Inter-American Conference on Corporate Social Responsibility
Inter-American Development Bank
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Inter-American Conference on Corporate Social Responsibility

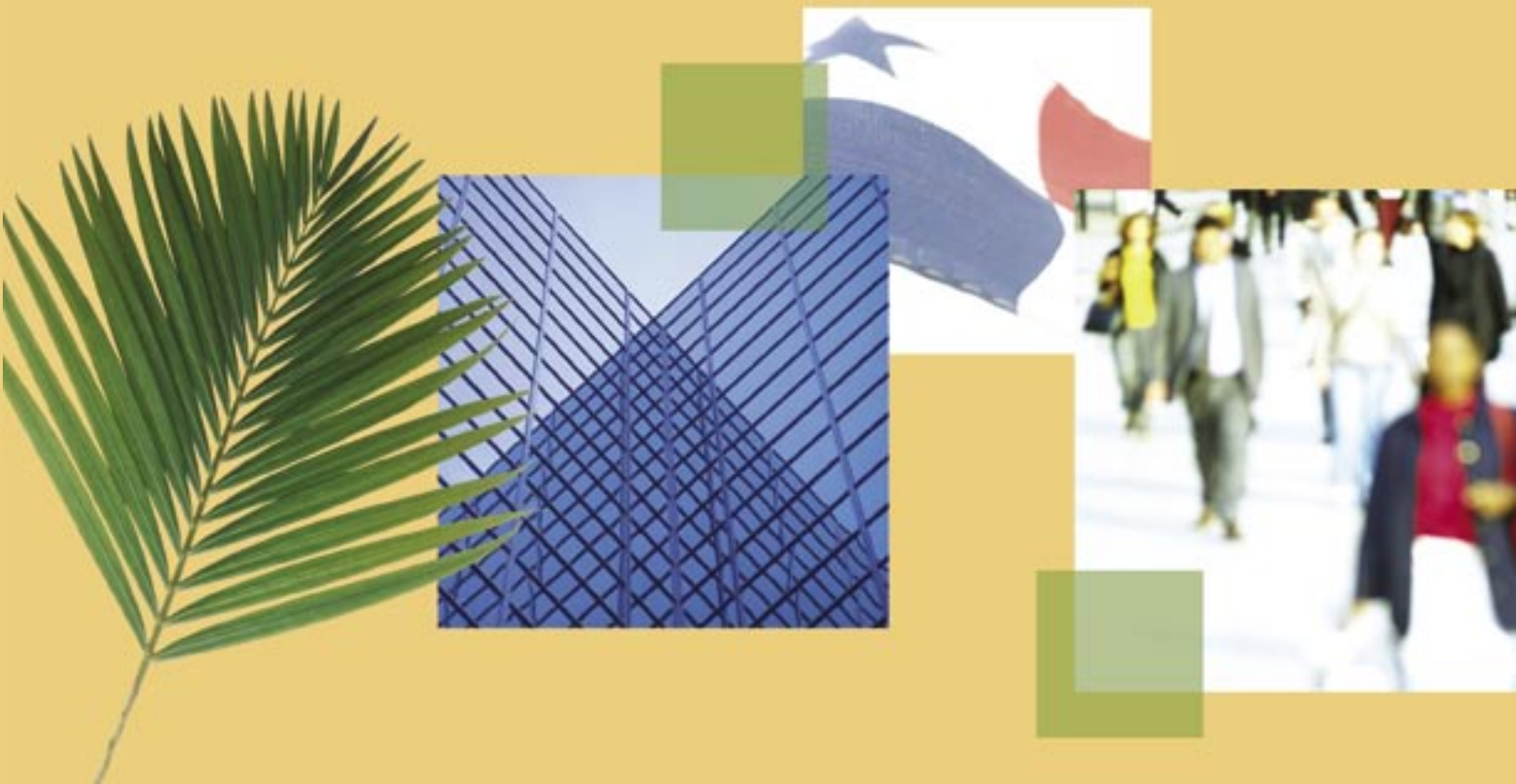
Corporate Social Responsibility as a Tool for Competitiveness

Proceedings

PANAMA CITY | OCTOBER 26-28, 2003

Antonio Vives
Estrella Peinado-Vara

Editors



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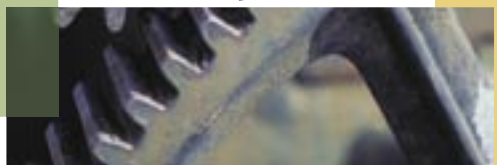

FOREWORD

It is increasingly clear that there is a business case for Corporate Social Responsibility (CSR), or in other words that responsibility generates economic returns. This does not mean that this is the only perspective to be borne in mind. We can appeal equally to distributive justice, solidarity, the common good, and the license to operate or just simply to altruism. All these are valid reasons and provide weighty arguments in justifying the responsibilities that companies owe to society.

The conference had as its objective to provide an arena in which experiences could be shared in applying those principles of CSR that contribute to enhancing peoples' quality of life. In this volume, we highlight those cases that have brought about both improvements in the competitiveness of firms whilst at the same time improving their relations with stakeholders: customers, suppliers, human resources, communities and the environment. We seek to show the positive impact that CSR has within the firm, how it can lead to improved competitiveness, and therefore profitability.

The main point that we seek to highlight here, the business case, arises from the competitive pressures that firms confront as a consequence of globalization, the need to increase profitability in order to keep growing, and the slowdown in growth in some countries. This means that only the business case is going to make CSR sustainable over the long run and to ensure it is not just a temporary fashion. Business survival itself gives pride of place to lowering costs, and some of those cost reductions can come about because of CSR. By showing that CSR makes good business sense, we hope to show that it should not be a cyclical concern, rather form part of a long-term business strategy. We would like to show companies, especially small and medium-sized ones and those in emerging markets, that CSR can be profitable. If we manage to do this, we will be making a contribution to economic development and to improving the quality of life among disadvantaged peoples.

These Proceedings summarize the presentations and the discussions that took place during the Inter-American Conference on Corporate Social Responsibility, held in Panama City, October 26-28, 2003. Most of the presentations delivered are posted on the internet at www.csramericas.org. The conference took place as a follow-up to the Conference of the Americas (Alliances for Development) held in Miami in September 2002, in line with the mandate given by Western Hemisphere presidents at the 2001 Quebec Americas Summit.

The publication also includes an edited summary of the document produced by the World Bank Institute, following the electronic conference on "CSR and Public Policy" held between July 7 and 25, 2003.

We trust that the publication of these proceedings helps to disseminate the benefits of corporate social and environmental responsibility for all the actors involved.

ACKNOWLEDGEMENTS

The organization and realization of this conference was made possible thanks to the help of dozens of persons and institutions to whom we would like to extend our sincere thanks.

The Organizing Committee and Key Sponsors

The Inter-American Development Bank, alongside the Government of Panama (through its Ministry of Economy and Finance), the United Nations Development Program (Panama), the World Bank, the Inter-American Foundation and the Inter-American Investment Corporation (of the IDB Group) were the main organizers and sponsors of the event.

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Executive Director
Vincular, Pontificia Universidad católica de Valparaíso, Chile

Rapporteurs

The Universidad Santa María La Antigua took responsibility for making the preliminary summaries at the end of each session. The rapporteurs were:

Rodolfo Bergantino
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Rosa de Bedoya
Alejandro Duarte
Justiniano Montenegro
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Logistics

The detailed logistics of the conference were undertaken by Congrexpo Internacional from Panama.

To all of these, many thanks.

AGENDA

October 26, 27 and 28 2003
Hotel Caesar Park
Panama City, Panama

SCHEMATIC AGENDA

Sunday, October 26th 2003

3:30 – 7:30 p.m.—Registration

7:30 – 8:30 p.m.—Welcome Reception

Monday October 27th 2003

7:00 a.m. – 3:00 p.m.—Registration

8:00 – 9:00 a.m.—Continental Breakfast

9:00 – 10:00 a.m.—Opening Ceremony

10:00 – 10:30 a.m.—Coffee Break

10:30 – 12:45 p.m.—First Plenary Session

The Role of Corporate Social Responsibility in the Improvement of Competitiveness

Distinguished speakers from the private enterprise, government, civil society and academia will establish the reference framework of the conference and will share evidences on the impact that CSR has on business competitiveness.

1:00 – 2:15 p.m.—Lunch

2:30 – 4:00 p.m.—First Round of Breakout Sessions (two concurrent sessions)

The Role of Corporate Social Responsibility as a Tool for Competitiveness

Session A: The reputation of the company resulting from the use of CSR as a tool for Competitiveness

The reputation of a company is built and maintained satisfying the expectations of all stakeholders. One of the most evident results of applying CSR principles in a company is related to the improvement of the reputation and its effects in its risk management as well as in the value of intangible assets. The panelists will share their knowledge and experiences on these positive repercussions as a result of adopting CSR as part of the business strategy.

Session B: Human resources management to improve competitiveness

Selection, retention and motivation of the staff affect the bottom line. In this session the effects of CSR on the human resources of a business are analyzed. How personnel policies that go beyond the minimum required, or supporting communities in influential areas of a business, affect positively in the company recruiting, in employee productivity and in reducing personnel turnover..

4:00 - 4:30 p.m.—Coffee Break

4:30 – 6:00 p.m.—Second round of Breakout Sessions (two concurrent sessions

Session A: How to turn CSR into a tool for competitiveness

CSR policies related to suppliers have been especially relevant after cases with subcontractors and labor practices are in the spotlight. In any case, the promotion of responsible policies with suppliers may result in an improved competitive position for both the supplier and the company itself. Panelists will share their experiences in this field..

Session B: Community involvement as a source of competitiveness

Companies must gain, maintain and enhance their "license to operate" to exist. Traditionally, the license to operate has referred to the compliance with local, national and international legislation and regulation. Today, the term also includes earning the trust and respect of the community. Panelists will share their experiences in community involvement and how this turned into a source of competitiveness that allows the company to be commercially viable in the long term, through the respect of a diverse group of stakeholders.

7:30 – 9:00 p.m.—Gala Dinner

Tuesday, October 28th 2003

8:00 – 8:30 a.m.—Continental Breakfast

8:30 – 10:00 a.m.—Second Plenary Session

Public policies, private sector needs and the role of the civil society

This Plenary Session will provide a unique opportunity to determine what actions should national and local governments take to include the use of CSR as a tool in their business competitiveness plans.

10:00 – 10:30 a.m.—Coffee

10:30 a.m. – 12:00 p.m.—Third Round of Breakout Sessions (Two concurrent sessions

Reporting strategies and Alternative markets

Session A: Reporting strategies and the dissemination of CSR activities as a tool for competitiveness

In the measure that business ethics are scrutinized, a growing number of companies have started to report their social and environmental performance. This session will illustrate new tendencies of social control, reporting methods (triple bottom line) and how reporting the social and environmental performance affects businesses.

Session B: Alternative markets

Most companies have traditionally focused on those market segments that provide substantial profits and quick returns on investments, on markets that they understand and where there is no extreme poverty. However, there is a growing interest in doing business and creating wealth in non-traditional, poor markets. Business models must change to be successful; the creation of economic value must go hand in hand with the creation of social and environmental value. Panelist will present their experiences in opening new markets, not only the segments at the bottom of the pyramid but also the access to socially conscious niches in foreign markets; and the importance of free trade agreements in opening new international markets.

12:00 – 1:00 p.m.—Plenary Discussion

The future of Corporate Social Responsibility

This panel will allow participants to discuss themes touched upon during the conference and to present their ideas about the future of CSR from their sectorial perspective. This will give participants an opportunity to present their ideas on CSR as a tool for competitiveness. Lastly, an authority on CSR will give a summary and closure speech.

1:00 – 2:00 p.m.—Lunch – Closing Buffet

INTRODUCTION

WITH SOCIAL RESPONSIBILITY WE ALL WIN

Antonio Vives
Estrella Peinado-Vara
Inter-American Development Bank

To be effective and sustainable, CSR needs to be seen just as another tool in a company's strategic arsenal, forming a part of business culture. This is not to say that there are no other very valid reasons why a company should be socially responsible. But for such responsibility to be sustainable, we need to consider the incentives that managers face in their day-to-day activities, amongst which is increasing the value of their company.

Furthermore, for social responsibility to take root in firms, a strong ethical commitment is required. This is a starting point. But for the firm to participate responsibly in society and in development, ethical behavior is not enough.

