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Natura and Matilde: Friendly Neighbors

On August 20th, 2001, Luiz Seabra, the Founding President of Natura, opened his notebook, preparing to go through one of his favorite rituals: to phone all the employees that celebrated their birthday that day. Next to the people's names, Seabra found a reminder of "Neighbor's Day," celebrated every August 20th in Brazil.

Seabra immediately called up his colleagues Guilherme Leal and Pedro Passos, Executive President and Operations President respectively. The occasion was very appropriate to serve as an initiation rite in the new phase of the relationship between Natura and the Matilde Maria Cremm Public School (Escola Estadual de Primeiro e Segundo Graus Matilde Maria Cremm), their old neighbor by the Itapecerica da Serra plant, which they affectionately called "Matilde."

Matilde was the beneficiary of one of the first social actions Natura had carried out, and their relationship lasted for almost 10 years. Since 1992, when Natura had started its first planned action at Matilde, the two neighbors had gone through good times together, working for the improvement of education in the school. Even with Natura's industrial facilities moving elsewhere, distance had not affected the bonds that connected them and thus, their alliance prevailed. Therefore, on 2001 Neighbor's Day, when once again new forms of relationship between Natura and Matilde were starting to take shape, there was nothing more favorable than reminding former neighbor Matilde that they could always count on Natura's aid if hard times arose.

Soon after Seabra's phone call, the three presidents held their first meeting of the week, and the first subject in their agenda was how to pay homage to Matilde School. They called Angela Serino, Natura's Social Action manager, who had coordinated the company's work with the school during all those years.

While walking from her office to the company's meeting room, both located in the Santo Amaro branch, in the city of Sao Paulo, Angela wondered about the issues to be discussed during the meeting, and she anticipated what each of the three presidents would say. Angela was able to almost predict what would happen, based on the six years of close familiarity with the three of them on account of the impressive participation they had always had in social actions.

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At the time this case was developed, SEKN membership consisted of AVINA, EGADE, Harvard Business School, INCAE, Pontificia Universidad Católica de Chile, Universidad de Los Andes, Universidad de San Andrés - Universidad Torcuato Di Tella - CEDES, and Universidade de São Paulo.

Bearing three distinct personalities, Pedro, Seabra and Guilherme would present different and complementary angles to the discussion and reflect on the future of the relationship with the former neighbor. Seabra would certainly approach the topic by emphasizing the symbolic identity brought about by the date, which the celebration should highlight. It represented a new opportunity to connect with Natura's stakeholders, in a manner that fit one of the company's values: the celebration of relationships. Guilherme Leal would definitely seize the occasion to stimulate and reaffirm future joint actions focused on community development, by recalling what the two neighbors had learned and built together. Pedro Passos would complete the threesome, providing his always objective arguments and precise information, reinforcing the proposal to continue the company's social actions.

Angela trusted her expectations while she entered the meeting room carrying institutional material about the relationship with Matilde. The four of them spent a few minutes leafing through the magazines, interviews, photos and films that told of the years of bonding between Natura and Matilde, which reported the critical and successful moments of their relationship. They remembered other partners in the journey – how they had contributed, how they had arrived, and how they had parted.

"I left the room satisfied," Angela recalls. "As I had predicted, the three agreed on how to pay homage to the school on Neighbor's Day. And mainly on how to propose to Matilde's principal a review of the alliance with the company, so that it wouldn't jeopardize the on-going development that was being achieved."

They wrote a message signed by the three presidents, to be delivered to Matilde's principal, followed by a banner celebrating Neighbor's Day, which would be hung at the school. They also sent an invitation for 100 students of various grades to come visit the NEN – Novo Espaço Natura (New Space Natura,) the company's new and innovative industrial plant.

The students would visit the facilities and have a celebration lunch and a cake with Matilde's name on it. Nevertheless, the top event would be a presentation of the story of the partnership with Matilde, to be held at the Training Center. That would be the opportunity to highlight the challenges that Natura and Matilde had faced during the alliance, and how this experience would be useful for both in the future.

"What we were concerned about – says Passos – was what to propose to Maria da Graça, Matilde's principal. With the move of the plant and the evolution of the relationship itself, we knew it was necessary to rethink the partnership. However, we didn't want the school community to feel left out after so many years of proximity. We had learned a lot about alliances and we knew Matilde had also developed successfully since our first joint actions. How could we change the relationship and yet assure continuity to the development of the school?"

It wouldn't be an easy dilemma to solve, but the story of success of the relationship was sure to help, by offering some reminders: how, together, Matilde and Natura had solved the previous needs for change in their relationship, and how they had made other equally important decisions.

They began examining the institutional material, the brochures and the books that brought back all the partnership history. They asked the TV to be turned on so they could watch the film about Matilde.

As an aid for their reflection, the story began to unfold...

Talking about the Neighbors: Natura and Matilde

Natura

Natura was a Brazilian company involved in hygiene, cosmetics and health. Founded in 1969 and headquartered in the city of Sao Paulo, capital of the State, the company adopted direct selling as its distribution strategy.

It employed 3,391 people and 270,000 consultants (direct sales representatives) and it was present in over 4,800 Brazilian cities, besides Argentina, Chile, Peru and Bolivia. Natura processed around 12,000 orders daily. The Distribution Center lied inside NEN - Novo Espaço Natura, located on Anhangüera Highway, in the city of Cajamar, near the city of Sao Paulo.

The company shipped 800,000 units of products to the market. In 2000, Natura had R\$1.02 billion in revenues and produced 90.9 million units.

Natura's senior management was shared by three people: Guilherme Peirão Leal, Antonio Luiz da Cunha Seabra and Pedro Luiz Passos. All three held the position of President, and this fact in itself evidenced the peculiarities of the company.

The three presidents owned Natura with two other managers: Seabra, the President-Founder owned 37.5% of the equity; Guilherme, the Executive President, owned 36%; and Pedro Luiz, the Operations President, owned 9%.

Natura's History in a Few Words

Natura was born from its founders' two passions: cosmetics and relationships. Both passions had always been together in the company, and it was through them that Seabra, Guilherme and Pedro believed they could produce transformation.

Natura was started in 1969, by Luiz Seabra, when he was 28 years old and had a capital of US\$9,000, and a partner who owned some cosmetic formulas that he had inherited from his father. The two partners and seven more employees occupied a precarious building in a middle-class residential neighborhood in Sao Paulo, and started the humble enterprise that would turn into one of the most highly respected Brazilian brands.

In the early days, Seabra played part of the role that since 1974 had been performed by the consultants: to show, promote and sell Natura products. Since then, he had maintained direct contact with the clients. This way of operating represented a peculiar trait in dealing with all of Natura's stakeholders, especially the consultants, which to that date highlighted the value of relationships as the dominant mark in the organizational culture.

