

Jan Jonker
Jacob Eskildsen
Editors

Management Models for the Future

Chapter by Christel Scholten:

**A Management Model for Sustainability in the
Financial Sector**

 Springer

Jan Jonker · Jacob Eskildsen (Eds.)

Management Models for the Future

 Springer

Editors

Prof. Dr. Jan Jonker
Radboud University Nijmegen
Nijmegen School of Management
PO BOX 9108
6500 HK Nijmegen
The Netherlands
janjonker@wxs.nl

Dr. Jacob Eskildsen
Aarhus Business School
Haslegardsvej 10
8210 Aarhus V
Denmark
eskildsen@asb.dk

ISBN 978-3-540-71450-7

e-ISBN 978-3-540-71451-4

DOI 10.1007/978-3-540-71451-4

Library of Congress Control Number: 2009920214

© Springer-Verlag Berlin Heidelberg 2009

This work is subject to copyright. All rights are reserved, whether the whole or part of the material is concerned, specifically the rights of translation, reprinting, reuse of illustrations, recitation, broadcasting, reproduction on microfilm or in any other way, and storage in data banks. Duplication of this publication or parts thereof is permitted only under the provisions of the German Copyright Law of September 9, 1965, in its current version, and permission for use must always be obtained from Springer. Violations are liable to prosecution under the German Copyright Law.

The use of general descriptive names, registered names, trademarks, etc. in this publication does not imply, even in the absence of a specific statement, that such names are exempt from the relevant protective laws and regulations and therefore free for general use.

Cover design: WMXDesign GmbH, Heidelberg

Printed on acid-free paper

9 8 7 6 5 4 3 2 1

springer.com

Table of Contents

Management Models for the Future.....	1
<i>Jacob Eskildsen, Jan Jonker, and Michel van Pijkeren</i>	
Innovative Models for Steering Organisations: A Systemic Approach Within the Pharmaceutical Industry.....	13
<i>Markus Schwaninger and Matej Janovjak</i>	
An Integrative Model of Corporate Volunteering.....	33
<i>Christa Büchler, Christine C. Schneider, Jan-Dirk Seiler-Hausmann, and Kai von Bargaen</i>	
Managing the Value Chain in a Large Nordic Bank.....	51
<i>Kai Kristensen, Lars S. Mørch, and Henrik D. Sørensen</i>	
Fostering Co-ownership in Sustainable International Value Chains.....	63
<i>René Leegte, Jeroen Kroezen, and Dave Boselie</i>	
A Management Model for Sustainability in the Financial Sector	81
<i>Christel Scholten</i>	
The Road Towards Excellence: Total Involvement in Quality	101
<i>Anders Jeppesen</i>	
Principles-Based Governance of a Large Water Utility	119
<i>Robert Humphries, Nicole Pettit, Natalie Reilly, William Varey, and Robert Kinnell</i>	

Creating Change by Delivering on Values	131
<i>Michel van Pijkeren and Peter Blom</i>	
How to Combine Managerial Performance with Social Responsibility in a Global Firm.....	145
<i>Vincent Dufour</i>	
Competitiveness Through Co-determination.....	157
<i>Birgit Benkhoff and Helmut Lutzmann</i>	
Developing Business Excellence While Delivering Responsible Competitiveness	171
<i>Nikos Avlonas and John Swannick</i>	
Trying to Understand Management Models.....	185
<i>Jan Jonker, Michel van Pijkeren, and Jacob Eskildsen</i>	
About the Authors	203

A Management Model for Sustainability in the Financial Sector

The case of Banco Real

Christel Scholten

Abstract. Since 1998, Banco Real, the third largest private bank in Brazil, has relentlessly worked to create a 'new bank for a new society', by integrating social, environmental and economic aspects into the business. Its management model was adopted in 2001, evolved in 2006 and is used to guide the organisation towards achieving its ambitious vision and mission. The model focuses the organisation on creating sustainable results by creating value for and contributing to the total satisfaction of the organisation's key stakeholders – employees, clients, suppliers, shareholders, society and the environment. The individual is at the centre of the model because of a strong belief that each individual plays a role as a change agent in contributing to the evolution of society. The case of Banco Real demonstrates that the integration of sustainability into its model is a win-win-win strategy for shareholders, clients, employees and other stakeholders.

Key words: sustainable development, financial sector, governance, integration into core business, stakeholders

1 Introduction and background of the company

Until 2007, Banco Real was part of the ABN AMRO Group which began its operations in Brazil in 1917 as Banco Holandês da America do Sul. Banco Real, a retail bank, has been active in Brazil since 1971 and was acquired by the ABN AMRO Group in 1998. Since 1998, Banco Real has acquired two other Brazilian banks, Bandepe and Sudameris and in addition to managing operations in Brazil, gained the responsibility for the Latin American operations of the ABN AMRO Group at the beginning of 2006. In Brazil, Banco Real has 33,000 employees, over 13 million clients, 2000 branches and banking service

points, approximately 1,400 suppliers, many strategic partners and supports approximately 60 local community organisations. Banco Real consists of wholesale and retail banking operations, Asset Management, Private Banking, micro credit and a consumer finance business. Brazil is a competitive financial market with several national banks competing for market share including Itaú, Bradesco, Banco do Brasil, Caixa Econômica Federal and Unibanco. The other major international banks operating in Brazil include Citigroup, HSBC and Santander which acquired Banco Real in 2007.

