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# The Decline of Large Brazilian Companies

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## The Decline of Large Brazilian Companies

### ABSTRACT

This article focuses on the organizational decline and, more specifically, the evolution of a selected group of Brazilian companies that were included in the Largest and Best ranking of Exame magazine in the period between 1974 and 2006. Our descriptive analysis shows two main effects: firstly a high rate of decline among the largest Brazilian enterprises and secondly, that there is an acceleration of the decline process, that is: the companies have become gradually less capable of maintaining a superior level of competitiveness during an extended period of time. The study of the strategy, as a discipline, that seeks to understand and aid companies to capture and sustain a competitive advantage shall be reinforced by the understanding of the causes of unsuccessfulness and the loss of their ability to sustain competitiveness. Organizational Decline is, in this context, a process that warrants further analysis.

**Keywords:** organizational decline, Brazil, strategy

## INTRODUCTION

Whetten's 1980 study entitled "*Organizational decline: a neglected topic in organizational science*", brought to the attention of researchers the importance of the research, study and teaching of organizational decline. Admittedly, the majority of studies in administration focus on the success of business and not the failure, or decline, thus calling for further studies in order to identify and explain one of the basic issues in strategy: why some organizations fail where others succeed.

The growth and longevity of organizations is a current topic, even if perhaps tangential, in various studies and authors. Chester Barnard (1938), for example, argued that the ability to survive is the true measure of a company's success. For other authors such as Scott (1976), Bedeian (1980) and Ford (1980), growth is a normal state of organizations. Even Edith Penrose's (1959) study, today considered a classic article on *resource-based view* (RBV), deals with organizational growth. For the author, the expansion of companies is mainly based on the opportunities of using heterogeneous production resources in a more effective and efficient way (Penrose, 1959).

The problem in the viewpoint of business methods, which has an impact in academic research, is that a significant part of businesses do not survive. Some companies fall various positions in the performance rankings – such as popular "Largest and Best" classifications – others even try to undergo transformation (restructuring or turnaround) obtaining different levels of success, and many end up defunct. Large national and multinational companies are not immune to this last scenario and evidence of this is in no case anecdotal. Businesses that grow by following an analogy with living things decline and die (Hoy, 2006). It is thus explained that the display of theoretical and empirical life-cycle models have proliferated, even if moderately, in the study of organizations (for example, Adizes, 1988, Chandler, 1993, Gersick et al., 1997). These cycles of growth and decline are part of what we designate as "organizational dynamics" (Weitzel and Jonsson, 1989, p.91).

Despite an increased interest in carrying out studies that investigate temporal aspects of the organization (Miller and Friesen, 1980; Cameron and Whetten, 1981; Whetten, 1987) and its life-cycle (Kimberly and Miles, 1980), the study of decline of organizations only gained a greater momentum from the

1980's onwards (for example, Bedeian, 1980; Mites, 1980; Wheten, 1980; Cameron and Zammuto, 1984; Murray and Jick, 1985; Cameron, Wheten and Kim, 1987; Sheppard, 1994). In the studies regarding decline, according to Mone, McKinley and Baker III (1998), some researchers concentrate on defining what would be organizational decline (for example, Greenhalgh, 1983; Cameron, Kim and Wheten, 1987). Whereas, other authors seek to explore models that describe environmental changes which influence the decline and its impact upon the organizational structure (for example, Zammuto and Cameron, 1985; Sutton, 1990). Yet others focus on the consequences of organizational decline in businesses (for example, Freeman and Hannan, 1975; McKinley, Ponemon and Schick, 1996). However, in spite of an increase in research, the subject is far from saturated, even if only due to the difficulty in accessing empiric data that test theoretical proposals which other studies present analysing and comparing businesses. In truth, we do not yet dispose of an objective idea of how characteristic or typical the process of decline really is.

