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Environmental Sustainability and Product Portfolio Management in Biodiversity Firms: A Comparative Analysis between Portugal and Brazil

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ABSTRACT

Although relevant research on environmental sustainability or product portfolio management is quite developed, few studies integrate the two areas. This research aims to shed light on the environmental sustainability practices adopted in product portfolio through a cross-country case study on leading biodiversity companies located in Portugal and Brazil. The results demonstrate that the pressure of government regulation and the tendency of markets to demand consumer products that do not harm biodiversity have changed the mindset of biodiversity companies, which have been trying to expand their environmentally sustainable product portfolio (ESPP). The results also indicate that tuning ESPP improves market performance and that the main barriers to integrate environmental sustainability into the product portfolio are technological.

KEY WORDS:

biodiversity companies; environmental sustainability; new product development; product portfolio management

JEL Classification: M1, M11

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1. Introduction

A growing trend highlights the need to integrate environmental sustainability into efforts related to new product development (NPD) (Dangelico, 2015; Tolonen, Shahmarichatghieh, Harkonen, & Haapasalo, 2015). Despite advances in research and publications on the development of environmentally sustainable products (Dangelico, Pontrandolfo, & Pujari, 2013; Jabbour, Jugend, Jabbour, Gunasekaram, Latan, 2015;

Pujari, 2006), few studies demonstrate relationships with product portfolio management. In this vein, researchers such as Brones and Carvalho (2015) and Sihvonen and Partanen (2016) suggest the need to extend studies that focus on the integration of environmental sustainability and product portfolio management (PPM). At the same time, studies show that firms tend to experience difficulties in the integration of sustainable aspects into NPD projects (Driessen, Hillebrand, & Verhallen, 2013); other researchers found that there is a lack of knowledge on why and how companies integrate sustainability concerns into PPM for sustainable product development (Alblas, Peters, & Wortmann, 2014; Brones, Carvalho, & Zancul, 2014).

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Fiksel (2012) and Jabbour et al. (2015) emphasize that the projects of environmentally sustainable products must consider, in early stages, elements such as substitution of polluting and hazardous material; focus on reducing resource consumption and waste generation during production and distribution; on reducing resource consumption and waste generation in product usage; and design for disassembly, reusability, and recyclability.

By analyzing the integration of environmental sustainability issues and NPD, researchers such as Collado-Ruiz and Ostad-Ahmad-Ghorabi (2013) and Sihvonen and Partanen (2016) note that the product portfolio decision selection phase represents an opportunity to improve the environmental impact of the product, since it is at this moment that more possibilities for choosing the project characteristics can arise and be chosen, and these will influence the entire product life cycle. However, according to Tolonen et al. (2015), the product portfolio research field rarely adopts tools such as life cycle analysis, design science, feature models, and these are areas that deserve further study.

The concern for the integration of environmental sustainability and PPM is critical, especially in firms that develop products based on biodiversity. Being involved in the development and production of products that directly affect species and ecosystems (Primmer et al., 2015; Rands et al., 2010), the adoption of ecodesign in the project portfolio can reduce the major causes of biodiversity loss, such as overexploitation of natural resources, pollution, and contamination (Alvarado-Quesada, Lars, & Weikard, 2014). Furthermore, the literature's focus on NPD and ecodesign neglects issues concerning biodiversity; however, the conservation of natural ecosystems and biodiversity are central principles of ecodesign (Shu-Yang, Freedman, & Cote, 2004).

To contribute to this field, this article aims to present and analyze the results of a comparative case studies focused on fighting barriers and promoting stimuli for biodiversity companies that consciously adopt and internalize environmental sustainability in the product portfolio. Considering the lack of research in this field, we conducted an exploratory and qualitative research, carrying out case studies on the largest Portuguese organic wine farming company

and on a leading Brazilian firm in the development and manufacture of products derived from reforested wood. Because the species and land area in the place where they operate influence the product choices that these firms make, we understand that these case studies provide a suitable environment for reflections and research on the topic.