While Banco Real was part of the ABN AMRO Group, it adopted the Group's values and Business Principles. Group wide, ABN AMRO's values were launched in 1997 and were adopted by the organisation in Brazil during the integration. The corporate values are: integrity, respect, teamwork and professionalism. To further clarify ABN AMRO's values, business principles were later introduced to serve as a compass for the organisation.

ABN AMRO business principles

1. Employees are the Heart of our Organisation
2. Employees Pursue Excellence
3. The Organisation Aims to Maximise Long-term Shareholder Value
4. The Organisation Manages Risk Prudently and Professionally
5. The Organisation Strives to Provide Excellent Service
6. The Organisation Builds its Business on Confidentiality
7. The Organisation Assesses Business Partners on their Standards
8. The Organisation is a Responsible Institution and a Good Corporate Citizen
9. The Organisation Respects Human Rights and the Environment
10. The Organisation is Accountable for its Actions and is Open About Them

The values were introduced into the organisation in Brazil through a launch at an annual meeting of managers in 1999. They were then cascaded throughout the organisation through a communication campaign and sessions led by managers using an interactive game and exercises. The Business Principles were introduced in Brazil in 2005, when copies were distributed to all employees, reinforcing Banco Real's position in sustainable development.

2 History of the management model

From the beginning, when Fabio C. Barbosa assumed leadership of the newly acquired organisation as President in 1998, he declared that the organisation needed to create a 'new bank for a new society', integrating social, environmental and economic dimensions into all aspects of the business. "We need to influence capitalism to become more humane and inclusive." In a country with glaring income disparity and rapidly depleting natural resources, the private sector plays an extremely important role in creating a model that incorporates wider societal concerns. Despite ranking 10th in 2006¹ in terms of GDP, Brazil, a country with a population of 184 million², ranks 70th ³ on the Human Development Index (HDI) and 116th ⁴ on the UN Gini Index, an income inequality metric. In terms of the environment, Brazil loses significant amounts of its forests to deforestation each year and air, soil and water pollution is on an increase. The challenges are significant, and too great for the government to handle alone, requiring the leadership of the private sector to set an example and create innovative solutions.

The starting point of the management model was a conviction that the bank should be based on relationships which set the tone for the future inclusion of a wider group of stakeholders. In 2000, the vision for the organisation was created: "The Brazilian market and society are evolving and require a new role for banks. Banks should act as facilitators of a society that is economically efficient, socially just, politically democratic and environmentally sustainable. We desire this change and aim to be one of the leaders of this transition in the market and in society."

In 2001, the organisation's mission and model were created. With the acquisition of Banco Real by ABN AMRO Bank, Fabio Barbosa saw the opportunity to create a new type of model. Rather than hiring a consultancy to facilitate the process, the president led brainstorming sessions with a group of executives to discuss what a new bank for a new society meant in practice. From these discussions the mission and model emerged. The mission: *To satisfy the client, creating value for shareholders, employees and the community, maintaining the highest standards of ethics, and differentiating ourselves by the quality of our products, services and, most importantly, exemplary client servicing, clearly*

¹ World Bank 2006 GDP Ranking.

Source: <http://siteresources.worldbank.org/DATASTATISTICS/Resources>

² In 04/01/2007, there were 183,989,711 inhabitants in Brazil, according to population counting realized by IBGE (Brazilian Institute of Geography and Statistics). Source: www.ibge.gov.br

³ Human Development Index 2005. Source: <http://hdr.undp.org>

⁴ United Nations Development Program 2007/2008 Human Development Report. Source: <http://hdrstats.undp.org/indicators>

states the organisation's commitment to creating value in an ethical way for shareholders and a wider group of stakeholders.

The focus of the model is on creating totally satisfied clients achieving this through four pillars: focus on the client's focus, skilled and engaged staff, competitive tools and corporate values. This focus contributes to creating results for shareholders, employees and the community.



Figure 1. Banco Real management model 2001-2006

The essence of the strategy of the organisation is to grow and to increase its value through attracting and retaining clients, increasing employee engagement and satisfaction and positioning itself as a leader in governance, ethics and sustainability.

From the beginning, sustainable development was a core aspect of the organisation's strategy. Three principles that are important for the organisation on this journey are:

1. interdependency
2. change from within
3. the triple bottom line (considering people, planet and profit).