The objective of this study is to call attention to the importance of investigation regarding the decline of organizations, more specifically the decline of Brazilian organizations, by verifying, in an essentially descriptive study, if the main national organizations are going into decline with more frequency. Although the importance of this theme has been recognised and the apparent decline has been verified in many national companies, a bibliographical research into the main academic magazines indicate a notable lack of academic work related to themes such as decline and turnaround. Nevertheless, the fact remains that the study of decline within Brazilian businesses is important, given that according to data from research conducted by Fundação Dom Cabral (EXAME Maiores e Melhores, 2008), the mortality rate of businesses which previously composed the top 500 Largest and Best in Brazil is of 77% within a 35-year period. Additionally, the same research confirmed that there were only 2% of centenarian companies among the top 500 in the year of 2007 in the country, whereas in the United States this figure is closer to 39% on the Fortune 500 ranking. However, our effective knowledge is still brief in relation to this subject, given the aim of this article to contribute to better understanding of this problem in Brazil and with resources to Brazilian companies. It is thus a

pioneering step toward the future identification of organizational decline factors and the strategies to put into place to avoid this degeneration.

This paper is organized in the following format: the initial part shows a brief theoretical revision regarding organizational decline. The second part shall present the methodology used, the data and the results of descriptive tests. We conclude with a detailed discussion, limitations of the study, implications to the theory and practice and suggestions for future investigation.

## **LITERATURE REVIEW**

### **Defining Organizational Decline**

There is no exact, unique or decisive definition of the meaning of decline in academic literature (Kimberly, 1976; Cameron and Wheten, 1983). Work related to decline was developed through the use of the same conceptual base utilized by studies aimed at explaining success. For example, studies regarding interdependency between organizations and their external environment (Lawrence and Lorsch, 1967; Meyer, 1978; Aldrich, 1979), studies focused on dependency of resources (Pfeffer and Salancik, 1978) and even the ownership of superior strategic resources (Barney, 1986, 1991). Other contributions come from studies related to uncertainty (Simon, 1962; Thompson, 1967; Cohen and March, 1972) and crisis management (Smart and Vertinsky, 1977; Starbuck, Greve and Hedberg, 1978; Milburn, Schuler and Watman, 1983). Some authors consider decline to be somewhat inevitable, given that companies follow a more or less pre-determined life-cycle which, eventually, will lead to the organization's demise. Mintzberg (1984), for example, argued that organizations reach a maximum point and afterwards begin to decline.

Decline looks to be related to the ability of being competitive. Competitiveness, according to Ferraz, Kupfer and Haguenaer (1996, p. 3), can be defined as "the ability of a company to develop and implement competitive strategies, which allows it to broaden or preserve, in a lasting way, a sustainable position within the market". Thus, studies about competitiveness are related to decline and it was a loss of competitive ability in transformation within the North American industry, especially in the face of competition from the Japanese industry during the 80's, that would have given incentive to studies associated with this subject (Possas, 1999). In Brazil, from the 1990's onwards, with the

opening of its economy to foreign markets, businesses and market sectors began to have a propensity to suffer the same effects felt by North American companies – faced with competitive inability, companies are consequently expelled from the market.

Decline has also been associated with factors such as size of the organization, loss of market space, reduction of assets, decline in profit margins, a fall in share prices, reduction of the organization's dimensions (refer, for example, to: Greenhalgh, 1982, 1983). Notwithstanding, in their majority, these will be consequences of decline and not *ex ante* factors that would predictably lead to decline. Other authors argue it is related to the retraction of the market and the inability of the company to react to mutations in demand (Miller and Friesen, 1984; Cameron et al., 1987; Weitzel and Jonsson, 1989; Castrogiovanni, 1991).

Wheten (1980, p. 577) in his precursory article about the subject, affirmed that "the organizational decline, although of important and fundamental concern to organizations, has been given little attention by research". Cameron, Sutton and Wheten (1988) argue that around three-quarters of the academic literature on organizational decline appeared after 1978. From then onwards an understanding of decline and success of organizations has turned into a central topic of international academic research in administration (Fleck, 2004), but not, at least not in clear terms, in Brazil. Nor in Brazil has it been approached in an extensive form so as to allow us to retain a comprehensive understanding of why companies lose their competitive ability to such a level that will lead to their dissolution

In the table below, table 1, we systemize some definitions of decline based on fundamental work published from the 1980's onwards.

