

Caterpillar's Interactions with Piracicaba, Brazil: A Community-based Analysis of CSR

Margaret Ann Griesse

ABSTRACT. This study examines how Caterpillar Brasil Limitada, located in the city of Piracicaba, Brazil, expanded its concept of social responsibility over a 30-year period. It first provides a contextual overview of Piracicaba within the agro-industrialized interior region of São Paulo State. It then traces the history of the firm from its initial installation in the city. While Caterpillar maintained a distant relationship with the Piracicaba community for many years, it later realized the importance of becoming involved in city development. The community-based effort led by Caterpillar to elaborate and carry out a sustainable development plan for the city is a notable example of how a firm can encourage civil participation and offer strategic planning know-how to civil-society organizations. Finally, the study analyses some of the problems Caterpillar encountered and stresses the importance of developing open democratic channels and continued civil participation in joint partnerships between business and civil society.

KEY WORDS: Caterpillar company, community development, sustainable development, Agenda 21

Introduction

The Caterpillar Tractor Company was one of the first international firms to establish operations in Piracicaba, Brazil, a city with a population of 328,000, located approximately 150 km west of São Paulo, deep in the interior of the state of the same name – one of the most industrialized and agriculturally productive regions in Brazil. This study examines how Caterpillar Brasil Limitada became increasingly aware of, and sensitive to, community needs in Piracicaba, and how it expanded its concept of social responsibility and became more involved with community affairs, while encouraging democratic processes.

The example of the relationship between Caterpillar Brasil and Piracicaba allows us to discuss a series of questions. How can an international business integrate itself into the complex economic, political and social activities of a city in such a way as to foster local growth, while maintaining its own profitability? What problems can arise in a community from the arrival of an economically powerful outside enterprise such as Caterpillar? More specifically, how should a firm deal with the idiosyncrasies of a community, while also working with that community for the advancement of common interests?

A brief history of Piracicaba, Brazil

Founded in 1767 on the banks of the river that shares its name and in a region of exceptionally

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Margaret Griesse holds a Ph.D. in Education and International Development from the University of Frankfurt. She is currently Coordinator of the Martha Watts Cultural Center at the Methodist University of Piracicaba, Brazil. Research and interviews for this study were carried out between February 2003 and June 2004 in Piracicaba, São Paulo Brazil. During this time, I carried out nine formal interviews with Caterpillar employees and Piracicaba community leaders. I also attended various public meetings on Piracicaba 2010 and participated in several spontaneous discussions with community residents and Caterpillar employees concerning Piracicaba 2010. I have honored the request of some employees and residents who wish to remain anonymous.

fertile soil, Piracicaba would eventually become known as the “Sugar Capital” as well as the center of *Caipira* (country) culture in Brazil. Samba and Bossa Nova, so widely known internationally as representative genres of Brazilian music, take backstage to Brazilian country-and-western music: *Caipira* and *Sertanejo*, which dominate the radio channels in this region. They keep rhythm to a cycle of rodeos held in the region’s various cities – as well as the traditional corn and river festivals, which mix popular Catholicism, African traditions and regional legends.

In contrast to its popular culture and country flavor, Piracicaba has been known for its fine elite schools, political leadership, and cultural activities. Already in 1881, American Methodist missionaries established a school, which decades later would become the *Universidade Metodista de Piracicaba* (UNIMEP), the Methodist University of Piracicaba. In 1893, the Salesian Fathers founded the first of several important Catholic schools in the city. In the field of higher education, the *Escola Superior de Agricultura Luiz de Queiroz* (ESALQ), the Luiz de Queiroz Agricultural College, founded in 1901, has become an internationally renowned center of research in agriculture and biotechnology. Schools of dentistry, engineering, and social work have also taken root. Yet despite this focus on education, Piracicaba in 1970 had more than 23,000 people above the age of 5 who were illiterate, out of a total population of 166,000 (UNIMEP/Banco de Dados, 1999). This coexistence of high culture with a vibrant popular culture, of elite secondary educational institutions with inadequate basic schooling, typifies one aspect of the social and economic disparities within Brazilian society.

Within the context of a commodities-export economy, agricultural development in Piracicaba has shared the elitist system prevalent in almost all of Brazil. In 1887, Piracicaba ranked third among the cities of São Paulo state in numbers of slaves (Elias Netto, 2000). After abolition, waves of immigrants, particularly Italians, were employed as agricultural workers, while ex-slaves were left to fend for themselves. Gradually, Piracicaba’s immigrant population became more established. The city’s first major industry, Oficina Dedini, was an Italian family-owned business founded in the 1920s to produce steel and other metal products for the manufacture of equipment required by the sugar and alcohol

industry. In the early 1950s, the process of agro-industrialization, backed by a national developmental policy, spurred the acceleration of industrialization in the interior, particularly the production of cane liquor and ethanol from sugarcane in Piracicaba. With the military coup of 1964, the autocratic structure of Brazilian agriculture was reinforced. The sugar industry, operating large sugar refineries and distilleries, transformed the structure of small land holdings with diverse crops into large mechanized agro-industrial enterprises with few salaried workers (Soares, 2000). Modernization through mechanization was installed causing a rural exodus and consequent urbanization. By 1970, the rural population, which accounted for 55.8% of the Piracicaba population in 1940, had fallen to 16.2% (UNIMEP/Banco de Dados, 1999). The industrialization, commercialization and export of agricultural products, and the development of industries supplying local demand for equipment, fertilizers, chemicals, and feed, would remain the principal areas of economic activity in the Piracicaba region (Bilac et al., 2001).