It is also possible to justify the comparative study of these companies because while Brazil has one of the largest biodiversity's in the world (Mongbay, 2016; Sustainability For All, 2016), wine products development and production depend on agriculture, which is one of the main drivers of the worldwide biodiversity loss (Gabel, Meier, & Stolze, 2016). In addition, the wine sector is traditional and relevant to the Portuguese economy (Lopes, 2015). Furthermore, there are many pending questions concerning environmental sustainability, product portfolio management (PPM), and biodiversity firms. How can PPM incorporate aspects of environmental sustainability in companies that operate with biodiversity? Which management practices can biodiversity firms use to integrate environmental sustainability into PPM?

After this introduction, the paper presents a theoretical review. Secondly, it states and justifies the methodological procedures used in the study. Thirdly, it presents and analyzes the results and provides the conclusions, limitations, and proposals for future studies.

2. Environmental sustainability and product portfolio management

According to the World Commission on Environment and Development, sustainability is the satisfaction of present needs without compromising future generations in the social, economic, and environmental dimensions (WCED, 1987). Specifically, Uzzel et al. (2002) define environmental sustainability as the protection of natural wealth, control of the consumption of non-renewable resources, control of the emission of polluting agents, maintenance of biodiversity, and preservation of flora and fauna and the health of the inhabitants.

Porter and Van der Linde (1995) highlighted that the adoption of environmental sustainability practices improves companies' capacity for innovation and competitiveness. Dangelico et al. (2013) observed that, in the area of business and operations management,

environmental sustainability has become one of the main themes in strategy, marketing, and innovation. According to Dangelico (2015), more environmentally sustainable companies tend to reap benefits, such as an increase in their market share, improvement of their reputation, improvement of their innovative capacity, better adaptation to the legislation, and increase in exports, among others.

Recent research (e.g., Brones, Carvalho, & Zancul, 2014; Sánchez, 2015; Silvius & Schipper, 2014; Dangelico, 2017) emphasizes that projects generate environmental impacts throughout their life cycle; therefore, the choice of a product portfolio that also considers the environmental aspects is important to reduce negative impacts of firms (Brones et al., 2014; Tolonen et al., 2015). Specifically, portfolio management can favor environmental sustainability because it represents the process responsible for choosing product projects and their alignment with the organizational objectives (Carbonell & Escudero, 2016). In this way the PPM influences the decision making regarding firms' set of product projects (Kester, Hultink, & Griffin, 2014; Kock, Heising, & Gemünden, 2014), indicating which projects should be approved, prioritized, updated, or canceled and how firms should allocate their resources among them (Cooper, Edgett, & Kleinschmidt, 1999; Kock et al., 2014). The literature presents several methods and tools that firms can use in PPM (Jugend, Silva, Salgado, & Miguel, 2016). Focusing on the portfolio of product projects that meet sustainability criteria, environmental analyses with stakeholders can also guide these choices (Brones & Carvalho, 2015; Brook & Pagnanelli, 2014; Sihvonen & Partanen, 2016).

With an interest for sustainability, environmental analyzes can also guide PPM (Sánchez, 2015). Brook and Pagnanelli (2014) suggest that environmental decision making in portfolio management should consider the following aspects: (i) strategic fit: projects should be congruent with the sustainability agenda of the firm; (ii) brand: projects should reinforce the brand position of the company in relation to sustainability; (iii) market potential: the projects should allow an increase in the market share; (iv) customer orientation: the project should focus on meeting the needs of clients and increase the market share; (v) CO₂ emission/biomaterials: projects should contribute to achieving zero emission levels and be based on biomaterials; and

(vi) strengthening technology capabilities: projects should improve the company's technological capabilities concerning sustainability. In this sense, the following hypothesis can be formulated: the companies that have an ESPP aims at reducing CO₂ emissions.

Dobrovolskienė and Tamošiūnienė (2016) emphasize that it is relevant to adopt specific sustainability portfolio criteria for the choice and allocation of resources among projects. Khalili-Damghani and Tavana (2014) and Silvius and Schipper (2014) propose that firms should adopt environmental indicators for the product portfolio, such as the materials to be used, consumption of energy and water, impacts on biodiversity, emissions and waste. Several researchers also recommend the application of ecodesign methods (Bovea & Pérez-Belis, 2012; Brones & Carvalho, 2015) and product life cycle management (Byggeth & Hochschorner, 2006; Fiksel, 2012) as support for incorporating environmental sustainability into the product portfolio decision. Among these methods it is possible to cite the following: environmental quality function deployment; the MET matrix (materials, energy, toxic emissions); environmental failure mode effects analysis; and the ecodesign checklist (Bovea & Pérez-Belis, 2012; Byggeth & Hochschorner, 2006).