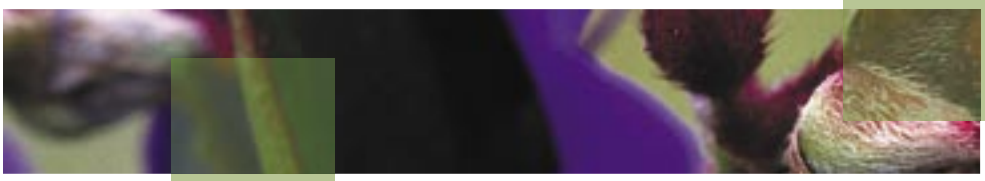
A firm's participation in society varies and develops with the intensity of its involvement. In Latin America, we have a long **philanthropic tradition**, with companies and businessmen contributing resources to the widest range of causes. But this is just a first step; generally it constitutes a one-off gift that forms no part of company strategy. For this reason, it may be short-lived.

In some cases, such philanthropy has developed into **corporate citizenship**. Companies, especially in developing countries, evolve in a context where they exert considerable influence. The communities in which they operate look to them to take a lead in resolving many of their problems. Without wishing to suggest that the private sector should substitute for the role of the state or become the answer to all such problems, corporate citizenship implies carrying out business functions that respect other social actors, behaving as a good citizen and so helping to enhance (at least not to damage) people's quality of life and the environmental resources it consumes.

In its most developed form, the activities of a firm are carried out within the framework of what today is known as **corporate social responsibility**. This is a term which has had a major impact in Europe and the United States, bound up as it is with the creation of economic and social value. Thanks to the efforts of business associations, non-governmental organizations, multilateral institutions and the academic world, gradually it is inserting itself into the day-to-day activities of Latin American businesses. Corporate social responsibility is part of the business itself, not a separate activity. It involves running a business in a wider framework than that required just to maximize profits for shareholders or owners. By means of such responsible practices, carried out as yet another management function, it is possible to achieve improvements in a firm's competitive position (thereby generating higher profits) at the same time as to help build a better society. The company thus not only becomes a tool for economic development, but for social development as well.

The contribution of CSR to economic development

The shift in state priorities towards social and environmental matters, combined with the constraints the authorities have in delivery in these areas, means that there is fertile ground for the private sector to assume its share of responsibility in improving people's living conditions. Moreover, the pressure of globalization on businesses to be ever more competitive whilst respecting people's rights and the limited resources of the planet, means that the firm is operating in a context in which its actions cannot be divorced from the effects they have on the wider community, the environment, their employees and their families.



We start then from the premise that the firm is particularly relevant in our societies. The weight of some companies in the regional economy, and in some case in the national one, means that any activities by a firm can have major repercussions, not just in the media but in reality. As is well known, the private sector plays a fundamental role in stimulating economic growth, creating social welfare, generating employment and reducing poverty. Indeed, it is an instrument of development. Above all else, it also has the duty to ensure that its contribution to development is harmonic, equitable and sustainable. It cannot possibly do so without being responsible to stakeholders.

Importance of the business case in sustaining CSR

CSR is key to being competitive. The need for it is evident from the fact that in our societies there are social and environmental problems that need to be resolved, but all firms have to become aware that the quicker they adopt responsible practices the less they will have to do in the future in response to such problems. It is necessary to show how responsible practices will turn into higher profits and greater value: that being responsible is not just an add-on cost but, if properly undertaken, becomes a way of raising competitiveness and thus producing higher returns or an increase in the firm's value. Otherwise, firms limit themselves to acts of philanthropy when they can afford it, abandoning them with the onset of bad times when resources dry up. For CSR to be sustainable, it needs to be thought of as an integral part of a business strategy and not just an accessory. It needs to be seen as an investment, bearing fruit over the short, medium or long term (whichever the case), but as definitely generating a return.

The role of the public sector, civil society and the private sector. The private and voluntary nature of CSR

While it is true that the private firm is the main promoter of CSR, we should not forget that the public sector and civil society are key elements in making it effective. The role of the public sector, both at the national level as well as that of local governments, is to create a propitious business climate that enables companies to develop their activities, including at the national level acting responsibly. CSR needs to be borne in mind at the point where competition policy is designed, since it can be used as a tool for competitiveness not just at the level of the firm but that of the nation too.

Civil society should act as the voice of society. As well as exercising oversight, its role is to publicize the problems that exist and to advise both governments and the private sector how best to deal with them. It is clear that an alliance between government, civil society and the private sector is vital if CSR is to be really effective. However, it should not be forgotten that even though the companies may help alleviate social and environmental problems and that they clearly act as the engine for development, this does not mean it should take the place of the state in supplying public goods

There is a debate over whether CSR should be regulated by law or, on the contrary, be voluntary. An important aspect of CSR is that it is not just a matter of obeying the law but going further than what is legally required, bearing in mind the impact it has on stakeholders. There are those who favor the legislation of business behavior. There are many instances where this already happens, for instance in child labor and some aspects of environmental protection. But it is not possible to have legal systems that cater comprehensively for the protection for workers, communities, customers, suppliers and the environment. Were this the case, enormous rigidities would be introduced into the workings of the private sector that might lead to economic contraction. A mid-way position has to be sought, legislating for what is absolutely necessary and establishing incentives and penalties (whether through the market or through the intervention of other stakeholders) so that the firm behaves responsibly. Unfortunately, we live in a world that is imperfect and it continues to be the case that in going beyond the minimum legal requirements, CSR contributes to a better society. It should be voluntary, but with necessary safeguards. The moment will come when market forces themselves, the public sector and civil society together oblige the firm to be responsible, or otherwise become uncompetitive.

As well as contributing to the growth and competitiveness of our firms, CSR may also promote social cohesion. The contribution made by a responsible firm to political and economic stability in developing countries is not fully appreciated. At times when society is demanding more attention be paid to such key problems as inequity in income distribution, a socially responsible business class, rather than becoming the target of criticism, can contribute to the acceptance of private participation in economic life, to job creation and poverty reduction. By so doing, it averts the need for radical political solutions.

Conclusion

CSR is a development tool that should not be implemented just for the purpose of image building, or being morally correct, but also because it brings benefits to the firm itself. A major part of our countries' future, especially in emerging economies, lies in the firm recognizing its social responsibilities, and that being socially responsible, far from being a burden, is a tool for competitiveness

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SUMMARY OF THE SESSIONS

THE ROLE OF CORPORATE SOCIAL RESPONSIBILITY IN THE IMPROVEMENT OF COMPETITIVENESS

First Plenary Session
Monday, October 27, 2003
10:30 a.m.–12:45 p.m.

Antonio Vives
Inter-American Development Bank

First Plenary Session

The panel

Prof. James Austin (Harvard University) opened the session with a comprehensive presentation on the competitiveness gains from alliances with the social sector. Josefina Doumbia (International Finance Corporation, IFC) followed with the conclusions of an extensive study of cases of CSR improving competitiveness, or sustainability as the World Bank Group prefers to call it, in emerging markets. This general introduction was followed by three presentations from the private sector: Eugenio Clariond Reyes (Grupo IMSA, Mexico), Paulino Barros (BellSouth) and Stanley Litow (IBM) who presented their views and experiences of the value of CSR. This was followed by an intervention from Andrés Palma, the Minister of Planning and Cooperation in Chile, a country which has taken a lead in CSR. Finally, Joost Martens (Oxfam International) presented the position of civil society.

Competitive advantage

To understand that responsible practices can lead to improvements in the competitive position of a firm, it is important to analyze the means used to achieve this. One such means is through **social alliances**. These are associations between the private sector and civil society organizations to promote social and corporate benefits. Prof. **James Austin** explained the **why, what and how** of reaping social and corporate benefits, basing this on the results of a two-year study undertaken by the alliance of universities that make up the Social Enterprise Knowledge Network (SEKN) which analyzed more than two dozen cases in a variety of Latin American countries.

To answer **why**, two motives at each end of the spectrum can be identified: utilitarianism and altruism. In most cases, both motives were present, and it is usually the case that the situation is more sustainable where these two elements coexist. Whichever, it is important that the motive is clearly understood in order to reap the benefits of a social association.

What may have an internal or an external effect, within the firm or outside it. This can be better understood from some of the examples that arose from the study. Examples of internal effects include the following: Autopistas del Sol in Argentina had to associate with the community since this was a key element in the success of the highway. Farmacias Ahumada, which operates in Chile and Mexico, set up an alliance with an association of elderly people funded with money from its customers, helping to improve its employees' skills as salesmen of all its products. Danone associated itself with an organization to fight cancer in children, helping to improve the company's reputation to help it attract better talent. For Meals de Colombia, working with teachers and students enabled it to develop standards and to improve its own personnel management. Tenaris, a metallurgical company in Argentina, allied itself with an artistic and cultural organization that seeks to develop local culture. This helped it to adapt its organizational culture to local conditions.

To demonstrate the external impact, the case of Telemeg (wireless telecommunications) in Brazil was used, which by involving itself in local communities helped improve its understanding of local needs, which helped it both to

gain a better understanding of customer needs and to improve the marketing of its products. General Médica, a firm supplying medical equipment, collaborated with a local NGO working in Colombian hospitals in order to help consumers to understand better the value of the equipment it sells. Johnson & Johnson, also works with the same organization, helping it to understand better the true needs of hospitals and so to adapt its products and services to local needs. Bimbo, a Mexican food company seeking to introduce baby foods, associated itself with an NGO working with museums. This helped brand recognition and improved its image in this segment of the market. Repretel, a television company in Costa Rica and H-E-B, a Texas supermarket chain with operations in Mexico, work with local institutions that help them build up their standing as foreigners in the local market. Starbucks developed an alliance with Conservation International and they work together in Chiapas to develop shade-grown organic coffee, thereby helping to protect the environment and develop sustainable sources of supply, whilst improving its standing in developed country markets as a responsible coffee purchaser. Indupalma, which produces palm oil in Colombia, works with local organizations to develop a more favorable operating climate and to win the support of local government in a situation plagued by violence. Tetra Pak de México, a producer of containers, collaborates with environmental organizations to promote container recycling. This helps it to avoid more restrictive legislation that could prove costly and damaging.

Fig. 1 Business Case Matrix*

The business case matrix		Sustainability factors						
		Governance & engagement		Environmental focus		Socio-economic development		
		Governance & management	Stakeholder engagement	Environmental process improvement	Environmental products & services	Local economic growth	Community development	Human resource management
Business success factors	Revenue growth & market access							
	Cost savings & productivity							
	Access to capital							
	Risk management & license to operate							
	Human capital							
	Brand value & reputation							

No evidence of a business case

Some evidence of a business case

Strong evidence of a business case

*International Finance Corporation (IFC) copyright

The Administrator of the Canal of Panama, the President of Panama and the President of the IDB during the Opening Ceremony

Such alliances can also help the brand. La Nación, the Argentine newspaper, works with an NGO, dedicating a part of the newspaper to free advertisements for people requiring help and for people and agencies offering it, thereby creating a "solidarity market". This enhances both its reputation and brand image. Through market research, Danone, the food producer, discovered that consumers considered the company cold. Through working with an NGO that helps children with cancer, it managed to improve its image. Moreover, it observed that in cause-related marketing in order to raise money, its competitors had to lower their prices to compete. For Danone, not only was this unnecessary but it held on to its market share. Indeed, in a survey of those companies that lent most support to Teletón de México, Danone was considered one of the prime sponsors even though it does not take part in Teletón. Monsanto works with an NGO that gives it access to small agricultural producers. Posada Amazonas, which is involved in ecotourism in Peru, has an alliance with an indigenous tribe with which it developed a joint venture to promote tourism, helping both to create a new attraction for the consumer and to differentiate its brand image. Natura in Brazil established a product line with natural ingredients from Amazonia (EKOS), which are developed and produced thanks to its alliances with local communities.

As can be readily seen, these alliances bring benefits. How are such benefits brought about? By pursuing a strategic alignment over goals, common values among the parties to the alliance, and the generated resources. This alignment has two dimensions: breadth and depth. The breadth may be narrow or wide, and the depth superficial or deep. Although there were no cases found that were both wide and deep, many are moving in that direction. There are three types of resources. Generic resources, generally philanthropic offerings of money, can quickly help to fill the gaps identified in relations with the company. This generally has a tactical quality. More benefits in competitive terms and in social value arise if key resources are tapped (technology, knowledge, infrastructure, contacts etc.) strategically, leading to improvements in productivity, product differentiation, and to novel and sustainable solutions. The third type of resources results from combining the key resources of both the company and its partner, which help produce synergies and unique solutions that cannot be imitated.