For the first three decades of the 20th century, Piracicaba was controlled politically by the large landowning aristocracy. It was not until 1941 that the first descendant of foreigners, José Vizioli, won the mayoral elections, heralding the slow but inevitable decline of oligarchic control (Elias Netto, 2000). In the 1950s and 1960s a new type of political administration emerged, more concerned with development and progress and interested in large-scale public works. Political leadership was populist and personalistic, modeled upon other political leaders of the time in Brazil and in Latin America.

Negative consequences of the modernization process included migration to urban areas, the emergence of slums, lack of adequate water distribution, and generally disorganized processes of urbanization. In an attempt to offset the overwhelming surge of migration to the city of São Paulo, the governor called for the “interiorization” of development. Industries were encouraged to establish themselves in the smaller cities in the interior regions. The leaders of Piracicaba too saw in industrial development a solution to their ever-increasing social problems. Therefore, in the early 1970s, Piracicaba’s municipal leaders began making plans for the creation of an industrial district and

initiated contacts with international firms to come to Piracicaba (Elias Netto, 2000, p. 96; Neves 1999).

Caterpillar comes to Piracicaba

It was during this time of modernization and urbanization in the early 1970s, a period of escalating urban problems and political dissatisfaction within the Brazilian context, that the Board of Directors of Caterpillar Inc. in Peoria, Illinois, approved the purchase of 4 million square meters in Piracicaba for the installation of its Brazilian central offices and factory. At the time, this was the company's largest acquisition outside the United States (Caterpillar, 2004c). But what did they know of Piracicaba?

Caterpillar is a world leader in the manufacture of construction and mining equipment, diesel and natural gas engines, and industrial gas turbines. Founded in 1925 by Daniel Best and Benjamin Holt, Caterpillar first produced farming tractors. By the 1940s, it had expanded its production to include diesel engines and tractors, electric generator sets, and even special engines for army tanks (during the Second World War). Caterpillar's first foreign venture began after the war, with the establishment of the Caterpillar Tractor Co. Ltd. in Great Britain, in order to manage foreign exchange shortages, tariffs, and import controls, and to offer better customer services. For these same reasons, Caterpillar continued its overseas efforts in other countries (Caterpillar, 2004b). In 1954, Caterpillar setup a warehouse in the city of São Paulo, Brazil. A year later, it acquired an area of land also in São Paulo and by 1960 it had built its first Brazilian factory (Caterpillar, 2002a, 2004a).

Several factors induced Caterpillar Brasil to locate in Piracicaba. One of the company's long-time directors jokingly suggested that Piracicaba must have reminded Caterpillar's American executives of Peoria. Both are relatively small cities located near major industrial and metropolitan centers; both are located near a river, and both have a small-town atmosphere.¹ In fact, Caterpillar was looking for land to expand its operations outside of São Paulo and officials from Piracicaba, who considered industrialization to be the solution for a number of problems the city was facing, were eager to convince Caterpillar executives to locate there (Maluf, 2004). A

North American missionary, Richard Senn, who was general director of the Methodist Educational Institute of Piracicaba, agreed to offer his services to the mayor, Adilson Maluf, in order to mediate a deal in Peoria (Elias Netto, 1994, p. 157; 2000, p. 296). Also, the owner of the land to the east of the city expressed interest in selling his property for an industrial district (Elias Netto, 1994, p. 171, 2000, p. 295).

In response to a list of conditions set by Caterpillar, the Piracicaba city council approved a plan for the installation of an industrial district in the east, where in 1973 Caterpillar acquired land and began construction of its second facility in Brazil (Maluf, 2004). In 1976, the new factory began operations. The entire installation covered a total area of 165,000 square meters with flexible, modern manufacturing facilities, a distribution center, and administrative offices (Caterpillar, 2002a).

A few voices had criticized the proposal for the industrial district, and the land to the east of the city became the object of a study by a board of engineers, who reported that the land was the most fertile in the region, and therefore more appropriate for agriculture; its position on a hill, its orientation to the Piracicaba river and the prevailing winds made the area unsuitable for industrialization (Elias Netto, 1994, p. 176). Others argued that without a well-thought-out plan, unorganized industrialization could cause a sudden growth in the population, increasing rather than decreasing unemployment, causing a housing shortage and the growth of slums, and increasing poverty and crime. Critics warned that without the development of appropriate infrastructure first, social problems would follow (Elias Netto, 1992, p. 178).

Caterpillar's insertion into the socioeconomic context of Piracicaba was, therefore, not without its controversial side. But after having setup its operations in Piracicaba, the company embarked on a program of long-term involvement with the community. What was Caterpillar's commitment to the community, region, and nation? In the mid-1970s, corporate social responsibility (CSR) was not yet in vogue in Brazil, and certainly not in Piracicaba. However, there was a broad range of social and political issues that were emerging and that would require some sort of reaction on the part of industry.

