
Analysing Changes to Prioritise Corporate Citizenship

The Case of Sustainability in Perez-Companc, Argentina

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This paper analyses how sustainability issues were managed in Perez-Companc (PC), a former Argentine conglomerate working mainly in the energy sector and agro-industries, and now part of the Brazilian Petrobras (state-controlled oil company). Historically, Perez-Companc inherited many social and environmental problems when it acquired parts of the state-controlled oil production structure in the beginning of the 1990s. The text examines the external and internal factors that led to changes in management, as well as how environmental and social affairs in the company evolved from being an appendix to the rest of the company to become part of the business strategy.

- Energy
- Environmental management
- Business strategy
- Argentina
- Latin America
- Perez-Companc
- Petrobras

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CORPORATE CITIZENSHIP HAS BECOME INCREASINGLY IMPORTANT IN BUSINESS decision-making, especially in sectors with potential social and environmental impacts such as the energy sector. Understanding why and how companies adapt themselves to respond to environmental challenges is fundamental to executives, scholars and environmental managers in order to design effective corporate citizenship policies.

This paper studies how social and environmental concerns changed from being a peripheral factor in decision-making to become part of the business strategy in the case of Perez-Companc, a former Argentine conglomerate working mainly in the energy sector and agro-industries. The study reflects the changes until 2002, when control of Perez-Companc was bought by the Brazilian state-controlled oil company, Petrobras. First, the paper analyses why Perez-Companc changed, looking at the internal and external factors that influenced management in the company to deal with environmental and social issues. Internally, Perez-Companc underwent a series of changes to adapt to a different institutional and market environment, both domestically and abroad, as well as to manage its newly acquired assets, including some environmental liabilities. At the same time some external factors influenced Perez-Companc, such as an increasing number of environmental regulations, pressures from civil society and the media, and the professionalisation of the environmental field. Second, the paper examines how Perez-Companc adapted itself to move social and environmental management from a reactive role into part of the business strategy.

The background of Perez-Companc

In July 2002 Petrobras signed an agreement to buy 58.6% of Perez-Companc, which was one of the leading Argentine companies controlled by national capital. Petrobras paid US\$1.182 billion for the deal. Perez-Companc had activities in several Latin American countries. It also acted in various business areas, such as oil, electricity, forest and agriculture. Pecom Energy (Perez-Companc energy branch) had sales of over US\$1.65 billion and profits that reached US\$102 million in 2001 (Pecom Energia SA, 2001).

Perez-Companc was founded in 1946 as a small family business with four boats to transport material and machinery between Buenos Aires and the south of the country. Over the following decades, Perez-Companc grew and became a multinational company: one of the most respected and successful Argentine firms. In the 1970s and 1980s, Perez-Companc started to diversify its activities by purchasing a construction company, and later on acquired other companies in different areas from information technology to cement and petrochemicals. Over the years, with globalisation and changes in the economic environment, Perez-Companc discontinued some of the business areas and restructured its strategy to focus on energy.

At the beginning of the 1990s, Perez-Companc played an important role in the privatisation process of state assets in Argentina. In a few years, Perez-Companc acquired several oil fields, pipelines, refineries, petrochemical plants, and participation in telecommunication companies and other services. All this rapid growth in the company led to changes in the management structure to deal with its new challenges. Thus, Perez-Companc opened its capital to become Perez-Companc SA in 1993. Perez-Companc SA controlled 98.21% of Pecom Energía SA. The rest of the shares belonged to the government until 2002. Perez-Companc SA had its shares offered on the stock markets of Buenos Aires and New York.

Factors that influenced changes in environmental management

Perez-Companc passed through several structural changes to match new challenges in the changing oil sector in Argentina, including environmental sustainability issues. There was a series of factors, both internal and external to the organisation, which influenced the way Perez-Companc changed over the years, as analysed in this section.