To enhance the competitive advantage, even where a strategic alignment with a partner already exists and where the resources are available, we need to consider four additional points. The first is **institutionalizing the relationship**. This means going beyond just a personal relationship, with the activities that result becoming an integral part of the organization. Each department of the firm should know how to add to the relationship and how to benefit from it. So management should transmit clearly the importance of the relationship to the firm, integrate each department's contribution to the structure of incentives of the association, and to turn words into deeds. Secondly, to make the relationship as strong as the two partners involved, it is important to help **strengthen the other partner** since its weaknesses will undermine possible gains in competitive advantage. It should be strengthened by improving its organizational capacity, helping it develop particular skills and making available such infrastructure as information systems. The third element is **communication**, both within the firm and outside it. The aims, methods and results need to be disseminated internally, through bulletins, seminars, and informal staff networks. Externally, a choice has to be made between doing it in a low-key way or publicizing it

to the four winds. Whichever, external communications need to be handled both carefully (bearing in mind the risks involved) and clearly. In the session on dissemination of CSR activities as a strategy for competitiveness, communication was discussed in greater detail, and the argument was strongly made for communication to be strategically managed, but not manipulated. The fourth element is to use alliances as **learning tools**, in the sense that they are a starting point for broader and more complex alliances, so that what is learned can be used in other parts of the firm. To benefit from the lessons learned, investment in learning is required since it is not something that happens automatically.

To sum up, we can talk of a virtuous circle of value creation, starting with the "give more to receive more" notion. This makes us think of the needs of the other. Each of the parties is enriched. Each can go further than is expected, being able to demand more in return for giving more.

Social associations and corporate social responsibility are potent sources of competitive advantage in Latin America. The scope for creating social value that also produces corporate value is immense and needs to be tapped.

The International Financial Corporation (IFC), along with SustainAbility of the United Kingdom and the Instituto Ethos in Brazil, undertook a broad study entitled "Developing Value: The Business Case for Sustainability in Emerging Markets[1]. The study analyzes the impact of social responsibility on business competitiveness of 240 cases in 60 emerging countries. It was presented by **Josefina Doumbia** from the IFC.

The study goes well beyond the social alliances mentioned by Prof. Austin, and includes these and other activities within the broad notion of sustainability[2]. Beyond just the financial dimension, it includes the social and environmental dimensions and corporate governance. One of the study's main conclusions is that such myths as sustainability is just for developed countries or large companies, need to be buried, or that it is no more than a defensive public relations ploy to counter commercial or social pressures. It is not something that is imposed on developing countries as a barrier to international trade, nor is it just simple philanthropy.

The study's main conclusions indicate that those actions helped lead to sustainability, not for altruistic reasons or because of regulations (in many cases they go well beyond what is required in law), but because they bring **benefits to the firm**. By applying the concept and methods as an integral part of a firm's strategy, it is possible to generate business opportunities. All firms can receive benefits, some more than others, but it is applicable to all, albeit different areas of business will benefit to different degrees.

Socially responsible practices may lead to:

- Revenue growth and market access
- Cost reduction and increases in productivity
- Access to financial resources
- Risk management and social acceptance
- Increasing the value of human capital
- Enhancement of brand equity and reputation

And among the practices that may generate benefit:

- Improvements in management and corporate governance
- Inclusion of stakeholders
- Environmental improvements in business processes
- Production of environmental goods and services
- Local economic development
- Local resource management

To enrich the discussion, three non-Latin American examples were chosen that illustrate some of these aspects: a construction materials plant in the Czech Republic, a bank in China and a mining company in South Africa. The producer of construction materials used asbestos as a raw material. When it became aware of the harmful effects of asbestos it decided voluntarily to eliminate it and by so doing to gain access to new markets in Europe, to improve labor stability and lower insurance costs. In the case of the Shanghai Bank, improving corporate governance and transparency led to it accessing financial resources, attracting a shareholding from an international bank, and being quoted on the stock market (so helping it to reduce capital costs). In the case of the mining company, it decided to work with local institutions to

support the creation of micro-enterprises from which to source goods and services. This contributed to local development and helped achieve inputs at lower cost and more effectively.

From the studies, evidence of opportunities were found in seven areas:

- Lower costs, reducing environmental impacts with responsible labor practices
- Increase profits, improving the environment and benefiting the local economy.
- Reduce risk through agreements with stakeholders
- Enhance reputation, increasing environmental efficiency
- Develop human capital with better human resource management
- Improve access to capital with good corporate governance
- Benefit from greater local development and from new environmental goods developed as a consequence of environmental responsibility

The interactions and intensity of these activities (sustainability factors) and the results obtained (business success factors) can be observed in the matrix (see Figure 1), which summarizes the results of the study.

The matrix shows the seven cases mentioned above where there was a close relationship based on strong evidence (darker orange boxes). For instance, improvement in environmental practice leads to increased income and better market access, or improved human resource management leads to cost savings and higher productivity. The fact that we highlight only these seven cases does not mean that the rest may not improve a firm's competitiveness, just that the evidence is not so strong or that no examples were found. As the concept is debated more widely, it is quite possible that other cases may be found or developed to amplify the matrix.

These presentations highlighted the point that corporate social responsibility -- or sustainability if you will -- can lead to competitiveness improvement, not just in developed markets and large firms, but in developing markets and for all types of firms, albeit to differing extents.

The view of the private sector

Going one step further, the World Business Council for Sustainable Development promotes an even more advanced concept than CSR, known as Sustainable Livelihoods. **Eugenio Clariond Reyes**, board executive member and president of IMSA in Mexico[4] stressed the importance of moving towards these more advanced concepts, particularly for firms that already practice the principles of CSR, and developing them for the long run. Attending to the needs of low-income groups, whether stakeholders or not, becomes more important since the perpetuation of poverty puts the sustainability of the business production model at risk. In the session on Alternative Markets, the subject of pursuing to lower-income markets as a part of CSR is also dealt with.

The alliance between POEMA and Daimler-Chrysler in Brazil is a good example. To raise the quality of life for poor producers, help is provided for them to diversify their harvests, thereby reducing indiscriminate deforestation and also protecting the environment. The project involves purchase of coconut fiber from 900 families to help produce the inside of vehicle seats. The project has been applied in other parts of the world, using other traditional fibers. Another example is the use made of cashew shells, produced by low-income groups in Tanzania, as a way of raising temperatures in cement production furnaces. Use is made of a renewable natural fuel that protects the environment and raises the income of poor communities.

Such companies showed willingness to change their normal operating paradigms and to explore possibilities ignored by others. In so doing, they generated benefits for poor people as well as for the firm and improving the environment. To extend this new sort of business culture involves searching out commitment among business leaders, with the help of governments and participation from civil society.

Paulino Barros, executive vice-president for Latin America at BellSouth, explained that CSR was not an activity that was intermittent, ancillary or carried out in tandem, but an integral part of a business strategy and its implementation. The very business of BellSouth,

communication between people, is the first pillar of the CSR strategy if carried out responsibly and efficiently. The second pillar is the firm's commitment to ethics. Employees sign up to a code of honesty that regulates relations between themselves as well as with customers and suppliers. To ensure that this is not just a paper commitment, the company backs up its compliance with specific procedures, training, help and necessary corrective measures. The third pillar is to make an active contribution to the community through social investment. Guided by the long-term view, its priority is with children and education. To this end, it has organized its 'Pro-Niño' (Pro-Child) program in the countries where it works, attending to the needs of 8,000 children. This forms part of the company's strategy and goes well beyond mere philanthropy by having a long-term commitment and participating in design, implementation and follow-up.

IBM provides one of the best illustrations of this real, long-term commitment. With more than 85 years working in Latin America, IBM is a leader in what it calls corporate citizenship[5]. **Stanley Litow**, president of the IBM Foundation and vice-president of community relations for the firm, emphasized that corporate citizenship encapsulates the whole sphere of community relations, and so goes much further than philanthropy. It is the nexus between the business of the company and its interest in the community. To be a corporate citizen, it is necessary to have and believe in an array of basic principles that regulate relations between the company, the community, customers, employees and other stakeholders. This stems from recognition that the private sector plays a very important role as source of employment, tax income, infrastructure provision and community support by its employees. The company should see itself as a part of the community. This corporate citizenship also shows up in ethical behavior, setting the standard for environmental management. But, since the company is part of the community, it is a two-way relationship, and communities also have responsibilities towards companies; each needs the other. The community determines the present and the future of the company through the way it behaves. This reciprocal relationship should further increase the company's concern for the welfare of the community.

Large companies start with a fair treatment of their employees, customers and suppliers, and on ethical behavior, financial transparency and environmental protection. But this extends to concern for the communities in which they operate in the widest meaning of the word. Their guiding principles of behavior are well developed internally and engrained in their everyday activities. They do things better than the rest, and have a long-term vision both with respect to strategy and their responsibilities. Such leading companies are what are needed today since in many countries corporate responsibility is under question. IBM is and has been a paradigm. It had the first racially integrated plant in the south of the United States at a time when racial segregation was the norm. It was one of the first companies to produce an environmental audit and a social audit. It was a pioneer in implementing employee benefits (such as medical insurance, paid vacations, time off for sickness, benefits for spouses, and now telecommuting), all this for the benefit of the employee and therefore the firm.

For IBM, corporate citizenship is intimately connected to the strategy of the firm; otherwise it would prove to be ephemeral. The following cases provide examples of this interaction. The use of voice recognition technology to teach children to read has been of direct benefit to the

community, but additionally the company has developed a new product to generate such benefits. The program to improve educational standards (involving 80,000 teachers and 2 million children) helps the development of new products that also help develop the intellectual capacity of the company. The program of assistant teachers and mentors among women in a number of Latin American countries has helped them get jobs that are more stable and encourage greater motivation. The development of computers for children helps them to learn to read, but also contributes to the development of new products. The computer program "Tradúcelo Ahora" (Translate It Now) that enables instantaneous translation on internet sites from English to Spanish arose out of IBM's community support efforts to reduce the digital divide. Corporate citizenship programs such as these have led to more than 25 patents, half a dozen new products, and a large number of other services. Concern for community development can enable the company to do good and to reap benefits from it.

It is estimated that 25% of IBM's media coverage in 2002 was devoted to its activities of community development, which leads to recognition of it as a good corporate citizen. Such recognition of IBM's leadership in this area has enabled it to reduce the cost of raising financial resources by increasing the demand for its shares among socially responsible funds. Also, it helps it attract and retain better and more motivated employees.

According to estimations by the Financial Times, the value of IBM's reputation is worth US$55 billion, much of it due to its corporate citizenship activities. Why do they do all these? Because as well as giving back to society part of what it has contributed, it helps improve the company's results.

The role of the public sector

Governments also have an important part to play in the adoption by businesses of socially responsible practices. This consists of helping it to raise levels of competitiveness. This interest arises from there being common objectives between the firm and a good government: having a competitive private sector that contributes to economic growth, but in ways that are socially and environmentally responsible and where the private sector complements the tasks of government. For this, it is crucial that the firm and government share fundamental values, such as ethics and respect for human rights. With respect to the latter, these should include not just civil and political rights, but economic and social rights that are more germane to the activities of the firm. For **Andrés Palma**, Chile's Minister of Planning and Cooperation, this means: firms complying with labor norms, including workers' rights of association and equality of opportunities; commercial ethics based on just and honest treatment of consumers and suppliers of goods and financial services; respect for the environment since this belongs to everyone; empowerment of people so they can achieve their full potential; and compliance with tax obligations.

When companies comply with norms that are seen to be fair, they legitimize themselves in the eyes of the citizen. It fosters acceptance and agreement over objectives. This leads to greater stability, less conflict and less disagreement which, in turn, enhances the competitiveness of a country's firms. Unfortunately, there is still non-compliance with labor and environmental norms and less than ethical behavior in many Latin American countries, and this undermines business and national competitiveness. Since it is up to governments to ensure people's well-being, these should require companies to respect those norms of behavior that society demands and encourage ethical behavior in areas that cannot or should not be regulated by the state. Government therefore should provide a climate in which companies can (i) carry out their activities and contribute to economic growth; (ii) supply goods and services in a responsible way; (iii) provide decent employment and; (iv) reduce social inequality. It is not up to the company to substitute for the tasks of government, or fill those gaps left by government. They have complementary roles and the common objective of improving people's quality of life.

Finally, socially responsible firms can also contribute to the consolidation of democracy and social cohesion through ethical behavior and fair play to all the parties involved. This facilitates the development of markets, which stimulates private initiative and in this way promotes competition and competitiveness. Democracy and corporate social responsibility go hand in hand.