Social movements and new leadership

In 1975, the federal government inaugurated the *Proalcool* (Pro-alcohol) program to offset the effects of the oil crisis on the Brazilian economy, which was dependent on foreign oil. Ethanol made from sugar was seen as an alternative. The federal government provided incentives for the manufacture of ethanol from sugar. This program favored large sugar plantations and distilleries. In Piracicaba this resulted in the continued process of consolidation of land ownership into large agro-industrial enterprises. The buyout of small landowners further increased the flow of rural migrants to the city (Bilac et al., 2001). By 1980, the rural population of the Piracicaba region had decreased to 7.7% (UNIMEP/Banco de Dados, 1999). At the same time, the Dedini group increased production in its distilleries, which in turn required the employment of more workers. Thus rural employment declined, while industrial jobs increased. In the final analysis, the large government investment in alcohol resulted only in maintaining a stable employment rate in Piracicaba. The expected surge in development through modernization did not become a reality for most of the population, despite federal investments (Elias Netto, 2000).

The “Brazilian miracle” had not delivered on its promise of prosperity; on the contrary, social and economic problems increased and social movements emerged, demanding a new type of leadership and a change in government. A younger mayor, João Hermann Neto was elected in Piracicaba, replacing Adilson Maluf in 1976 (Elias Netto, 1992). Also by 1978, the missionary director, Richard Senn, who had succeeded through continued perseverance in his dream of creating a Methodist University, returned to the United States. Thus, just a few years after Caterpillar began to install itself in Piracicaba, the key leaders who had negotiated its arrival were either gone or out of office (Elias Netto, 1994).

The new city administration and the new Methodist University president, Elias Boaventura, inaugurated a period of political activism and leftist movements. The university initiated relations with entities in Nicaragua, Cuba and Palestine, as well as the newly forming leftist Brazilian Workers Union in São Paulo. In October 1980, the 32nd Congress of the National Student Union (at that time still an underground group) was held in Piracicaba with

more than 5000 students attending (Elias Netto, 2000, p. 315). Assemblies were held throughout the city at UNIMEP, ESALQ, and Municipal sport centers while families were asked to house students coming in for the congress. Piracicaba became known nationally as a center of political activism, where people could openly criticize the military government, and was nicknamed the “Socialist Republic of Piracicaba” (Elias Netto, 1994).

The challenge of “municipalization”

The 1980s would become known as a lost decade in Brazil due to the lack of economic growth and soaring inflation – the defining elements of “stagflation.” The military government had lost its credibility, industrial and agricultural production had fallen, the foreign debt was increasing, and inflation was out of control. As the city of Piracicaba continued to grow, new public works projects were inaugurated without public discussion or planning. “Piracicaba was becoming a big city without taking care to continue being a great city” (Elias Netto, 2000, p. 324).²

In the 1980s, the new democratic restructuring known as “municipalization” resulted in the decentralization of government services and the transfer of responsibilities and funding to the local cities. Those in favor argued that such a move would result in a more appropriate use of resources and would encourage local civil participation. However, critics of the strategy pointed out that without setting up democratic structures it could also reinforce control by local elites, and without appropriate planning, it could result in misuse of resources. Evaristo Marzabal Neves, Professor at ESALQ, questioned whether simply municipalizing without implementing new mechanisms to “rearticulate local forces in the direction of sustainable development” could lead toward effective economic and social development. He argued, “only administrative models integrated with partnerships and associations that are municipal and regional, public and private could save agricultural and municipal economies” (Neves, 1999, p. 41).³ Finally, he noted the haphazardness of municipal plans that lacked overall vision or strategic planning (Neves, 1999).

Municipalization was a new challenge for the city. Piracicaba residents dissatisfied with their political leadership elected the candidate for *Partido dos Trabalhadores* (PT), the Workers' Party, in the mayoral election in 1988. In the next elections, the people reverted to the "conservatives"; but little progress was made through the 1990s due to the lack of city funds to complete any new projects. Hopes in 2000 were once again placed on the reelected PT candidate, although his government continued to be stretched for lack of funding, and in any case did not appear to have any overall plan (Elias Netto, 1992).

This short summary demonstrates how tightly the history and development of Piracicaba is woven into the overall fabric of Brazilian politics and economic development, although like most cities in the interior regions, Piracicaba maintains its own peculiarities. Thus, the most important political issue at stake was the process of turning a militarily controlled country into a democratic nation. In economic terms, there was a surge toward industrialization particularly within the interior regions, while a rural exodus filled cities with people unskilled for industrial work. Unemployment, lack of infrastructure, and social problems followed. The "municipalization" process put the burden on the cities to provide answers to these problems; but the cities were not well prepared to develop and implement comprehensive strategies, reverting rather to piecemeal measures with limited effects.

Caterpillar's initial impact

The beginning of the relationship between Caterpillar and the city of Piracicaba occurred during a particularly interesting time of national historic development, when social movements against the military government were emerging and Brazil was re-initiating a process of building democratic structures. How should an incoming international business react to open political activism during military rule? These volatile social and political developments erupted almost immediately after Caterpillar's installation, and the company's initial reaction was to keep a low profile. In fact, over the last 30 years, Caterpillar's relation with the community might best be described as peaceful coexistence. No large scandals have arisen in regard to Caterpillar in

Piracicaba. It has maintained the reputation of a company that plays by the rules, pays its taxes, provides good salaries and benefits for its employees, and contributes to the cultural life of the city. Most of its energy has been directed inward, toward its own operations and employees. Quietly going about its business, Caterpillar did not attempt initially to establish a presence within the community.