The literature acknowledges the incentives and barriers to the adoption of environmental sustainability in the product portfolio (Luiz, Jugend, Jabbour, Luiz, & Souza, 2016; Van Hemel & Cramer, 2002). Van Hemel and Cramer (2002) state that environmental benefit should go beyond cost reduction, new market opportunities, government legislation, improvement of product quality, and should integrate the portfolio management concern. Lack of clear environmental benefit, commercial disadvantage, greater complexity of projects, greater need for information, uncertainty of the result, and obviously costs are some adoption barriers highlighted (Collado-Ruiz & Ostad-Ahmad-Ghorabi, 2013; Van Hemel & Cramer, 2002).

3. Research Method

To achieve the objectives of this research, we conducted a qualitative cross-country research in two leading companies located in Portugal and Brazil regarding the sustainable development of products based on biodiversity, named A and B. Cross-country research is an important comparative research approach in so-

cial-economic and management, in which knowledge about companies that operate in different countries and that face similar problems are comparatively analyzed (Berg, Kossek, Baird, & Block, 2015; Xu, 2008).

Due to the nature complex of the relationships between environmental sustainability and PPM, and because this subject is understudied, we considered the qualitative procedure case study to be the most suitable research strategy (Yin, 2003). Therefore, to understand the perceptions of the professionals involved with NPD in each company, we reputed that the presence of the researcher in the field was important. According to Eisenhardt (1989) and Yin (2003), case study is adequate when the objective is to achieve a greater understanding of the facts researched. In addition, case studies allow an intense analysis of a relatively small number of situations, since they emphasize and represent a deep understanding of the phenomena researched (March, Sproull, & Tamuz, 2003).

Our choice of the companies for the case study was intentional and worked out. We adopted the following criteria for the choice of companies: they should (i) develop new products based on biodiversity; (ii) present concern for the preservation of biodiversity; (iii) have a broad product portfolio; and (iv) provide access to researcher's observation and interaction. Furthermore, the two companies are emblematic with regard to the researched topic: company A stands out on the European continent for the use of organic farming in the development of its products; and company B is one of the leaders in Brazil in the development and production of products derived from reforestation wood. Additionally, we used case companies that operate in different contexts, that is, in terms of products, clients, suppliers, supply chain and locations, to strengthen the validity of the case study (Eisenhardt, 1989; Gibbert & Ruigrok, 2010).

To ensure the internal validity of this study and to minimize the respondent subjectivity trend, we developed a formal interview guide. We based this guide on the literature, especially Brones et al.'s (2014) research, but emphasized the integration of PPM and environmental sustainability. Before applying the questionnaire, scholars and practitioners in Brazil and Portugal evaluated it and made suggestions for improvements.

The case study took place between May and October 2016. In company A, after the first telephone con-

tact, we sent the questionnaire by e-mail to the company's board of directors. Then we conducted the case study in company A, the main interviewee being the CEO of this firm. We also sent the interview guide to company B's forestry engineer. Subsequently, we visited the company, and the two managing partners and the forestry engineer participated in the interviews. In both case studies, two researchers (in Portugal and Brazil) attended formal interviews. In addition, following the other recommended procedures for conducting case studies (Eisenhardt, 1989; Gibbert & Ruigrok, 2010) and to enable the triangulation of the data (Yin, 2003), we obtained additional information through informal conversations and document reading. These actions enabled us to acquire an extended and contextualized body of information and practices, as well as different perceptions regarding this situated research.

4. Results and Discussion

Company A

This company is the largest organic wine producer in Portugal. It was founded in 1973 and has approximately 265 employees. The company's product portfolio includes wines, olive oils, and vinegars, and it sells to the Portuguese market and the European Union and exports to several other countries, among which the USA, Brazil, and Angola are prominent. Currently, about half of the wines that the company produces come from conventional agriculture and the other half come from organic farming. Regarding its product strategy, the company aims to build its entire portfolio with organic wines, that is, sustainable wines from an environmental point of view.