In 1979, Guilherme Leal joined the Natura Board of directors. Graduated in Business Administration from FEA/USP, he had worked for a State railroad company where he held the position of superintendent. Guilherme sold property in order to obtain the capital needed to become a partner in the company. He was the one responsible for the social action track at Natura.

The first Natura cycle ended at the end of the 1980s, with a crisis that brought about the new partnership, following the exit of the first partner. From then on, Natura had known prosperity, had capitalized and had become one of the major Brazilian companies. In those years, marked by negative

indicators in the Brazilian economy, Natura's sales volume grew 35 times. Sales consultants reached 33,200. With the success obtained in the internal market, Natura tried to set out towards internationalization, but failed.

The second cycle began in the 1990s, when once again, after going through a period of reflections, Natura's Board promoted a corporate revolution, professionalizing its management by recruiting senior executives who had come mainly from multinationals. In 1990, the new plant was established in Itapecerica da Serra. Simultaneously, the company started to invest in innovation and quality improvement programs, in preparation to face the fierce competition that resulted from the opening of the Brazilian economy.

Although it had been investing massively in improving the company's management, Natura did not forget its primary value: relationships with people. The relationship with its stakeholders had always been fundamental to the build-up of its brand. Throughout its growth, Natura never overlooked relationships; on the contrary, the company showed more and more concern for the relationships it established with the community. Communication with the customer had always been emphasized, and the real benefits of products were advertised. Promises of an unattainable ideal of beauty were avoided. In addition, Natura always displayed common people – employees and customers, in its advertising campaigns.

In 1992, the company's first social action program began: the Natura/School Program. This pioneer program was the launching of a more structured relationship with Matilde, which was initially restricted to financial support in order to cover some of the material needs of the school, such as repairs, photocopies and equipment. From then on Natura had partnered in many social action programs with several organizations, from the corporate as well as State and non-governmental sectors.

From 1993 to 1997, Natura grew 5.5 times in sales volume and, in 1997, it started to implement actions for the expansion of its production capacity, building a modern plant – the NEN – Novo Espaço Natura.

It was a period of high investments: NEN, with a constructed area of 77,000 m², was planned in 1997, while its construction began in 1998 and ended in 2001. With the new plant, the company moved from the city of Itapecerica to Cajamar. The move was characterized by careful attention to reduce the economic and social impacts on Itapecerica's economy, as well as on the environment in Cajamar.

In 1998, Pedro Passos became the Operations President. Pedro had been in the cosmetics business since 1983, when he served on the Board of one of the companies that, in 1988, merged to form Natura. With the merger, and since 1988, he had been Natura's Superintendent Director, a position that he held until he was invited to join the Board in 1997. Since then, he composed the Presidency trio together with Seabra and Guilherme.

In 1998, Natura was granted the Company of the Year Award (Prêmio Empresa do Ano) (see **Exhibit 1**). In this period, it was considered by 84% of its employees as the best company to work for; it had grown uninterruptedly in the two previous decades at a rate of 31% a year and had become one of the most valuable brands in the country. In its July 1st 1998 edition, Exame magazine published the figures that took Natura to the top of the list of the best companies, presented on table (A).

Table A – Natura’s figures: Company of the Year

	Company	Average in the Sector
Net Profit	US\$ 17.1 millions	-
Profitability (%)	22.1	14.8
Value Added per employee (in US\$)	64.4	72.4
Sales Growth (%)	8.5	-3.1
Liquidity	2.49	2.37

Sources: Exame Magazine, July 1st 1998 edition, page 25 and Exame Portal: www.exame.com.br

But the following year was not a good one for Natura’s figures. While the increase in volume of business between 1997 and 1998 was 17.95%, in the period between 1998 and 1999 an increase of only 0.56% was achieved (Tables 1 and 2, **Exhibit 2**).

That year, the number of products launched also dropped. There were 150 new products, compared to the 197 launched in 1998, according to the 2000 Natura Annual Report. This reduction became a concern. According to Tim O’Brien, director of the Brazilian branch of J. P. Morgan Investment Bank, as expressed in the 1998 news report on Natura, “the cosmetics and fragrances sector has become very concentrated; Natura is able to survive in a globalized market, as long as it continues to launch products.”

In view of this stagnation in business in 1999, Natura reacted by acquiring “Flora Medicinal,” a laboratory that manipulated natural products, located in Rio de Janeiro. It was a strategic move, with the aim of entering the field of phytotherapeutic products, through the incorporation of the knowledge and tradition of the acquired company, and through the launching of innovative products.

In 2000, the beginning of the third cycle, the company took on a new logo, a new brand, and a new slogan: Well Being Well. Management systems integrated through SAP technology were implemented, and the operation in some Latin American countries was restructured. Natura invested R\$142.3 millions in these multiple fronts, and the presidency felt that with these bold strategies they had overcome this critical phase.

Natura’s Social Actions

Mission and Ground Values

Natura believed “the company is a dynamic gathering of relationships. Its value and sustainability are linked to its capacity to contribute to the improvement of society,” as expressed in publications on the company’s social actions.

One of its most important principles was that the definition of the roles of State, civil society and companies, as well as shared actions were essential for the transformation of society. It expressed the mission of its social action area as follows:

“To contribute, in an innovative and exemplary way, to the improvement of society, causing changes in attitudes and values that materialize the ideal of a fair society.”

Natura's Social Action area strived to accomplish this mission by acting on educational topics in an emphatic and focused manner. This was because education was the resource through which people became citizens- qualifying for equal opportunity, incorporating and building up their culture.

The company led its social actions manifestly based on four fundamental values: innovation, seeking new perspectives and alternatives; knowledge diversity, integrating diversified experiences; autonomy, generating self-development in communities; and mobilization, spreading effective actions and attaining social transformation.

The social action channels and forms preferred by the company were: the establishment of partnerships with public and private institutions, the availability of its structure and internal resources, the establishment of proper communication channels that spread and disseminated programs and beliefs, and the creation of participation channels, be they internal or external to the company, provided that they made the involvement of employees and other stakeholders possible.

Who was Matilde?

E.E.P.S.G. Matilde Maria Cremm was a Sao Paulo public school, located in the city of Itapeperica da Serra. As most public primary and secondary schools in Brazil, Matilde served a low-income population and faced serious problems (**Exhibit 3**).

The school was established in 1978, on km 294 of the Regis Bittencourt highway – one of the most important roads in the state and in the country – in order to serve a population group that had settled alongside the highway, near a gas station. These initial facilities had turned insufficient in two years, which caused the school to move to the location where it remained till the present, in a large building in the same neighborhood as the previous one.