The view of civil society

One of the most relevant actors in promoting corporate social responsibility is civil society, not only in pressing firms to defend and promote the interests of society but also monitoring firms' responsible activities and ensuring that they honor their promises. **Joost Martens**, Oxfam International's regional director for Central America and the Caribbean, stressed that this role is all the more important in the case of transnational corporations working in developing countries, where the imbalance of power between the parties can be very pronounced. An example of this is GlaxoSmithKline in South Africa. Under pressure from the government to allow national production of drugs at accessible prices to fight AIDS, this company decided the donate medicines, but in doing so it failed to resolve the real problem which is a lack of access to drugs. Here was a case of substituting strategic philanthropy for true corporate social responsibility that would lead to massive production of drugs at accessible prices as part of the business of the company, rather than providing limited access at the company's convenience as a sop. Much of the social responsibility shown by large transnationals is the result of the pressures from civil society. In some cases this has taken very concrete form, such as with Nike in Vietnam (working conditions in plants run by subcontractors) or with Shell in Nigeria.

This intervention by civil society is even more important where markets react to monetary incentives or in cases of basic needs like water and medicines, where firms are prepared to supply these only so long as it is profitable to do so. Other incentives need to be introduced to influence corporate behavior. Amongst others, these could take the form of public-private partnerships where costs are shared, or instances of consumer pressure that forces companies to redefine markets. Furthermore, there are externalities in the environmental impact of business activities. There are also cases where intervention is necessary when there are huge imbalances of power between multinationals. In many cases, it is not enough to leave social responsibility to the market or the will of companies. Intervention by the state in regulating certain activities may acquire greater importance, and by civil society in transmitting concerns to the wider public.

It is therefore important to maintain a balance between the powers of the state and those of the market, between the public sector and the private sector, between the part played by the state and that of the firm. So long as these balances can be maintained and within a conducive political framework, it is possible to improve on the contribution of the firm to sustainable development and poverty reduction. This is of particular importance in the case of free trade agreements that tend to tilt the balance by giving priority to the market and surrendering some of the regulatory functions of the state. The challenge for corporate social responsibility is to define and put into practice a global framework that maintains balance between the two sectors, between the voluntary and the obligatory.

Concluding remarks

Corporate social responsibility, as an integral part of the commercial strategy of firms, is a powerful tool for improving people's quality of life and engendering social stability. In many cases, it can also be a profitable strategy for the firm itself, helping it to improve its competitiveness. It is therefore important to show the firm that being socially responsible is, in the long run, good for business. This does not necessarily mean that this is the only reason for a firm to be responsible, or that it should be so only when it is good for profits. The firm should be responsible because the laws and regulations require it and because it is part of what is socially acceptable in a civilized world. However, it is important to prove the commercial justification because this makes it sustainable over the long term. Philanthropy, for instance, not linked to the business itself and carried out for altruistic reasons, can be ephemeral and be jettisoned when the business climate deteriorates.

For a company to be socially responsible, there needs to be a coming together of stakeholders. The government,

also being responsible, needs to regulate the behavior of firms, but without imposing unnecessary restrictions that act as an impediment or even encourage irresponsible acts (corruption) in order to function. Companies should not only obey the laws and regulations and regard doing so as part of doing business, but go beyond these requirements and (when possible) preempt them. Civil society should act impartially in promoting, monitoring and controlling responsible business behavior, whilst acting responsibly itself. Where all the stakeholders come together in a balanced fashion, a more just and prosperous society is attained.

THE ROLE OF CSR AS A TOOL FOR COMPETITIVENESS

First Round of Breakout Sessions
Monday, October 27, 2003
2:30 p.m.-4:00 p.m.

SESSION A: THE REPUTATION OF THE COMPANY RESULTING FROM THE USE OF CSR AS A TOOL FOR COMPETITIVENESS

Jorge Nowalsky
Centro Internacional para el Desarrollo Humano, Costa Rica

Globalization has defined the economic frontiers in such a way that the competition that confronts firms is ever greater. Economic opening and trade agreements -- both bilateral and multilateral -- create a climate of extreme competitiveness in which firms are obliged to run their businesses ethically, adopting acceptable environmental and social standards.

In this context, adoption of corporate social responsibility (CSR) is key to improving corporate competitiveness. To differentiate a company's goods and services from the competition it is necessary to generate confidence among stakeholders with respect to corporate behavior and thereby to enhance its reputation. Reputation thus becomes an asset in achieving greater corporate competitiveness, as well as a way for consumers (who have ever greater access to information and opportunity) to choose between different goods, services and sources of supply.

Reputation is not created in a void. It is related to the expectations of stakeholders, whether the company's partners, its workers, the government, or consumers. For this reason those companies that are committed to the welfare of the societies in which they operate and to practices that are socially responsible need to interact with these stakeholders so as to understand their expectations, needs and aspirations. The reputation of a firm will improve to the extent that these practices are valued and adopted by the private sector, and that this is recognized and validated by third parties. However, maintaining and enhancing such a reputation is not easy, since it only takes the smallest mishap to puncture that confidence and for a good reputation to be damaged.

The audience express their views

Even though some consider reputation as an intangible factor, there are many success stories of companies which, by adopting the principles of CSR, have increased their relative value. As Charles Fombrum from the Stern School of Business at the University of New York has put it, those companies that have a good reputation benefit in the form of greater market share, a higher price for their products, consumer loyalty to their brand, and the loyalty of their workers who feel proud to belong to a company with a good reputation.

It should also be pointed out that, as a corollary, the benefits that stem from a good reputation and the complexity of relationships between the company and its stakeholders oblige company directors to incorporate reputational risk into their business strategy. Given that reputation is partly determined by people's experiences, their impressions and sentiments, as well as their knowledge of the product and the company, the way a company thinks and acts will affect its reputation. Therefore the holistic vision of CSR – which sees the firm's economic growth as the creation of value, the raising of living conditions of its employees and their communities, in harmony with the environment in which it operates – contributes not just to enhancing its reputation but to developing sustainable competitive advantages.

To give an idea of the impact that CSR may have on enhancing corporate competitiveness and the reputational capital that may result from it, we now include some of the contributions by the panelists that took part in this session.

Rafael Wong, executive vice-president of **Favorita Fruit Company**, recounted the experience of his company as an example of what a company could do to enhance its reputation and therefore its market value by adopting socially responsible practices and adhering to internationally accepted standards by such organizations as the Red de Agricultura Conservacionista (RAC), the Rainforest Alliance, the Forest Stewardship Council (FSC) and Société Générale de Surete (SGS) (ISO 9002 and 14001).

Mr. Wong made clear that one of the major advantages of adopting verification procedures by, for example, the Rainforest Alliance, is that social and environmental standards become quantifiable and, by means of annual audits, companies are forced continually to improve their record. This has helped Favorita Fruit Co., in particular, to implement environment-friendly integrated productive processes that also seek to protect the living standards of their workers.

Parallel to the productive side of the business is the Wong Foundation, established ten years ago, which is involved in environmental protection and scientific research that contributes to sustainability in the geographical areas where Favorita Fruit Co. is working. In addition, the Foundation is carrying out educational programs such as the development of rural schools and the "Nuestros Niños"(Our Children) program in 16 communities with funds from the Inter-American Development Bank. Such programs form part of a strategic partnership that improves the quality of life for the families of workers. According to Mr. Wong, all these efforts have helped contribute to building up the company's good reputation. A sign of this is that Favorita Fruit Company has generated such confidence that it has become the main supplier of bananas to Chiquita Brands, as part of the 'Better Banana' program that obliges this multinational to buy from suppliers which fulfill generally established and recognized social and environmental standards.

Another aspect that Mr. Wong mentioned as being indicative of the sort of benefits that CSR can generate is that, owing to Favorita Fruit's good reputation, the company has managed to establish financial alliances with organizations like CDC Capital Partners and the International Financial Services Center (IFSC), which are socially responsible investors.

María Eugenia Fuenmayor, director of corporate affairs at Kraft Foods, explained the company's program of social investment, consisting of 20 programs for education, nutrition, labor and community management in nine Latin American countries. The most important thing in Kraft's experience is that strategic partnership activities (within the CSR framework) are planned in such a way that their progress can be measured. As well as benefits to the recipients of these programs, the firm seeks to ensure that adoption of CSR enhances the loyalty of consumers to the company and its brand, thus enhancing its reputation and social capital. Furthermore, CSR contributes to the public relations capital of the company and on worker loyalty in as much as workers take part in social investment programs. On Kraft's calculations, the most important benefits have been in consumer loyalty to the company and its brands, as well as worker loyalty, and then to a lesser extent the enhancement of its reputation.

In sum, owing to the variety of countries in which it works and the sort of social investment programs it is involved in, Kraft believes that social investment programs have, amongst other things, helped it better to understand the countries and sectors where it works, become closer to key communities through programs of human development management, and improve Kraft's reputation and thus its value.

Another issue discussed in the session on CSR and reputation is the role of consumers. According to **Juan Trímboli**, deputy director of the regional office of Consumers International, firms should act as good corporate citizens, and thus not only comply with the relevant legislation but also contribute to social welfare and environmental sustainability. Adoption of CSR should not be viewed as superficial social positioning but as contributing to the responsibility of the firm as corporate citizen. From this point of view, reputation is not an end in itself but the result of the efforts produced by the firm within the CSR framework.

As in any democratic system, counterweights are required, and this can be undertaken by different social groups. However, the role of consumers goes beyond this, and forms part of the exercise of proactive citizenship. This implies programs that empower a critical public opinion, able to engage in a wide-ranging debate and to take initiatives that help people choose

those products that can be consumed without prejudice to social and environmental sustainability.

Mr. Trímboli stated that for consumers to play a responsible part and to acquire a more critical awareness that adds to the general welfare of the population, they need to have access to timely and reliable information about the quality and safety of goods and services produced and supplied. More broadly, they need to know what initiatives firms are taking by way of CSR and the results. The reports produced and certifications issued by organizations like Global Reporting Initiative (GRI), the Rainforest Alliance or SA8000 can be helpful here.

For his part, **Djordjija Petkoski,** coordinator of the CSR program at the World Bank Institute (WBI), stressed the importance of adopting CSR in the valuation of businesses. He explained how investors are prepared to pay between 18% and 28% more for the shares of those companies adopting CSR. He also cited examples of the scale of the reputation capital that CSR can help generate, as in the case of Coca Cola where this is valued at US$52 billion. On the work of the World Bank Institute, Mr. Petkoski stated that it recognizes the part that firms can and should play in reaching development goals, and in this respect he said that the adoption of CSR enables firms to generate benefits both for themselves and stakeholders. Moreover, putting CSR into practice can help firms become more competitive, enhance their reputation, gain market share, and improve their access to capital. CSR also contributes to the development of local economies by creating jobs, attracting quality investors, generating social and political capital, and collaborating with local communities.

The World Bank Institute also recognizes that CSR is carried out in a framework of complex inter-relations. For this reason it has implemented an interactive training program that responds to the needs of firms, governments, civil society and youth, helping thereby to encourage greater accountability and transparency.

Concluding remarks

The adoption of CSR provides not just a competitive tool but also generates conditions that help reinforce confidence among stakeholders. Responsible behavior also helps build up the reputation of firms, enhancing their value.

The cases of Favorita Fruit and Kraft provide examples of the benefits pertaining to socially responsible companies. It was also clear from the panel that stakeholders play an important part in the responsible management of firms, and that groups such as consumers ought to be properly informed about the way that business is carried on if they are to make decisions about consuming those goods and services that meet both their expectations and needs as well as their principles.

In sum, where the principles of CSR are at the heart of a business strategy, they can become the general logic that facilitates the development of competitive advantage, improve the management of reputational risk, and thus increase the value of those companies which, because of their adoption of CSR, enjoy a good reputation.

CSR AS AN INSTRUMENT FOR COMPETITIVENESS

First Round of Breakout Sessions
Monday, October 27, 2003
2:30 p.m.- 4:00 p.m.

SESSION B: HUMAN RESOURCES MANAGEMENT TO IMPROVE COMPETITIVENES

Josep M. Lozano
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This session focused on the crucial issue of dialogue with stakeholders in promoting Corporate Social Responsibility (CSR). However, it is usually the case that stakeholders are lumped together without grades or distinctions. This session sought to remedy this deficiency, and to focus specifically on the workforce as a key element in the development of CSR.