The stimuli for the company's portfolio of organic products come mainly from internal motivations (respect for the environment) and market demands. The main market stimuli are the recent expansion of organic farming in Europe and the trend towards the consumption of healthy and pesticide-free products, mainly among the younger segment (especially in Europe and in South America). This trend has generated pressures and incentives for the option of developing environmentally sustainable products.

This option for the environmentally sustainable product portfolio generates concern throughout the

life cycle of all the portfolio products. The CEO of the firm illustrated this argument by stating that, in developing products that use organic rather than conventional farming, the soil is favored because it stays alive longer. In this sense the company has also designed its products to reduce the weight and color of the bottles, reducing the products' environmental impact throughout the entire production chain and product life cycle knowing that the use of fewer paint colors decreases the amount of tint and varnish used.

The case study highlighted two main practices regarding the integration of environmental sustainability into the company's product portfolio. The first refers to the top management's support as a determining factor for the incorporation of environmental sustainability into product portfolio. According to the interviewees, it is only possible to have an environmentally sustainable product portfolio if the top management defines it as a strategic priority and directs R&D efforts towards the development of environmentally sustainable solutions to embed in the products. The second focuses on the adoption of certifications such as ISO 14001 and organic wine issued by the European Union. Firms consider the adoption of these certifications to be beneficial to NPD, because they require procedures and standards for the choice of new products that respect the environment from the project stage to the end of their life cycle.

Among the barriers to obtaining an ESPP, we observed the presence of organizational and technological barriers. Regarding the organizational ones, the firm pointed out that companies often view environmental sustainability only as an aspect of the marketing strategy and without major concerns with the development of products. When this occurs, the company does not develop environmental sustainability habits, and consequently its product choices are not guided by environmental concerns. In this sense the firm highlighted the importance of a well-defined strategy and top management involvement for the development of an ESPP. In the technological area, the difficulties in the development of technologies that naturally exterminate the pests that affect the plantations of the different types of wines are the most prominent. This means that the company cannot adopt organic farming throughout its product portfolio. To meet this challenge, the company's R&D laboratories have been striv-

ing to intensify the mechanisms to ensure the presence of natural predators in the plantations.

Company B

Company B was founded in 1992 and has about 80 employees, and sells its products only to the Brazilian market. It has a portfolio of products derived from reforestation eucalyptus wood, among which are several toys for playgrounds (including ones for autistic children), gym equipment, and showers and sinks with a wood base, among others. In addition, the company is currently responsible for a social project in the Sao Paulo State, which has been developing and manufacturing several special fitness machines for public squares in more than four hundred cities in this region of Brazil.

Using wood as the main raw material for its entire product portfolio, the company chooses not to use native wood as a base input for any new product project. The respondents stated that native logging significantly affects the local biodiversity and therefore the company does not develop products that use this type of material. Thus, the possibility of using reforestation wood guides the decision on which products and types of products to develop.

Market and regulatory stimuli are relevant to these environmental sustainability decisions in the product portfolio. The market stimuli are associated with the image of the firm, a firm "friend of biodiversity". Compliance with legislation occurs, because the firm must follow standards for the development and manufacture of wood products in Brazil. Although it is still in the process of ISO 14001:2015 certification, the firm already uses this model to support its product selection decisions. Many of the firm's customers demand products from timber companies that are recognized for not harming biodiversity, so the adequacy of the environmental legislation and certification is an important aspect of the company's market performance.

Therefore, the firm makes all of its decisions about which products to develop with the aim of preserving eucalyptus wood, which is the main material that the company uses throughout its product portfolio. At the end of the product life cycle, the company also applies reuse techniques of products derived from wood, for example applying them to dormant landscaping and using them as organic matter.