Interdependency: The organisation sees itself as part of a web of relationships with other players including clients, suppliers, shareholders, the government, the community, employees, the environment and the media, among others. By

being aware of these relationships and engaging with these players, the organisation can better understand their needs and aspirations, can develop better strategies, products and processes and can work together to create a better society.

Change from Within: The movement started as an organic process and each initiative begins by raising awareness among and engaging employees who then influence practices within the organisation. The practices the organisation adopts influence change in the market with clients, suppliers, partners and competitors which then have a wider impact on society and the environment.

Triple Bottom Line: The organisation is committed to integrating the three Ps or People, Planet and Profit dimensions into all aspects of the organisation and into all business decisions.

During the same year that the mission and model had been defined, the Bank of Value Committee was formed. This committee of senior leaders of the organisation discussed in more depth strategies for becoming a new bank for a new society. A number of ideas were generated during these committee meetings which were followed up on by groups of employees that were set up to take responsibility for the further development and implementation of these ideas. These groups include the environment, diversity and suppliers *frentes* (fronts) while other groups were set up to create the ethical fund, micro credit and risk policy. At the end of 2001, the Social Responsibility Department, reporting directly to the President, was set up to coordinate the integration of sustainable development into the organisation with the clear intention from the beginning to dissolve within the next few years to ensure this integration.

In 2002, three committees were set up, the Market, Management and Social Action Committees, providing forums for participants to discuss and further develop ideas for the different streams of sustainable development. Many of the initiatives that exist today emerged from the discussions during the meetings held by the committees and groups set up in 2001 and 2002. The Market Committee discussed projects and ideas related to the core business such as the ethical fund, micro credit, the social and environmental risk process, sustainability products, and engagement of clients in sustainability. The Management Committee discussed projects and ideas related to internal management such as diversity, eco-efficiency and suppliers, and the Social Action Committee discussed the social investment strategy and projects to focus on and invest in.

A key aspect that the organisation believes contributes to its gaining of credibility in sustainability is that it integrates sustainability into its core business such as the creation of a social and environmental risk filter for the extension of credit to corporate clients, the development of social and environmental financial products including lines of credit for social and environmental improve-

ments, technologies and innovations, the ethical fund and the creation of new businesses such as micro credit for low income populations. In addition to integrating sustainability into its core business, the organisation has also developed initiatives which other companies in other industries could also adopt such as a diversity program, eco-efficiency initiatives, education and training on sustainability, engagement of suppliers in sustainability issues, communications and social investment.

In 2003, the Social Responsibility Department temporarily merged with the training academy to form the Education and Sustainable Development (ESD)

Table 1. Location and transfer of sustainability initiatives in Banco Real

Initiative	Location	Year	Transferred to/Set up in department	Year
Ethical Fund	Asset Management	2001	Asset Management	2001
Engagement with Suppliers	Social Responsibility/ ESD	2001	Group Finance/ Procurement	2004
Social and Environment Risk Policy	Working Group	2002	Risk Department	2002
Microcredit	Social Responsibility/ ESD	2002	Risk Department (temporarily until transferred to a business line)	2005
Social and Environmental Products			Products Department	2003
Social and Environmental Product Sales	Products Department	2003	Product Sales	2005
Eco-efficiency	Working Group	2001	Infrastructure and Logistics	2006
Diversity	Working Group	2001	Human Resources	2003
Sustainability Report – content	Social Responsibility/ ESD	2002	Brand Strategy and Corporate Communications Department	2006
Sustainability Indicators	Social Responsibility/ ESD	2002	Group Finance	2006
Education and Training	Social Responsibility/ ESD	2003	Human Resources	2006
Sustainable Construction			Engineering Department	2006

Department. This strategic decision was made based on the belief that education is one of the best ways to integrate sustainable development in the organisation. After a period of three years, the training and education department returned to Human Resources – with sustainable development now permeating the education model and the majority of the courses the organisation offers.

From the beginning, it was very clear that the Social Responsibility/Education and Sustainable Development Department would not be a fixed structure in the organisation. It would be a flexible structure that would change and evolve based on the needs of the organisation and trends in society. Many initiatives were initially housed in the department, which served as an incubator, and then later were transferred to another department. Other initiatives were incorporated by the department for a temporary period, such as the training academy, until it was felt that sustainability was reasonably integrated to be able to return to its original owner. It is very important for the department not to become attached to a particular initiative or project as when the time is right, it will be returned to or transferred to an appropriate department in the organisation. At the same time, units of sustainability were set up in existing departments such as a social and environmental risk unit in the risk department, a social and environmental products unit in the products department, and a social and environmental product sales unit in the sales department. Examples of this process are described in table 1.

In addition to incubating new initiatives and temporarily housing initiatives or projects from other departments, one of the core activities of the department is to oversee the strategy for and governance of sustainable development in the organisation and to support departments in the integration of sustainable development into their respective strategies, businesses, processes, policies, training programs and relationships with stakeholders.