**Table 1.** Definitions of Organizational Decline

Author	Definition or sense	Note
Grenhalgh (1983, p. 232)	"Decline occurs when the organization is unable to maintain the ability to adapt in response to a stable environment, or when it cannot increase or extend its control over the market niche where it faces gradually increasing competition."	Decline in this case is defined as the opposite of adaptation. The environments, in general, are not stable and the static concept is limited.

Levy (1986)	Defines organizational decline as the lack of awareness of environmental threats, organizational weaknesses and not establishing remedial actions under these circumstances.	The definition adds lack of attention to environmental threats and lack of action.
Weitzel e Jonsson (1989, p. 94)	"Organizations go into a state of decline when they fail to anticipate, recognise, prevent and neutralize or adapt to internal or external pressures that threaten the organization's long-term existence".	The authors incorporate to the previous definitions the difference between decline and periods of consolidation as well as the additional organizational answers to demand for products and services.
Rozanski (1994)	Decline is a condition in which occurs a substantial and absolute decrease in the base of the organization's resources.	In this definition, the loss of resources indicates decline.

A common aspect in relation to numerous authors who try to define decline is that it seems to occur along an extensive period of time. Additionally, a common aspect in various studies of decline is the distinction between the types of decline. Whetten (1980), for example, classifies decline according to two types of situation; *stagnation*, which is more likely to occur in passive and less flexible organizations; and *reduction*, in which there is a loss of market share and decrease in competitiveness. Other authors, according to Whetten (1980), also emphasize stagnation periods (Greenhalgh, 1983; Cameron and Zammuto, 1984). Pandit (2000) argues that the failure of organizations has been defined as "a threatening decline of existence" in performance. Walshe et al. (2004) distinguish between abrupt and gradual decline, noting that these can be precipitated by internal acts or inactivity, as well as by external and environmental events.

### **Evidence of Decline**

Jim Collins and Jerry Porras (1994) present, in their best-seller "Made to Last", eighteen visionary companies that had constantly surpassed their rivals between 1950 and 1990. Hamel and Välikangas (2003, p. 1) observe that "only one-third of these companies managed to maintain themselves above the Dow Jones index in the last ten years". Among the companies that were not able to remain in the Dow Jones were names of renowned multinational companies such as Disney, Motorola, Ford, Nordstrom and Sony. Even considering the Dow Jones index in 1896, when it was created, it was made up of twelve companies; however only one of these original companies currently remains on the listing:

General Electric (Waite, 2003). Given its ability to grow and survive, General Electric has been extensively studied, including in Brazil (refer, for example, to: Fleck, 2004; Serra and Ferreira, Forthcoming).

Mische (2001, p.3) whilst arguing about "strategy renewal", raised some interesting points: 70% of the largest existing companies in 1955 ceased to exist by 1983; around one-third of companies listed in Fortune 500 in 1970 were no longer listed in 1996; 40% of companies listed in Fortune 500 in 1980, had disappeared from the list in 1996; the average life expectancy of a large industrial company is of approximately 40 years.

Hamel and Välikangas, (2003, p. 1) assure that "the large companies are failing more frequently (...) Of the twenty North American bankruptcies occurred in the last two decades, ten occurred in the last two years". It is worth pointing out that in Brazil the scenario is not much different: we watched the ascension and the decline of big Brazilian companies such as Facit, Mesbla, Ultralar, Enxuta, Arapuã, Transbrasil, Vasp, Varig, Bombril, Gradiente, and Casas da Bahia, among others. It is worth weighing the reasoning here described; the reasons as to why companies fail to maintain their competitive ability or superior profitability for an extended period of time is not clear. In other words, it is not clear why their competitive advantages do not seem to be sustainable and decline to the point of, at least in certain cases, their demise.