Table 1. Quotes from the case studies

Variables/firms	A	B
	Proof quotes	Proof quotes
Stimuli for the adoption of environmental sustainability in the product portfolio	<i>In ten years, organic farming will be more feasible for sustainability. In 2020 Denmark, will only accept products derived from organic farming. Organic farming has a smaller environmental impact because it does not use pesticides, it does not use chemicals, it does not use chemical fertilizers, and it does not use herbicides. It keeps the soil alive for longer. The 20% reduction in the weight of the wine bottle significantly reduced the CO2 emissions.</i>	<i>Compared with other options in the market for similar products, some of which contain materials from non-renewable sources, such as polyethylene, concrete, cement, etc., and generate considerable waste, wood products have cost and environmental benefits throughout their life cycle. A finished, treated eucalyptus product costs on average 50% less than a similar product produced with another material.</i>
Practices for the adoption of environmental sustainability in the product portfolio	<i>These certifications are positive because they formalize standards for the development of products and processes (ISO 14001 and from the European Union). R&D has developed solutions of natural predators for organic farming. We have a team of biologists to study the habits of natural predators.</i>	<i>When you buy wood from reforestation, the area of the forest has been devastated for many years. We work only with eucalyptus, because it is the greatest source of preservation of nature. In our portfolio, there is no native wood product, although we have received requests from some customers.</i>
Barriers to the adoption of environmental sustainability in the product portfolio	<i>Have a sustainable portfolio of wines from the environmental point of view, meaning sustainable agriculture. However, it is difficult to tell the consumer that sustainability is achieved, but it does not make organic farming. It is complicated to adapt conventional to organic farming. This decision is not easy and it is expensive; it is necessary to have the support of the top management.</i>	<i>The availability of technology is stagnant in time when compared with other similar sectors of the economy. Much of the market has perceived that the company's products have inferior quality due to the own utilization of the wood as raw material.</i>

In the company an important barrier related to the decisions about which products to develop are in the front end of innovation. The firm's creative process has had trouble in obtaining ideas for new products that are environmentally sustainable and derived from wood. For example, recently the company developed a shower in a tree trunk, adapting the plumbing and other accessories and replacing iron with wood in the structure of the product. Another important barrier is the technological limitations to green product development faced in this sector. According to the interviewees, since the timber sector is not very dynamic, there are few technological solutions available to ag-

gregate environmental product and process solutions. To overcome some of these technological barriers, the company has collaborated with universities, such as the Environmental Engineering department at Sao Paulo University.

- Case A and B

Table 1 presents some quotes on the practices and incentives and barriers to incorporate environmental sustainability into the product portfolio.

Considering the external stimuli, both firms also highlighted the tendency of markets to demand consumer products that do not harm biodiversity. This

Table 2. Comparisons between theory and case studies

Variable	References	Company	Evidence from the case studies
Strategic fit	Brook and Pagnanelli (2014); Cooper et al. (1999); Kock et al. (2014).	A	To be recognized as a company focused on organic farming, the company has directed product projects and R&D efforts for the development of organic wines.
		B	To be recognized as a company that respects biodiversity, it opts for a portfolio of products that only use reforestation wood.
Market potential, brand, and customer orientation	Brook and Pagnanelli (2014); Dangelico (2015).	A	The development of products from organic farming reinforces the firm's position and brand in serving the market segment that seeks environmentally sustainable products.
		B	By opting for a portfolio of products based on reforestation wood, the company tries to meet the needs of customers who demand products from companies that do not destroy the Brazilian forests.
CO2 emission/ biomaterials	Brook and Pagnanelli (2014).	A	The expansion of the use of natural predators and the consequent reduction of the application of chemical products in nature. The firm designed lighter wine bottles designed to reduce the CO2 emissions.
		B	Does not use native wood as a base input for any new product project. Application of reuse techniques at the end of the product life cycle.
Strengthening technological capabilities	Brook and Dangelico et al. (2013); Brook and Pagnanelli (2014).	A	R&D efforts for the development of products that apply technologies from organic agriculture.
		B	Partnership with universities for the development of technologies for the timber industry.
Stimuli for the adoption of environmental sustainability in the product portfolio	Brook and Pagnanelli (2014); Dangelico (2015); Van Hemel and Cramer (2002).	A	Internal motivation to benefit the environment. Market stimulus: trend towards greater consumption of organic foods.
		B	Compliance with legislation. Image of the company in the market.
Barriers to the adoption of environmental sustainability in the product portfolio	Collado-Ruiz and Ostad-Ahmad-Ghorabi (2013); Van Hemel and Cramer (2002).	A	Environmental sustainability seen only as a marketing strategy. Difficulty in developing technologies for application in organic farming.
		B	Creative process for the development of environmentally sustainable products. Industry technological availability.

trend has changed the mindset of firms, which have been trying to expand their ESPP, particularly for products derived from organic farming (the Portuguese company) and the prioritization of new products that use only reforested wood (the Brazilian company). This result is in line with other studies (e.g., Dangelico et al., 2013; Pujari, 2006), since it indicates that the environmental concern related to product design choices has a positive impact on market performance.