Internal factors

During the 1990s, several factors internal to Perez-Companc business influenced the implementation of many projects and programmes related to sustainability. The company had to modernise its infrastructure to deal with the increasing competition in the oil sector after deregulation and the privatisation of the state company YPF,¹ including social and environmental management. Perez-Companc inherited a series of environmental liabilities from YPF and had to create a task force to clean up many sites. At the same time, Perez-Companc was becoming more international and establishing partnerships with other companies. All these changes affected the way the company dealt with sustainability issues.

Restructuring of the company and increasing competition in the oil sector

Until the 1980s, YPF had a virtual monopoly over several activities in the oil and gas sector. It supplied 60% of the oil needs of the country and provided petroleum to the private refineries. The Secretary of Energy fixed the prices for all products from oil and gas. Those prices rarely matched international prices and were subject to political decisions. Also, YPF was often subject to political interference in management. Investments depended on the national budget and political negotiations. As a result, oil production fell significantly after the financial crises of the mid-1980s. In 1986, YPF drilled only 600 wells and in 1987 there was a sharp drop in production (Paladino *et al.* 1990). This put in check the supply of oil products to the country.

The central government launched two plans to try to increase oil production through the participation of the private sector: the Houston Plan² in 1985 and Olivos Plan³ in 1987. In 1988, several private companies were already working in the oil sector. However, even though the Houston and Olivos plans gave more incentives to private investments, they were not enough to boost the sector.

In 1989, the new president, Carlos Menem, took power. Argentina was embedded in a financial crisis with high inflation and public debt. Menem started a wave of privatisation of public services and companies in several sectors, such as energy, telecommunications and infrastructure. The idea was to attract national and foreign private capital to invest in activities that were in the hands of the State, now lacking the capital and credit for investments. Moreover, the central government wanted to use the money from privatisation to balance its debts.

In the oil sector, more than 250 areas were sold to the private sector. The government received the equivalent of over US\$30 billion. In this privatisation process, shares of YPF were open to the public in 1993 and there was a reorganisation of the management system.⁴

1 Yacimientos Petrolíferos Fiscales.

2 The Houston Plan started to deregulate the oil industry. According to this plan, private companies could develop certain fields at their own risk with government permission. Those companies could sell their oil for a percentage of the international price.

3 The Olivos Plan widened the participation of private companies in the oil sector. They could explore more areas and sell the oil for a higher price. But they still had to sell all their production to YPF.

4 In 1999, the Spanish company Repsol bought 85% of the shares of YPF for US\$15 billion.

Perez-Companc participated actively in the process of privatisation, especially in the energy sector. It acquired several parts of YPF and its fields. The increased participation of private companies in the privatisation process, especially transnational companies, increased competitiveness in the oil sector. Companies had to strive to achieve improvements in the outdated infrastructure of YPF. Social and environmental management was one of the points that needed much improvement to reach international standards. In this context, Perez-Companc had to search for better social and environmental performance in the parts acquired from YPF, and consequently in the company as a whole.

Acquisition of liabilities

Perez-Companc grew quickly in the oil sector with the acquisition of parts of YPF at relatively low prices. However, many of those acquisitions came with large environmental passives. YPF left approximately 10,000 pools contaminated with oil by-products. Perez-Companc inherited around 3,000 of those. In order to clean up the environmental passives and upgrade the outdated environmental structure of YPF, Perez-Companc invested around US\$140 million between 1993 and 1998.

Internationalisation of the company

The internationalisation of the company led to different pressures to improve social and environmental management. This internationalisation occurred in two aspects: activities and capital. First, good social and environmental management is important to earn licences to operate in a foreign country. Perez-Companc had expanded its activities through several countries in Latin America, such as Venezuela, Brazil, Bolivia, Peru and Ecuador. A record of environmental accidents can make the internationalisation of activities difficult for an oil company. In some countries, such as Brazil, concession contracts can include references to environmental issues.