The school offered both primary and secondary education, as well as night school, to its 1,390 students, who occupied the 32 classrooms, distributed in three shifts, from 7:00 a.m. to 11:00 p.m.

The school's teaching staff was formed by 50 teachers, two pedagogical coordinators, a principal and an assistant principal. As in many public schools, these professionals were not stimulated to develop a joint project; their motivation was affected by poor working conditions, low salaries and lack of perspectives of professional growth and improvement.

Public Education in Brazil

Although Sao Paulo was the state with the greatest income in the country, the problems faced by its public schools were similar to those of the public schools in other states. They were infrastructure problems, such as poor or deteriorated facilities, lack of equipment for teaching purposes, curricular inadequacy, and excessive mobility of teachers, who very often had to take more than one job in order to secure a reasonable income (**Exhibit 4**).

But the problems were not only inherent to infrastructure. In the public system throughout Brazil, the predominant model was coherent with the one adopted in public administration: classic red tape, led by mechanistic thought, according to which the organization – the school – had to work as a foreseeable machine that performed standard operations.

That meant the school was expected to routinely work with efficiency and predictability. The bureaucratic role-play and the assignment of fixed tasks contributed to that, being both of them compatible with a curriculum of strict discipline and teaching methodologies.

The evasion of students and their low learning rates served as indicators of the inefficiencies of the pedagogical model, the low quality in education and the management flaws in public schools. Although some updating measures had been taken in recent years, the extension and complexity of the Brazilian education problem were beyond the technical and managerial capability of the public agencies that were accountable.

The Story of the Natura – Matilde Partnership: The Natura-School Program

Before 1992, Natura already showed its concern for social causes; however, its action was restricted to several random donations, carried out without any reflection or interaction with the beneficiaries. That year, given the proximity of the neighboring school to its Itapeverica da Serra plant, Natura assigned donations to Escola Estadual de Primeiro e Segundo Graus Matilde Maria Cremm, following policies that would reach beyond material contributions and would aim at broader objectives for the improvement of the school, more coherent with the company's organizational principles of transformation and relationship.

Since 1990, Matilde – affectionately known as the shabby neighbor, had consistently turned to Natura – the prosperous neighbor. “Whenever we needed something, we knocked on their door and we were always welcomed,” recalls Irineu Cintra, a teacher at the school during this period.

At that time, Guilherme Leal already knew that the relationship established between Natura and its neighbor Matilde was one-way and that Natura was responsible for Matilde as a beneficiary. “I knew we needed to change. People usually see the company as power and cash and we wanted to build a new type of relationship,” Guilherme recalled.

In order to articulate a new kind of relationship, where the actions sponsored by Natura could follow more focused plans for the improvement of the school, Guilherme started to look for a partner who specialized in public education. Among other options, he chose CENPEC - Centro de Estudos e Pesquisas em Educação, Cultura e Ação Comunitária (Study and Research Center for Education, Culture and Community Actions), and he retained them to execute the Natura/School Program (**Exhibit 5**).

Guilherme, Pedro and Seabra were friends with Maria Alice Setúbal, director and founder of CENPEC. The unmistakable thing to do was to choose this Center, highly regarded for its expertise in dealing with public school teaching issues. A more coherent action plan for Matilde resulted from the dialogue between the two organizations, represented by Guilherme (Natura) and by Maria Alice (on CENPEC's behalf).

CENPEC developed specific actions at the school, offering capacity-building courses for the teachers and conducting research to know the school and its community. Guilherme wasn't fully satisfied with the evolution of the program, because although the improvement actions brought good results, they were detached. Also, the reflections about how to act in a more systematic and direct way were restricted to the senior executives of both Natura and CENPEC.

CENPEC tried to respond to the demands Guilherme had exposed and discussed with Maria Alice. The center placed people who specialized in education to act directly and routinely at Matilde. The role performed by CENPEC was one of mediator in the school, participating in capacity-building courses for teachers and in pedagogical support. This action led to positive changes in the school, but there was

concern over the sustainability of the improvement, since the CENPEC staff would be there only temporarily. "Who would keep up the school's quality improvement pace?" Guilherme asked himself.

The relationship with Matilde, built step-by-step, demanded increasing attention and changes. It was necessary to reinforce the bonds of mutual trust that had been formed over time, because discontent and suspicion began to arise within the school community. The question was: what advantages would Natura and CENPEC get from the partnership with Matilde? And also, if the beneficiary was the school and the objective was its improvement, why weren't school representatives called to participate in the planning?

Evaluating the Program in 1995, they noticed that "there was an uncomfortable location of roles," as reported in the Program account published by the company.

Beneficiary Matilde demanded to participate in the definition of strategies for the allocation of the resources contributed by Natura and for tasks developed by partner CENPEC. The school also demanded autonomy in the issues of planning and defining priority levels for the social actions from which it benefited. The voices of the school teachers and principals started to make themselves heard; and they spoke of their desire to be stronger participants in the discussions and choices about their own future.

On the other hand, Guilherme asked his two fellow presidents: "What kind of relationship does Natura wish to have with its neighbor Matilde?"

The year 1995 was an important milestone in the history of Natura's social action. It was then that the Social Action Area was created, with the objective of coordinating the projects and influencing the company strategy, as well as determining the allocation of R\$ 200,000.00 in social programs in that year alone.

With these moves, Natura demonstrated its commitment and goodwill to cooperate, actively participating in the improvement of the general conditions of the community. Hired by Natura to manage the Social Action area, sociologist Angela Serino became responsible for the dialogue with neighbor Matilde, now turned partner.

It was Angela who presented the reports and opened Natura's budget for the Matilde project, initiating a new, more equal, level of relationship between school and company.

The establishment of a new kind of relationship was considered very productive by principal Maria da Graça Fernandes Branco: "When we got going, the projects started to show results."

The partnership between Natura and Matilde required a clear definition of roles, commitments and expectations from each partner. "The problems that arose in the partnership were overcome through a lot of negotiation between parties," remembered Maria Conceição Lopes, who had been teaching at the school for 21 years.

With greater clarity and understanding about interactions and roles, Natura and Matilde started to jointly discuss the priorities of a budget of R\$ 50,000.00 per year.

It was during this necessary transition phase that the participation of CENPEC's staff, fundamental in the beginning of the program, ended. Something different started to happen inside the school.

The teacher delegates, elected by the teaching staff, took over the coordination of the projects negotiated with Natura, executing them overtime, perceiving additional pay. One of the indications for the new procedure was that the on-going projects had to be incorporated to the school's everyday activities.

E.E.P.S.G. Matilde Maria Cremm benefited from the Natura-School program with the implementation of several projects (Chart 1), among them the newspaper “Pensa Matilde” (Think Matilde) and the “Rádio Escola” (School Radio), which was developed at the school’s own initiative. The projects involved not only the students but also their parents, who began to take classes on paper recycling and handcraft, even getting to sell their creations at a handcrafts fair in Itapecerica da Serra.