Literature regarding business longevity has studied certain factors that contribute to the lack of success such as: inertia factors, discontinuity within the industry, change in product life-cycle, internal dynamics of the organization (Romanelli, 1986), leadership crisis, autonomy and control, excess in bureaucracy (Greiner, 1972), among others such as ease of reproduction by rivals. McKiernan (2002) classifies these factors in four groups that include symptoms of physical decline, management decline, behavioural decline and financial decline.

Also, research into organizational decline, in a more detailed perspective than this paper presents or uses focuses on inertia and the inability to adapt to an environment in constant change; the inability of companies to develop internally or acquire strategic market resources (Barney, 1986, 1991) that would allow them to sustain their advantage over rival companies. In some cases

researchers have identified factors associated with executives (refer, for example, to work *managerial hubris* from Hambrick and Cannella (2004)).

The factors that contribute to loss of relative competitiveness, as observed by studying companies included in existing rankings or the Dow Jones index are varied. It is reasonable to suggest that some factors are associated with the sector of activity, or industry, given that previously the index was composed of industrial companies that manufactured and commercialized commodities, mineral extraction companies and energy companies. Of the twelve originals only one has survived. In reality, the index today is more sophisticated, including companies of various other sectors (Waite, 2003).

Although many authors focus on organizations in their period of success and propose methods for growth and overcoming difficulties (Pascale, 1984, 1996; Porter, 1980, 1985, 1999; Collins and Porras, 1994; Ghemawat, 2000; Kim and Mauborgne, 2005), Hamel and Välikangas (2003) affirm that during the last four decades the volatile rate of return from companies listed in North American S&P 500 has grown approximately 50% despite the vigorous effort by management to administer their profits. In the 1990's less than 5% of companies listed in the S&P 500 and the English FT100 were able to maintain profit margins for their shareholders for a consecutive five-year period within the limits of the upper quartile. Although these are simplistic statistics, they have origin in the existence of powerful processes that explore the ability of the company to continue accruing value (Williamson, 2003, p. 319) in a sustainable and unique way.

In summary, evidence points to a disturbing level of decline, or at least surprising, among Brazilian companies. A survey conducted by the Largest and Best magazine itself in 2002 showed that around 80% of companies included in the first ranking elaborated in 1973 were no longer included in the list in 2002. This evidence is intriguing however has not yet been the object of relevant studies as it deserves to be. Consequently, the level of knowledge we possess does not allow for clarification regarding what is happening in the business world, nor regarding what has changed in terms of competition, which is dramatically viewed as an essential corner-stone in terms of business strategy: aimed at studying, explaining and aiding companies in obtaining a sustainable competitive advantage.

### **Review on Performance Decline in Organizations**

Existing literature dealing with decline has adopted various perspectives and objectives. Pandey e Verma (2005) argue that academic studies point to two main approaches. One approach examines various factors in organizational decline and turnaround, with analysis based on cross-data (Hambrick and Schechter, 1983; Barker and Duhaine, 1997; Castrogiovanni and Bruton, 2000). The second approach concerns itself with various company processes related to decline and turnaround (Van de Ven and Huber, 1990). Schendel e Paton (1976) and O'Neil (1986), i.e. they consider a process by which turnaround strategies are implemented to avoid decline.

The perspectives adopted contemplate distinct objects, for example: Starbuck, Greve and Hedberg (1978) and Taber, Walsh and Cook (1979) also studied decline in companies, and in particular Levine (1978) and Biller (1980) studied the decline in public administration. Jick and Murray (1982) studied decline in healthcare administration, and Cyert (1978), Petrie and Alpert (1983), Berger (1983) and Cameron (1983) in educational administration.

Jas and Akelcher (2005, p. 199), when studying the decline in organizations of the public sector, classified the causes of decline from academic literature (refer to Levine, 1978; Whetten, 1988; Meyer and Zucker, 1989; Anheier, 1999; Mellahi and Wilkinson, 2004) in two groups: "the identification of sources of decline (internal and external) and the ability of these organizations to influence or manage this decline". The sources of external decline can be of two types: important changes that hinder the running of the company or changes in client

preference. Other sources of decline are internal to the organization and are related to the lack of competency in running the company in an efficient manner. (Jas and Akelcher, 2005).

