchor for Brazil's development, Vale has been engaged in social projects since its inception. In 1943, the company, at the government's behest, created the Fund for Local Improvements and Development, which for decades financed improvements in the Vale do Rio Doce region in the state of Minas Gerais (Vale, 1992).

Besides this legal obligation, other factors underpinned Vale's CSR practices in its early decades. The need to attract qualified labor was (and still is) one of these. In the 1950s the company began to invest in advanced training, sending its most promising professionals to study abroad, with the aim of creating a staff of specialized technicians. In 1968, it also created the Vale do Rio Doce Foundation for Habitation and Social Development, to promote housing programs in areas where it had operations (Vale, 1992).

From 1954 to 1992, 194 municipalities in the states of Minas Gerais and Espírito Santo received investments from the Fund, which in 1976 was transformed into the Reserve to Develop the Rio Doce Zone (Vale, 1996). The resources were directed to activities capable of generating direct benefits for local communities, such as projects to improve and diversify local economies. In the environmental area, the company's initiatives began in 1954, to counteract deforestation of the Atlantic Rainforest in Espírito Santo. In 1956, Vale purchased the Linhares Forest Reserve in Espírito Santo, with 23,000 hectares of dense Atlantic Rainforest (Vale, 1992). Vale's environmental efforts continued in the 1980s with the creation of an Ecological Technical Council, formed of Brazilian scientists, with the objective of preserving local ecosystems (Vale, 1992).

Actions to mitigate the environmental impact of its mining activities intensified in the 1990s in response to public pressures and more rigorous environmental legislation. In 1995, the company signed a contract with the World Bank to finance some 70 projects under the Vale Environmental Program (Vale, 1996). In 1997, it obtained its first ISO certification – 14000 (Vale, 1998).

### **The Commitment to CSR after Privatization**

After being privatized in 1997, Vale gained more autonomy. However, in response to public opinion pressures due to the controversial nature of the privatization process, it had to make clear that it would continue to bring benefits to society, henceforth through partnerships with governmental and private entities (Vale, 2007b).

To continue its social initiatives, previously determined by law and its bylaws, in 1998 Vale transformed its Vale do Rio Doce Foundation (currently Vale Foundation) into its main instrument for social action. The same year saw the development of 46 new social projects, with assistance to public education being the main focus.

According to its Annual Report for 2003, the commitment to the environmental cause began to be more influenced by requirements from the international market (Vale, 2004). In this respect, Vale adopted a policy of communication with an emphasis on transparency, monitoring performance and announcing the attainment of targets.

One of the highlights of the post-privatization period was the creation of Vale Corporate University – Valer – which, besides providing education to the company's professional staff, also trained workers to meet its operational and value-chain needs (Vale, 2009).

To strengthen its institutional relationship with stakeholders, in 2006 Vale created the Executive Directorate for Corporate Affairs. The same year, Vale Foundation assumed a more strategic position. Besides social programs, it began carrying out socioeconomic diagnoses to identify the needs and potential of each region where the company operated, and defined its engagement in three priority areas: (1) improved urban infrastructure aligned with public policies; (2) strengthening of public administration; and (3) human and economic development. All these efforts are conducted in partnership with the public sector and civil society (Vale, 2009c).

The sustainability strategy was redefined in 2007, together with the company's mission, which became "To transform mineral resources into wealth and sustainable development." This also entailed a revision of Vale's vision and values (Vale, 2009b;d). The redefinition of the institutional guidelines laid the groundwork for the launch of a global brand with more emphasis on sustainability (Vale, 2009c).

A key part of this effort was the preparation of Vale's Sustainability Report in 2007 (Vale, 2008b) according to the guidelines of the Global Reporting Initiative, version G3. This was repeated in 2008 and Vale obtained a B+ application level (Vale, 2009c). In 2007 and 2008, projects were carried out to reclaim degraded land in the Amazon region, to develop a Corporate Directive on Climate Change and Carbon, to improve the company's environmental management systems, to obtain new ISO certifications, and to terminate the iron ore supply agreements with pig iron producers that could not prove compliance with environmental legislation, among other initiatives (Vale, 2008b; 2009d).