Some of these projects, like the “Matilde Qualidade em Números” (Matilde Quality in Numbers) and the “Apoio à Avaliação do Aluno” (Support to Student Evaluation) were focused on the school’s management and on the teaching-learning process.

Chart 1 – Matilde’s programs

What Matilde did	
<u>Project</u>	<u>Activity</u>
Matilde quality in numbers	Survey and analysis of the school’s data
Teacher’s Capacity-building	Courses, lectures and consulting involving other schools in the region
Get real, Matilde	Environmental Education (Paper Recycling and School Vegetable-Garden)
Information and Creation Center	Library and activities directed to the community
Support to students evaluation	Perfecting evaluation instruments
Think, Matilde	Students newspaper with all the information technology infrastructure
School Radio	School’s initiative, independent from Natura

The students and teachers got substantially involved, and in 1999, they realized that 80% of the teachers had joined the program and, that other performance rates indicated the success of the alliance (Table B).

Table B – Improvement Rates

	1996	1999
Failure	11%	1%
School evasion	11%	7%

Source: “Natura/School Program – the Path to a Partnership,” publication edited by Natura, Sao Paulo, nd

With the increasing participation of the school community, the projects developed and began to be integrated: “Matilde Qualidade em Números” (Matilde Quality in Numbers) became a pillar of the “Apoio à Avaliação do Aluno” (Support to Student Evaluation), which, in turn, established such a strong connection with the project “Formação do Professor” (Teacher Capacity-building) that they ended up merging. This resulted in the learning of an integrated model of shared management for the school. The new model made it possible to develop strategic planning and financial controls of the alliance’s budget, as well as the incorporation of instruments for measuring results in the school improvement.

As planned, the resources contributed by Natura were gradually reduced in 2000, giving room for projects of the school's own initiative, such as the School Radio. This specific project generated such great interest among the students that communication subjects were incorporated in the curriculum for the school year that began in February, 2001.

The results of the partnership's actions multiplied and reached the Itapecerica da Serra public administration, through the City Culture Department. Matilde offered new programs, like dancing, acoustic guitar, percussion, and instrument manufacturing, which generated the national project "Barracões Culturais da Cidadania" (Citizenship Cultural Sheds) sponsored by Natura, in Itapecerica. This was a mature Matilde, expanding and transforming its role, now in connection with municipal services.

During the first months of 2001, the joint projects continued while Natura and Matilde implemented actions in other partnerships. In the second semester, a new relationship between the two began to blossom. New possibilities emerged from the maturity each had attained through their interactions. From then on, what roles would each play? What would their new pacts be?

In the words of the school's pedagogical coordinator, Irineu de Oliveira Cintra, who had accompanied the program from its inception in 1992 until 2001, "the partnership has, in many respects, taught us to walk with our own legs." These words followed the same path as those of Guilherme: "We have enabled the school community to create its own identity, so that the school can acquire an image of its own. Natura's role as a social actor has been accomplished: not the role of an owner, but that of the starter of a movement that reflects shared concerns and desires for change."

Matilde and Natura have gone their separate ways. "They are like two good old friends who grew up together, shared good and bad times and then, one day, upon a diverging road, split to live new experiences. The story of these two great allies, however, is definitely marked by deep, indisputable bonds." (Institutional material for Natura -School Program.)

Actors and Enhancements to the Partnership

A leading character in the partnership was Maria da Graça, the school principal. She had come to Matilde in 1995, taking the position of principal after a civil service exam. Upon her arrival, Graça was informed by her predecessor about the work developed by CENPEC.

When she learned what was being done, Graça encountered an atmosphere of discontent on the part of some teachers, which she attributed to lack of understanding of what a partnership was like. According to her, "there was a lot of dispute, a lot of energy wasted, like in arm-wrestling."

Graça stimulated a reflection process inside the school, promoting the discussion of each partner's role. The general perception of the school's staff was that Natura would solve all of Matilde's problems.

The two pedagogical consultants placed by CENPEC acted as mediators between the company and the school, but according to Graça, "they had a hard time." The teachers' perception was that the two professionals worked on behalf of Natura and not on behalf of Matilde, which made the situation even more difficult.

The atmosphere was one of suspicion. Some teachers, more resistant to the changes suggested by the pedagogues, openly expressed their feelings about Natura's real interest in helping Matilde. "If Natura is giving the money, they must be obtaining some benefit..." "What happens with the money given to CENPEC?" "They talked a lot about money: where is it, if it never gets to the school?"

On the other hand, CENPEC pedagogues, in their job of suggesting changes, hurt the feelings of the school educators, who felt criticized by an arrogant team and questioned in their legitimacy before the school community.

In that situation, the reflections proposed by Graça led to a need for clarity concerning the resources Natura had invested in CENPEC's projects for Matilde. Therefore, in February 1996, Angela Serino held the first meeting with the school principal, presenting all the material related to budget and resources provided by Natura.

It was a change of level in the relationship between partners. Monthly meetings started to take place, involving parents, students, teachers, the school board, and Natura's representatives. During these meetings, all the data on the partnership was presented.

According to Graça, 1996 and 1997 were very good years for the school and for the whole management process that began.

In 1997, Graça took a position as Supervisor at the Government Office of Education Affairs, staying away from the school for two years. During that period, she was replaced by the assistant principal. In 1999, she asked to go back to Matilde. The period she spent away from the school was good to recognize the difficulties faced by other public schools, and to realize the dimension of the competitive edge achieved by Matilde. It had a center and an identity that were becoming role model for other public schools.

The center formed at Matilde helped manage the difficulties generated by the high turnover of teachers – typical of public schools – and diminished the amount of harm it caused so that the excellence achieved by the school was not compromised. According to Graça, “whenever a new member arrived, they quickly adapted to the school model.”

All the discussion about partners' roles had also brought good results for the school management model. Matilde had learned from Natura how to develop and use indicators to measure its performance. In the beginning, Natura used to send the forms and Matilde would fill them out. These data would then be presented in the monthly evaluation meetings.

Even the students started to build their own evaluation indicators, developing reports and graphs in their class groups and on their teaching staff evaluation. A different language became part of the reports to the Government Office of Education Affairs: instead of school evasion numbers, they now presented internal management results.

Matilde, a school located in a suburban region of a city in the outskirts of the capital, began to be ranked among the top five public schools in that part of the Sao Paulo state (**Exhibit 6**).

The role performed by principal Graça contributed to the clarification of the relationships in the partnership. According to Angela Serino, “Natura helped implement a movement and the school opened itself up to new things; Natura has obviously contributed, but the Principal made all the difference.”