It was not until 1993 that Caterpillar consolidated all of its Brazilian operations in Piracicaba (Caterpillar, 2003). Closing its operations in the city of São Paulo, Caterpillar moved 600 families along with nine other companies and suppliers to Piracicaba.⁴ This sudden surge in population produced a momentary bubble in the housing market, causing prices to suddenly increase (UNIMEP/Banco de Dados, 1999) and provided a new market for private schools. True to its tradition, Piracicaba now has over ten private schools, which compete for the middle and upper class students, while public schools continue to suffer for lack of resources.

The 20 years that it took Caterpillar to fully establish its operations in Piracicaba was probably longer than what was originally expected by the city leaders. Although additional jobs were opened in the new facilities during the 1970s, it was qualified labor that was needed and not the unqualified labor coming in from the surrounding rural areas and from other regions of Brazil. As the critics had foreseen, the rural exodus during that time was nationwide, filling most cities with too many people who were too poorly qualified to be absorbed in the developmentalist thrust toward industrialization (Elias Netto, 2000, p. 299).

By the early 1990s, the industrial district had been consolidated. In addition to Caterpillar, other industries of international importance, such as General Motors and White Martins (Brazil's leading supplier of industrial and medical gases), had installed themselves in Piracicaba. Although the city still continued to revolve around the sugar industry, Caterpillar's presence had the positive effect of encouraging other industries to the city, helping to offset the one-industry town syndrome.

When it came to social and philanthropic activities, Caterpillar began by taking care of its own. Like most international firms, Caterpillar has been able to offer a salary and benefit package beyond what local firms could offer. Already in 1978, Caterpillar

established a Chemical Drug Addiction Rehabilitation Program for employees and their families. In 1983, Caterpillar timidly began its community program. An internal campaign was organized once a year to collect items for Christmas baskets for needy children, and in 1987, food basket campaigns were organized for other philanthropic organizations. In the mid-1980s, Caterpillar began to offer apprenticeships for people with special needs from the *Associação dos Pais e Amigos de Excepcionais* (APAE), the Association of Parents and Friends of Exceptional Children. It also provided internships for young people from low-income families associated with the philanthropic agency, *Guarda-Mirim*. Perhaps in an attempt to offset criticism regarding its location, Caterpillar offered the Agricultural School a plot of its land to cultivate for agricultural experiments (Caterpillar, 2003, 2004a).

However, the occasional philanthropic activities and internships offered by Caterpillar did not make a big impression on the larger community. Piracicabans remarked that Caterpillar employees, like the company, had kept to themselves and remained aloof from community concerns and activities. They noted that rather than shop at local stores, Caterpillar employees preferred to go to Campinas, a city of 1 million people, about 60 kms distant, or to São Paulo.⁵ On the other hand, Caterpillar employees complained of higher prices and a more limited selection of goods and services in Piracicaba. They defended their limited social contact with Piracicabans, claiming that the “culture of excellence” within the Caterpillar corporation had caused them to expect and demand quality outside the confines of the firm as well. They said that instead of striving for excellence in quality and services, Piracicaba’s merchants had accommodated their standards to a population that simply did not know anything different.⁶

If Caterpillar employees tended to keep to themselves, the same could be said for long-time residents of Piracicaba, which is divided into a number of social cliques that are not always amenable to newcomers. If it took a number of years for the newcomers to adapt themselves to what they regarded as the small-town life of Piracicaba, it seems that it was not easy for people of Piracicaba to accept the big-city employees of international businesses coming from São Paulo.

Sustainable forest management

By the early 1990s, a national democratic government had been installed, a new constitution written and approved, and run-away inflation put under control. Many spontaneously organized social movements had transformed themselves into permanent non-governmental organizations, which were focusing their attention on specific issues such as violence against women, racism, and environmental preservation. The preservation of the Amazon rain forest became a noteworthy and lucrative area for NGO activities, attracting funds and support from international foundations. In 1992, the first UN Earth Summit was held in Rio de Janeiro, giving visibility to Brazilian environmental concerns and civil organizations (Landim, 1988).

Up to this time, Caterpillar’s social responsibility activities could best be described as philanthropic. The company had not committed itself to any long-term project of lasting significance. However, in the early 1990s with the development of environmental groups, criticisms arose that Caterpillar tractors were being used to deforest the Amazon. Due to these criticisms, Caterpillar responded by breaking out of its low-profile “peaceful coexistence” in Piracicaba, and attempted to develop a crisis prevention strategy.

In 1996, in response to continued criticism, Caterpillar Brasil embarked on an extensive outreach program called “Sustainable Forest Management.” The parent Caterpillar Inc. in the United States had already initiated work in 1990 with the *Fundação Floresta Tropical* (FFT), the Tropical Forest Foundation, in Belém in northern Brazil. By financing the FFT, Caterpillar served notice that it was supporting the practice of Reduced Impact (low environmental impact) logging. The FFT provides demonstrations, seminars, and training to show the advantages and teach the principles of sustainable forest management and has attempted to prove the viability of Reduced Impact Logging techniques in practical experiments on several lots of land in the Amazon basin. The process includes mapping the forest region, selecting trees for harvest, preparing the area, using special techniques for felling the trees and transporting the logs as well as organizing access routes in a rational way to reduce impact. Caterpillar provides equipment and tractors to be used in the logging process. The FFT claims that the use of these techniques is

not only less damaging to the forest, but also reduces the cost of logging (Caterpillar, n.d.).