According to a company press release (Vale, 2009j), in June 2009 Vale became the first mining company in the world to reduce its footprint to zero, meaning that the total area reclaimed or replanted is greater than that utilized in its mining activities.

### **The Challenge of Globalizing CSR Actions**

Despite its investments in expanding its international presence after privatization, it was only in 2008 that the formal alignment of the policies of Vale and its subsidiaries and affiliates was begun, aiming to strengthen the company's global identity (Vale, 2009c). In March 2009, the board of directors approved the global sustainable development policy. The company's stance was stressed in its Sustainability Report for 2008:

We add value to our stakeholders by generating optimum value to shareholders, maintaining fair work relations and conditions for employees and contractors, and seeking long-lasting win-win partnerships with suppliers. We seek to ensure greater reliability and value in our supply to customers, in addition to contributing to the sustainable development of the communities, regions and countries where we operate, maintaining a permanent open dialogue with our stakeholders (Vale, 2009c).

An example of this is a project in Mozambique.<sup>6</sup> As part of a feasibility study, in 2005 and 2006 Vale conducted quantitative and qualitative socioeconomic studies and polled nearly 900 stakeholders, including meeting with nearly 4,800 people in the local community. In 2006, it signed an agreement with the country's Ministry of Mineral Resources to implement social actions, assuming a commitment to invest over US\$6 million in the areas of health, education, agriculture, social assistance and infrastructure (Vale, 2008a).

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<sup>6</sup> Where Vale has been present since 2004 in the province of Tete, involving one of the world's largest coal reserves.

In 2008, efforts began to align the CSR practices of Vale Inco<sup>7</sup> with those of the parent company. As part of the requirements by regulatory agencies to approve the acquisition of Inco, Vale assumed various social and environmental commitments. The main focus was maintenance of good relations with the local community. Among the CSR actions implemented were expansion of the Thompson Recycling Center and sponsorship of local initiatives like Safe Workers of Tomorrow and the Indigenous Summer Games, both in Manitoba. In Sudbury, Ontario, Vale provides community assistance in the areas of health, education, arts, economic diversification and other social services. Additionally, it has maintained Inco's membership in the Mineral Industry Cluster Council and has established agreements with provincial governments, unions and indigenous groups, including the Labrador Inuit Association and the Innu Nation (Vale, 2007c; 2008b).

The nickel operations of Vale's subsidiary Goro in New Caledonia also received attention because of the sociopolitical and cultural legacy and its proximity to a UNESCO World Heritage Site, inhabited by tribes of the Kanak people (Vale, 2007c). To assure the project meets local socioeconomic needs, Vale conducts periodic public consultations and has set up a committee with more than 150 representatives of interested parties (Vale, 2009c).

In Latin America, Vale is conducting the Bayóvar Project in the province of Sechura, in Peru. During the feasibility studies for phosphate mining, it shared details with the local people. The project calls for social programs in the areas of housing, education and human and social capital, among others, including future needs of workers and local residents (Vale, 2009b).

In May 2009, the annual GS Sustain Focus List indicated that because of its socio-environmental processes, practices and investments, and the transparency of their disclosure, Vale ranked among the top five long-term investment opportunities in the world, in the Global Basic Materials sector, which included 71 companies engaged in mining, metals and chemicals. The ranking was based on analysis of management quality, strategic position in the industry and return on capital (Goldman Sachs, 2009).

For 2010, Vale budgeted US\$999 million for social responsibility actions in the world, of which US\$829 million were to be invested in environmental protection and preservation and US\$170 million in social projects (Vale, 2009b).

### **Comparative Analysis of the Results**

As explained in the methodology section, we carried out a convergence of evidence by tabulating the questionnaire responses, seeking to categorize the themes in the central research question. In the quotations below, the respondents have been identified by the following categories: (M) manager; (GM) general manager; (D) department head; (G) global executive, and (C) consultant.

