



CORPORATE SOCIAL RESPONSIBILITY

June 2003

TLWNSI ISSUE BRIEF

Governments and Non-governmental Organizations vis-à-vis Corporate Social Responsibilityⁱ

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Occasionally, TJSGA will issue brief papers on topics pertaining to The Living Wages North and South Initiative (TLWNSI). This paper is the second on Corporate Social Responsibility (CSR). In the first part, the author places CSR within the concept of social capital, presents the main degrees of corporate social commitment and performs a brief review of CSR development in Europe, the U.S., Japan and Iberian America. In the second part, the author describes Mexico's CSR experience until today

Two decades ago, it was still hoped that social problems could be resolved through, almost exclusively, government actions. Subsequently, the government's social role was reduced, whilst non-governmental organizations' (NGOs) role increased. In this way, the social field came to depend on its management by these two actors.

ⁱ Paper prepared based on the following articles in process of publication:
Cardozo, Myriam, "The business sector and its responsibility in the social field", in *Revista Economía, Sociedad y Territorio*, El Colegio Mexiquense, Zinacatepec, Edo. de México, México.

"Attitudes of private enterprise vis-a-vis society's living conditions. An Analysis of the Mexican case", in *Revista Ciencias de Gobierno*, Instituto Zuliano de Estudios Políticos, Económicos y Sociales, Venezuela.

Nevertheless, a third actor must assume its inherent responsibility in social matters: the corporation. This work will briefly review the recent changes suffered by social policy, as well as the insertion of new concepts such as social capital. It will argue about the need for businesses to also contribute to avoid and solve social problems, it will review experiences that have been developed, it will analyze the situation in the case of Mexico and will present preliminary conclusions.

Social problems and governmental players

The social policies promoted by European governments at the end of World War II, and to a lesser degree by Iberian America, tended to procure decent living conditions for all ranks of society. This implied attempting, through its management, to solve the most diverse social problems: unemployment, low wages, illiteracy or scarce education, overcrowded dwellings, lack of basic services, illnesses and avoidable deaths, etc.

In the seventies and eighties, the previous model fell into crisis due to the scarcity of enough funds to finance social spending. This brought the so-called "first-generation" reforms: dismantling of state intervention, deregulation and privatization of state companies, reduction of the size of the State and the use of the market mechanism as the new core element. In the new neoliberal context, the State's role must be limited to guaranteeing the conditions for private corporations to provide the public goods and services, which had constituted a fundamental component of its role in the former model.

In the 1990s, Iberian America's social problems have continued growing; the number of inhabitants in poor and extreme poor conditions has increased (253 million accounted for 50% of the population in 1990,

versus 38% in 1980, applying the same assessment method), primarily concentrated in the countryside and in particularly vulnerable groups such as children (60%), women, indigenous people, the elderly and the handicapped. Poverty strengthens with situations of inequality, marginalisation and exclusion (Kliksberg, 1997).

Given this situation, the states began to introduce the “second-generation” reforms, which centre on the efficiency of the delivery of services, the effectiveness to improve coverage and quality, as well as on the strengthening of the conditions for the development of private activity (Nickson, 2002).

The concern for management innovation and efficiency has moved governments, among other strategies, to focalise their social role. Although social policy continues to pursue the improvement of living standards, the current emphasis centres on the fight of extreme poverty; an event that generates a reduction in the public services (mainly health, education and housing) that used to fulfil the needs of other social groups (workers, for instance), in both quantity and quality (despite the insistence that the discourse on state reform has placed on the latter).

The end result, in the Mexican case, in 2001, is 57 million people in poverty (accounting for 58.76% of inhabitants) and 10 million in extreme poverty (accounting for 10.72%), according to the National Statistics, Geography and Computing Institute. This may increase to 75 and 54 million respectively, according to the calculations of Boltvinik and Hernandez (1999), which would imply 19 more million people in extreme poverty than in 1990.

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To take on this problem, it appears necessary to reorient the policies and programs that address the social problems, through new ways of public and social management. Among them, it appears to be urgent that businesses take on their responsibility before society, precluding its demise and contributing to solve its problems, instead of remaining disengaged from the living conditions of the societies where they develop.