There were many questions arising from this. The underlying hypothesis was that human resource policies that come within a CSR framework have repercussions for key aspects like attracting and retaining talent, raising productivity, increasing company loyalty, encouraging initiative and innovation, and reducing staff turnover.

The session gave rise to two novel points worthy of mention. Firstly, with regard to the development of CSR, workers are not just an object or stakeholder but also actors that can be integrated into helping drive it forward. The second is the intellectual challenge of integrating thinking about CSR, human resources and competitiveness. These three issues are generally related to one another, but it is unusual to treat them together and to explore how they inter-relate.

Gender equity

Claudia Piras (Inter-American Development Bank) presented gender equity as a tool for business competitiveness. Her starting point was that we confront an irreversible trend that we need to be fully aware and understand in all its dimensions. Women's incorporation into the world of work is not just something circumstancial but one of the most important structural changes of recent decades. In addition, given the social and cultural change, it is shaping up as one of the key areas for the development of policy for CSR. For this

Exchange of ideas during coffee breaks

reason, it should also be considered as one of the major business challenges of our time.

Arguments about the importance of gender equity in the workplace are grouped into three perspectives:

- Management, since gender equity leads to greater productivity and competitiveness between firms.
- Equity, because equal employment is important for the dignity and welfare of workers, both male and female.
- Social, since firms that promote gender equity help build more egalitarian, democratic and cohesive societies.

The important thing here is to perceive these three dimensions not as ancillary but as fully integrated. In this way, CSR can provide, both in spheres of action as well as decision making, an approach for management as well as an ethical and social approach. Now, this linkage is neither simple nor automatic, and for this reason it is necessary to become proactive. The first step is to challenge some myths about the female worker.

It is clear that some of the resistance to hiring women workers is due to the deep-rooted persistence of myths and prejudices. Such way of thinking, which prevents a proper response to new circumstances, need to be changed.

According to Claudia Piras, there are three myths that need to be laid to rest. The first is that it is more expensive to hire women than men. It is certainly true that there are some specific costs that arise from hiring women (basically those relating to maternity). However, by means of a comparative analysis of labor costs by sex in several Latin American countries, Piras showed that there were few significant differences between men

and women; indeed in some countries it was cheaper to hire women.

The second is the myth that women lack the training demanded by the labor market. This can be seen if we look at the number of years of average education of the labor force in Latin America, since in many countries it is women who have more years of training.

The third and final myth is that women need lower wages than men, due to the notion that the money they contribute is complementary to that of the head of the family. This myth is also shattered if we look on the one hand at the percentage of cases where women are the head of the family, and on the other if we look at the percentage increase in poverty of two-parent households where the income of the woman is excluded.

Beyond the myths lies the reality, and this shows us that women live specific situations that require a variety responses. But rather than seen as a source of difficulty for firms, this differentiated response should be regarded as an opportunity.

Firstly, women experience inequalities in access to work, training and promotion. This means that specific policies need to be developed for personnel selection, remuneration and training; in other words policies that take on board women's predicament. It is also important to address such chronic deficits as women's participation at the executive level.

Secondly, there need to be specific policies for maternity and breast feeding. These could include proposals for job switching during pregnancy, rescheduling of holiday entitlements to fit in with the post-natal period, and arrangement of times for breast feeding.

Thirdly, health and safety policies are very important. On health, there are up-to-date policies that guarantee health provision, children included. However, policies for prevention and education on matters related to women's health are frequently more important. With respect to safety, policies can be devised both for what happens within the firm and outside it. Within the firm, rules are required to prevent sexual harassment that eliminate this once and for all and do not leave those affected defenseless. Outside the firm, measures are needed to provide safe access to the workplace.

Fourthly, it is very important to have policies that harmonize work and family life. However, although women are the immediate beneficiaries, such policies should not be thought of as policies just for women, rather as harmonizing work and family life for all workers. Such policies may be of three main types:

- Flexible schemes for organizing working hours
- Help with domestic and family duties for workers of both sexes
- Strengthening of the family.

Such ideas and proposals should not just be taken just as a moral imperative or for developing norms for CSR. As the title of this presentation implies, gender equity has to be a tool for business competitiveness that brings benefits to the firm. These include improved motivation, commitment and satisfaction among workers (regardless of gender); a greater capacity to attract talent; less absenteeism; more innovation and diversity; and better corporate image.

Gender equity should thus be seen as both a growing demand by society on firms as well as an opportunity for firms themselves to develop.

The role of people

Hermann von Mühlenbrock, president of Gerdau Aza (Chile) spoke of the experience of this 50-year old Chilean firm, the winner of a variety of awards.

The example of Gerdau Aza, highlights how personnel policy cannot be separated from the overall vision of the firm and the management of a diversity of relationships that this involves. Equally, personnel policy is the centerpiece of an overall vision geared to administering a group of needs and relationships, including shareholders, the legal framework, customers, the community and the environment.

Administration of such needs is carried out by means of Annual Needs Planning. This involves listening to the whole range of stakeholders, and -- as an integral part of CSR -- improving the capacity to discuss with and respond to this range of interests.

This scheme is linked to other improvements, so that CSR is not thought of as something isolated from the business situation, but rather as a factor that contributes to better management methods. It is also worth mentioning that these procedures generate their own indicators, thus negating the view that it is impossible to deal efficiently with issues of CSR. Having specific indicators facilitates the development of policies consistent with the business vision that underlies them.

All this is made possible by organizing workers into cells and management teams into committees. In both, the aim is to involve employees in all aspects related to their job. This is done in such a way as to allow management and decision making to take place close to the levels that require them; enable on-going evaluation and analysis; encourage an integral approach; strengthen teamwork; and make the organization less vertical. What are the advantages? Experience shows that they are many and varied, including:

- More participation
- Better communication
- Development of a model of shared leadership
- Better understanding of the business by all concerned
- Greater commitment to the organization.

In turn, this encourages personnel management to be more decentralized and to focus on empowerment; a more egalitarian attitude that runs through the day-to-day running of the firm; greater priority being given to training; constant attention being given to the climate of labor relations; and options for directors to involve themselves in voluntary work.

According to the president of Gerdau Aza, the results of this approach have been very significant. He emphasized the following:

- Improved productivity
- Greater occupational safety
- Higher profitability
- Increase in waste recycling
- Lower losses
- Fall in energy consumption
- Improved image and recognition
- Closer and more committed working practices

In sum, it provides a model for management in which the central role played by people provides the basis for understanding CSR at Gerdau Aza.

Personnel and Corporate Social Responsibility

Eugenio Heiremans, president of the Asociación Chilena de Seguridad (ACHS), Chile, also put forward some thoughts arising from his own experience as an executive, although of a very different type of firm from the preceding one.

At ACSH, CSR is perceived as a policy of the firm towards the community of which it forms part. This is not seen as something additional or complimentary to management, rather as a tool for business management that is in no way divorced from other business criteria. Such responsibilities include, first and foremost, economic responsibility, since without economic success there is no business (whether responsible or not). They also include prioritizing the quality of the goods and services produced, and finally meeting the needs of the firm's workers, especially their hopes for a better standard of living.

These CSR policies also include a communicational aspect, since if the company wants to be accepted and recognized it needs to communicate its principles and activities efficiently and properly.

This overall view of CSR places special emphasis on people because, as the panelist was at pains to stress, it is people that make up firms. Therefore ACSH prioritizes the proper selection and retention of its staff as well as understanding their needs and skills. This is why ACSH gives such importance to the Internal Social Audit and Performance Appreciation.

The Internal Social Audit is one of the pillars of CSR at ACHS. Its main objectives include: (i) understanding the real aspirations and motivations of staff; (ii) setting policy priorities for personnel, welfare, development and social action; (iii) making staff identify with the firm; (iv) ensuring that investment in staff benefits matches their aspirations and; (v) ensuring quality levels that bring higher productivity and customer satisfaction.

To this end, the Social Audit is undertaken once a year in such a way that it is voluntary and anonymous[6]. The

most important thing about it is that it has enabled the development of quantitative and qualitative indicators, thus turning itself into a real tool of management. This integration into the firm's business management explains why the results have been published for the last 28 years in the company's annual report alongside the accounts.

The other pillar is the Performance Appreciation System, a way of measuring the overall input of the staff. This is undertaken once a year, and consists of a self-evaluation component as well as a joint evaluation by the line manager and his subordinate. The purposes are to: ensure an annual interview of personnel to evaluate performance; improve labor relations and generate mutual confidence; and agree on training needs.

In sum, the proposals put forward by ACSH are based on the belief that greater involvement of people is the key to understanding CSR.

By way of conclusion, Mr. Heiremanns listed the following challenges:

- The need to measure the impact of CSR
- The connection between developing CSR and maintaining high levels of motivation
- Overcoming the view of CSR as something belonging just to each company, and to promote business agreements (Global Compact)
- Keeping CSR as something voluntary, avoiding regulations and impositions by the state.

The view of the ILO

Gerardina González, from the International Labor Organization (ILO), gave her views on the theme of the session, setting them in the framework of the ILO's policies. She underlined the importance of CSR for country competitiveness, especially in Latin America where poverty is the main challenge. Since competitiveness and productivity have positive impacts on the economy and society, they are key to strategies for national development and the fight against poverty. Consequently, they should not be relegated to the margins. Mrs. González pointed out that a competitive society is one that has established a balance between the creation of wealth and social cohesion. CSR, she suggested, could be considered as an element in creating such a balance.

She placed emphasis on human resource management, amongst other things because the quality of people is a key factor in competitiveness and productivity. Increasing corporate competitiveness, improving productivity and developing human resources should not be considered as separate objectives. This view is intimately bound up with a vision of the future for the firm. She argued that the firms of the future will be intelligent networks rather than the hierarchical structures of the present. Knowledge as the basis for all innovation will be a competitive advantage, whilst being one of the resources most difficult to obtain, and knowledge can only come from individuals. This shows the crucial role that people play, and that of human resource management.

What is required is a change in management approach. The managers of the future should have the capacity to direct horizontally, focusing on the work environment and dealing with people. They should be more aware of new systems of remuneration, health regulation, safety, tax payments, training policies and international labor norms. They should be able to create contexts propitious for learning and social integration. This is where the panelist saw the importance of CSR.

According to Mrs. González, true CSR is to be found in being socially responsible beyond fulfilling the letter of the law, in investing in human capital, and in the context and the relationships between interlocutors. She also pointed out that CSR should not be limited to the larger firms, but is relevant to all types of business and in all spheres of activity. Furthermore, she considered that increasing CSR in small and medium-sized companies is basic, since it is these that contribute most to the economy and to job creation.

Finally, she described the ILO's contribution throughout its history to the development of CSR, basically through eight Conventions and a further three Declarations. These have to do with:

- Trade union freedom
- The right of association
- Forced labor
- Discrimination
- Equal pay
- Minimum working age
- Child labor

This track record had been strengthened by the launch of the Global Compact, proposed by the United Nations

Secretary General. By way of conclusion, she placed the challenges arising from the session in the context of globalization and drew attention to the proposal of the ILO about the dignity of work. This was summarized by the statement of the ILO Director General:

> *"Globalization has to provide with what people and their families across the world hope to achieve: a decent job and the possibility of having their voice heard in the decision making process"*.

Concluding remarks

Human resources are a key element in the firm, and for many they are what defines its competitive position. To be competitive in today's markets, it is necessary to achieve the highest possible levels of productivity retaining the most skilled staff. Good working conditions, which include elements related to safety, health, diversity and a good working wage, are among the reasons why a firm can recruit and retain valuable human capital. Practices that are socially and environmentally responsible should be present in all the stages of wealth creation and in each and every person in a firm, from those who take the strategic decisions or develop knowledge all the way to those who provide the last bit of after-sales service. The development and involvement of people is necessary to drive CSR forward.

HOW TO TURN CSR INTO A TOOL FOR COMPETITIVENESS

Second Round of Breakout Sessions
Monday, October 27, 2003
4:30 p.m. – 6:00 p.m.

SESSION A: SUPPORTING SUPPLIERS TO IMPROVE THEIR COMPETITIVENESS

Roberto Gutiérrez
Universidad de Los Andes, Bogota, Colombia

Introduction

Three reasons make CSR policies towards suppliers especially relevant. First, they take CSR practices beyond big corporations. Second, responsible policies with suppliers improve the competitive position for both the supplier and the company; and third, such cases with subcontractors and labor practices have been in the spotlight in the recent past.