The first item on the questionnaire refers to the respondents' perception as to whether Vale's CSR actions were linked to international and regularized principles. In this respect, 73% of the respondents answered affirmatively, while 27% stated that although there were global company guidelines to follow regulatory principles, the actions did not yet completely reflect this.<sup>8</sup> The following comment was representative:

The governance model exists and has global scope. Even though the statements make the organization's commitment to CSR clear, there are many indications

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<sup>7</sup> In July 2009, a strike at Vale Inco began at Sudbury in Canada. In early August workers at the Vale Inco refinery in Port Colborne, and the mine at Voisey's Bay in Labrador joined the strike. Because of the timing of the survey, this labor unrest was not taken into consideration.

<sup>8</sup> Although not stated in the questionnaire, this question was posed to the respondents during the interviews.

that its real application is not up to snuff. There are winning and positive practices that, notwithstanding their importance and contribution, do not yet make up a whole. (GM2)

Regarding the existence of common rules and norms for CSR guidelines in different regions, considering central and peripheral countries (item 2), 50% of the respondents stated these did not exist, 46% said they did, and 4% did not know enough to answer. The following statements demonstrate this dualism:

Vale hasn't yet focused on standardizing these actions globally, so each region still operates relatively independently in this sense. Only the internal hierarchy for approval of these actions is globally standardized. (G1)

There's a global model, but in some cases either there's no local adaptation or the global model is not yet followed and only local practices are carried out without alignment. We're still in a building phase. (GM4)

With respect to the interests behind CSR practices (item 3), the respondents indicated the following factors in order of importance: sustainability (775 points); regulatory and legal (600 points); and economic (415 points). Although the economic aspect placed third, one comment stood out:

[...] my view [...] is that the central reason behind Vale's CSR actions is still mainly economic (better profits, reputation and image, etc.). All the same, there are very relevant social development actions, though these are still insufficient in relation to what the company should be doing. (C1)

On the motivations that influence Vale's socially responsible behavior (item 4): (i) 58% of the respondents believed Vale acted according to its own rules and norms, with the ability to choose the most appropriate models, 38% disagreed, and 4% did not respond; (ii) 54% thought Vale acted in response to pressure from its stakeholders, following national institutional rules, 42% disagreed, and 4% did not answer; (iii) 88% believed Vale considered the viewpoints of stakeholders and negotiates, while 12% disagreed; and (iv) 81% believed Vale acted according to its own rules and norms, defined according to international standards, while 19% disagreed. The following comments are noteworthy in this respect:

Because mining activity must occur where the minerals are present, it is more subject to the interests of stakeholders than other industries that can locate their operations anywhere. Because of this, Vale has to assume a position of compromise between its own interests and those of the communities where it operates, so it must develop its social responsibility as a way to sustain its business in the short run. (G1)

Based on the propositions of Campbell (2007) (item 5), the economic and institutional conditions that most influence Vale to act responsibly, according to the respondents, in order of importance: (1) strong and enforced government regulations; (2) monitoring by private organizations, NGOs, social movements, institutional investors and the press; (3) a well-organized system of industry self-regulation, especially if based on government intervention; (4) places where normative appeals for such behavior are institutionalized; (5) organized engagement and dialogue with unions, employees, community groups, investors and other stakeholders; (6) membership in trade or business associations; (7) competition; and (8) financial performance.

The differential scale (item 6) presented for the purpose of describing the strategic positioning of CSR revealed the following results: (i) 70% believed the strategy was formal, 15% informal, and 15% had no opinion; (ii) 65% thought the strategy was known and affected by interaction with and legitimation by stakeholders, 23% considered it unknown, and 12% did not respond; (iii) 58% believed international pressure had a strong influence, while 23% believed that influence was low, and 19% were neutral; (iv) 73% believed local pressure was strong, while only 4% thought it was low, and 23% were neutral; (v) 84% believe Vale's business strategy is integrated with its social impact, while 12% believed they are separate, and 4% did not respond. Again, some comments deserve quoting:

The perception that concern with social permission is greater than environmental concern and that the pressure of Brazilian stakeholders, especially the main shareholders linked to the Brazilian government,<sup>9</sup> represents the strongest influence on Vale's CSR practices. (G3)

There is no formal strategy. The actions are informally inserted in the business strategy in function of the need to obtain permission to operate. (G4)

In the analysis of the portfolio of CSR actions identified as having the greatest impact (item 7a), 14 of the 22 who commented cited those involving education and training (including of suppliers' personnel). The second category cited was the socioeconomic diagnoses carried out by Vale Foundation.