Walshe et al. (2004) argue that literature linked to decline of business and turnaround in organizations with profitable aims can be divided into three areas: (a) empiric quantitative research, using data to analyse cross-populations or longitudinally, normally used to verify standards or analyse theories related to causes of failure or strategic intervention; (b) qualitative empiric studies which tend to use a small quantity of case studies, mainly containing data from interviews, documentation, observation and other sources for the detailed presentation of cases in which failure and turnaround situations occur: and (c) theoretical work aiming to describe and explain empiric findings and organise the theoretical content related to failure and turnaround.

In Brazil, considering the works of Enanpad, the leading Brazilian academic congress in the area of administration, for example, there is little research specifically tackling decline, or organizational failure and turnaround. Given the void in the knowledge we hold and the importance of this theme, this study seeks to present a contribution, even if exploratory and descriptive, in dimensioning the importance or gravity of the topic to large Brazilian businesses. We thus attempt to verify the point to which the organizational decline of large Brazilian companies is a relevant phenomena – companies that would predictably be the ones with the best performance and largest dimension. More specifically: analysing if the loss of performance is abrupt, if it can be analysed by isolated events or if it is gradual and possibly the fruit of continuous decline for a period of time which may or may not be extensive.

## **METHOD**

This is an exploratory, descriptive and explanatory research. Exploratory as it is essentially probing, being performed in a field where there is little accumulated knowledge. It is descriptive because it aims to present the status of the strategic decline in Brazil, especially in relation to time for the loss of competitiveness. It is conducted by description and analysis of data collected from secondary sources.

For the means, the research is documental, bibliographical and *ex post facto*. Documental, as the study is based on data collected from Exame magazine's Largest and Best listings along the considered period: from 1973 to 2006. This procedure incited the usage of 2.859 companies. Bibliographical as it intends to provide analytical tools to face the theory related to organizational decline with results obtained from the research.

## **RESULTS AND ANALYSIS**

All listings of the "Largest and Best 500" Brazilian companies which had been published by the Exame magazine in the period between 1973 and 2006, inclusive, were collected. As well as company names, other indicators were also collected. Using the criteria of net profit, data was classified and separated into companies belonging to the upper quartile of each year. That is, a group of top performers were identified as being the 25% (or 125 companies) of the 500 with the highest profit margin. The choice of the upper quartile is relatively random, however it permits the analysis to be limited to only "best of the best" among the companies, with the best performance being one of the fundamental indicators in the evaluation – companies that manage to maintain a higher level – superior to average companies – during a prolonged period of time have a tendency to have greater competitive ability and eventually enjoy a competitive advantage, independently from whether the source of these advantages are internal i.e. being based on strategic resources, or external i.e. benefiting from governmental policies.

With the aid of a tailor-made database developed with the use of Microsoft Access, it was possible to verify the companies which remain in the upper quartile within a 36-year period, based on each of the years between 1973 and 2005. The results were stored on a table and represented on Figure 1. This figure shows on the vertical axis the number of companies that were able to stay on the upper quartile during these years, and the horizontal axis details the year, from the base-year of 1973 up to 2006, in accordance with the diagram's key.

The results obtained from the data analysis corroborate the strong decline rates, as was previously shown. For example, only 83 of the 125 companies within the upper quartile in 1973 remained there in subsequent years (point A of Fig. 1, first curve from right to left). This means that only 66% of these companies managed to maintain their superior level of net profit margin. Of

these 83 companies, 65 managed to stay within the upper quartile until 1975 (point B of Fig. 1), as shown on table 2. According to the rationale, from 1973 onwards it only took 8 years for the number of companies remaining in the upper quartile to be reduced to less than 25, the equivalent to 5% of the 500 Largest and Best companies.