3 Governance of and strategy for sustainable development

Banco Real's overall strategic objective for sustainable development is to integrate sustainability into all strategies, products, processes, policies and relationships of the organisation. This objective is facilitated primarily by two things, the evolution of the governance model for sustainability and through supporting each department in integrating sustainability into their respective core businesses.

In 2005, the leaders of the sustainability movement in the organisation recognized that it was no longer necessary to maintain separate committees to discuss the integration of sustainable development. The Management and Market Committees ceased to exist while the Social Investment Committee was main-

tained as the function it held was still relevant. A formal governance model was set up having as its primary objective the development and management of the organisation's sustainability strategy and accountability for its sustainability performance.

In May 2006, as part of the evolution of the governance model, Banco Real set up a Sustainability Council. The Council meets once a month and its membership includes 30 senior leaders from the majority of the organisation's departments. The Council is chaired by the President and several executive directors are members, demonstrating a very high level of commitment from the leadership of the organisation. The objectives of the Sustainability Council include:

- Ensuring the management of and accountability for sustainability including the development and management of the sustainability strategy;
- Ensuring the transition of responsibility accountability for the integration of sustainability to the individual departments of the organisation; and
- Guaranteeing and monitoring the sustainability performance of the organisation.

The Sustainability Council monitors the sustainability action plans for each department, overall sustainability indicators for the organisation, performance of the competition in sustainability and debates and approves strategic projects. Below is a list of the key sustainability performance indicators that are monitored:

- Business generated through Social and Environmental Products
- Business generated through operations that address sustainability issues (social, environmental, economic)
- Business generated from clients that were positively screened through the social and environmental risk questionnaire
- Business generated through the Ethical Fund
- Business generated through Micro credit
- Business generated through Carbon Credit financing
- Client loyalty
- Ranking of the sustainable development brand attribute (comparison with peers)
- Number of times mentioned in the media on sustainability
- Number of awards received in sustainability

- Number of clients that received training or participated in forums on sustainability organized by Banco Real
- Number of suppliers that received training or participated in forums on sustainability organized by Banco Real
- Number of social and environmental risk analyses conducted
- Number of branches and administrative buildings with recycling facilities
- CO₂ emissions
- Water consumption
- Energy consumption
- Paper consumption
- Toner consumption
- Employee Engagement Index
- Employee turnover
- Employee lawsuits against Banco Real
- Number of employees trained in sustainable development
- Employee participation in social investment projects sponsored by Banco Real

All of the departments of the organisation have a sustainability action plan. These departments include: Wholesale (large companies), Middle (medium-sized companies), Treasury, Products, Segments, Channels, Private Banking, Retail (Consumer and Corporate Clients), Real Estate, Micro credit, Shared Services and Operations, Consumer Finance, Asset Management, Finance, Risk, Human Resources, Legal, Marketing, Security, Audit and Compliance. During a Council meeting in March 2007, 25 plans were presented. Each plan included how the department aims to maintain competitiveness through integrating sustainability into its core business, processes and policies, through the education and engagement of employees, and the engagement of clients, suppliers and other stakeholders. Plans for new products and innovations in processes were also presented. In 2007 a team of individuals in the Sustainable Development Department was trained and uses a methodology developed by the organisation to support departments in further integrating sustainability.

The governance model for sustainability and the strategy for integrating sustainability into the core business of each department partly address the difficulties faced in engaging senior leaders, including the more sceptical ones, and integrating sustainability into all strategies, processes, products and relationships of the organisation. By working closely with and raising awareness of sustainability among leaders in each department, and linking the integration of

sustainability with the strategy and core business of the department, leaders are increasingly coming on board. During the meetings of the Sustainability Council it became apparent which departments were more engaged and which were not as engaged, creating internal pressure on those not yet engaged. Whereas early on it was more difficult to engage senior leaders, today the tables have turned and some senior leaders are even requesting to be part of the Council. The Council has created accountability for sustainability, decentralized responsibilities to the departments and created more transparency and awareness within the organisation.

One of the key challenges is to continue to further align and integrate the sustainability plans and targets of each department into its regular business plans and targets. Another is to ensure further alignment between the overall sustainability targets and indicators and the corporate strategy. Sustainability strategies, targets and indicators should not be parallel to those of the organisation but should be completely integrated. One of the ways these challenges are being addressed is through the integration of sustainability into the strategic planning process of the organisation which was developed and implemented in 2007. Guidelines including sustainability criteria along four dimensions (core business, policies and processes, training and engagement of staff and stakeholder relationships) were developed and integrated into the overall strategic planning process of the organisation and into the specific planning processes of the departments.

4 Evolution of the management model

At the end of 2006, at an annual gathering of 600 managers, the organisation's revised vision, mission and model were launched. These were updated to better reflect the organisation's beliefs – that everything is interconnected and that we are part of a web of diverse stakeholders, that we need to incorporate social, environmental and economic aspects into all business decisions, and that we should aim for the satisfaction of the individual, regardless of the relationship that a person has with the organisation – whether he or she is a client, supplier, part of the community, shareholder or employee.

