

FGV Business Excellence Award

Eduardo Heusi Costa, from Rio de Janeiro

Created in 1991, the FGV Business Excellence Award seeks to recognize excellence in the business world by annually identifying among the Top 500 Brazilian companies those businesses that have shown good profits and moderate levels of risk, contributed to the country's development, and served as a model of excellence to the market. In its 19 years of existence, the award has been presented 234 times to 129 nonfinancial Brazilian corporations.

Ascent of publicly traded companies — An analysis of the profile of recipients of the award confirms that a trend that began in 2000 has been sustained: there has been a relative increase in the number of awards given to publicly traded companies. Even though the rate of opening companies to shareholders slowed down in Brazil last year, particularly after the international financial crisis, this year's awards confirm the positive effects brought about by increased transparency and a commitment to clear corporate governance rules. Between 1991

and 1999, 31.5% of the awards were granted to publicly traded companies and 68.5% to nonpublic companies. The situation reversed in 2000, when 62.7% of the awards were presented to public companies. The trend might be ascribed to the Bovespa initiatives starting that same year, aimed at encouraging businesses to adopt a more transparent and professional management model. Levels 1 and 2 and New Market were then created for securities issued by companies voluntarily embracing good corporate governance practices and publishing in-depth information beyond the standards required by law. The initiatives sought to improve the quality of the information made available to the market and to enhance shareholders' rights in the Brazilian market, which in turn helped to increase the value of the businesses adopting this new set of rules.

In the 19 years of the Excellence Award Brazil has undergone periods of political and economic instability; companies honored with the award, however, have continued to be sound. The results relating to award recipients this year indicate that they average 19.3% profitability; the average of the Top 500 corporations in 2009 was 13.1%. The debt-equity ratio of 1.16 of companies receiving the award is lower than the 1.39 average of the Top 500 corporations, which confirms that those businesses continue to be cautious about intensive use of third-party capital, even though their profitability is impressive.

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Of the 129 award recipients to date, no company has gone bankrupt, though some have been taken over by other businesses or have gone private and ceased to publish their results.

This year the award recipients rank, on average, at 110 in the Top 500 rankings. In the 19 years of the Business Excellence Award, the average ranking has been 171. The larger size of the average corporation today reflects the trend toward the increased soundness of the publicly traded companies as a consequence of enhanced professionalism in management.

Of the 11 companies receiving the award this year, 4 (about 36%) are first-time recipients, maintaining the average rate of renewal of the list of FGV honorees over the years. The first-time recipients are: Confab, Hotelaria Accor Brasil, Bunge Fertilizantes e Duke Energy. Among the repeat honorees, the record goes to Natura Cosméticos, which has received the award for five consecutive years. Next come Comgás (fourth-time recipient, third consecutive award), Whirlpool (third-time recipient), and Lojas Renner, Grendene, Petrobras Distribuidora, and AmBev (all second-time recipients).

Performance by region and activity — Of the excellence awards presented by FGV to date, 68.7% are in the Southeastern region; together, the states of São Paulo and Rio de Janeiro have received more than half the awards (57.1%). The Southern region comes in second, having

received 19.7% of total awards (29 companies, of which 19 are in the state of Rio Grande do Sul); next is the Northeastern region, with 6.4% of the awards (11 companies, with 3 companies each in the states of Ceará, Bahia, and Rio Grande do Norte) and, finally, the Northern region has 3.0% of the awards and the Center-Western region 2.1%.

The industries with the highest number of award recipients since 1991 are food products (13); chemical products (12); nonmetal minerals and metallurgy (10); telecommunications (7); mining and construction (6); and wholesale trade (5). 

How the award is granted

The FGV Business Excellence Award has been granted yearly since 1991 to a group of companies ranked in the Top 500 Brazilian Business Corporations, as recognition of their competence and entrepreneurial efficiency. The companies are selected by the Vargas Foundation, specifically by the economists and analysts at the Brazilian Institute of Economy (IBRE), who take into account each company's recent performance in terms of objective economic and financial parameters; they examine particularly the results of the financial year immediately before the award year.

Companies eligible for the Business Excellence award are those that have posted positive net results for the last three financial years and have secured high levels of profitability and a sound financial situation, taking into account reference parameters in their sector of activity.

For the 2009 awards, 11 corporations from different sectors were selected after an assessment of their performance during the reference period, as reflected on their consolidated balance sheets.

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