Inclusion and responsible competitiveness bring support to suppliers to the forefront. This support takes on different forms: training, help with certification efforts, joint R&D projects, and the promotion of codes of conduct, among others. Practices by private enterprises, nonprofit organizations, and multilateral agencies provide evidence of how support to suppliers has had a lasting impact. The following describes some of the ways in which suppliers and companies have worked together, and the results they have accomplished. These projects pose important questions to businesses and policy makers. Managers can observe how organizational limits are eroded, as their companies get closer to suppliers, and how the nature of control and supervision changes. Policy makers will be interested in the outcomes of these tightened relations because they point towards different types of interventions which leverage social change.

Support by multilateral agencies

Multilateral agencies have been turning to the private sector to further the development agenda. Governments have lost part of the preeminent role assigned to them in pushing the carts of development. To face diverse social problems, all sectors of society are asked to contribute their share. On the one hand, a vibrant third sector is evolving in many societies. On the other hand, expectations related to what private companies can do as corporate citizens have increased. Multilateral agencies are providing different kinds of support to the private sector so that it can fulfill these expectations.

A number of initiatives spurred by multilateral agencies have concentrated on the relationships between companies and suppliers. The CSR Practice within the Investment Climate Department of the World Bank Group commissioned "a study on barriers to the achievement of better social and environmental performance in suppliers, and also on the options that hold the greatest promise for overcoming those barriers and enabling future improvement[7]." Some IDB projects move ahead to finance technical assistance for the launching of productive enterprises in certain countries. Sinergia (synergy), a project that promotes CSR through the development of small producers in El Salvador, belongs to such category. Launched in 2003, Sinergia brings together seven companies interested in designing economic projects with small producers. In each project, the company and the IDB pool resources to include groups of disadvantaged producers that

Signing of the Private Enterprises Participation Agreement within the Sinergia Project of the IADB

otherwise would not be able to participate in productive endeavors. During four years, these companies will increase their social impact as they engage in projects worth one million dollars. According to **Maria Teresa Villanueva**, Inter-American Development Bank, Sinergia presents a golden opportunity for each company to consolidate a network of first-quality suppliers and to improve their competitive position whilst benefiting small-scale producers.

A point of departure: The role of nonprofit organizations

Non-profit organizations can play an important role in the inclusion of disadvantaged populations within social, political, and economic circles. Through service or advocacy, these organizations can make a difference. The work of Fundes in Panama illustrates how opportunities can be expanded for small producers, as they become suppliers for big companies.

The work of Fundes in Panama shows the opportunities that can arise for small-scale producers when they turn themselves into suppliers for large companies. Fundes is a non-profit organization that promotes the establishment and sustainable development of small and medium-sized enterprises in nine Latin American countries. In some of these, it has established an Office for Business Links (Salón de Enlaces Empresariales). According to **George Richa**, managing director of Velas La Devoción and president of Fundes Panamá, Fundes has organized a meeting in Panama two years running of 17 large companies and some 100 small and medium-sized ones. Such was the interest of the large companies that in two days in October 2003, they had 665 meetings with smaller firms and between the latter there were 2,205 meetings for networking and doing deals. It is calculated that all these meetings generated transactions worth around US$200,000. Fundes provides the space for initial contacts. Through the "Salón de Enlaces Empresariales", Fundes has strengthened the ties between large companies and local suppliers. They provide the setting for initial contacts, the nature of these ties are shaped beyond the scope of Fundes. In the following section, the road taken by two multinational corporations (MNC) exemplify some of the possibilities.

Leads by multinational corporations

A private enterprise can work with its suppliers to promote CSR practices in many different ways. To illustrate some of these options, consider what two MNC are doing and the results. One is an Argentinean multinational company, Techint (now Tenaris), and the other one is McDonald's from the US. Independently of the origin, their CSR policies have a global scope.

Techint is a MNC in the steel, construction and energy sector. Its CSR program includes a community development plan, Plan Alentar, and a plan for the development and integration of their small suppliers and clients. According to Paolo Rocca, President and CEO of Techint:

> *"When a company plays an active role not confined purely to its business, those activities that encompass suppliers, customers, workers, training institutions and other sectors of the community, I think it becomes virtually indestructible."*

Exiros is the organization in charge of purchasing for the iron and steel divisions of Techint. Exiros has developed a global structure to assure the quality of its purchases by supporting the development and tracking the performance of its suppliers. Its development programs include training, support for ISO certifications; export promotion, and joint R&D projects.

Computer training and delivery of PCs to suppliers has allowed them to modernize their management methods. Bidding processes show noticeable improvements for Techint and its suppliers. The time required to generate and close on bids has fallen by between 17 and 30%. For their part, the suppliers say that sales procedures have been simplified and thus the administrative burden and the time involved in producing sales have been reduced. One additional benefit for suppliers has been their access to markets anywhere in the world where Techint operates.

Some of the positive effects of this assistance to suppliers have shown up in their certifications. The standards of quality achieved by those suppliers who have obtained an ISO certificate have helped attract new customers. Around 57% of suppliers have increased their

sales and staffing, and 71% the number of hours worked. Techint has also benefited considerably. The quality of its products has improved, the need for oversight has diminished, and disagreements with suppliers have fallen by 60% (The rates of acceptance for certified suppliers on their products averages 90%).

This level of improved cooperation with its suppliers has reduced Techint's costs and increased its suppliers' exports. On average, unit costs have fallen by 20% and in some cases by as much as 40%. Suppliers working in the export promotion program have seen their overseas sales rise by 242%.

The fourth component in the Techint's supplier development program is joint R&D activities. Such activities have brought about new products, improved quality standards, and increased productivity. Argentinean suppliers in the steel industry have increased their sales, substituted imports worth one million dollars, and are looking at export markets four times larger than their own domestic market. Thanks to improved steel input, Techint calculates productivity gains of up to 63% and cost reductions of 30-37%.

Results from each component are impressive. **Daniel Turletti**, Content, Quality and Logistics Manager for Exiros, summarizes their approach to supplier development as follows:

> *"We are convinced that only through practices of CSR geared to developing our community of suppliers can we be sure of a favorable competitive situation."*

McDonald's provides an example of a rather different approach to strengthening CSR in global supply chains. Social responsibility has four dimensions: community, environment, people, and marketplace. The market dimension includes the areas of animal welfare, product safety, and supplier social accountability.

Suppliers participate in a Social Accountability Program which focuses on a code of conduct. This code deals with issues of legislation and standards, forced labor, child labor, working hours, compensations and benefits, non-discrimination, and workplace environment, health and safety. Suppliers are trained on the code of conduct, the applicable labor laws; facility policies and practices are also provided. An initial self-assessment identifies corrective actions before third party external monitoring verifies the day-to-day practices. Continuous improvement is encouraged and McDonald's Social Accountability grants certifications for each audit cycle. All suppliers are to be trained by 2003, and all initial audits are to be completed by the end of 2004. According to **Rosa Alicia Yunes**, Supply Chain & Business Affair Director for Latin America:

> *"…stability comes from an even growth of a three-legged stool composed of the corporation, franchisees and suppliers."*

Key issues around supporting suppliers

Do Techint efforts to generate cooperative relations with its suppliers and McDonald's enforcement of a code of conduct qualify as CSR policies? Two characteristics tied to the CSR concept along its evolution stress that CSR efforts are voluntary and go beyond activities strictly related to the business of a company[8]. No doubt these efforts are linked to the business of each MNC, but they do go beyond the basics that either needs to do with their suppliers. Such efforts include others and link the fate of a company with the life of its suppliers. Inclusion erodes organizational limits between them. As Rosa Alicia Yunes states:

> *"The first value is inclusiveness. In the area of Supplier Social Accountability, McDonald's adopted a code of conduct for suppliers and developed a program to verify that suppliers are living up to the standards in our code. But our efforts did not stop with these essentials. We have engaged in a worldwide dialog with our suppliers to understand their issues and customize our program to address their concerns while not compromising our standards. We have also engaged our shareholders (and significant stakeholders) to continually review our practices and advise us on what are the most effective ways of demonstrating responsibility while ensuring our suppliers protect the workers that produce the products we sell. Our inclusive, participative model generates several competitive advantages for our system. Our longer-term relationships offer the ability to address workplace*

challenges over time that allows for efficient investment to correct the problems and protect the workers."

Efforts to bring suppliers closer raise control issues and raise questions about organizational borders. Is the influence over the suppliers so overwhelming that they loose their autonomy? And can one speak of vertical integration without having done it formally?

Lowering barriers to a closer interaction has had noticeable effects. An important one is the inclusion effect which many suppliers have started to experience. This is one of the reasons why multilateral agencies have turned to and promoted these practices.

As a big company strengthens its ties with suppliers, the possibility of expanding CSR practices beyond its limits increases. Working with suppliers might be the option to take CSR to another tier of companies. Since smaller companies are by far the most numerous component of the economic landscape in many countries, especially in less economically developed ones, getting them engaged with CSR policies and practices can be an important developmental force. This road is just being mapped.

Concluding remarks

In many countries, local economic development depends to a large extent on the development of the local business network, prompted by larger firms. Undoubtedly, responsible practices towards suppliers lead to improvements in competitiveness, owing to the fact that close collaboration brings transfers of technology that improves the competitiveness of both the supplier and the company supplied. Socially, the sustainable development of micro, small and medium enterprises has a positive effect on poverty relief, improving the living conditions and, by doing so, creating a more enabling business environment. A virtuous circle thus comes into effect.

HOW TO TURN CSR INTO A TOOL FOR COMPETITIVENESS

Second Round of Breakout Sessions
Monday, October 27, 2003
4:30 p.m.-6:00 p.m.

SESSION B: COMMUNITY PARTICIPATION AS A SOURCE OF COMPETITIVENESS

Audra Jones
Inter-American Foundation, United States

Introduction

Globalization has redefined the concept of borders by establishing fluid exchange of information, technology and finance around the world. Despite its associated economic and technological progress, globalization has yet to address the growing inequality between the haves and have-nots made more evident by the very nature of this evolving system. While macroeconomic indicators demonstrate that developing countries with stronger domestic policies and public institutions, such as China, Brazil and Mexico, have been able to integrate more effectively thus increasing GDP, the trickle down effects of this growth do not reflect proportionate results among these poor countries. The highly polarized "pro" and "con" globalization camps battle over trade policies and the rights of the poor often without taking into account the very voice of the poor.

Simply put, how is a poor coffee farmer in Venezuela without access to market information, capital and value-added technology going to have equitable access to the global marketplace? The *Community Involvement as a Source of Competitiveness* panel presented the case that corporate investment in communities not only contributes towards increased standard of living for the participating communities but also contributes to the corporate bottom line and can contribute to more equitable integration of communities into globalization. How? Through strategic community investments and multi-sector partnerships, corporations are creating efficiency gains in production, distribution and operations throughout Latin America. By defining their own enlightened self-interest in making a community investment, corporations bring communities to the table as partners and develop innovative strategies to allow these communities to participate more equitably in the global marketplace thus ensuring the communities ownership of these socio-economic development benefits.

The Inter-American Foundation (IAF), an independent agency of the U.S. government with over 30 years experience in grassroots development in Latin America and the Caribbean, promotes partnership with corporations interested in investing in the social and economic development of low-income communities. In developing the panel, the IAF sought to bring members from all three sectors of society to explore corporate best practices in community investment that demonstrably add value to the business and position communities to have fairer access to the global marketplace. As a facilitator of private sector-community partnerships, the IAF has a unique perspective on the potential for these partnerships to succeed or fail, as well as, their potential to go beyond improving the brand image of the corporation to actually adding value to the businesses core competencies. At the same time, the IAF lives by its motto - "they know how" -meaning communities have creative answers for their own development paradigms

Breakout sessions were well attended

that need to be heard and supported from the bottom-up. The community investment models presented went beyond traditional corporate programs to demonstrate that corporate community partnerships can result in a win-win situation. Panelists came from a variety of industries to include petroleum, manufacturing, agro business and financial services.

Community Investment within CSR

To begin the panel considered the role of community investment within the overall corporate strategy. The IAF presented an overview of the Corporate Social Responsibility rubric to contextualize community investment within the broader context of CSR. The term corporate social responsibility is broadly used to mean different things. As the CSR industry evolves and new products or trends develop there is a tendency to dismiss previous trends as "less sophisticated" or obsolete and an attempt to redefine the industry around the newly identified phenomena. However, one can suggest a taxonomy for CSR incorporating all of these trends, particularly those that fall within the external CSR movement more commonly known as corporate giving.