The revised vision is: *A new bank for a new society. A society in evolution, increasingly better informed and aware, strives to integrate human, environmental and economic aspects in all of its decisions. We, as an organisation and as individuals are change agents in this evolution. As an organisation and as individuals we believe that we are change agents and have a role to play in contributing to the evolution of society. We are aware of the shift in consciousness of society and strive to be leaders of the movement particularly in Brazil.*

The revised mission is: *To be an organisation renowned for providing outstanding financial services to our clients, achieving sustainable results and the*

satisfaction of individuals and organisations, who together with us contribute to the evolution of society. We aim to provide high quality services and make a profit but not at all costs. We aim to generate results sustainably, by integrating the social, environmental and economic aspects into all that we do. We strive for the satisfaction of individuals and organisations and invite them to join us on our journey to create a sounder society.

Our Model



Figure 2. Banco Real management model 2006

In the evolution of the model, the individual is the focus in the centre. We aim to show that each individual can play more than one role. At the same time that one is a client, one could also be a mother or father, be involved in an environmental organisation and be on a council of the municipal government, a citizen of society.

With this model we aim to create value for our key stakeholders – employees, clients, suppliers, shareholders, society and the environment, contributing to their total satisfaction. We want to engage with our stakeholders as we believe that together we can work towards the sustainability of our society. The four pillars have evolved slightly, now based on: shared values, focus on the client's focus, engagement, and processes and discipline. We believe that this together contributes to the achievement of sustainable results.

The choice to include sustainable development in our overall management model is due to a deep belief that this will enable us to live our mission and

achieve our vision. We believe that we are a successful organisation because we have adopted practices that integrate the social, environmental and economic dimensions into our day-to-day operations, aspects that society is increasingly valuing. The integration of sustainable development contributes to the realization of the strategic objectives of the organisation by improving results, attracting and retaining clients, increasing employee engagement and satisfaction and putting the organisation in a leadership position in governance, ethics and sustainability. *"The whole sustainability strategy is a win-win-win proposition, where shareholders, clients, employees and other stakeholders get good results,"* President Fabio Barbosa remarks.

In practice the integration of sustainable development into our model means that social, environmental and economic aspects are integrated into the overall strategy of the organisation and the strategies and plans of each area of the organisation, whether it be a business unit such as retail banking or a support function such as human resources. It is a new way of looking at the business.

In the **business functions**, the focus is more on engaging clients, understanding not only their financial needs but also their environmental and social needs. For example a client may want to reduce the amount of contaminated water that enters the river from the company's factory. Banco Real can offer a line of credit to install a water treatment and recycling system. In addition to reducing negative environmental impacts, the installation of new technology can also reduce the client's costs by reducing water consumption contributing to greater profitability of the client's operations. For the business functions, the focus is also on developing and offering new and innovative products which provide environmental and social solutions for our clients. For the **support and back office functions**, the focus is more on integrating social and environmental aspects into core processes such as the remuneration and incentive systems, internal and external communications and processes dealing with the use of environmental resources such as energy, water, paper and building materials. For **employees** overall, sustainability can be applied in their day-to-day activities such as use of energy, water, paper, proper recycling and destination of waste, embracing diversity, engaging with suppliers, clients and the wider community around the topic, getting involved in volunteer activities and being proactive by questioning practices, policies and processes that are not consistent with sustainable development. Many employees also bring these concepts into their personal lives by reducing the use of natural resources, implementing recycling systems in their houses or apartment buildings, getting involved in volunteer activities and in general creating awareness around sustainability.

Along this journey to become a new bank for a new society, a number of results have been achieved. This next section will describe these in more detail. We believe that the efforts in sustainable development all contribute to creating sustainable results. These results include increased revenues, increased number

of clients that bank with us because of our commitment to sustainable development, new products that meet the environmental and social needs of our clients, increased brand attractiveness, integration of sustainable development into our processes reducing risks and costs for the organisation, attraction of foreign capital, increased employee satisfaction and engagement, increased diversity in the organisation, reduction of the use of natural resources therefore reducing costs, and increased engagement with our stakeholders which attracts more people to the organisation and contributes to an improved positioning in the market.

While difficult to directly attribute results to one of the four pillars of the model: focus on the client's focus, shared values, engaged employees, and improved processes and discipline, the results will be framed around one or two of the pillars.