The leading motivations for CSR actions (item 7b) given by the respondents were the need to invest in socioeconomic development of the regions where the company operates and to train qualified labor for its operations, which was mentioned in 12 of the 29<sup>10</sup> comments obtained.

Regarding the places where the practices occur (item 7c), 53% of the respondents stated 'in all countries' and at different levels, with the standouts being Brazil, Mozambique, New Caledonia, Indonesia, Chile and Peru. Another 35% stated 'only in some countries', with emphasis on Brazil and Mozambique, while 4% only mentioned Brazil, and 8% did not respond.

On the matter of whether Vale follows a global institutional model (item 7d), 50% of the responses were negative, 42% were affirmative, while 8% did not respond.

Finally, regarding the differences between central and peripheral countries (item 7e), 77% stated there is a difference, 11.5% said there is not, and 11.5% declined to respond.

Of the 20 spontaneous comments on the challenges of Vale's CSR practices (item 8a), 30% mentioned the need to internalize the culture of sustainable development and improve the company's internal processes continually, 15% stressed the need for commitment from leaders, and 10% each mentioned (i) engagement of all areas and employees, (ii) application of a clear and objective policy, and (iii) visibility of the strategy and actions, especially to stakeholders. The other 25% mentioned knowledge management and development of good relations as a competitive differential, benchmarking and greater independence of the company with respect to the need to show short-term results.

Of the 12 additional comments on the highlights of Vale's CSR practices (item 8b), 25% mentioned internationalization of Vale Foundation and its projects, 17% mentioned care

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<sup>9</sup> Although Vale was privatized, the pension funds of companies controlled by the Brazilian government, notably Previ (Banco do Brasil), have a stake in the company, and the government also has further direct and indirect stakes through the holdings of BNDESPar, the equity investment arm of the National Economic and Social Development Bank (BNDES).. Finally, the Brazilian government still retains a "golden share" giving it veto power over certain matters.

<sup>10</sup> Some of the 26 respondents offered more than one comment.

for the environment, 17% employee's esprit de corps and attitudes towards remote places, and 17% compliance with global norms and the Global Reporting Initiative. The other 24% mentioned pilot initiatives outside Brazil (other Latin American countries, Oman, etc.), evolution of social conditions in the communities affected by Vale's operations, particularly northern Brazil, and development of local suppliers.

## Discussion

The results of the survey and analysis of the secondary data allowed us to identify that Vale's CSR actions are linked to international regulatory principles, oriented by the formal policy on sustainable development implemented in March 2009 by the governance and sustainability committee and the executive board.

The company's overall aim is to meet the commitments made under the United Nations Global Compact and the recommendations of the International Council on Mining and Metals (ICMM), along with the guidelines of the Global Reporting Initiative and International Finance Corporation and the environmental liability disclosure requirements of the Sarbanes-Oxley Act. Although Vale has a global policy that follows regularized principles, the actions are not yet fully visible and evidence of their application is lacking.

This lack of visibility explains the rough balance (50% favorable, 46% unfavorable, 4% no response) regarding whether there are common rules and norms for CSR in different regions. It reveals that although the Sustainability Reports state that the company has a formal global governance model, this fact is not yet sufficiently recognized, 50% of respondents stating merely that there was a standard internal hierarchy for approval of actions. It can thus be concluded that the company is still consolidating its global policy and practices.