Social capital and business attitudes vis à vis its social responsibility

Emerging among recent innovative proposals to develop social programs, in a context of especially limited resources, we have the theories linked to social capital, whose concept was extensively developed by Putnam (1994). This concept is defined as the set of norms, rules and ethical and social values that allowed interrelation and collaboration among individuals and groups.

This is a concept amply used by Development Economy theoreticians, applied by the Organization of Economic Cooperation and Development (OECD) and currently revisited by the Inter-American Social Capital, Ethics and Development Initiative of the Inter-American Development Bank (IADB).

Albeit the emphasis is placed on charitable organizations, there is an important space for Corporate Social Responsibility (CSR) under the framework of social capital development.

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In regards to the role of business under the preceding framework, this role has been evolving with time. However, in trying to precisely define its objectives, there are at least four varying criteria/approaches (Cardozo, in the press):

- Those that regard profit as the sole objective, and thus, are accountable exclusively to shareholders and reject any possibility of taking on responsibilities for social living conditions, a position emphatically defended by Friedman (1966:133).
- Those that admit that the profit is the fundamental objective, but they also find affinity for a socioeconomic mission in business, a position that we find, for example, in Elizondo (cited in Paz, 1993:113).
- Those that openly admit their social responsibility for the problems generated by its activity, fundamentally in relation to accidents and illnesses engendered by the internal working conditions and for environmental problems affecting people living near its facilities. Cuervo (s/f: 322) makes reference to this degree of social responsibility.
- Those that accept a broad social responsibility, which goes beyond the problems generated by business, contributing to the welfare of the entire population through the financing of cultural, sporting, educational, health activities, etc., or through programs targeting groups or specific problems. Once more, this position appears revisited with Cuervo (s/f: 322).

The private corporations in the second group no longer exclusively respond to their shareholders. In the third group, the extension of its responsibility makes corporations respond to any individual, inside or outside the organization, who is harmed by its activity. In the last group, the necessity for business to contribute to improving the quality of life of any group of citizens in need, as the way to pay back society for allowing the development of business activity is acknowledged.

The three last scenarios, which articulate some type of social objective with the undisputable ultimate end in pursuit of profit, allow us to identify distinctive degrees in the general concept of corporate social responsibility (CSR). These we can define in

broad terms, as the set of actions that corporations make to improve the living conditions beyond those strictly enforceable by law.

Navas and Guerras (1998:101) classify by areas the aspects to cover with regards to CSR:

- Economical-functional: production of goods and services required by the community, creation of jobs, training, industrial safety and hygiene.
- Quality of life: relations with workers, clients, suppliers, sustainability of environment and overall standard of living.
- Social investment: solution of community problems, relative to education, culture, sports, art, etc., with corporate resources.

The social actors benefiting from CSR may be, therefore, both internal (workers, managers, shareholders) and external (clients, consumers, suppliers, lenders, governments, communities).

Lastly, the treatment of our topic is typically considered part of business ethics because the reasons that make corporations address the social sphere respond to different values:

- Of altruistic nature, linked to the conviction of contributing to a more equitable distribution of wealth and of achieving a decent standard of living for all communities (final type value), or
- Based on a selfish assessment, deriving from the understanding that business activity cannot achieve its intended economic benefits if it does not act under the context of societies satisfied with their standard of living, who are capable of acquiring their products and services, and of securing the social peace that their activities require (instrumental type value).

Diverse National Context Experiences

Many are the countries showing meaningful progress in the implementation of theoretical positions that bring back the need for articulating social objectives with the traditional profit aim of businesses.

Europe, Japan, United States. The European efforts appear to be clearly documented since the 1970s (Cardozo, in the press), albeit in Great Britain, Kapp (1966) had already contributed to sensitize businessmen with his book “The social costs of business enterprise”.