Focus on the client's focus and sustainable results. Through its results, Banco Real is demonstrating that sustainability contributes to financial performance. Since the year 2000, Banco Real's net profit has grown from USD 159 million to USD 1.7 billion in 2007 and revenues have also increased, from USD 5.6 billion in 2002 to 7.2 billion in 2007. The number of clients that bank with the organisation increased from 4.8 million in 2000 to 13.1 million in 2006. Results from Client Satisfaction Surveys by The Gallup Organization show that the number of clients that recommend the bank has grown from 34% in 2002 to 44% in 2006 and that client satisfaction has also increased during the same period from 68% to 74%. In a ranking of Brazilian brands by the Magazine *Isto É Dinheiro* in partnership with BrandAnalytics, Banco Real's brand ranked 9th, valued at USD 384 million. The 119% increase of Banco Real's brand from 2005 to 2006 was the largest yearly increase among the 18 most valuable brand names listed. The magazine stated that the increased value of Banco Real's brand reflects the organization's consistent positioning in sustainability. *"Business clients, both small and large companies, are now taking our stance into consideration and have either intensified their business or started doing business with us. Many have stated explicitly that they did this because of what we stand for. Our brand has moved up from fifth to second place and has maintained this position since 2005 in terms of brand attractiveness and recognition (among other banks). This means that when individuals are asked in a survey which bank they would open an account with, we rank second,"* says Fabio Barbosa.

In terms of innovation in products and offerings to clients, contributing to increased results, Banco Real was the first bank in Latin America to launch an Ethical Fund. This fund was the world's best performer in Socially Responsible Investing (SRI) in 2004 and its portfolio grew from USD 25.1 million in 2004 to USD 434 million in 2007. Accumulated growth since its inception in 2001 to the end of 2007 was 504.5% while the accumulated growth of the São Paulo Stock Exchange Index (Ibovespa) during this same period was 418.2%. The

organisation also created new business and closed new deals with the new line of social and environmental products. Credit that was extended for social and environmental projects for both consumer and corporate clients reached USD 466 million in 2007. An example of a social and environmental operation is the deal with Votorantim Celulose e Papel (VCP), a pulp and paper company. In an innovative partnership between VCP and Banco Real, the *Poupança Florestal* Programme was created, in which agricultural producers, members of the landless movement, received credit from Banco Real at lower rates to sustainably grow eucalyptus trees on a reserved part of their land. This partnership protects the forests, guarantees production for VCP and income for the members of the landless movement. In another innovative partnership between Banco Real, Tetrapak, Klabin (a pulp and paper company) and Alcoa, the organisation extended financing for the implementation of a new technology that separates the aluminium, paper and plastic from Tetrapak containers. The separated material is used as raw material for the production processes of the partner companies. The organisation is a pioneer in Brazil in investing in renewable technology and arranging carbon credit deals bringing business and value to the organisation. Up to 2006, the organisation financed 20 small hydroelectric plants with a total generation capacity of 423 MW, four wind farms with a total generation capacity of 199 MW and two bio diesel plants. This contributed to the direct and indirect generation of 70,000 jobs, is a significant investment in infrastructure for the country and generates profit in fees for the bank. In 2006, Banco Real conducted EUR 9.7 million in carbon credit trades.

Banco Real was also a pioneer in micro credit. The number of clients grew from 579 in 2003 to 53,421 in 2007 with a total disbursed value of USD 32 million in 26 communities. The break-even point was reached in November 2007. Because of its credibility and diligence with social and environmental issues, Banco Real gained long-term international capital, receiving a total of USD 324 million from the International Finance Corporation (IFC) since 2004 for a social and environmental and corporate governance credit line. A significant contributor to the results of the organisation is positive media exposure which attracts clients and other stakeholders to the organisation.

Improved processes and discipline. Banco Real was the first bank in the region to create a social and environmental risk process, reducing the organisation's financial and reputational risk. 3,177 social and environmental risk analyses were conducted in 2006. Since the adoption of the Equator Principles, 24 analyses have been conducted, of which three were rejected. Initiatives on the eco-efficiency front contribute to reducing costs and use of natural resources. 1027 branches have set up recycling facilities whereby the waste is collected by cooperatives. In addition, the organisation was a pioneer in the mass use of recycled paper internally and was the first bank to produce cheque books with recycled paper. Efforts have been made to reduce paper usage,

which currently is at approximately 75 kg per employee per year. The car fleet has been renewed, 1659 of which are now dual fuel systems (gasoline and ethanol). In terms of reduction in resource use, the organisation reduced its energy consumption by 4% in 2004 with an additional reduction of 7% in 2005 and a further reduction of 4% in 2006 and 2007. The organisation reduced water consumption by 9% in 2004 with an additional reduction of 3.4% in 2005 and a further reduction of 11% in 2006 and 2007. Up to 2005, this amounts to savings of USD 183,000 in energy and USD 56,000 in water. In 2006, Banco Real received ISO14000 certification for its administrative building in São Paulo and received a silver status certification by the Leadership in Energy and Environmental Design (LEED) Green Building Rating System for its first sustainably built branch.

Engagement. Engaged and satisfied employees contribute to sustainable results. In 2001 the employee satisfaction rate was 68% increasing to 77% in 2003. In 2006, the employee engagement rate was 91% and employee pride in working at Banco Real grew from 92% in 2001 to 98% in 2006. In terms of diversity in the organisation, it witnessed an increase in the number of employees with disabilities from 272 in 2004 to 1369 in 2007 and in the same period, the employees of African descent grew from 9.87% to 14%. The organisation has a target to increase the percentage of women in managerial positions which currently is at 25%.