Second, investors and banks have increasingly taken into account social and environmental matters in their decisions. Social and environmental risks have been evaluated before a credit is given to a project. Shareholders can look at the sustainability performance of companies to choose where to invest. The Dow Jones Sustainability Index⁵ has shown that companies with better sustainability performance tend to have better financial performance, thus attracting investors to those companies. Several investment funds around the world have focused their resources on more socially and environmentally responsible companies. Perez-Companc opened its capital on the New York Stock Exchange at the beginning of 2000. This openness made the company susceptible to changing forces in the capital markets.

Partnerships with other companies

Partnerships with other companies can influence sustainability policies. In the oil sector, joint ventures or partnerships are common as a means of carrying out projects. Those associations imply risk sharing with regard to diverse questions, including environmental issues. A profile of social and environmental responsibilities can be a plus for implementing a partnership. Perez-Companc has been involved in several partnerships in Latin America. For example, it ran projects in partnership with Petrobras, such as oil exploration in Brazil and the operation of refineries in Bolivia.

Social and environmental concerns have become extended along the supply chain in many cases. Clients can demand certain quality or social and environmental standards from their suppliers, such as the introduction of a management system. In Argentina, automobile firms ask for management systems (based on ISO 9000 and ISO 14000) from some of their suppliers. In petroleum activities, there are a large number of com-

5 www.sustainability-index.com

panies working on the same site. There is the risk that one company's problems can affect many other companies. Thus it is common to ask for EHS (environment, health and safety) procedures from suppliers or clients. This has become the case in Brazil with Petrobras in some areas.

External factors that influenced the changes

During the privatisation process in the 1990s, executives of Perez-Companc were worried about the problems oil companies faced around the world regarding sustainability issues. In the decades since the 1960s, society has been increasingly, and it seems irreversibly, conscious of those issues both in developed and developing countries (Hunt and Johnson 1996). Public officials, politicians and organisations of civil society were pressing for more stringent environmental laws. At the international level, environmentalists, especially Friends of the Earth and Greenpeace, were criticising oil firms for their traditional impacts on the environment. Moreover, the movement gained force and put oil companies on the spot over the evidence about the greenhouse effect at the time of the United Nations Conference on Environment and Development in Rio de Janeiro in 1992. In Argentina, those transformations were reflected in the oil sector, as described below.

Changes in regulation and policies

There were several changes in environmental regulation and policies in Argentina in the 1980s and 1990s. Although there was a market deregulation in the economy in that period, a number of stricter environmental regulations were introduced at the central, provincial and municipal level. For example, the National Decree 2233/84 gave the Secretary of Energy the enforcement responsibilities over many aspects of the oil production chain, including environmental issues. The National Law 24051⁶ established a regulation for toxic waste. This law regulated all kinds of waste (solid, liquid and gaseous waste) and included criminal process for executives responsible for environmental problems (Valls 2000). Other environmental laws came in over the years (see Figure 1 for the evolution of environmental legislation in Argentina between 1933 and 1999). The judiciary systems also started to prepare themselves to apply all the environmental regulations. Even though there was a lack of enforcement, all those regulations made executives and companies, especially the large companies which are more subject to enforcement, worried about environmental issues.

At the same time, governments created new environmental regulatory bodies and improved their institutional capacity. In 1991, the central government created the National Secretary for the Natural Resources and the Human Environment.⁷ Provincial and municipal governments established environmental protection departments. In the Province of Buenos Aires, the provincial government established the Institute and Secretary for the Environment.

Moreover, several initiatives to institutionalise the debate over environmental issues have also taken place in the Congress over the past few decades. In 1973, the House of Representatives created a commission on environmental protection.⁸ The Senate formed the same kind of commission⁹ in 1974. Many provincial and municipal legislatures also introduced commissions or councils on environmental issues.