In France, the progressive entrepreneurial wing made several statements. The rethinking of the subject matter, from their Socialist Party perspective, was promoted and legislation was promulgated, such as the one in 1977, which made it mandatory that some of its companies publicly inform what they have done in the topic of our interest. This was centred primarily on the living and working conditions of blue and white-collar workers, through the so-called Social Balance (Marques, 1978). In 1980, many Spanish and German companies that, in their case, were especially concerned about the environmental question also used the latter voluntarily (Universidad Autónoma de Madrid y Fundación Universidad – Empresa, 1980).

In 1984, Great Britain began the development of socially-responsible funds, which later were imitated in France, the Netherlands and Spain.

Denmark has had good practices conducting reports and audits about corporate social responsibility and ethics, which will be promoted during its presidency in the European Union (EU).

Among the most relevant events that have recently occurred is the creation of a cabinet Ministry of Corporate Social Responsibility in Great Britain and a legislative initiative of Corporate Social Responsibility in Spain’s parliament last year.

In summary, there have been approximately thirty years of work in the European countries, crowned by a EU publication (2001) recommending businesses to conduct a global balance of CSR, which incorporates the environmental, social and economic dimensions.

In other geographic contexts, Japan has contributed to the improvement of living and working conditions through the promotion of its Total-Quality Concept. Despite its focus on customer satisfaction, it has given attention to the human element, such as the internal working conditions of the company, which allows adequate team work (quality circles) and motivates workers to participate in the decision-making processes.

The United States stands out for its bibliographic production on the matter, which began with titles such as “The enterprise with a human face” by Servan Schreiber (1973), and continues with authors such as Sturdivant and Stacey (1990), Sturdivant and Vernon-Wortzel (1990) and Fishman and Cherniss (1990). Other works recover the Japanese proposal and apply it to their businesses (Ouchi, 1986a and b). Currently, the U.S. emphasises its concern for environmental problems and the living conditions of ethnic minorities.

The social situation is, thus, a consequence of economic development and, at the same time, a requirement of the same.

Iberian America. Some Iberian American countries stand out today for their concern in this field: Colombia, Peru, Ecuador, Brazil, Chile, Argentina, Uruguay, Costa Rica, among others.¹ Since globalisation requires competitiveness, and this requires productivity in continual progress, they demonstrate that it is not possible to obtain

¹ References to check:
www.accionempresarial.cl,
www.prenarcooperativa.com.ar, www.findeter.gov.co,
www.chami.udea.edu.co, www.suramericana.com.co,
www.counivalle.com.co, www.abu.org.uy,
www.tercersector.org.ar, www.esquel.org.ec,
www.ethos.org.br, www.sht.com.ar, www.peru2001.org
www.usmp.edu.pe.

the latter without the workers' adherence to the enterprise, something that is accomplished when they are able to fulfil their welfare needs. The social situation is, thus, a consequence of economic development and, at the same time, a requirement of the same. This, which appears to be understood at the macro-economic level, has gained little ground at the business level, which constitutes its basic unit. Macro-economic results are nothing more than aggregates of the micro-economic ones; thus, they are impossible to reach if they do not start at the company level.

The case of Mexico

Mexico appears in the Iberian American context also with limited progress. In the research performed, no relevant programs towards the generation of a consciousness, the execution of actions or the evaluation of the impact relative to corporate social responsibility were found.

The only important and continuous work in this context appears to be that developed by the Mexican Philanthropic Centre, a Civil Association (CEMEFI A.C.), which promotes a program of Corporate Social Responsibility (www.cemefi.org), with the following objectives:

“To promote the private sector participation in a decisive and active manner in projects of sustainable development through Corporate Social Responsibility.

–To facilitate the execution of socially-responsible programs by offering competitive services to businesses.

–To know the behaviour and trends of the business sector in social responsibility.

–To link companies and entrepreneurs with Civil Society Organizations, seeking to establish inter-sectorial alliances and solid relations that generate a mutual benefit.”

A quick look at its list of partners (Citibank de México, Coca Cola de México, Banco Bilbao Vizcaya – Bancomer Financial Group, Hewlett-Packard de México, Janssen-Cilag, Shell México, Segunda Mano, Apasco S.A., Nestlé México, Wal-Mart de México, etc.) makes clearly evident that most of these

companies are subsidiaries of foreign companies and are strongly influenced by the social responsibility culture developed in other latitudes.

