

Corporate Social Responsibility

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A TLWNSI ISSUE COMMENTARY

Wal-Mart in Mexico

Still on the sunny side of life.* Wal-Mart de México 2005's Social Responsibility Report merrily avoids awkward questions

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Periodically, TJSGA publishes essays of relevance for The Living Wages North and South Initiative (TLWNSI). This commentary is an evaluation of the Wal-Mart de México 2005 SR Report. As could be expected, its author considers that Wal-Mart avoids critical SR issues where Wal-Mart knows there are performance problems, while concurrently persists on showing a rosy picture where there is none. Indeed, the report on SR performance is a unilateral vision, for it lacks outside assurance and only includes positive statements from some stakeholders.

The Wal-Mart juggernaut has rolled into Mexico, with Walmex capturing top spots as the largest private employer, the largest retailer and the third most-admired company. With profits totalling more than its next three competitors combined (Gigante, Soriana and Comercial Mexicana), Walmex shows no signs of slowing its explo-

sive growth. But is the Walmex slogan of "Precios Bajos, Todos los Días" (low prices, every day) a reflection not only of low product prices but also low employee pay and slashed supplier profits?

The Wal-Mart de México 2005 Social Responsibility Report sheds no light on this question. Indeed, the distinguishing characteristic of the report seems to be Walmex's sunny view of every aspect of its operations. From descriptions of supplier training and environmentally – sound energy and recycling policies, to discussions of community support and economic development, the company presents itself as a force for good.

Same old, same old

A quick reality check on the web, however, reveals a familiar litany of complaints: relentless pressure on suppliers to cut costs, worker dissatisfaction with inadequate wages, the inability of small shops to compete with Walmex stores, and protests against stores being located near cultural or historic sites. The dissonance between Walmex's report and these complaints combine to confuse the reader – to

believe, or not to believe?

A deeper look into the report reveals the requisite descriptions of governance, environmental programmes, employee relations, and philanthropic activities. Walmex

You can't avoid the problems for ever

Snapshot:
the Wal-Mart de México 2005 Social Responsibility Report

Follows GRI? No

Assured? No

Goals? General commitments to broadly defined stakeholder groups only.

Targets? No

Stakeholder input? Only positive statements included.

Seeks feedback? No

Key strengths: Focus on direct and indirect economic impact, including statistics on job creation and community development. Some environmental and social indicators included.

Chief weaknesses: No discussion of challenges such as community reactions to rapid expansion, low wages, unionisation, impact on local businesses and price-pressure on suppliers. Lacks specific targets.

paints a positive economic picture, citing low product prices for families with limited incomes, both direct and indirect job creation stemming from rapid store expansion, and contributions towards greater Mexican supplier efficiency and access to markets.

But that is as far as it goes. The report is only slightly more detailed than last year's edition, eschewing the Global Reporting Initiative guidelines for qualitative narratives, a smattering of quantitative indicators, and enthusiastic testimonials from employees and grant recipients. Furthermore, with no voice of outside criticism or internal self-reflection, or any assurance statement from an objective third party, Walmex's report is less a transparent window into company operations than a one-way mirror.

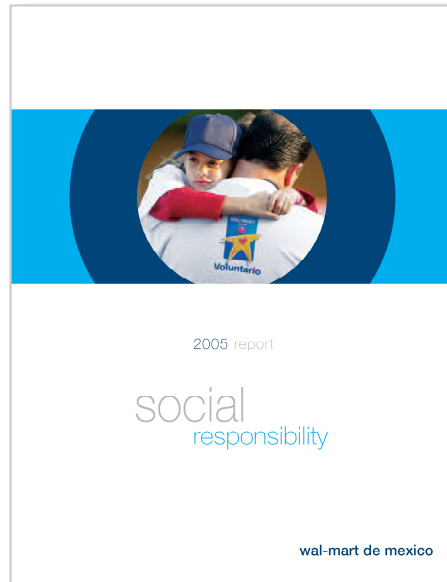
Walmex is a company much admired in Mexico and may indeed be doing the right thing. A report that addresses challenging issues head-on would go a long way toward convincing readers of Walmex's legitimacy as a responsible corporate citizen.

Cause for hope

Many observers have noted fundamental differences in the perception and practice of corporate responsibility in Latin America compared with Europe and the United States.

José Antonio Puppim de Oliveira, an associate professor at the Brazilian School of Public and Business Administration, says Latin Americans see the corporate citizenship movement as cause for hope in the face of "persistent poverty, environmental degradation, corruption, criminality, informality, economic stagnation and decaying quality of public services".

Monica Araya, Director of the Empresa Informa Forum at the Yale Center for Environmental Law and Policy, says non-financial reporting is obstructed by limited regulatory pressure, a lack of "disclosure" regulation and a "confidentiality" culture.



Useful links:

www.walmartmexico.com.mx
www.jussemper.org
www.empresainforma.net

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