Although the two companies emphasize concerns about the product life cycle and select environmentally sustainable materials, they do not adopt the other formal methods presented in the theoretical review, especially those derived from ecodesign, such as environmental quality function deployment, the MET matrix, and the ecodesign checklist. This finding reinforces the studies that suggest that the application of ecodesign is still incipient in companies (e.g., Collado-Ruiz & Ostad-Ahmad-Ghorabi, 2013; Dekoninck et al., 2016). Therefore, we understand the importance of advancing studies that investigate and propose ecodesign methods in the product portfolio stage considering the contingency of biodiversity companies.

Confirming the previous findings (e.g., Dangelico, 2015; Van Hemel & Cramer, 2002), the restriction of technological knowledge in these companies is a strong barrier to the adoption of environmental sustainability in the NPD process, specifically in portfolio decisions. While company B indicated that it was difficult to develop and advance technologies for the timber sector, firm A stressed that it does not have a fully biological product portfolio due to the difficulty in developing and applying natural technologies for organic farming. In addition, when analyzing the results of this study it is also observed that the companies that have ESPP can also contribute to reduce CO₂ emissions.

Table 2 compares the findings in case study with the variables presented in the theoretical literature review.

5. Conclusions

By analyzing the environmental sustainability practices adopted in sustainable PPM in a cross-country context, we understand that this article contributes to knowledge areas such as environmental sustainability, innovation management, and NPD. Although some academic papers already indicate the importance of investigating the relationship between environmen-

tal sustainability and PPM (e.g., Brones & Carvalho, 2015; Brones et al., 2014; Luiz et al., 2016), based on the knowledge of the authors no study investigates this issue empirically, especially in biodiversity companies in which the environmental concerns in product projects is necessarily greater.

Even operating in different countries and sectors, an important driver for the choice of product projects in both companies is the adequacy to different legislation restrictions. Because they develop products derived from biodiversity, these firms are obliged to adopt legal standards with strict concerns. In this aspect, mainly the choice of the materials for the products and the procedures during life cycle are the factors that influence portfolio decisions. Although literature already recognizes the legal issue as an external stimulus that generates pressures on companies to engage in green product development (Dalhammar, 2016; Dangelico, 2015), these biodiversity companies demonstrate that the adequacy of the legislation and the adoption of environmental management systems (ISO 14001, for example) are mandatory to compete in the market, in which they already operate as well as for entering new markets.

The results of this research draw attention to the fact that an ESPP improves market performance, which is a new academic result. Therefore, it is important that managers of biodiversity companies make their decisions from this perspective, including efforts to formalize portfolio activities and use ecodesign methods in the planning phase of NPD. In addition, it is important for these biodiversity companies to overcome the fragility of technological availability. Faced with this issue, managers and even government agencies could make efforts to strengthen the technological capacity for the green product development of these firms, either through internal R&D efforts or by expanding the network of partnerships, as Dangelico et al. (2013) proposed.

This qualitative and exploratory research intended to understand the relations between environmental sustainability and PPM. However, we recognize that readers should view the empirical results of this study with due methodological restriction. Even considering that the companies surveyed stand out in terms of product portfolios that respect biodiversity, due to the limitation of the research method used, the results presented are not generalizable. Thus, future researchers

could also carry out further studies in companies that operate in different sectors, environments, and countries with the objective of identifying other and new practices for the integration of environmental sustainability into PPM. Futures research also could compare firms dedicated at the same sector (only wineries, for example). In addition, future research could analyze the relationships of influence among the adoption of environmental sustainability practices and the PPM in different dimensions related to performance, such as the operational, innovative, and market.

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