The areas where CEMEFI's partners have collaborated include: education, food, ecology, the handicapped, health and environment.

Since 2000, CEMEFI organizes, along with other organizations (business magazine *Expansion*, Social Union of Mexico's Entrepreneurs), a contest to acknowledge the best corporate social responsibility practices, which join business success with a positive impact in society in the areas of quality of life in the workplace, environment, community development, business behaviour and community linkage. Such practices must have been applied continuously and have assessment and monitoring mechanisms.

The winners in the first award version, first of its kind in Iberian America, were: Janssen-Cilag, in the Environment Area; Danone México, in the Community Linkage Area; Cementos Apasco, in Community Linkage Area; Servicios Industriales Peñoles, in Community Development; and again Janssen-Cilag, in Life Inside the Company.

...the practice of activity in the social sphere does not preclude achieving an acceptable profit level; moreover, it can contribute to a greater competitiveness of the business.

These philanthropic efforts seem more to seek solving community problems not engendered by the corporation (only one area awards the quality of life inside the business), than facing the externalities that the company generates, and they are based on instrumental logic.

Nonetheless, the analysis of the awarded corporations by CEMEFI shows that the practice of activity in the social sphere does not preclude achieving an acceptable profit level; moreover, it can contribute to a greater competitiveness of the business.

As to the process followed by CEMEFI in order to give both the CSR seal and the Best Practices award, the following clarifications are deemed necessary²:

a.- The design of the requirements to obtain the seal began four years ago. It was done taking into consideration the experience of the countries more advanced in the matter (Great Britain, U.S., Brazil, Chile, etc.). It was developed jointly with CEMEFI's partner corporations, which defined the concept, identified their relevant areas in the Mexican context and elaborated indicators and standards, in order to ensure that those companies receiving the award had a continuum of CSR policies integrated into their mission and not just as isolated actions.

b.- There were originally 80 indicators designed; but some have been eliminated, and new ones have been added in reaction to the experience gained in their application. Currently, there are 147 that, albeit they may seem excessive, we were told that they are integrated into a simple questionnaire, with options and predetermined ranks. Such instrument is not public, in contrast with that of Ethos, its Brazilian partner, which can be viewed on its web page. The themes of greatest concern would be the quality of life in the internal community and the environment. The philanthropic activity is considered of lesser weight.

c.- The process to request the seal includes the following phases:

- A submittal of the required information
- A visit by the evaluators
- A random review of some indicators
- A ranking of the information obtained and
- A comparison of results obtained against the average and the leader in its category (a social benchmarking)

d.- CEMEFI s CEMEFI is focusing on offering a short-term certification. Canada has already invested three years in developing a seal, and it has not been able to complete it.

² Data obtained by interviewing Juan Felipe Cajiga, Coordinator of the CSR Forum, August 2002, with the assistance of Ramiro Quintana, who also took care of the transcripts.

Furthermore, no Iberian American country has a seal. Thus, for CEMEFI, introducing a seal in Mexico is an important accomplishment and a step forward towards certification.

e.- In order to give the award to Best Practices, an evaluation group and a jury, composed of each of the participating corporations and one or two members of the Expansion Group, analyze the results of the indicators.

f.- This is a CEMEFI initiative in conjunction with the Mexican organizations previously mentioned, with no other endorsement than their membership in the Social Responsibility Hemispheric Movement, which groups organizations of different countries where they share their experiences. On the other hand, only some sectors of the Mexican Government have shown interest and would morally endorse their work.

g.- The impact achieved in the business sector is relatively important if it is based on the increase of participating corporations and foundations (twenty new ones in the three months prior to the interview). It is a different story if we compare it with the number of Mexican companies, despite the interest expressed by some state corporations and organizations such as PEMEX.

h.- The impact of the seal among consumers largely depends on the kind of corporation. It is easy to identify it on the packages in supermarkets and couriers, where customers have noticed it and have requested further information. It is much more difficult in the case of service companies where the seal only appears in their letterhead, reports, press releases, web page, etc.

i.- There are also indirect impacts, such as the advantages achieved by a business with the seal when bidding for national and international projects with entities where CSR is respected.