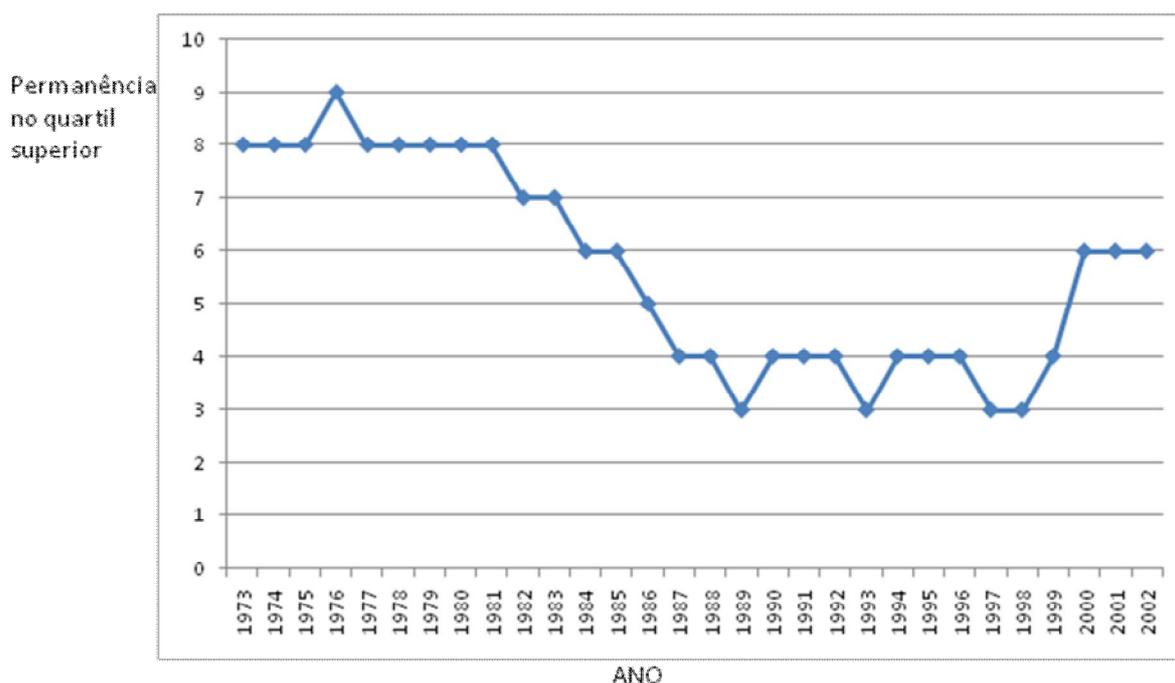
**Table 2.** Number of companies that remained within the Upper Quartile along the years from 1973 onwards

from 1973 (base-year) until...	197 4	197 5	197 6	197 7	197 8	197 9	198 0	198 1
Corresponding to the point (Fig)	A	B	C	D	E	F	G	H
Amount of companies	83	65	54	50	39	32	27	23

Figure 1 also shows that from 1984 less than 5% of the companies (25 of the 500) were able to maintain profit margins high enough to remain within the upper quartile for more than four consecutive years. This number, when compared to the previous years, suggests a rapid increase in rates of decline. This can also be confirmed by observing the declivity of each one of the curves. In short, the companies – and note that we refer to companies listed in the 500 Largest and Best, following the net profit criteria – tend to lose competitive ability quicker, therefore being surpassed by other companies.

Still referring to Figure 1, it is important to note the increase in rate of decline from the beginning to the 80's. Between 1973 and 1983 seven or more years were required for the number of companies within the upper quartile of net profitability to fall to less than 25 in number (50% of the companies analysed) . However after 1983 it only took six years, and from 1987 onwards, from 3 to 4 years.

Figure 2 is the graphic representation of the years of permanency in relation to the ranking year (refer to each number indicated to the right of each curve in Fig. 1). The years of 2001 and 2002 were extrapolated given that there has not been time enough to fall to less than 5% of companies in the upper quartile in the ranking of those years, and show a new increase to 6 years of permanency within that quartile. It shows a cycle that presents a decline which accentuates from 1989 to 1992, if years of permanency are added to the date of the ranking.