Caterpillar also embarked on an aggressive campaign to publicize the work it had been doing with the FFT. The company prepared articles and information for the press, and offered seminars and training courses. These efforts, along with the production of a video on forest management techniques and the distribution of pamphlets to academic institutions, to organizations concerned with the forest sector, and to government agencies were designed to demonstrate that Caterpillar was an environmentally responsible corporate citizen. Caterpillar also sponsored an interactive thematic exhibit, “*Cochichos da Mata*” (Whispers in the Forest), for children ages 7–18. Participants could walk through 300 m of the “Brazilian tropical forest.” The focus of the exhibit was to provide a sensory experience of the forest ecosystems through the use of the latest audio-visual techniques, and to provide information about sustainable forestry activities. Materials for school groups were given out and students were invited to enter an essay contest on sustainable development. By 2003, more than 100,000 people had participated in expositions in São Paulo, Piracicaba, Brasília, and Belém (Caterpillar, 2003).

Community relations

But what about its relationship to the community where it was located? Caterpillar continued to offer benefits to its employees. Since the year 2000, Caterpillar Brasil has operated a Medical and Quality of Life Center: this facility provides medical and health services including physical therapy, psychological services, nutritional advice, and health-related expertise. Caterpillar also provided its employees with a sports club for family leisure activities with soccer fields, volleyball and tennis courts, gymnastic and playground equipment, swimming pools, etc. A total of 58 bus lines that serve 13 cities of the region were subsidized by Caterpillar to transport its employees, interns, and other collaborators to and from work (Caterpillar, 2002a). In line with its environmental theme, Caterpillar Brasil began a recycling program in its factory in the mid-1990s. From the receipts of recycling paper and plastic, school supply kits were purchased for employees' children.

In terms of the general community, Caterpillar sponsored specific, highly advertised, cultural events, such as contributing 30% of the costs for the *Passion of Christ* production presented every year in Piracicaba in an outdoor arena. It has also helped to sponsor the Nations Festival of Piracicaba, which supports local philanthropic organizations.⁷

In 2001, Caterpillar began to sponsor a children's after-school program in association with ESALQ university and the city, called *Pequeno Cidadão* (Little Citizen), which provides recreational activities, academic support and lunch on the ESALQ campus for 70 children bussed there daily from one of Piracicaba's poorest neighborhoods. Caterpillar is the major corporate financial supporter.⁸

By 2000, from its consolidated operations in Piracicaba, Caterpillar Brasil was exporting approximately 70% of its production to 120 countries and was ranked among the top 30 largest exporters in Brazil, manufacturing 26 different models of machines for the construction, mining, agriculture, forestry, and industrial markets. It was employing 2575 people directly, and had generated thousands more jobs among its suppliers and dealers. It was regarded as a good place to work in terms of salary and benefits. Besides its philanthropic and environmental activities, the company supported annual cultural events in Piracicaba and a few social programs (Caterpillar, 2002a). Nor had Caterpillar suffered any major scandals. Nonetheless its position in the Piracicaba community was still relatively weak.

Caterpillar steps up its activities

On the national level, the idea of CSR was beginning to catch on. In 1997, the eminent sociologist Herbert de Souza (Betinho) led a campaign for the annual publication by industries of a “social balance sheet.” This led to the development of various models and certificates for social action by business groups and NGOs (Bernardo et al., 2005, *Carta Capital*, 2003). The Instituto Ethos, founded in 1998 by Oded Grajew and other business people, has been active in raising awareness about CSR and promoting socially responsible business practices. One of its various initiatives has been the elaboration of the “Ethos Indicator for Social Responsibility” as a tool for businesses to evaluate their progress in social

responsibility and compare themselves with other businesses (Instituto Ethos, 2006). The government has also called for increased corporate investment in social areas. Despite Luiz Inácio Lula da Silva's landmark 2002 presidential election victory on a "socialist" platform, his government shared the general recognition that the State alone could not adequately provide for the needs of its citizens. Private-sector action would have to become involved in providing for the public (*Carta Capital*, 2003). This general trend toward developing social responsibility programs most probably influenced corporate executives at Caterpillar. However, the reorganization of the company at the international level also made the need for community development apparent. By the year 2000, currents began to change in Peoria. Having survived the recession of 1982–1983 and a series of labor disputes throughout the 1990s (Caterpillar, 2004b; Cimini, 1998), Caterpillar rolled out a new plan that emphasized a new vision and changes in strategic planning. As a result, Caterpillar international began to broaden its product line and services, while embarking on an ambitious plan for growth, cost reduction, and efficiency. It also sought to offer high level services and quality improvements throughout its global locations (Caterpillar, 2002b).

Within its factory in Piracicaba, Caterpillar introduced programs to increase worker safety. In 2000, the Brazilian government recognized Caterpillar for its employee safety program with the *Premio de Valorização do Trabalho* (Valorization of Work Award). Caterpillar Brasil also received the Brazilian National Quality Award in 1999 and received ISO 14001 certification in 2001, and ISO 9001:2000 in 2002. In 2000, Caterpillar was the first industry in Latin America, and 1 of 30 companies worldwide, to receive the Operational Excellence Certification (Caterpillar, 2002a). In 2001, Caterpillar officially adopted "6 Sigma," a fact-based decision-making methodology designed to improve quality and reliability and to increase sales and reduce costs. It has become the first company to do this simultaneously in all of its operations throughout the world (Caterpillar, 2002b). In both 2002 and 2003, the Brazilian company invested almost \$2 million in high-tech computer-based training and self-instruction programs. These programs included English language instruction, and general instruction at the primary and

secondary education levels. They also offered courses at the undergraduate and graduate levels (Caterpillar, 2003).