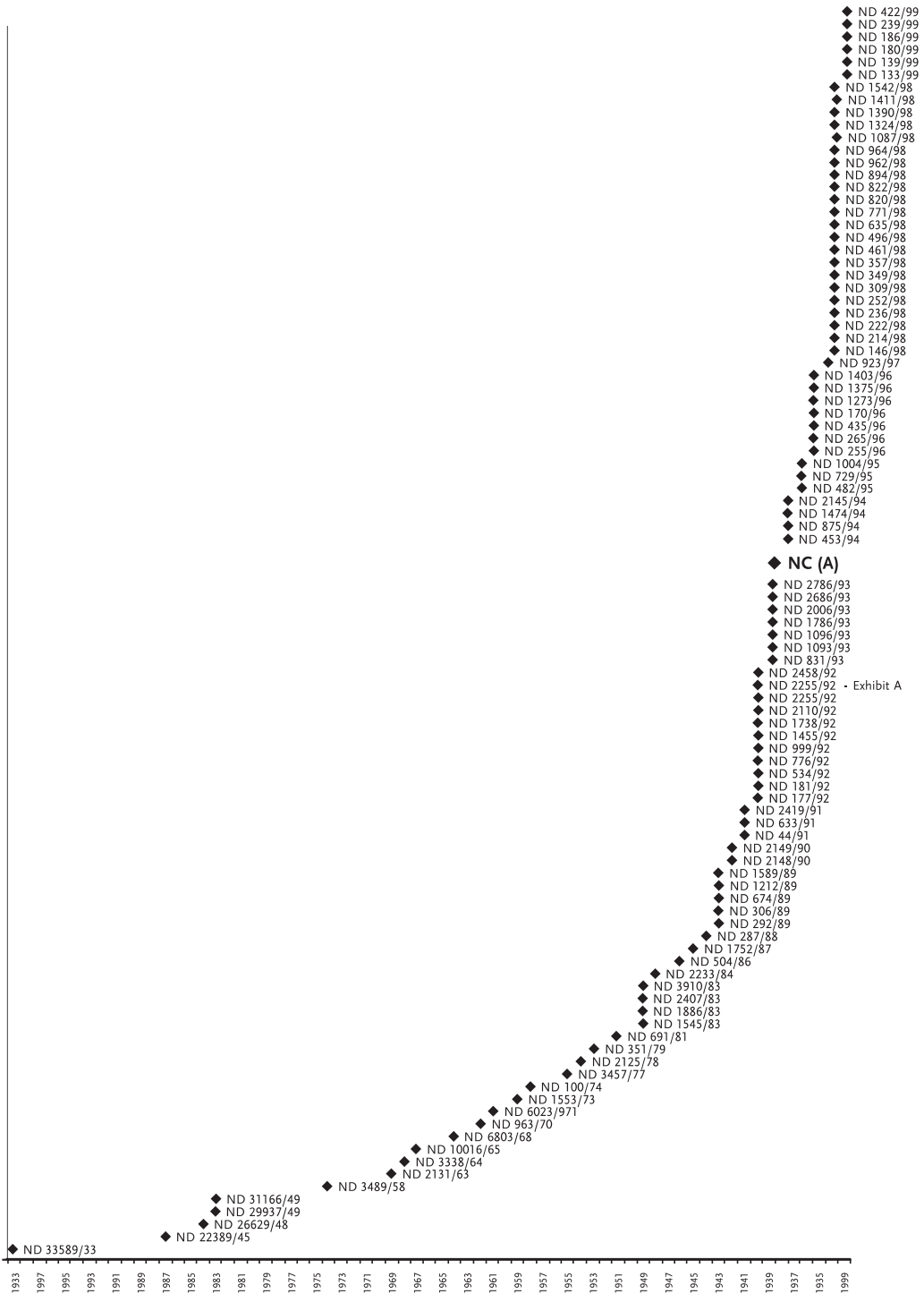
6 Regulated by National Decree 831/93.