What's Next?

While they watched the documentary about the alliance with Matilde, the presidents repeatedly remembered the crisis that had surrounded the relationship in 1995. The atmosphere at the school was

one of suspicion; the presence of CENPEC's pedagogues incited criticism from those teachers who were more resistant to change; they questioned what Natura's interest in helping Matilde truly was.

At that time, the partnership was transformed into a new kind of alliance. The creation of Natura's social action area, the attitude of integration towards Matilde, the clarity about resources the company contributed, and targeted results were all indications of this advancement. On Matilde's part, the maturity in the alliance management and the school's autonomy to implement initiatives indicated that Matilde had acquired the ability to "walk with its own legs."

This episode was a model for them to define the proposal they should make to Matilde's principal. What kind of relationship should the two former neighboring partners establish, considering the distance that now separated them and the development they had accomplished with the experience of the alliance?

Exhibit 1 Exame Magazine

Natura: Company of the Year

What is Natura

EXAME

Sao Paulo, July 1st, 1998 (Issue 665)

It invoiced US\$ 631.4 million in 1997. Its volume of business - including commissions to the consultants - reached US\$ 908 million.

It employs 3,000 people and a network of 206,000 consultants. It is the second largest cosmetics industry in Brazil.

The company estimates it accounts for 14.3% of sales in the markets in which it operates: perfumes, skin care and solar protection, hair care, bath and shaving products and cosmetics.

It is building a state-of-the-art plant in Cajamar (SP) that will quintuple its production capacity. At the cost of US\$ 110 million, it will be inaugurated next year when the company turns 30 years old.

Perfumed excellence

EXAME

Natura, with its splendid figures and its unique management, is our Company of the Year.

By Nelson Blecher

Sao Paulo, July 1st, 1998 (Issue 665)

Here is a succinct profile of our Company of the Year:

It has grown continuously in the last two decades at a rate of 31% per year.

For two consecutive years, its brand has been rated at the two top grades by 76 in every 100 Brazilian consumers, according to a survey run by Teorema Consultants.

It is noted by 84% of its employees as a better company to work for than any other they know. (Exactly the same proportion reached by Ben & Jerry's, the American chain of ice cream parlors, reputed for its concern for the relationship with its staff.)

In view of all this, it is easy to understand why Natura - that's the name, applause, applause - won the award. Natura, third amongst the companies in hygiene and cleaning sector, has gotten 845 points in the corporate excellence indicator, 85 more than L'Oréal, the second best in the sector. This indicator, created by MELHORES E MAIORES (Best and Largest), attributes values to each of the performance requirements. Its profitability reached 22.1% in 1997, way above the 4.8% averaged by the 500 biggest private companies in the country. Its sales have risen 8.5% and hit 631.5 million dollars in a year in which the average growth of the 500 largest has not surpassed 6%.

This is the second consecutive year in which Natura emerges as a performance leader among its peers. With these advantages, it has disputed the title with 20 other companies of several sectors. It is in this elite group - the best companies in each sector - that EXAME makes its choice of the Company of the Year. What has basically defined the issue in favor of Natura is that while facing the amazing challenge of a market that is opening to foreign competition, it proved to be a world class Brazilian company. It is a list that, at least so far, has but few names.

Source: Exame Magazine, July, 1998.

Exhibit 2 Tables

Table 1 – Natura’s Business Performance between 1997 and 1999

Business Performance	1997	1998	1999
Volume of Business	1,002.72	1,182.74	1,189.37
Number of Consultants	176,986	207,481	220,835
Productivity (R\$ consultant/year)	5,547	5,304	5,184
# of launched products	109	197	150

Source: Natura Annual Report, 2000 (São Paulo: Natura, 2001)

Table 2 – Natura’s Financial Performance between 1997 and 1999

Financial Performance	1997	1998	1999
Gross Operating Revenue	701.9	827.9	832.6
Net Operating Revenue	466.4	558.1	547.8
Operating Income	65.9	87.1	63.1
Net Income	57.7	64.6	62.2
Investments	47.4	75.4	130.7
Financial Result	9.9	(3.9)	(1.4)

Source: Natura Annual Report, 2000 (São Paulo: Natura, 2001)

Exhibit 3 Data on Public Schools in Brazil

Promotion, failure, evasion and age-grade deviation rates								
Elementary School								
State	Promotion Rate		Failure Rate		Evasion Rate		Age-Grade Deviation Rate	
	1995/96	1999/00	1995/96	1999/00	1995/96	1999/00	1996	2000
Brazil	64.5	73.6	30.2	21.6	5.3	4.8	47	41.7
Rondônia	60.9	68.7	29.4	24.6	9.7	6.7	47.7	40.6
Acre	56.6	63.7	35.8	30.2	7.7	6.1	59.1	52.3
Amazonas	58.1	66.1	34.4	28.1	7.5	5.8	67.1	58.5
Roraima	66.3	75.9	23.5	12.9	10.3	11.2	47.8	42.3
Pará	45.3	58.3	46.4	33.5	8.3	8.2	65.3	58.8
Amapá	60.4	68.5	34.2	25.1	5.4	6.4	48.3	42.7
Tocantins	51.8	61.5	42.1	27.2	6.1	11.3	63.2	57.7
Maranhão	50.4	64.3	43.2	29	6.4	6.7	66.3	62.3
Piauí	46.3	58.8	44.5	34.9	9.3	6.3	66.1	63.5
Ceará	68.8	74.3	27.4	21.4	3.9	4.3	63.3	51.6
R. G. do Norte	54.6	66.7	38.3	29	7.1	4.3	58.3	51
Paraíba	55.9	64	36.2	30.6	7.9	5.4	70	62
Pernambuco	54.6	64.8	38.6	29.6	6.9	5.6	59.6	54
Alagoas	49.2	59.6	43.9	36	6.9	4.4	67.7	63.9
Sergipe	51.9	61.2	42.3	33	5.8	5.8	67.6	62
Bahia	52.3	62.3	41.4	31.6	6.3	6.1	70	64.9
Minas Gerais	69.1	79.3	26	14.4	4.9	6.3	37.4	33.5
Espírito Santo	68.4	79.6	25.9	15.9	5.6	4.5	36.3	30.6
Rio de Janeiro	73.3	71.4	20.3	24.2	6.5	4.4	42.7	36.5
Sao Paulo	75.7	89.3	18.8	7.3	5.6	3.4	30.5	19.1
Paraná	70	80	23.8	15	6.3	5	31.7	20.4
Santa Catarina	76.3	80.8	18.4	15	5.3	4.2	27.2	22.4
R. G. do Sul	72.2	77	23	18.5	4.9	4.5	22.5	27
M. G. do Sul	63.6	70.7	28.9	22.6	7.5	6.7	36.7	37.8
Mato Grosso	57.8	70	31.9	22.5	1.2	7.5	47.8	41.4
Goiás	64.3	68.2	31.8	26.4	3.9	5.4	53.1	45.7
Federal District	69.6	76.2	26.4	19.6	4.1	4.2	41.6	29.9