Due to Caterpillar's new global focus on strategic planning, the Brazilian corporation developed an audacious business development strategy entitled "Our Future, Today"⁹ – a play upon the well-known saying that Brazil is the perennial "country of the future."¹⁰ The project sought to shift people's thinking from the mindset of continually awaiting a better future to that of building the future now. Arguing that Caterpillar could not remain competitive as an "island of excellence," the strategy included community development. Caterpillar could not grow in isolation; it needed infrastructure, good suppliers, well-trained workers, and so on. Thus, the directors at Caterpillar Brasil decided to support the idea of organizing a city-wide strategic planning effort in line with UN "Agenda 21."¹¹ Community participants would label the local version of this protocol "Piracicaba 2010."

Piracicaba 2010: Caterpillar's immersion in community issues

In 1992, at the United Nations Earth Summit conference in Rio de Janeiro, 178 countries signed a commitment to sustainable development, which became known as Agenda 21. In order to reach the objectives of the agenda, each city in each country had the responsibility of creating a local plan of action in line with sustainable development goals. The government of Brazil, which had signed the protocol, called for all cities to develop a 10-year plan. Piracicaba was one of the few cities in Brazil that fulfilled this obligation and the only one in which organizations from civil society rather than the municipal administration took the lead in developing and writing the plan (Mourão, 2001).

Caterpillar influenced this process by gathering together 33 representatives of companies, universities, and other entities to meet voluntarily to develop an initial strategy. Political parties and city government officials were not invited in the beginning because it was an election year and Caterpillar feared that the meetings would be used for electoral politicking. But after the elections, the municipal government and other political entities were included,

totaling 39 people and making it a multi-party organization.¹² The group formed a non-governmental organization, "Piracicaba 2010, Realizing the Future," supported by the city's industries and commercial enterprises. Piracicaba 2010 included a Consulting Group consisting of the 39 original members, 12 of which formed an Executive Group. A City Council Group was formed with over 1,000 participants from different segments of society, including representatives from some 400 local associations (Mourão, 2001). Thus Caterpillar was able to sell the idea to other city firms and institutions, churches and associations, soliciting and winning their participation. Eventually the project became a city-wide movement.

By preparing three possible future scenarios for the city, the group members attempted to identify the principle strengths and weaknesses, threats and opportunities, future dreams, and possible strategies for the city. Local experts were chosen to research 25 topics concerning the city, using questionnaires and the aid of other institutions and people. Through a series of public debates on the various topics, a general diagnosis and vision of the future were elaborated. A second round of research and thematic debates was then initiated to develop macro-projects, strategies, actions, and projects (Mourão, 2001).

The entire process was extensively covered by the media, including interviews, the publication of research projects, and articles. A Web site was setup and an informative journal was distributed throughout the city. Meetings to discuss the projects were held in various neighborhoods and institutions. A contest was opened to all of the schools for students to draw a picture, and write a text on the theme: "The Piracicaba that we want for 2010." A book was published detailing the history of the city, a diagnosis of its needs, and strategies and projects designed to achieve different objectives. A large conference was held to present the final result of the deliberations. Finally, work groups were formed to implement the diverse strategies and objectives (Mourão, 2001).

Caterpillar contributed its expertise to this process. Top employees dedicated hours of work to the project, and the company provided financial support. The project was hailed as the best thing that had happened to the city in decades. If something was

amiss with the political and economic development of Piracicaba in the last years, it was lack of an overall plan. Armed with the know-how of strategic planning, Caterpillar was able to capture the general mixture of anxiety and hope of Piracicaba residents and sublimate it into a productive, democratically organized model of civil society, in which hopes and dreams were organized into categories, each with a plan of action, outlined according to objectives and strategies.

According to the plan, Piracicaba in 2010 would be a city with diversified agricultural activities that set a world standard in sugarcane production and technology. Slums would be eradicated and low-income housing built. Intermodal forms of transportation would be implemented and new highways constructed. Quality of life would be improved and Piracicaba would become a model city of the future. An urban plan that included adequate drainage, solid waste disposal, and water treatment would be implemented. The historic center would be revitalized and tourist landmarks renovated. Trees would be planted, new parks created, and fish would return to the river (Mourão, 2001).

Responses to Piracicaba 2010

Would Piracicaba 2010 be a turning point for the city, where citizens would work together on common goals, rising above personal or political interests; where open debates would strengthen democratic channels and political transparency, providing the needed conditions to make the 2010 plan a thriving reality, turning utopia into reality? Years of implementation of the 2010 plan loomed ahead. Already, during the process of creating the plan, critics remarked how some interest groups and individuals with positions in key communities were "occupying spaces," exchanging information, and allegedly biding their time, ready to seize opportunities for future financial or political gain. One cynical resident, doubtful of any real change, described Piracicaba 2010 as "an excuse not to do Piracicaba 2001, 2002, 2003."¹³ Some accused Caterpillar of using the plan as a means to gain publicity; that its intention was to make a big show and then quietly back out. Another resident wondered if Piracicaba 2010 was the "Trojan Horse" for

Caterpillar to mark a presence in the city and gain access to city power.¹⁴ By 2003, residents were asking if Piracicaba 2010 still existed. Committees were slow to organize, people lost their enthusiasm, processes appeared to stop at city hall, experts dropped out and left the work for less competent residents.