Banco Real also invests significantly in employee training and since 2002, programs on sustainability have been provided for all levels of the organisation. The first large scale program was run in 2002 in partnership with Friends of the Earth training 1500 retail branch and relationship managers on social and environmental risk. Since then, the number of staff trained has increased and in 2007 alone 12,590 employees were trained on the topic of sustainability. One of the flagship programs in 2007 was the Development of Leaders in Sustainability Program, a program designed to develop leaders in sustainability in the retail branch network across Brazil. Participants in the program become a reference in sustainability in their region, not only for their teams but also for clients, suppliers and the wider community. The program consists of 3 modules for a total of 52 hours in-class training and the 200 participants upon completion of each module cascade the content to a further 2000 managers.

Since 2001, the organisation has increased engagement with its suppliers. Starting with a small group of 15 in 2001, this number has grown to 164 in 2007. 458 have signed the organisation's Value Partnership which includes a set of guidelines for the inclusion of social and environmental considerations into the suppliers' businesses. In 2006, the legal department engaged 100 law firms in sustainable development issues reducing risks and costs for the organisation. The treasury department also began to engage brokerage firms in 2006 to align values and raise awareness about the topic. The organisation also en-

gages clients in sustainable development, raising awareness about the topic and exploring ways in which clients can adopt sustainability practices in their companies. This indirectly leads to increased business and increased client loyalty. With respect to social investment, 4,614 clients and 17,472 employees participated in and donated to the Real Friend Program in 2007, where part of an individuals' taxes can be destined to social projects. Also in 2007, the organisation had 1959 volunteers working on the Brazil School Project, a project focused on education.

Banco Real is beginning to receive recognition for its efforts in sustainability, contributing to the brand value and attractiveness of the organisation. In 2007 alone, ABN AMRO received 35 awards for its performance in sustainable development. A few of the awards and recognition that the organisation has received include:

- Harvard Business School Case – ABN AMRO Real: Banking on Sustainability (2005)
- World Business Awards (2006 – one of 10 companies awarded by the International Chamber of Commerce, UNEP and the Prince of Wales Business Leaders' Forum)
- Emerging Bank of the Year (2006 – Financial Times Sustainable Banking Awards)
- 100 Best Companies to Work For in Brazil (2006 and 2007 – Great Place to Work Institute and Epoca Magazine)
- 100 Best Companies to Work For in Latin America (2004 to 2007 – Great Place to Work Institute and Epoca Magazine)
- 150 Best Companies to Work For in Brazil (2002-2007 – Exame and Você S.A. Magazines)
- One of 20 role model companies in sustainability in Brazil (Guia Exame de Sustentabilidade 2007)
- Prêmio ECO 2007 – awarded the Grand Prize for Management of Sustainability and in 4 other categories: Values, Transparency and Governance; Employees; Suppliers; and Government and Society
- 8th place among the Most Admired Companies in Brazil and 2nd place within the banking sector (2007 – Carta Capital magazine and the TNS InterScience Institute)

Increasingly, Banco Real is being seen as a leader in Brazil and internationally in integrating sustainability into its core business model. Indicators demonstrate that the model is working as the business is growing, results are increasing, more clients are being attracted to the bank, employees are satisfied and engaged and brand and reputation ratings are increasing. The integration of sus-

tainability into the core business is proving to be a competitive advantage for the organisation. It is also a strategy for continuous innovation, adapting the organisation, its strategies, products and process to the changing needs of society. These innovations are then replicated by other players in the market, contributing to the engagement of more stakeholders in this journey.

5 Some dos and don'ts

Dos	Don'ts
Think big, start small, move fast. With sustainability it is important to take bold steps as the challenges are significant. Take things one step at a time and move quickly to remain ahead of competitors as they will catch on quickly.	Try to do everything at once. Sustainability is complex and will require a systems view to understand all the issues and begin to address them.
Lead from the top. Much of the success of Banco Real's integration of sustainable development into the organisation has come from visionary leadership at the top of the organisation.	Underestimate the need for gaining commitment by the leadership of the organisation. If senior leaders are not committed, it will be very difficult to make real progress in sustainable development.
Be bold and take risks even if the rest of the market isn't with you yet. When Banco Real introduced the social and environmental risk policy in 2001, the rest of the financial sector thought this was beyond the scope of a bank. Today, most banks in Brazil have implemented some form of social and environmental risk policy. It is important to challenge paradigms in order to shift the system.	Hide from the issues. If you think that the organisation holds responsibilities beyond traditional ones, put processes in place to address these.
Integrate social, economic and environmental dimensions into strategies, products, processes and policies of the organisation. It is important that sustainability is integrated into the core business to give <i>credibility to the movement and demonstrate</i> that the organisation is addressing the tough issues.	Focus only on programs that do not have a direct impact on the core business. It is much more difficult to focus on changing or integrating sustainability into the core business, but don't allow this to deter you.
Integrate sustainability into the strategic planning process and set up a governance model to manage the overall process of integrating sustainability.	Create parallel planning processes as this will always compete with the mainstream strategies and objectives of the organisation.