Source: MEC/Inep/SEEC

**Net and Gross Schooling Rates for Elementary and High School and
Rates of Coverage from 7 to 14 and from 15 to 17 years of age - Brazil 1980-1999**

Year	Primary and Secondary School		High School		Coverage Rate	
	Net Schooling Rate	Gross Schooling Rate	Net Schooling Rate	Gross Schooling Rate	7 to 14 years	15 to 17 years
1980	80.1	98.3	14.3	33.3	80.9	49.7
1991	83.8	105.8	17.6	40.8	89.0	62.3
1994	87.5	110.2	20.8	47.6	92.7	68.7
1998	95.3	128.1	30.8	68.1	95.8	81.1
1999	95.4	130.5	32.6	74.8	97.0	84.5

Source: MEC/INEP/SEEC

Note: Data for 1999. There is no official data about these rates in 2000.

Exhibit 4 Data on Public Education in the State of Sao Paulo

Sao Paulo					
Public Expenses in Education - 1997-1998					
Year	% of the expenses in relation to the PIB (GDP - Gross National Product)	Average Expense per Student (in R\$)			
		Kindergarten	Elementary School	High School	University
1997	3.5	1,542	742	668	14,619
1998	3.8	1,539	800	625	14,320

Source: MEC/INEP – Estimated data from research on Regionalization of the Public Sector – Public Administration – IBGE (Brazilian Geography and Statistics Institute)

Note: 0 % of the GDP includes inactive and pensioned employees

Note: Data for 1999. There is no official data about these rates in 2000.

Sao Paulo						
Great Numbers of Basic Education – 2001						
Great Numbers	Levels and Forms of Education					
	Pre-School	Literacy Classes	Elementary	High School	Special	Young and Adults
Schools						
Total	9,701	-	12,894	4,549	1,391	4,082
Public	5,466	-	9,902	2,872	1,051	3,331
Private	4,235	-	2,992	1,677	340	751

Sao Paulo

Percentage of Students Served by the Infrastructure Available in the Schools according to the
Level of Education - 2001

Available Infrastructure

Level of Education	Water Supply	Electrical Energy	Library	Science Lab	Sports Court
Elementary School					
Total	99.9	100.0	66.4	35.9	86.0
1st to 4th grade	99.9	99.9	58.7	21.5	79.4
5th to 8th grade	99.9	100.0	74.1	50.0	92.5
High School					
Total	100.0	100.0	86.1	64.9	93.7

Source: MEC/INEP

Sao Paulo

Schooling and Coverage Rates by Level of Education - 1994/2000

Year	Schooling Rate				Coverage Rate	
	Elementary School		High School		7 to 14 years	15 to 17 years
	Gross	Net	Gross	Net		
1994	113.2	95.4	66.5	33.1	96.9	77.1
2000	115.8	97.3	97.6	54.7	98.5	89.0

Source: MEC/INEP

Sao Paulo									
Learning Improvement and School Flow Transition Rates - 2000									
Level of Education/Indicator	Total	Grade							
		1 st	2 nd	3 rd	4 th	5 th	6 th	7 th	8 th
Elementary									
Improvement Rates									
Approval	90.7	93.0	94.1	95.7	89.9	89.6	88.9	88.3	87.1
Failure	4.7	2.8	3.5	2.1	7.2	4.9	5.3	5.3	5.9
Drop-Out	4.6	4.2	2.4	2.2	2.9	5.5	5.8	6.4	7.0
Transition Rates									
Promotion	88.2	93.1	92.1	94.6	85.9	85.2	83.3	85.6	81.9
Retention	8.2	6.4	6.4	4.2	10.3	9.3	9.4	8.4	10.8
Evasion	3.6	0.5	1.5	1.2	3.8	5.5	7.3	6.0	7.3
High School									
Improvement Rates									
Approval	81.8	77.4	81.8	87.4					
Failure	6.7	8.3	6.8	4.5					
Drop-Out	11.5	14.3	11.4	8.1					
Transition Rates									
Promotion	77.4	70.2	77.5	87.4					
Retention	15.0	20.0	13.9	9.1					
Evasion	7.6	9.8	8.6	3.5					

Source: MEC/INEP

Sao Paulo									
Average Graduation Age according to Level of Education - 2000									
Level of Education	Total	Total		Total	Public		Total	Private	
		Masculine	Feminine		Masculine	Feminine		Masculine	Feminine
Elementary	15	15	15	15	15	15	14	14	14
High School	18	18	18	18	18	18	17	17	17

Source: MEC/INEP

 Literacy Conditions of People 10 or more years old: 2000

Local	Literate		Illiterate		Total	
	Absolute #s	%	Absolute #s	%	Absolute #s	%
Brazil	119,328,353	87.2	17,552,762	12.8	136,881,115	100.0
State of Sao Paulo	28,800,475	93.9	1,872,137	6.1	30,672,612	100.0

Source: IBGE, Demographic Census, 2000; Development: Emplasa, 2002.

 Sao Paulo

Illiteracy Rates in the 15 and above age group - 1994/2001

Age Groups (in years)

Year	15 to 19	20 to 24	25 to 29	30 to 39	40 to 49	50 or more
1994	1.3	2.1	3.1	4.2	7.8	21.2
2001	0.7	1.5	2.1	3.3	5.2	15.8

Source: IBGE - PNAD 2001. 1994 - Estimated Data. Calculations made by MEC/INEP.

Final Results of the School Census 2000 - State of Sao Paulo

Number of Registered Students											
TOTAL	Management	Pre-School	Literacy Class	Elementary Education	Primary & Secondary Education I 1 st to 4 th Grade	Primary & Secondary Education I 5 th to 8 th Grade	High School	Total Special Education	Primary & Secondary Special Education	Young & Adult Education (Night school - total)	Young & Adult Education (Primary & Secondary)
	State		119	0	3,865,320	1,430,797	2,434,523	1,774,296	15,646	15,444	515,689
Federal		200	0	193	193	0	3,106	0	0	67	0
City		940,703	0	1,595,881	1,184,431	411,450	20,896	14,409	10,220	317,909	289,290
Private		189,271	0	763,810	374,980	388,830	280,843	31,312	13,836	115,815	36,783
Total		1,130,293	0	6,225,204	2,990,401	3,234,803	2,079,141	61,367	39,500	949,480	562,281

Exhibit 5 CENPEC

CENPEC – Centro de Estudos e Pesquisas em Educação, Cultura e Ação Comunitária (Center for Studies and Research in Education, Culture and Community Action) was a civil society organization with the mission of developing actions that contribute to the improvement in Brazilian public education quality. It operated since 1988 in several regions of Brazil and was located in the city of Sao Paulo, siding up with the social research centers that specialized in citizenship empowerment.