But some projects appear to be developing. The mayor was able to secure a donation of R\$4 million (roughly U.S.\$1.25 million) from Petrobras, the state-owned oil company, for the beautification of the riverbanks. The project was turned over to Piracicaba 2010 to implement. Once again, industrial leaders, including Caterpillar lawyers, engineers, and executives were donating long hours and weekends to develop a suitable project for the city. A state-of-the-art emergency health post was completed and is awaiting city and state funding in order to operate. Other projects are quietly being pushed through the necessary channels.

Almost halfway towards its completion, Piracicaba 2010 will probably not be the grand success of a fortified and resilient civil society, nor will all of the goals be realized as originally envisioned. What appears to be happening is that small groups of individuals and entities will continue working in closed rooms on isolated projects that will provide limited benefits to the city. However, the fact that the city residents, businesses, associations, churches, and institutions were able to come up with a plan and vision for the future continues to be cited as the most important aspect of Piracicaba 2010. In this case, the experience and learning process could be considered as valuable in and of itself.

In general, residents and community leaders do not consider the project to belong to Caterpillar anymore. Although it was Caterpillar's initiative that instigated the process, there were a number of other important actors that adopted the project and invested in it. The president and directors of the Methodist University of Piracicaba, for instance, embraced the project and offered the use of the university facilities for meetings, while administrators, professors, other employees, and students gave of their time and expertise. The largest city newspaper, *Jornal de Piracicaba*, and other industries, banks, commercial establishments, professional associations, community groups, churches and religious organizations, schools, city councils, political parties, unions, foundations

and NGOs participated in the project. Piracicaba 2010 was by definition a collective project and a collective responsibility.

Community-based analysis of CSR

This study has traced how Caterpillar Brasil broadened its focus from its own internal development to the development of the community as a whole. What can we make of Caterpillar's involvement in the community of Piracicaba? With the advantage of hindsight, what could have been done differently to better benefit development? What efforts worked well?

It is still unclear if the installation of the industrial district in the eastern area was the most appropriate use of these lands. It is also unclear whether Caterpillar executives knew of the directors' plan against the use of the eastern lands for industrial use. It appears that Caterpillar simply made a list of demands and left it up to the city to come through with a proposal. The participation of the mayor, the landowner, and an American missionary certainly added credibility to the project. At best, we could judge that Caterpillar was unaware of the political intrigues, or simply indifferent. On the other hand, Caterpillar was not new to Brazil, and Piracicaba was a mere two-hour drive from its installations in São Paulo. Caterpillar representatives certainly investigated the location.

An open forum to discuss the suitability of the land for industrial use versus the need to consolidate an industrial base might have resulted in interesting alternatives. However, in the 1970s, the urgency felt by some of the city leaders to entice Caterpillar was not conducive to such a process. Problems of city planning are not unique to Piracicaba and as Caterpillar and other companies continue to expand internationally, independent studies of the suitability of the industrial areas may help to develop more appropriate and sustainable options. While time consuming, over the long run, they may result in more favorable results.

Perhaps the most important initial action of Caterpillar was its decision to move to Piracicaba, thereby motivating other industries to do the same. With an overdependence on the sugarcane industry, Piracicaba needed to expand its industrial base.

The fact that Caterpillar was not intrinsically connected to the sugarcane industry is, in and of itself, a positive contribution. However, Caterpillar did not initially help to solve the unemployment problem as early city officials had envisioned. In fact, a crucial problem with the industrialization process, not only in Piracicaba, but also on the national level, was the abundance of unskilled labor available, in contrast to the need for skilled labor. Within Piracicaba 2010, there have been discussions of developing a coordinated training program between educational institutions of the city and industry and commerce. Educational institutions would provide training in accord with industrial and commercial needs. Such a project could have been initiated decades ago. In fact, Caterpillar's internal training program, while certainly state-of-the-art, could have been developed much sooner. Caterpillar would have gained considerable prestige in the community had it first provided the necessary training for local people. As industries develop and labor needs evolve, multinational industries could serve their local communities by offering training programs or by working together with educational institutions to offer such programs. While Caterpillar certainly does this, an emphasis geared toward adult elementary education and lower-level jobs appears to be most urgent for the community.

Caterpillar's initial adoption of a low profile with respect to the political affairs of the city probably made good sense from a business point of view. Although local companies contributed to the "not-so-underground" Student Union congress, Caterpillar was a newcomer to the city and probably unable to make a clear analysis of this volatile situation. However, it was a time when social issues were in the forefront, and Caterpillar could have listened better to the anxieties of the community and interacted more through "neutral" activities such as training programs, cultural and social projects, and employee volunteer programs. Most of Caterpillar's initial contributions were in the form of timely and highly publicized events rather than consistent support for long-term projects. Thus, as a newcomer to the community, Caterpillar could have been more proactive in attempting to integrate employees moving in from São Paulo, thus assuming the role of an integral player in community development.

Caterpillar's work with the FFT and its educational exhibitions were good for business. With the emergence of ecological organizations and with the potential for harsh criticism, Caterpillar was able to turn the tide by embarking on a crisis prevention strategy that identifies it as a business working toward the sustainable use of the Amazon. The thematic exposition helped to bring this project to the local community where Caterpillar was located.