7 National Decree 2419 of 1992.

8 Commission on the Natural Resources and Conservation of the Human Environment.

9 Later, it was called Commission on the Environment and Sustainable Development.

Environmental regulations



NC (A) = Amendment to the National Constitution; ND = National Decree

Figure 1 GROWTH OF ENVIRONMENTAL REGULATIONS IN ARGENTINA (NATIONAL DECREES BETWEEN 1933 AND 1999)

Source: Gardetti 2002: 73

Environmental concerns cut across the different parties in the Congress. There are several politicians who have been involved in environmental issues, such as Luis Julian Jalil (MPN Party), Rodolfo Terrano (UCR party) and Mercedes Mazza (PJ, Justicialist Party, the main party in the country).

Pressures from civil society and media

Since the 1980s, the democratisation of the country has contributed to the strengthening of movements in civil society and the media and their ability to raise questions regarding social and environmental problems. The internet has facilitated the networking of those movements. Argentina has a growing number of non-governmental organisations (NGOs). At the beginning of 2003, the Secretary for the Environment registered 332 NGOs.¹⁰ Companies change and respond to these pressures, especially when accidents happen (Downs and Sharfman 2003).

The oil sector has traditionally been a target for demands and denunciation by the media, environmentalists and other movements in civil society worldwide. At the beginning of the modern environmental movement in the 1960s and 1970s, industrial and urban pollution was among the primary concerns of environmentalists and the media. The oil sector was regarded as one of the main villains of the environment because of air pollution from cars and factories. The *Exxon Valdez* accident in Alaska in 1989 put the oil industry on the spot, raising criticisms and demands for greater controls on the oil industry. The media has increased the amount of attention given to sustainability matters since then. Civil society has become alert to what the oil companies were doing. Moreover, evidence of the greenhouse effect at the end of the 1980s, and its obvious relation to petroleum, definitively put the oil industry under sharp criticism from the environmental movement. As a result, the oil industry started to respond more actively to social and environmental demands, some companies more than others.

Several countries in Latin America have poured waves of criticism on oil companies following oil spills and other accidents (Puppim de Oliveira 2003). In Argentina, oil activities have caused several major and minor accidents in recent years, leading to criticism from the media and civil society. For example, thousands of people suffered as a result of the spill of approximately 5,000 tons of petroleum from a Shell oil cargo ship in Magdalena (Buenos Aires Province) in 1999.

NGOs have been mobilised on several fronts to deal with environmental questions in Argentina. On the one hand, they organise protests or inform the media about social and environmental problems, or put pressure on companies or governments to act. They also take environmental problems to court. For example, Greenpeace took waste incinerator firms to court to respond to the regulation of the City Council of Buenos Aires that forbids incineration of pathogenic products.

On the other hand, NGOs work on environmental projects and research in partnership with governments and companies. Those projects range from restoration of ecosystems to environmental education. For instance, in 2000, the Foundation for the Environment and Natural Resources (FARN) started a programme to increase enforcement through public involvement in various neighbourhoods. This programme was undertaken in partnership with the public attorney of Buenos Aires.

New attitude from executives

Executives have changed their attitudes towards environmental demands from the sceptical or confrontational attitude characteristic of the beginning of the environmental movement. Nowadays, concepts such as eco-efficiency, sustainability and corporate citizenship are common in business discussions. Business people have perceived that envi-

10 Secretaría de Ambiente y Desarrollo Sustentable (Argentina): www.medioambiente.gov.ar.

ronmental demands from society are irreversible, as well as that social and environmental improvements can be good for business. Thus, those issues have increasingly become part of business strategy.

Changes in the attitudes of oil companies to respond to environmental demands can be perceived in their websites and institutional material. Websites and materials of companies such as BP, Shell and Petrobras include many references to social and environmental questions and projects. Also, companies have supported several projects outside their sites, directly or through partnerships.

Business leaders can have an important political role in society (Paladino and Willi 2002). Many societies look at the attitudes of their business people as examples of leadership and expect a certain kind of behaviour from companies with a good reputation regarding corporate citizenship (Berry 2004). In Perez-Companc, the family-owner was always relatively well regarded as a responsible business leader, although they took a discreet attitude to society and the media. This reflected a certain pressure on the company to be well behaved and maintain the family reputation.