**Figure 2.** "Cycle" of Company Decline

Only one company remained within the upper quartile of profitability since the date of the first ranking, in 1973, until 2001: Brahma. In the year of 2001 the company becomes part of the Ambev group after a process of acquisition. Ambev, currently Inbev after the merger with the Belgium Interbrew, with the exception of the year 2002 in which it reported losses, also remained in the upper quartile from 2003 to 2006.

## DISCUSSION AND CONCLUSIONS

This paper presented a descriptive and exploratory analysis applied to Brazilian companies in order to observe if the Largest and Best Brazilian companies are or not in decline, the rate of the fall and to establish the evolution of the decline tendency over a period of 36 years. Whetten (1980) pointed out that decline can be classified as "stagnation" and as "reduction". This study focused in decline as reduction, as it is based in loss of profitability (which is empirically measured by adjusted net profit margins). Other indicators could be used in future research, however for comparative purposes the net profit criteria is adequate.

Additionally, the study of stagnated companies may be important, given the possibility that a stagnation period may be followed by a period of reduction. For example, it is reasonable to suggest that the decline of Varig Airlines may have

followed this trajectory, as may have happened to many other companies. The first aspect that calls attention to this is that similarly to American and European companies (Mische, 2001; Hamel and Välikangas, 2003; Williamson, 2003), the large Brazilian companies are also losing competitiveness in an ever-increasing rate. The opening up of the Brazilian economy may be able to explain this in part. The well-known inefficiency of the qualified human factor, insufficient investment in modern technology, various deficiencies in the transport system, will all also help to understand the loss in competitive ability. However the integrating and inclusive model of causes of decline is not formulated and finds itself beyond the scope of this article. Even so, it is important to note a set of external factors that have the potential to cause an impact over the performance of Brazilian companies. In particular during the 90's numerous external factors had a significant impact in competition capability of Brazilian companies, as illustrated in examples on table 3.

**Table 3.** Important facts in Brazil

1992	Opening of the market
1994	The Real (R\$) plan and opening of the economy
1995	Economic stability
1996	Increase in consumption
1997	Increase in privatizations
1999	Real (R\$) fluctuation and an increase in interest rates
2001	National Blackout
2002	Rise of the US Dollar
2003	Stabilizing of the US Dollar
2004	Record in exports

All of these external and internal factors affect, at some level, the ability to adapt and the product/service portfolio offered by companies, as pointed out by various authors, i.e. Romanelli (1996). The inability to develop strategic resources when faced with change reduces the ability to compete (Barney, 1986, 1991). In this context it is important to note that even the compiling of the largest company rankings is affected by external alterations. For example, with the privatization of state-owned organizations, companies which had not previously been considered or had been considered in isolation, change their relative position in relation to others. Future research could go deeper into the

impact related to each of these external pressures on the decline of large companies, or in more general form, on their competitiveness.

Considering that the upper quartile of Brazilian companies may be viewed as the "top", apparently the decline rates are increasingly distinct, which implies the need to control, identify and act in relation to organizational decline (Schendel and Paton, 1976). This result allows us to presume that keeping the same level of competitiveness is becoming increasingly harder, and this was aggravated from the beginning of the 1990's onwards. The empiric analysis conducted was based in the decline of profitability, one of the factors of dimension of organizations (Greenhalgh, 1982, 1983). The use of profitability is owed to, not only the ease of access to data for this first analysis, but also due to this being a traditional indicator of the success of a business (Porter, 1980) and also to guarantee comparability over the coming years – a fundamental factor in a longitudinal analysis. Even so, fundamental future research may compare decline in terms of other measures of performance: associated with growth, internationalization, the market, and market share or product / knowledge portfolio i.e. through number of patents.

Future research regarding the subject of decline, especially in Brazil, will be valuable given the tendencies here identified. Our initial investigation confirms the need for work to be conducted about organizational decline. Nevertheless, it is essential that future research compares the possible loss in the value of fundamental strategic resources. Additionally, it is important to identify if there are eventual standards of sector evolution, as it is possible that decline is not only related to specific companies, but common to all, or the majority of companies within a given sector of activity.