Piracicaba 2010 marked the insertion of Caterpillar into the very fabric of community affairs. It also provided a model for interaction among businesses, civil society groups, and government agencies. This has the potential to be repeated in other contexts. It sets an example of how an international company might use its political clout and influence to create a project for opening democratic channels, developing strategic plans for the broader community, and promoting public debate.

However, this project is not without its critics. Regarding remarks made that Caterpillar's interests in the project were largely self-serving, we can conclude that Piracicaba 2010 did serve as a very successful public relations campaign for Caterpillar and the company did gain considerable political influence with the effort. That the interests of Caterpillar are intertwined with the interests of the city and that Caterpillar would somehow gain from the completion of the plan does not seem to be a harsh critique. After all, calling people together to work on common interests is a fundamental aspect of democratic participation. Some city officials believe that Caterpillar, with its newfound political power, is trying to run the city. This criticism might be due, in part, to Caterpillar's attempts to see projects implemented and completed. Obviously, Caterpillar is most interested in furthering those projects that would also help its business. Some of Caterpillar's top executives and other employees still dedicate considerable time and energy to this project. How far should Caterpillar push for projects? How much should Caterpillar control?

The ambivalence felt toward Caterpillar with regard to Piracicaba 2010 demonstrates the limits to Caterpillar's expertise. The strategic planning component was done successfully, but Caterpillar had no previous experience in community or political organizing. Perhaps it underestimated the complexity of implementing these goals. Obviously, the "culture

of excellence” inside a firm cannot be superimposed on the political intricacies of city planning and development. While a certain superiority complex might still be inherent in the thinking of Caterpillar executives and employees, they have had to discover that implementing city plans within an increasingly democratic society is quite different from building and selling construction machinery. One could also argue that Caterpillar’s efforts would have to be judged in relation to the overall context of Piracicaban civil society. Limitations in the ability of community enterprises and government institutions to work together are reflected in the project. Caterpillar could hardly advance a civil-society project that would go beyond the limits of that society.

On the other hand, Piracicaba 2010’s success was incomplete because it failed to create mechanisms by which civil society would continue to participate. When certain interest groups began to control projects, channels were blocked for continued debate and action. This study demonstrates that if such a project is to be more than a one-time focus of democratic discussions on development issues, or a window of opportunity for individual interests, it must be viewed within a wider picture of the long-term process of involving a variety of stakeholders in continued democratic discussions and actions.

In postcolonial nations such as Brazil that have a history of military governments and elite control, it appears easier to slip back into authoritarian modes of decision making than to continue transparent and democratic procedures. In short, despite Caterpillar’s advertising to the contrary, the project lacked a broadly based civil-society orientation. The success of Piracicaba 2010 will depend on the continuing involvement of Caterpillar and other actors, and their willingness to remain attentive to community concerns, incorporate a variety of stakeholders in the process, and keep channels of communication open. Rather than direct its energies only on results, Piracicaba 2010 would benefit by also focusing on process.

Conclusion

At the beginning of this study, I stated that for a corporation to contribute to the overall development of a region, it needed to be aware and involve itself in the issues at stake within that region. These issues are

not limited to economic concerns but also include political, social, and cultural issues particular to that region.

As one long-time Piracicaba resident and community leader said, “Caterpillar was born already big.” Like most international firms, it came ready-made into a city. While Caterpillar can be commended for realizing the importance of taking good care of its employees, it took considerable time to become concerned and, ultimately, to identify with the community needs and issues. Once the company realized that the problems of the community were also its problems, it was able to develop projects that addressed these issues more directly. By promoting democratic discussion on the sustainable development of the city, Caterpillar was responding to the general concerns of the city and the nation at that time. It was also responding to its own needs. Caterpillar could not excel on its own, in isolation. Caterpillar’s contribution to the development of the region and to its own development will depend on its ability to continue dialog and partnerships between private and public sectors.

Notes

¹ Personal interview, Suely Agostinho, Director of Governmental and Institutional Affairs, Caterpillar, Piracicaba, Brazil, February 20, 2003.

² Translation by M.Griesse.

³ Translation by M.Griesse.

⁴ Personal interview with Rosa Morais, Press Relations Advisor, Caterpillar Brasil, Piracicaba, March 5, 2003 (see also Caterpillar, 2002a).

⁵ Personal interview with community resident, December 13, 2003. I have agreed to keep community residents anonymous.

⁶ Interviews with several Caterpillar employees whom I agreed to keep anonymous, June–July 2004.

⁷ Interview with Rosa Morais, March 5, 2003.

⁸ Personal interview with Marcos Folegatti, Campus Mayor at ESALQ, April 17, 2003 (see also Caterpillar, 2003).

⁹ Personal interview with Rosa Morais, Piracicaba, Brazil, June 28, 2004 (see also Agostinho 2000).

¹⁰ In *Brasilien. Ein Land der Zukunft* (1941), the German writer Stefan Zweig optimistically described Brazil as the “Land of the Future” (see p. 00, note 1).

¹¹ Personal Interview with Rosa Morais, Press Relations Advisor, June 28, 2004.

¹² Ibid.

¹³ Interviews with community residents July 2003–June 2004.

¹⁴ Personal Interview with community resident, December 13, 2003.

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Methodist University of Piracicaba
Rua Boa Morte 1257, Centro,
13400-911, Piracicaba,
SP, Brazil
E-mail: magriesse@unimep.br