Associations and councils dealing with sustainability in business have been organised and have helped to spread the concept of sustainable development. For example, the WBCSD (World Business Council for Sustainable Development) was one of the pioneers in diffusing the importance of business getting involved with sustainability. Furthermore, a new generation of executives, influenced by the environmental movements of the 1960s to the 1990s, have acceded to lead corporations. For example, Mr Oscar Vicente, who was vice-president of Perez-Companc, was part of WBCSD, and even became its president.

Professionalisation of the social and environmental field

The professionalisation of the environmental field has facilitated the implementation of environmental projects and programmes. This is carried out through human resources training and establishment of new tools to manage sustainability questions.

Universities, training companies and even NGOs have offered courses to train specialists to work in industrial companies or service firms. Nowadays, it is possible to find education ranging from two-hour training courses to PhD programmes in basically any social or environmental subject in Argentina. Another factor that has improved the professionalisation of the environmental field is the development of new tools of management in companies, such as risk analysis, auditing and environmental management systems (EMSS). Those tools help to transform 'intentions' into 'action' and 'results'. Different from the past, now environmental professionals have a series of effective tools to deal with environmental problems.

Perez-Companc professionalised its activities in the social and environmental field some time ago. In 1992, Perez-Companc adopted the norm BS 7750 for directing its environmental management. The highest EHS executive was in charge of a plan in 1993 to improve the environmental performance of the company. This plan had the professionalisation of social and environmental questions as one of its guidelines.

Management for sustainability and corporate citizenship in Perez-Companc

The factors analysed above influenced Perez-Companc to improve its environmental performance and management to try to reach international standards. Although Perez-Companc carried out several environmental projects up to the 1980s, it was in the 1990s that the company systematised its management in the area, mainly because of its

increasing activities in the oil sector and the legacy of the contaminated pools from YPF. In 1993, the company appointed an executive to develop a plan to improve and organise environmental management in all operations of the company. This plan started as a pilot project in the petrochemical plant of Cuyo. In 1995, the site obtained certification under BS 7750, the first in Argentina and third in South America. In 1996, this certification was converted to ISO 14001 (the first in Argentina). The objective of the executive in charge was to make Perez-Companc a leader in terms of sustainability issues.

The commitment of direction

After Perez-Companc acquired parts of the state oil structure, the company also inherited a series of environmental passives, such as thousands of contaminated pools. In 1993, realising the seriousness of the problem, the company appointed one professional, who later became EHS director, to develop a plan to evaluate and improve the environmental performance of Perez-Companc. First, he carried out studies and surveys on the environmental problems of the 27 firms within Perez-Companc. The conclusion was that the refineries and petrochemical plants were outdated, inefficient and polluting. Also, there were potential problems in the transformers owing to their PCB (polychlorinated biphenyl) content. Having received the alarming results of the studies, social and environmental questions moved to the top of the agenda at Perez-Companc, according to its executives at the time (Pratt 1998).

Perez-Companc set clear directives to improve the social and environmental quality of its activities. All companies had to incorporate social and environmental management as a top priority in their operations and reduce environmental pollution, passives and risks. However, Perez-Companc wanted to keep only a small staff in the social and environmental sector to integrate the company's activities and facilitate the flow of information, generation of knowledge and co-ordination.

The corporate policy

One of the main concerns for the implementation of the plan was the diversity and geographical dispersion of all activities in the company, which needed flexibility in the solutions. This resulted in a decision to give independence to the firms of the group in order to find their own solutions. However, the corporation wanted to make sure that the companies were improving their environmental performance. As a consequence, a corporate environmental programme was generated, but the responsibility for results was placed at the operational level.