Today, CSR is a commonly used but sometimes misunderstood term. In an effort to make some sense of CSR, it is helpful to recognize that the overall movement has evolved into two perspectives: *one related to internal corporate behaviors and the other related to external corporate behaviors*. Internal behaviors refer to the way a corporation conducts the day-to-day operations of its core business functions. External behaviors refer to a corporation's engagement outside of its direct business interest; this behavior has traditionally been defined as a corporation's giving program. By coupling internal and external CSR perspectives, we see that corporations have not only financial commitments to their shareholders, employees and consumers, but also social and environmental commitments to them, as well as the communities affected by their activities. As stated earlier, the most important thing a company should consider when undertaking external CSR programs is to identify its enlightened self-interest.

External CSR programs lie on a continuum that can be defined by three distinct points: traditional philanthropy, social investment and business integration at which point the corporation is blending it external CSR back into internal CSR. Philanthropy is the oldest form of corporate social responsibility and in summation is charitable giving where there is a limited dialogue between donor and recipient. Social investment represents the evolution of traditional philanthropy from a top-down approach to a more responsive approach based on needs defined by society. When making a social investment, corporations consider their CSR activities as an investment with a social return. Finally and increasingly, corporations are beginning to integrate low-income populations directly into their regular business practice, herein defined as business integration.

For the *Community Involvement as a Source of Competitiveness* panel, the cases presented reflected social investment and direct integration strategies. In the United States and Western Europe, social investment evolved as a phenomenon mid-way through the 20th century in response to heavy regulation and social lobbying. Corporations felt they needed to direct charitable giving in response to social pressures from communities. As a result, external CSR became less top down in many corporations and more participatory -defining programs via needs expressed by the community. Many of these early programs were related to social marketing and public awareness campaigns where corporations would improve their image by discussing social issues relevant at the time.

In the late 1980s and 1990s, the concept of social investment became more widely used in discussing external CSR programs. Social investments funded through the technology boom in particular were analyzed from a business perspective and the program's social return was discussed. While one could argue that "social investment" is semantics, the results have been more sustained and integrated levels of involvement from the corporation that is not limited to the giving of financial resources. The "investment" approach to giving is now becoming widely used in many external CSR initiatives.

At the community investment level, particularly in developing countries, companies are moving towards integrating low-income populations into their business processes through training relationships, supplier relationships, distribution relationships and even market

competitor relationships. These programs are often hotly debated as external CSR initiatives given they have a direct tie to the companies' business interest. However, in the context of the developing world the direct integration model is even more enticing as many countries rely heavily on foreign direct investment rather than creating value-added, second-tier industries. Without value-added industry, the poorest echelon of a society will never have true economic opportunity because the necessary enabling environment will not be developed.

Value-added business is often the multiplier to create the necessary enabling environment for economic development. Examples would include an educational system capable of training future employees, open financial markets which allow small and medium-sized business to participate in the supply chain, and a peaceful society which prospers economically and socially by allowing the poor equal representation. Business integration seeks to fill the socioeconomic gaps that are a feature in countries where the economy is dominated by first-tier industry as is most common in less developed countries.

Multinationals working in developing countries have been motivated to engage in the business integration model of CSR by regulation, market opportunities, consumer & employee potential and, some, by a clear interest to create wealth in poor countries. National companies have been motivated by concern that the government is not investing in the local resources required to keep their businesses going. The panel explored several cases of corporations using social investment and direct integration programs to further their business objectives and those of the communities they affect.

Cases

Within this context, the panel presented five corporate strategies for making strategic investments in communities that can and are leading to improved business practices. Cases focused on social investment and business integration strategies.

Leopoldo Garza, County Director for the U.S. Agency for International Development (USAID) in Panama echoed another overarching theme in the panel – partnerships. USAID currently support corporations working in the Latin American and Caribbean (LAC) region both through its country missions and the Global Development Alliance. Working in concert with USAID, many companies working in LAC have benefited from partnership with the US government based on its experience and relationships in the country of interest. None of these cases would have been possible were it not for an open partnership among the private sector and civil society and/or government.

Beatriz Febres-Cordero, executive president of Fundación Papyrus in Venezuela, brought to our attention the case of Manpa, S.A. which is considering the role local communities can play as suppliers of the corporations primary raw material, paper. In conjunction

with its corporate foundation, Fundación Papyrus, Manpa saw the potential to innovate after successfully implementing a school-based recycling program in three cities in the company's core business activities. With financing from the IAF and the Venezuelan state oil company, PDVSA, Fundación Papyrus developed an environmental education program in local secondary schools to promote civic participation in urban ecology issues to include establishing school-based recycling programs. Proceeds paid to the school for recycling are reinvested in much needed school supplies and equipment. The program resulted in enormous interest from the local communities. As a result, in 2003 Manpa and the IAF agreed to further expand their partnership to include a feasibility assessment of community driven recycling business. Currently Manpa, like all of the major paper companies in Venezuela, imports a significant amount of its recycled raw materials from the United States as Venezuela does not provide the volume of quality recycled inputs to meet production needs and standards. The feasibility study will assess the market potential for community based recycling of paper as well as glass, aluminum and plastic. At the same time, the study will assess how, and if, low-income communities in three cities can organize in a participatory and sustainable way to collect, recycle and sell raw materials to Manpa and other Venezuelan corporations.

There often exists a tense relationship between communities and extractive companies. However, as **Fernando Rodríguez** from Conoco-Phillips Venezuela pointed out, the company is working to develop a sustainable investment strategy in the Gulf of Paria that will break the traditional cycles of dependency presented in petroleum company-community relations. Conoco-Phillips is among the leading oil concessionaires in Venezuela. Despite this significant business achievement, Conoco-Phillips is painfully aware that it must take community investments as seriously as corporate ones in order to be successful. Distrust in the communities can evolve into work stoppages and heightened conflicts that make it difficult to move fluidly in the area of influence. In order to work in harmony with local communities, over the past five years, Conoco-Phillips developed a locality management strategy that includes partnership with non-governmental organizations as well as local public and community organizations. The locality strategy contemplated a participatory assessment of local needs and interests to ensure that future corporate investment would be effective. At the same time, Conoco-Phillips realized that without sharing project management with the community the corporation would inherently fall into a dependency situation with the local community making any departure from the area in the however distant future extremely painful. After two years of discussion, in 2003 Conoco-Phillips signed a Memorandum of Understanding (MOU) with the IAF to assess the feasibility of establishing a community–based entity in the Paria region to articulate the local community's needs and implement programs to meet these needs. Both the IAF and Conoco-Phillips aspire to maximize community participation in the design, implementation and evaluation of the project in order to maximize its sustainability ensuring that the community receive the necessary transfer in technology, know-how and capital and the corporation enjoys good community relations and a well articulated exit strategy in the future.

George Jaksch, senior director for social responsibility and public affairs at Chiquita Brands International, the corporation demonstrated how an agro-business could couple business standards and community investment through the promotion of environmental standards. Chiquita has a long history working in Latin America and therefore was of great interest to the audience. By promoting significant environmental standards in collaboration with the Rainforest Alliance among other local non-governmental organizations, Chiquita has assured quality production and demonstrated a strong commitment to the global community vis a vis environmental conservation.

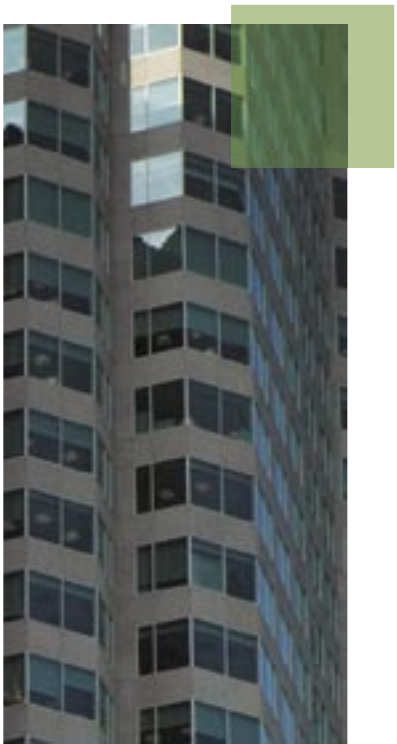
Finally, **John Weiser**, partner in Brody, Weiser & Burns, presented cases of United States based firms that are on the cutting edge of fostering new business development through strategic community investments. The presentation asserted that corporations and communities can strike a win-win relationship when two things are addressed: an assessment of the business problem and a strategy to resolve the problem through engaging the community. Two interesting cases from

the financial service sector focused on Fannie Mae, a mortgage underwriter and Travelers, a home insurance business. Both corporations faced the same business problem -- the need to generate more sales – from an unattractive market from the business perspective – low-income and minority communities. These communities represented significant numbers of potential customers but had poor credit histories and represented higher insurance claim rates. In both cases, the corporations partnered with local non-governmental organizations and local government to provide educational programs to provide families with the appropriate information to avoid bankruptcy in the case of Fannie Mae and diminish the possibility of home fires in the case of Travelers. Working with these communities both corporations developed new products, increased sales (US$2 billion mortgage within this population was underwritten in the case of Fannie Mae) while at the same time addressing an urgent need in the community -affordable housing and home insurance.

Concluding remarks

It is worth emphasizing the following lessons learned:

- Company participation in the community should be organized in such a way that there are gains for both parties
- When investing in the community, corporations should use their resources as if it were just another business activity
- Urgent community problems need to be tackled at the same time that the partnership between the firm and the community should support things that potentially lead to business success, such as product innovation, sales, human resource development and cost reductions.



PUBLIC POLICY, PRIVATE SECTOR NEEDS AND THE ROLE OF CIVIL SOCIETY

Second Plenary Session
Tuesday, October 28, 2003
8:30 a.m.-10:00 a.m.

Frank Sader
The World Bank

Introduction

The main objective of this session was to investigate in more depth the question of how to use CSR initiatives and activities by individual firms or industries as part of the broader public policy agenda in support of the overall development agenda. This clearly requires a stronger collaboration between the different stakeholders in creative ways so as to strengthen existing initiatives by broadening private sector participation and thus improving the impact and effectiveness of CSR activities. Concretely, the question is what actions national and local governments could or should take to include the CSR agenda into the formulation and execution of competitiveness policies, and how could the private sector and civil society support these efforts.

The theme of CSR has been discussed for many years now with an implicit high expectation of the contribution by private sector initiatives to the sustainability of private sector-led development processes in countries. In practice, however, there seems to exist a relatively high degree of disconnect between conceptual debates and practical experiences. At the corporate level, presentations of innovative engagements of companies in worthy causes always are enlightening and encouraging. But no matter how useful they might be at the micro level in addressing concrete pressing issues in health, education, community issues, environmental or employment concerns, they rarely ever amount to anything larger with a social or environmental impact beyond the confines of these particular initiatives. Governments and other observers, on the other hand, consistently highlight the public goods characteristics of these engagements and the potential role for CSR initiatives in contributing to poverty alleviation and sustainable development strategies. But in reality, the actual experiences on the ground of combining public sector objectives and private sector initiatives appears significantly more limited.

Initiatives in light manufacturing and agro-processing

Taking specific examples of labor and environmental standards in particularly sensitive industries such as light manufacturing and agro-processing we can say that firms in these industries have quickly recognized the need to demonstrate better practices in their production processes, be it to mitigate reputational risk resulting from international criticisms or to exploit market opportunities through diversification into higher-quality commodities. Private certification and monitoring programs began to grow rapidly, clearly with the objective of improving working and environmental conditions. But overall there is little, if any, link of these initiatives to programs of government agencies whose primary mandate it is to ensure compliance with basic environmental and labor standards.

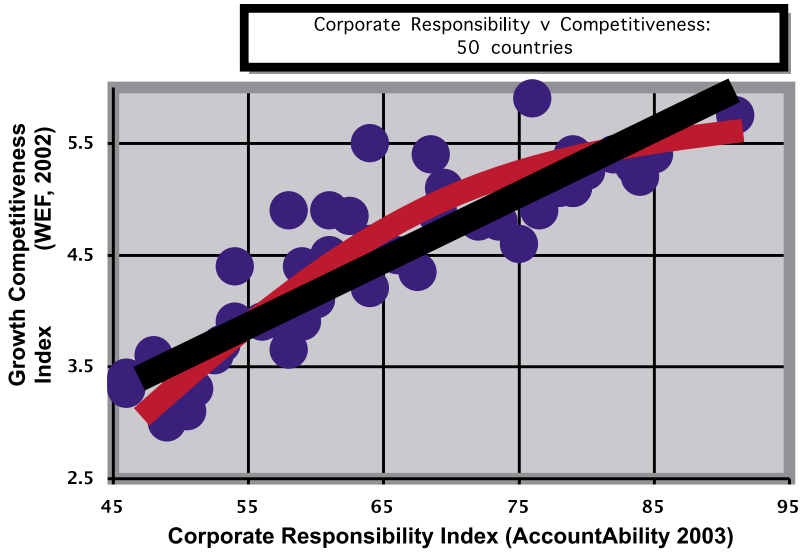
In the first instance, this lack of collaboration seems surprising. Clearly the reputational risks or market niche opportunities are not just limited to individual firms, but are of concern to entire industries in many developing countries. Whether we are talking about apparel, electric

appliances, coffee or bananas, these commodities tend to represent a major share in the total exports of a large number of countries in the region, and the vast majority of them are sold under generic "Made in X" labels to large brand name companies. Hence, any concern or criticism regarding the way in which these goods are produced can threaten not just individual firms, but the export performance of entire countries.