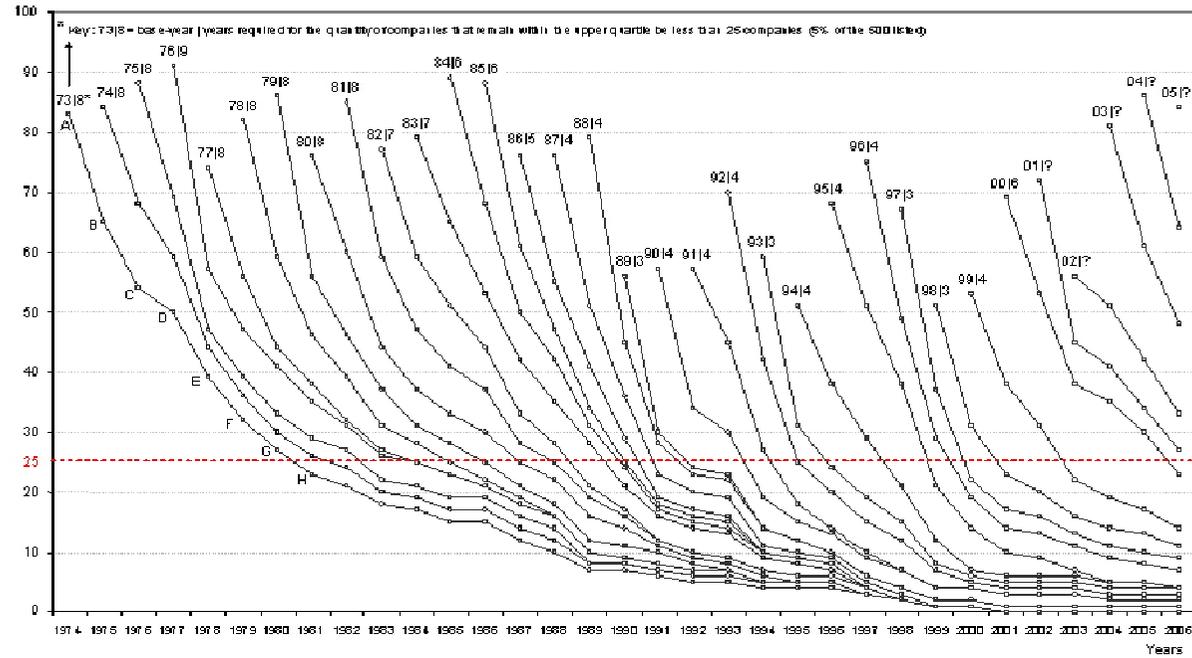
Future research can also evolve by means of the study of individual cases. For example, the fact that Brahma was the only company able to maintain positive results within the higher profitability upper quartile throughout the whole period of time studied, and that , up to a certain point, it endures after the formation of Ambev and later Inbev. Consequently, this company seems to be a rare case and relevant for case study research. Similarly, through the study of selected cases it will be possible to understand the factors of decline and the reason why companies do not react when they find themselves within this state. The traditional inertia factors or the Icarus Paradox are not enough to generate

effective understanding of why companies are not able to perform a turnaround and re-structuring of its operations so as to return to the path of excellence.

In conclusion, this paper highlights that the study of the decline of organizations, including among Brazilian companies, is necessary and important in a variety of fields. It is specifically important to conduct studies in order to understand criteria in the selection of empiric indicators. This will allow comparison to establish a trajectory of decline, the causes of decline and to understand the executive mentality that is not able to react in time. It is also important to understand which companies are increasing their performance and thus replacing others at the top of the ranking list. Without understanding the reason for organizational decline, even the largest companies, leaders in the market will be unable to fully understand the internal and external strategic dynamics that have an impact in the search for a sustainable competitive advantage. Within this demand, there remains one of the ultimate strategic dilemmas: why some businesses fail, or decline, while others succeed and progress.



**Figure 1.** Companies included in the 500 Largest and Best listings that remained within the upper quartile throughout the years ( based on net profit margins)  
Quantity of companies that remained in the upper quartile



Note: Only companies included in the list of the 500 largest, as published by Exame magazine.

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