The interests prompting CSR practices were ranked by the respondents as follows: (1) sustainability – considering the economic, social and environmental dimensions: this interest is justified by the need of the mining industry in general to leave a positive legacy by improving people's quality of life and preserving ecosystems, even after the end of operations; (2) regulatory and legal – consisting of government regulation, industry self-regulation and formal commitments made to stakeholders; and (3) economic: the interest to maximize profits and shareholder value and to build a positive image in the international market. Purely philanthropic interests are less important. In accordance with the ideas of Porter & Kramer (2006), this shows that the company seeks to invest in areas that enhance its competitive potential.

With respect to motivations, the main driver for Vale is to consider the viewpoints of its stakeholders and negotiate with them, showing it is open to dialogue. In second place, it conforms to international standards, but chooses the most suitable models in the absence of regulations. In third place, it reacts to pressure from stakeholders, following local institutional rules.

With respect to the economic and institutional conditions proposed by Campbell (2007), the survey showed that Vale's socially responsible behavior is more influenced by institutional conditions than economic considerations, a fact supposedly supported by its financial health, since its short-term survival is not a concern. The highlights here were: (1) regulatory and legal: evidenced by compliance with local legislation and the guidelines of the Global Reporting Initiative and UN Global Compact; (2) monitoring by institutional investors: evidenced by the monitoring of the main shareholders<sup>11</sup> through their

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<sup>11</sup> Vale's ownership structure is as follows: 6.71% is held by BNDESPar (the equity investment arm of the Brazilian government's development bank); 52.70% by VALEPAR – composed of Litel Participações S.A. 49%), BRADESPAR S.A. (21.21%), BNDESPar (11.51%) and Mitsui & Co. Ltd. (18.34%); 38.29% free-float (shares traded on the Bovespa, NYSE, Euronext and Latibex); and 2.30% represents shares held in treasury (Vale, 2009g).

representatives on the board of directors (this harks back to the company's origin as a state-owned company, intended by the government to play an important role in the country's economic and social development); (3) industry self-regulation: evidenced, for example, by adherence to the recommendations of the ICMM.

Regarding the characteristics of Vale's CSR strategy, the survey found it was formal (integrated with the business strategy and respective social impact), more subject to local than international pressure, and known and legitimized by stakeholders.

As one respondent underlined, since mining activity obviously takes place where mineral deposits are found, it is more subject to stakeholder interests than other industries which have more flexibility in the location of operations. Because of this, Vale's stance is necessarily a compromise between its own interests and those of the communities where it is present, and is aware of this interdependence.

The CSR actions of Vale which create a social impact and shared value in alignment with its strategic business interests are, in accordance with Porter & Kramer (1999), education and training, including of suppliers (carried out through Valer) and socioeconomic diagnoses (carried out by Vale Foundation). The motivation for this agenda is the need to train qualified staff and improve the value chain. These actions not only benefit the company, they also improve socioeconomic conditions by generating jobs and income.

In analyzing these results – particularly those related to isomorphism and legitimacy – it is worth restating that Vale is inherently tied to the places where mineral deposits are located, which makes it more beholden to the interests of local stakeholders. Therefore, it is likely that Vale assumes greater commitments to the communities where its operations are located and has a heightened awareness of its interdependence with society. This is in line with the principles of Porter & Kramer (2006, 2008) on the interrelationship between business strategy and social impact.

There is some doubt about the full scope of Vale's actions but the evidence suggests they occur more in peripheral countries such as Brazil, Mozambique, New Caledonia, Indonesia, Chile and Peru, without evidence of a single model. The actions in peripheral countries are more oriented towards support for education, strengthening local economic vocations and productive arrangements, and improving housing and infrastructure. In central countries, issues of sustainability are more strongly related to environmental aspects.

The list of areas for improvement of Vale's CSR actions contains the following suggestions: (1) internalize the sustainable development culture better by ongoing improvement of internal processes, with greater visibility and compliance with global guidelines; (2) improve the engagement of company leaders and employees; and (3) develop a strategy on knowledge management and shared practices, to promote visibility and establish a unified culture in all the group's subsidiaries and affiliates.