The described process calls in turn for the following commentaries:

a.- The CSR seal awarded to a corporation does not guarantee that it is fully complying with all dimensions of CSR. Furthermore, the validity and confidence of the process applied to award the seal as well as the degree of impartiality is unknown. By the same token, the seal does not imply that those corporations receiving it are better than others that have not requested it. In particular, some corporations are identified, despite having been awarded with the seal for good practices, as leaving important doubts relative to industrial safety. Another controversial issue is the case of manufacturers of products harmful to our health such as tobacco and alcohol, which in Mexico's case have not received the seal albeit several of them have requested it.

b.- Although, after the third year of practice, the seal has been offered to all companies wanting to participate and pay the corresponding subscription fee, this is a process endogenous to CEMEFI, where partner corporations have defined the concept and have designed the criteria that must be applied in terms of CSR. The participants are both the judges and the subject matter of the evaluation and of the decision to award. A jury of evaluators formed by experts in the subject matter who can guarantee its impartiality is lacking.

c.- Additionally, the organizers of the seal and of the award for Best Practices, act without any national or international backing endorsing their decisions. This becomes even more worrisome regarding their proposal to deliver a certification in the short-term.

Recently, a new organization concerned about CSR in the Mexican context has emerged. This is the Business Ethics Centre, based at the Universidad Iberoamericana, Tijuana Campus, on the U.S. Border. It proposes to create a space of interdisciplinary dialogue between businessmen, professional administrators, academics and decision makers to "...propose better ways for business sector development under a conscience of social responsibility..."(www.tij.uia.mx).

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Conclusions

a.- Few are the Mexican corporations maintaining social interest programs, most of them are linked to foreign cultures and capitals and emphasise their interest for philanthropic actions, without attempting to compensate for their own generation of social costs. Therefore, they fulfil the objective of social responsibility before the community (fourth theoretical approach) but they disregard that referring to the living and working conditions engendered by the same corporations (third theoretical approach).

b.- Although the objective of corporate social responsibility has not been assumed by all of its theorists, it has been promoted by some governments and political parties and particularly by civil society organizations, and it has been winning adhering corporations in some European countries, Japan, the U.S. and, recently, in Iberian America as well.

c.- Given the absence of a governmental regulatory framework on the matter and the lack of enough incentives to do it voluntarily, the role played by foundations and civil organizations in Iberian America (Chile, Colombia, Mexico, etc.) that seek to convince a greater number of businessmen about the ethical need or the convenience to assume their social responsibility stands out.

d.- The Mexican case exposes limited progress in CSR practices. Some hypothesis that may explain it include, among others, the development of the business sector under strong government protection, the social prestige for its mere economic contribution, the absence in the business class of deeply-rooted links with the nation's social fabric,

the limitations resulting from the small and medium size of most Mexican companies, and the criterion for the promotion of executives among the big companies.

e.- The government's tendency to focalise its actions on the fighting of extreme poverty, with the corresponding weakening of welfare programs aimed at other social groups, exposes the need for corporations to assume their responsibility in the social field, in proportion to the growing space that the market has taken from the government. To this aim, it is proposed that civil society continues to put pressure, convincing, evaluating and awarding those efforts pioneering this matter, and most importantly, that governments more effectively regulate business' obligations and support fiscally their responses.

f.- There is very little rigorous research, even in Europe; thus, it should begin with the study of successful practices as well as of those that failed and advance through comparative analysis.

g.- A last concern to investigate is if the Mexican companies that have philanthropic activity are also preoccupied about the internal working conditions; since there appears to be a slant, instead of being more preoccupied by the external social conditions than by the internal ones. The hypothesis in this case could be in the different treatment that income tax law gives to philanthropy vis-à-vis investments and expenditures made to improve the company's working conditions. If the hypothesis is confirmed, it becomes urgent for the government to modify this distortion and to fiscally support all positive efforts.

In summary. The magnitude of the social problems suffered by our countries demonstrates the urgent need for corporations to join in a common effort with civil society and government to contribute to solve them.

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