In order to create the corporate policy, the small sustainability group revised all social and environmental programmes in the corporation and companies, as well as studying carefully some already established general principles, such as the Business Charter for Sustainable Development of the International Chamber of Commerce (ICC).¹¹ Based on those studies, the group recommended a corporate policy and strategic objectives to be adopted. The resulting policy was based on systems. The group chose the principles of the British Standard (BS) 7750, the most prominent management system at the time.¹²

11 ICC was created in 1919 and comprises more than 130 countries (International Chamber of Commerce: www.iccwbo.org).

12 The International Organisation for Standardisation (ISO) was still developing the norms in the series ISO 14000, including ISO 14001 (largely based on BS 7750).

The implementation of the corporate policy: pilot project and others

The directors initially chose a pilot project to implement the corporate policy in the Cuyo Petrochemical Plant, which produced polypropylenes.¹³ Cuyo was ideal for a pilot project owing to the low risk of failure because the firm was already considered efficient, had a relatively clean plant and new technology. It invested approximately US\$350,000 in its environmental programme between 1994 and 1996. These investments went towards consulting, the certification process and the resources to improve sustainability performance as a whole. The results led to savings estimated at US\$630,000 in the first year alone, especially with respect to energy, water and waste materials. This does not include improvements in image, risk and quality of workplace.

The successful results and learning process of the pilot project led the corporate directors to expand the experience in other plants. In a further step, several other companies were included in the implementation of the policy: three units of oil production (which received ISO 14001 in 1997), one pipeline company (Oldeval) and the two plants of a plastics and fertilisers company (Pasa), which also received ISO 14001 in 1997. This last one was considered a final challenge, as the two Pasa plants were obsolete, had management problems and persistent social and environmental impacts.

In November 1997, Perez-Companc began the last step of the plan: all companies and sites under the direction of Perez-Companc in Argentina had to get ISO 14001 certification by the end of 2000. The units abroad had a deadline of the end of 2001.

In order to implement the policy, top management created a corporate programme to spread information and training throughout the firms of the corporation. The programme appointed consultants, certification companies and specialists within the corporation. It also monitored the improvement of the plants towards certification. One of the main challenges was the intricate Argentine environmental legislation. As mentioned above (Fig. 1), in the 1990s several environmental regulations were introduced by diverse authorities at all levels of governments (central, provincial and municipal), but many of them were not clear regarding their application or there were problems in finding out the responsible authority for enforcement.

The policy encountered several obstacles during its implementation, but they were solved along the way. First, firms were developing their own informational systems, which conflicted with the idea of the corporate systems to integrate all quality and EHS systems in the diverse plants. Second, evaluating sustainability performance was not an easy task. Companies had diverse activities in different places and stages of environmental management. Third, companies wanted to change the corporate policy to fit their own needs. Finally, there were concerns over keeping the high morale and enthusiasm of the managers in the plants and corporation to implement the policy in the long run. The successive victories with certification kept them going.

Integrating sustainability into the corporate strategy

Owing to the success of the sustainability policies, the corporation started to make those policies more inclusive in its strategy. Thus, it introduced environmental issues at the highest level, together with health, safety and quality (EHS&Q), through a series of organisational changes as many organisations have done around the world (Piasecki *et al.* 1999; Carter 1999; King 2000; Zietsma *et al.* 2002). A corporate environmental strategy was developed to introduce the EHS&Q component in all products and business units of the corporation (Hoffman 2000). For the implementation, the strategy asked companies and corporate departments for action programmes and projects and offered ori-

13 Interestingly, many directors of Perez-Companc came from Cuyo Petrochemical Plant, such as Oscar Vicente (who was president of Perez-Companc), Tadeo Perich (former general manager) and others.

entation for designing viable operational actions. This integration avoided the formation of the so-called 'green wall' in Perez-Companc, which is the fragmentation of the corporate vision and actions on the environmental issues (Shelton and Shopley 1997).¹⁴

The environmental policy changed to incorporate the introduction of an EHS&Q strategy in the corporation. This new policy went beyond the EHS&Q systems and tried to integrate environmental components in all aspects of the companies controlled by Perez-Companc, as well as some of their suppliers.