The positive points of Vale's CSR actions are: (1) the successful experience of internationalizing the projects of Valer and Vale Foundation; and (2) awareness and respect within the company of global norms, particularly those of the Global Reporting Initiative.

## **FINAL CONSIDERATIONS**

Even though there is general consensus on the importance of the theme, executives and researchers continue to question the motivations underlying socially responsible corporate behavior and whether it really generates value for the company and society at large. In this context, our study has examined the institutional influence of the actions of mining multinational Vale in central and peripheral countries, based on an integration of the principles of Kostova et al. (2008) on management of multinationals, and the proposals of Campbell (2007) on the institutional and economic conditions that influence responsible practices, in light of the premises on the interrelationship of business strategy and

social impact of Porter & Kramer (2006, 2008). It should be pointed out that the results are limited, both by the case study method and its amplitude.

As explained in the methodology section, our conclusions have been organized to respond to the central research question through a comparison with existing theories on the subject, as well as to indicate the management and academic implications of the findings.

Our findings are best understood in the context of Vale's dependence on its organizational field – both at the meso- and meta-institutional level. It is thus more oriented to the needs and interests of local stakeholders. Also noteworthy is the maturing of its governance model in recent years since privatization: it has largely shifted away from the mainly philanthropic model to a portfolio of actions integrated with its business strategy.

Considering this context and the limits of the methodology, we find that Vale's CSR actions are linked to international regulatory principles, oriented by a formal policy that interacts with its overall business strategy. These actions are integrated with its business strategy and interrelated with the respective social impacts. However, the global governance model is still in a construction and consolidation phase and there are still difficulties in dividing initiatives between the headquarters and units in Brazil and those abroad. The company's actions vary between central and peripheral countries, with those in Brazil, Mozambique, New Caledonia, Indonesia, Chile and Peru standing out.

Vale's actions are also oriented primarily by negotiation and dialogue with its stakeholders, since it faces stronger local than international pressures. However, it seeks to conciliate these interests with rules and norms defined according to international standards.

The results contradict Kostova et al. (2008), and challenge the validity of neoinstitutionalism in the aspects of institutional isomorphism and legitimacy. In reality, Vale's study demonstrates that even though the company is a multinational, isomorphism is not limited and its legitimacy among stakeholders is fundamental to its survival.

Vale faces strong local pressures and depends on national institutional systems, both in defining its organizational practices and structures, directly influencing its organizational field at the meso-, meta- and intra-organizational levels. The institutional pressures that lead to isomorphism are reinforced, in the first place, by coercive mechanisms, followed by normative and mimetic mechanisms, in accordance with Scott (2001). In light of the propositions of Campbell (2007), the conditions that most influence Vale's responsible behavior are regulatory and legal aspects, monitoring by its institutional investors (including the Brazilian government) and industry self-regulation.

Nevertheless, even though it needs to obtain legitimacy from permission to operate, its actions are prompted by the sustainability of the regions where it operates. This corroborates the premise of Porter & Kramer (1999) that investing in activities to enhance competitiveness can generate shared value for a firm's value chain, particularly in areas with a positive effect on society such as education, generation of jobs and income, and preservation of ecosystems.

According to the evidence analyzed, in central countries Vale's CSR practices are oriented towards environmental aspects, while in peripheral countries its actions are more aimed at improving infrastructure and housing, strengthening local economic prospects, and training workers.

Although definitions of corporate social responsibility vary as a function of companies' governance profiles and the institutional and economic conditions that influence their activities, there is an expectation and a "minimum common consensus" that the role of corporations, previously restricted to sporadic and often paternalistic actions, should be part of a consistent policy to improve social welfare. This should be accomplished by recognizing the impact of companies' operations on the communities in which they are present, managing the economic, social and environmental impacts at both the local and global level, and engaging in dialogue with stakeholders. The overall aim is not only to provide immediate



social benefits, but more importantly to improve competitiveness, with, as a counterpart, enhanced prosperity of the value chain over the long run.

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