Constituted as a non-profit private organization, it focused on the improvement of public education quality and on perfecting public policies that dealt with formal education.

CENPEC believed that the education of children and youths was decisive for the consolidation of a democratic society and that it developed in the family, school and community lives. The aim of its actions was the school, regarded as the first formal space for the formation of citizens. It was supposed to guarantee the learning of abilities and contents that were indispensable to life in society and to the effective social insertion of new generations.

CENPEC developed and articulated projects in partnership with the private sector, international agencies and public services, distinguishing itself for a highly qualified multidisciplinary team. The technical level in the execution of studies and research, consulting, courses, production of pedagogical material and other specialized publications highlighted CENPEC's projects and studies. The Center focused on four strategic areas:

- Pedagogical Practice: line of action begun along with the Center itself. Focuses on issues like literacy, the improvement of quality in education, and the prevention of school failure.
- School Management: approaches the creation of educational programs, formulation of diagnosis, management enhancing, qualification of teachers, among other aspects of public school management.
- Management of Public Systems and Public Policies: this research and intervention center was motivated by the need to monitor changes introduced in educational policies, with emphasis on the municipalization of education.
- Education and Community: a group of initiatives concerning the stimulation of actions by companies in education and the participation of civil society, with emphasis on NGOs and community organizations.

Projects that have made and still make CENPEC's story

Pedagogical Practice

Letra Viva – Reading & Writing Program

Pedagogical Practice in Public School

Interdisciplinary Issues in Sao Paulo

Mathematics and Reading & Writing Workshops

School Failure: Observation in Class

Learning Acceleration
Evaluation of Didactic Books
Transe Project

School and Systems Management/Public Policies

Educational Programs and Projects
Diagnosis of the Government Offices of Education Affairs in the Northeast Region
Qualification of Teachers
Education and Municipal Development
Night School
Capacity-building for Work
Programa de Educação Continuada (PEC) – Continuing Education Program
Gerir Program

Project for Capacity-building of Technical -Pedagogical Assistants of the Educational Technology
Regional Center of SEE-SP

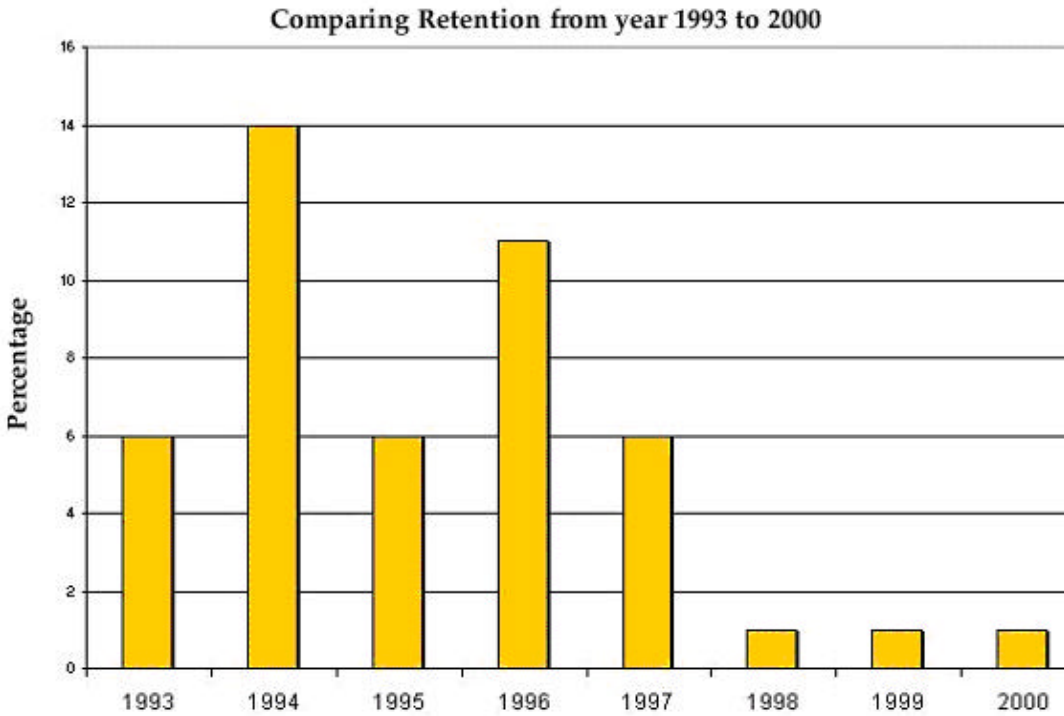
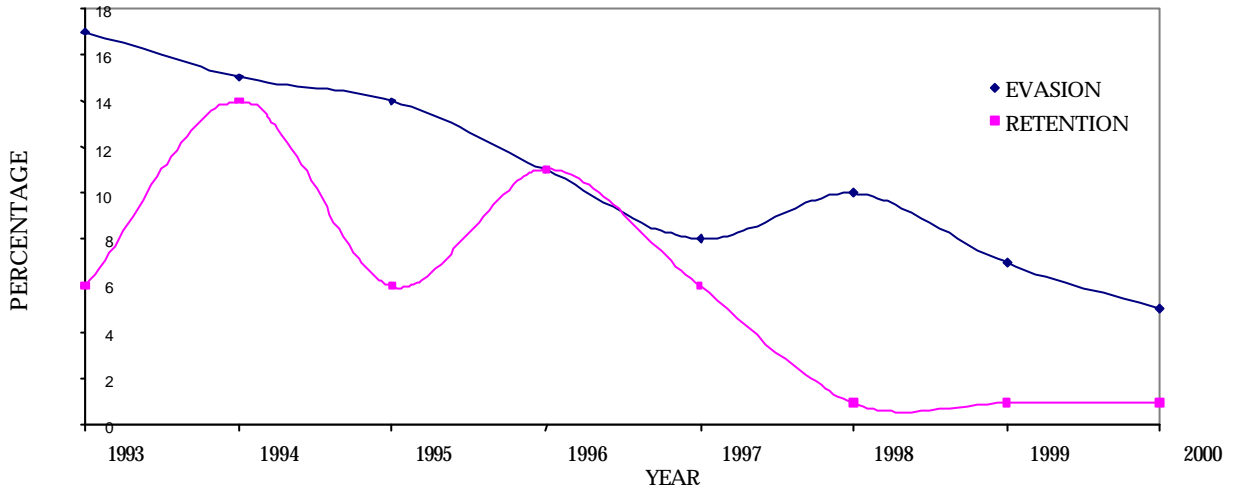
Education and Community