The corporation maintained its objectives of achieving and maintaining the management systems and certification for all plants, but it also intended to improve its monitoring and evaluation procedures. Perez-Companc adopted the performance indicators based on the norm ISO 14031. The corporation introduced consensual indicators for every business unit and defined global indicators for the corporation. Therefore, sustainability evaluation of the corporation was not only based on the management systems set for the plants and companies, but also ensured that the corporation knew how companies were doing as a whole. With this new consensual system of performance evaluation, targets were set for every firm. 'Pecom Standards' were created for all plants.

Regarding greenhouse gases, Perez-Companc had no plans to diversify into alternative kinds of energy (Castro *et al.* 1999) until it was bought by Petrobras. It had intended to keep itself as an oil and gas company. However, Perez-Companc had plans to deal with greenhouse gases. It made a series of efforts to design a strategy for programmes of forestry, energy efficiency and carbon-neutral petroleum products. The directors of EHS&Q wanted to implement a compensation programme for carbon and become a climate-friendly petroleum company.

Perez-Companc had never had the intention of being considered a 'green energy company', but it wanted to be a competent gas and oil company with responsible behaviour and image in the face of environmental demands and standards. This was reinforced by its corporate strategy. The final result was a series of certifications, honours and prizes (Pecom 2003),¹⁵ such as 28 ISO 14001 certifications and the prize of Tecnoil Award to Excellence in the category 'Green Oil Company' in 1996.

Conclusions

Several factors influenced the environmental changes in Perez-Companc. With respect to external factors, international and Argentine society was becoming increasingly aware of sustainability issues in 1990s. This resulted in the introduction of more stringent laws, changes in consumer behaviour, more business sensitivity to social and environmental questions and intensification of actions in civil society and the media. All these changes resulted in pressures, especially on oil companies, to give more attention to sustainability issues. Internal factors were also important to make changes. The internationalisation of the company, the increasing competitiveness of the sector and the appearance of clear environmental problems made the corporation perceive the importance of improving social and environmental performance, especially after the acquisition of parts of the state company and environmental passives that came with them.

The way changes were carried out is an important lesson. Organisations often have good intentions in sustainability matters, but they cannot transform those intentions

¹⁴ When a company focuses only on growth and production, frequently the environmental managers limit their action to a defensive attitude against regulators and other interest groups. As a result, the rest of the company sees the environmental issues as a barrier to their business.

¹⁵ Pecom Energía SA: www.pecom.com, accessed 20 January 2003.

into action and results. Perez-Companc made significant progress in the sustainability area which led to important results, and some lessons can be learned:

1. **It is necessary to understand the problem clearly and adopt a policy that is feasible for the whole corporation.** In Perez-Companc, changes in action began with the evaluation of the general situation and the creation of a corporate policy and plan based on management systems. Management systems already had a set of established experiences and practices, which helped the learning process and the adoption by the various units of the corporation
2. **Policy implementation should be left to the units, but control should be centralised by the corporation.** Management systems were adaptable to all companies. Flexibility of implementation of the policy was left to the companies in the Perez-Companc holding, but the corporation kept the monitoring, evaluation and targets, and provided information and technical resources
3. **Implementation should be done step by step, so the corporation can learn by doing and solve the problems that may happen in the beginning.** In Perez-Companc, the implementation process started in a successful pilot project, which was chosen carefully and led to a learning process. Later, implementation was carried in other units of the corporation until all units had certified management systems
4. **Sustainability issues should be introduced in the corporate strategy only after the learning process in social and environmental management is consolidated.** The Perez-Companc holding incorporated environmental issues as part of its strategy creating a corporate director for EHS&Q after the company had already gained a series of achievements in the area. All these efforts led to a series of public prizes and certifications received in the country and abroad

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