Dos	Don'ts
<p>Engage stakeholders in the journey. By engaging with clients, employees, suppliers and the community, much can be learned that can be used to strengthen and enhance strategies, products and processes. Results in sustainability cannot be achieved alone. It requires partnerships and synergies with other stakeholders in society.</p>	<p>Try to do everything on your own. Resolving social and environmental issues is complex and requires the collaborative efforts of diverse stakeholders.</p>
<p>Invite in and debate dilemmas seeking opportunities for win-win solutions. It is important to be transparent and share dilemmas and difficulties. Through being open in this way, the organisation can work together with others to address tough issues.</p>	<p>Think the organisation knows all the answers. The journey will be more difficult if the tough issues are not addressed and they will surely surface again if not addressed.</p>
<p>Invest in the education and engagement of employees at all levels of the organisation from senior management to more junior employees. Sustainability is a topic that requires the personal engagement of staff. If employees don't understand the importance of sustainability and have not embodied the concept, it will be difficult for them to integrate it into their day-to-day interactions with clients and other stakeholders. Sustainable development is about changing the culture of an organisation, impacting and influencing employees and other stakeholders, one by one.</p>	<p>Simply communicate. Communication is important but more depth and engagement is required for employees to come on board. This process takes much longer but is much more transformative for the individual, the organisation and society.</p>
<p>Adapt your approach for different departments and business lines. Sustainability doesn't work with a one-size-fits-all approach. Each business line and support function has a unique contribution to the sustainability movement.</p>	<p>Take a one-size-fits-all approach. This will cause frustration on both sides as the issues and roles of the different functions are so diverse.</p>
<p>Adapt and evolve with the changing needs of society. Sustainability requires a continual scanning of the external environment to understand the changing needs of and new developments in society. Management models and corporate strategies will need to continually evolve.</p>	<p>Remain stagnant. This will not enable your organisation to remain competitive and on top of the most relevant issues.</p>

6 Future challenges

The challenges society faces with climate change, social inequality and natural resource degradation are immense. The private sector has a critical role to play in contributing to the reversal of these trends. The financial sector in particular can play a leading role in influencing other sectors to integrate social and environment dimensions into their businesses through the policies and practices that are put into place. As new forms of measuring success become more mainstream, existing models will need to adapt to this new reality. Organisations that are aware of the changing trends and needs of society and that are more flexible, will be much better able to adapt and will be more successful in this new landscape. Banco Real is committed to continuously contribute to the evolution of society by continuously adapting its strategies and models and innovate its products, services and processes.

Over the last eight years, Banco Real has gained significant experience in integrating sustainability into its business. In December 2007, in response to growing demand by clients, suppliers and opinion leaders, Banco Real launched the “Espaço Real de Práticas em Sustentabilidade” or “Real Space for Sustainability Practices” to share the organisation’s experience in integrating sustainability with clients, suppliers and the wider public. Through online courses and forums, and in-class training programs, the “Real Space for Sustainability Practices” aims to support clients and suppliers in integrating sustainability into their business and raise awareness among individuals and organisations to “shorten the distance towards a sustainable world”. This is yet another step in Banco Real’s sustainability journey. “Banco Real has passed the point of no return,” Fabio Barbosa says, “There is no turning back and this drive will continue regardless of the actions of any individual. Every one of us can make a difference.”

References

- Sustainability Report 2002/2003 – ABN AMRO Real, Human and Economic Values, Together, São Paulo, September 2003
- Sustainability Report 2003/2004 – ABN AMRO Real, Human and Economic Values, Together, São Paulo, May 2005
- Sustainability Report 2005/2006 – ABN AMRO Real, A New Bank for a New Society, São Paulo, April 2007

Website

www.bancoreal.com.br/sustentabilidade

Jonker · Eskildsen (Eds.)

Management Models for the Future

It is evident that many organisations are in need of renovation, innovation and reinvigoration. Longstanding business paradigms and underpinning practices require critical reflection in the light of fundamental societal and business developments. Some companies are addressing these challenges, many companies are not. New functional requirements often seem to be in conflict, such as transparency, stock market performance, sustainability, innovation, responsibility, time to market, stakeholders, business rationalisation and many others. These requirements force business to revise its management model. The time is right to demonstrate how the business enterprise can be re-conceptualised, and what the challenges are of fundamental strategic choices in organising a sustainable business proposition. This book presents ten cases of organisations which have developed a management model that leads the organisation into the future.

ISBN 978-3-540-71450-7



springer.com