Education and Participation
Community Participation in the Issues of Education and Poverty
Youth, Knowledge and Socialization
Citizenship and Community Action
Improvement of Public Education in Cities
Friends of School
Roots and Wings

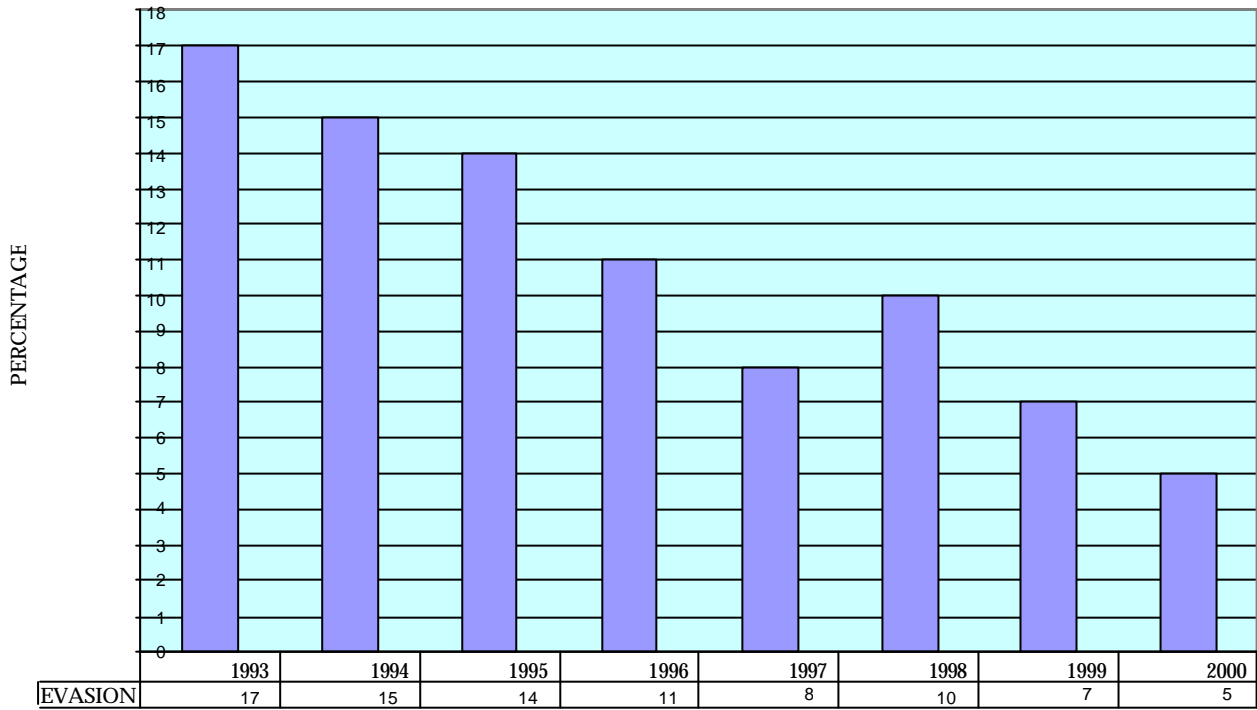
Source: www.cenpec.org.br site

Exhibit 6 Matilde Maria Cremm School Performance

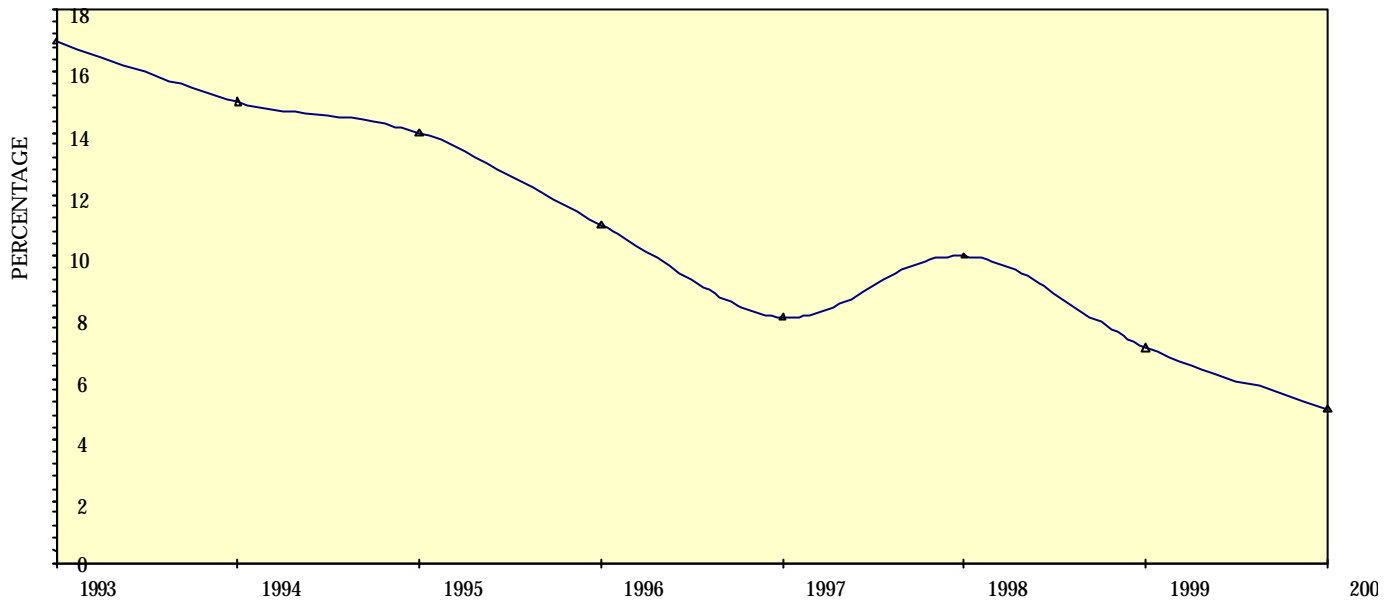
EE MATILDE MARIA CREMM
 COMPARATIVE GRAPHIC OF EVASION AND RETENTION BETWEEN THE YEARS OF 1993 AND 2000.



COMPARING EVASION 1993 TO 2000



COMPARING EVASION BETWEEN 1993 AND 2000



COMPARATIVE CHART	1993	1994	1995	1996	1997	1998	1999	2000
EVASION	17	15	14	11	8	10	7	5
RETENTION	6	14	6	11	6	1	1	1

Source: data supplied by Escola Estadual de Primeiro e Segundo Graus Matilde Maria Cremm