There exists, therefore, an obvious benefit for governments to make use of any additional initiatives that could aid in improving the monitoring and enforcement of labor and environmental standards. Across the globe, and not just limited to poorer countries, the inspection functions of environmental or labor ministries tend to be underfunded with a massive lack of resources that would be required to effectively monitor all industries. Especially in developing countries it would therefore seem convenient if mechanisms could be developed to link these independent monitoring and certification efforts with the public sector inspection efforts to raise the overall compliance. It would be equally attractive to the participating private sector as a more systematic approach will allow for a better documentation of their performance, and would allow them to better differentiate themselves from free-riding non-participants. Public sector inspection pressures would decline as audit information is being shared with the relevant inspection service, and additional training initiatives and remediation programs instead of rigid penalty procedures. These and other benefits, in turn, will raise the attractiveness of participating in market-driven certification programs, further strengthening the country's and industries' ability to improve compliance and demonstrate better and more sustainable production processes.

In practice, however, little of this has happened so far. Labor and environmental certification programs still run in parallel to public inspection programs with little recognition of mutual interests and objectives. General hesitance between the two parties to collaborate and general criticisms by many civil society groups that self-regulation would replace public policy, converting the wolf into the shepherd, often stop more creative ways of designing and developing mechanisms of mutually beneficial cooperation.

In her remarks, **Paula Dobriansky,** Undersecretary for Global Affairs at the US State Department, emphasized the importance the U.S. Government accords to responsible corporate citizenship and highlighted ongoing efforts by the U.S. administration to provide direct support to these efforts. That this is not a newly discovered agenda by the U.S. Government is reflected in the fact that the massive Panama Canal Project, carried out by the U.S. Army Corps of Engineers in the early years of the 20th century, did not only generate 65,000 jobs, but also eradicated malaria and yellow fever through ambitious public sector health projects, saving an estimated 71,000 lives. In recent years, a series of initiatives have broadened and strengthened this agenda by creating stronger and more direct links with the private sector and civil society.



One main concern for the U.S. Government in the area of corporate citizenship always has been the issue of corruption. The U.S. Department of Commerce estimates that more than US$80 billion is spent annually to bribe public officials worldwide, creating corruption and diverting urgently needed resources. The Foreign Corrupt Practices Act of 1977 effectively prohibits any U.S. company to engage in corrupt practices and attaches heavy fines and jail sentences to such acts. The U.S. Government is determined on widening the impact of these policies in the Western Hemisphere at the international level in collaboration

with the leaders in the region. At the last Summit of the Americas, all 34 participating leaders agreed to fight corruption and support each other in the establishing of transparent government activities and responsible public administration to encourage an environment in which socially responsible companies can flourish.

On the environmental side, the U.S. Administration is leading a public-private partnership to promote energy efficiency, cleaner fuels and improved air quality. This Clean Air Initiative, announced at the World Summit on Sustainable Development in Johannesburg (2002), consists of four programs supported by USAID, the Department of Energy and the Environmental Protection Agency. On human rights, the U.S. Government is also working with the private sector and NGOs since 1999 on the Voluntary Principles on Security and Human Rights to support an environment where corporate activities are supporting basic human rights and fundamental freedoms. Finally, the U.S. Government also places great importance to officially recognizing well-performing companies in their overseas operations through the annual Awards of Corporate Excellence". Among this year's finalists were companies such as Bell South Panama for its Pro-Niño program, Caterpillar Brasil for its community support initiative to the city of Piracicaba, Merck& Co. for its medical outreach program in Costa Rica, or Citibank Chile for its literacy program.

Simon Zadek, Chief Executive of AccountAbility, stressed the importance of linking the microeconomic concept of CSR with the macro framework of competitiveness. European Union Commissioner Pascal Lamy argued:

> *"The societal benefits of CSR practices will remain limited unless they can be integrated into the broader competitiveness strategies [of nations and communities]."*

So far, most CSR activities are still limited to short-term concerns with very localized benefits, not addressing the broader concerns of poverty alleviation or inequality in a strategic fashion. The challenge for the future will lie in translating these activities through strategic planning and coordination into a framework where the primary concept is "responsible competitiveness". This will occur when businesses take explicitly into account of their social, economic and environmental performance in such a way that it enhances an economy's overall productivity. At the firm level, this naturally requires finding the balance between behaviors that are "irresponsibly competitive" (i.e., profit-making at the expense of sustainable development) and "unsustainably responsible" (i.e., CSR engagements that actually reduce a firm's overall productivity and profitability).

That corporate responsibility and competitiveness do go hand-in-hand, Mr. Zadek showed based on the most recent initiative of Accountability in trying to develop a global "responsible competitiveness index". The index is based on a range of indicators for corporate governance, corruption, progressive public policies, civil society vibrancy, workforce development, environmental management and corporate taxation. Preliminary results show that there is a strong correlation between higher levels of responsibility and higher levels of competitiveness (see chart below). While cause and effect are difficult to determine, the strong link clearly suggests that competitiveness cannot be achieved without also striving for a responsible, sustainable development strategy at the corporate level.

Carmelo Calvo Ridruejo, Telefónica, Spain, reminded the audience about the fundamental developmental role and impact of large corporations that tend to be overlooked within the debate of CSR. Telefónica, for example, serves about 90 million clients in about 50 countries, has 14,000 mostly local suppliers, 150,000 employees and 1.7 million shareholders. In Latin America, the company has invested close to US$64 billion, contributes on average 1.5 percent to the countries' GDP and has massively increased the access to basic telephony services by reducing connection and installation times from several years to just a few days. Naturally this creates not only a substantial economic impact, but also results in a large range of stakeholders. Developing strong and lasting relationships with them

is a cornerstone for the future viability and profitability of the company and a critical component of the company's intangible assets which represent an increasingly important share of the company's total value. In a mapping exercise of the future risks for the company, a full 27 percent of all risks identified were related to CSR topics. For this reason, Telefónica places great emphasis on working in close collaboration with multilateral institutions such as the UN Global Compact or the EU, national agencies such as Spain's Ministries of Labor and Economy or civil society organizations and private sector partners. In addition, the company has established the Fundación Telefónica, supporting initiatives in areas such as education, health and other social services, having assisted 6.5 million people and 7,800 organizations.

Finally, **Erwin Hahn**, Executive Director of the regional CSR umbrella organization Empresa, urged the audience to think about immediate action and not more studies. The weaknesses in the region's competitiveness are well established and the conceptual role of CSR is also clear. Agreeing on these general issues is relatively simple, but translating them into practical solutions often fails when it comes to the details. Despite a large number of interesting initiatives, a strategic relationship between public and the private sector as well as multilateral agencies and civil society is typically missing.

As one of the most difficult issues to overcome, Mr. Hahn mentioned the general hesitance of the private and the public sector to collaborate effectively. The private sector and its motivations are often pre-judged with fears that corporate interests will bias agendas and strategies. Private companies, on the other hand, often fear that the involvement of the public sector will translate into attempts to regulate and legislate the CSR agenda, stifling private sector initiatives. Clearly these prejudices would need to be overcome, as CSR can only function in strengthening the social capital of countries and in enhancing their competitiveness, if it is based on collaborative efforts based on mutual interests and incentives.

Concluding remarks

Although it is true that the private company is the most active agent in CSR, we should not forget that the public sector and civil society represent two key elements in making CSR effective. The role of the public sector, whether at the level of national or local government, is to create a propitious business climate that enables companies to develop their activities, among them corporate responsibility. CSR has to be taken into account in the design of policies for competitiveness, because it can be used as an instrument for enhancing business and national competitiveness. At the same time, civil society should act as the voice of society. Its role is to make all aware of the problems that exist and to advise both governments and the private sector on the best way of overcoming difficulties, as well as carrying out its mission of oversight. It is clear that partnership between government, civil society and the private sector is vital if CSR is to be truly effective. However, it should not be forgotten that although the private firm may contribute to alleviating social and environmental problems and is doubtless an engine for development, this does not mean that it should assume public sector responsibilities in the supply of public goods.

REPORTING STRATEGIES AND ALTERNATIVE MARKETS

Third Round of Breakout Sessions
Tuesday, October 28, 2003
10:30 a.m.-12:00 p.m.

SESSION A: REPORTING STRATEGIES AND THE DISSEMINATION OF CSR ACTIVITIES AS A TOOL FOR COMPETITIVENESS

Italo Pizzolante Negrón
PIZZOLANTE Comunicación Estratégica, Venezuela

The panel on strategies for reporting and communicating activities of CSR as a tool for competitiveness provided a global overview on the new reporting systems on social performance that companies have begun to establish. This control reporting has developed out of the global tendency towards measuring ethical behavior and sustainability in business, amid growing competitiveness and in light of the (fortunately) increasingly demanding group of stakeholders interested in the quality of the products and the best practice of the firms that affect them.

All the panelists shared the view that firms should create effective channels of communication with their stakeholders. This is not just a market trend, but a fact that companies seeking a meaningful position in today's global markets need to take on board.

Communication as a strategic factor in the firm

'There is nothing more real than a perception'. This is something that any firm seeking to communicate with its stakeholders needs to reflect upon. Firms now understand better than ever that it is their stakeholders who determine which companies survive and which do not. Beyond the products they offer, people want to know how a firm behaves, what their managers do. Today's market is full of critical consumers, but the road ahead is a long one and the task has barely begun: it is necessary to continue educating society.

According to **Simon Zadek**, CEO of AccountAbility, the good news is that fortunately there are plenty of ways to communicate; the bad news is that current methods of reporting do not necessarily provide the best way for an organization to publicize its good performance, whether social, environmental or financial. Standardization of reporting and understanding what needs to be transmitted is the main objective of a firm's communications strategy. The global trend in such reporting is to achieve a synergy between different issues and different publications, bringing them together into a single report, providing the best information to those with an interest in a company. Such is the case of Novartis and Natura (Brasil), which are pushing ahead with their strategy to inform stakeholders comprehensively. Mr. Zadek's comment is relevant here because there is a serious problem about how business management is reported; people really need to believe in us and act positively on how they perceive things to be.

Times of change

The characteristics of the market have changed radically in our times, and it is clear that the business organization has a tremendous responsibility in society and represents a tool for achieving the common good that society strives for. The benefits that a community receives, thanks to business best practice, are directly proportional to those received by the firm within a competitive market. Today we think of CSR as a tool for achieving competitiveness and, indeed, it is becoming obligatory in a marketplace that demands it. However, it is necessary to understand that business best practice

The audience listens with interest

needs to be carried out with real sensitivity towards society and not merely for self-interest or to avoid tax obligations. CSR is not about making donations or having oneself photographed with a large check.

New markets make new demands, and adapting to this new situation is now imminent and it is just what Mr. Zadek referred to when he spoke of the quality of existing reporting. He showed examples from Japan (which has up to 500 annual reports), Australia (150) and the United States (400). On Latin America, he mentioned that he probably knew of 15 good and consistent reports. It is not just a matter of reporting just for the purpose of becoming better known. He thus mentioned a rough and ready test to show the efficacy of reporting:

- The firm should know the extent of its impact on society
- Reporting should cover those aspects that are of concern to stakeholders
- It should be a medium to communicate its response to changes and the new market conditions.

The best communicators of business success are its own public. If it is to really satisfy the needs of its public, the credibility of reporting should be based on content rather than format, as Mr Zadek pointed out. A study undertaken by AccountAbility on trust in those institutions that act in the best interest of society shows that the Armed Forces and NGOs are the least transparent of a long list of organizations, but are at the top of the list of those we trust most for good corporate governance. Why is this? Perhaps the answer lies in the simple fact that reporting does not mean that this wins the empathy that is being sought among stakeholders.

Recent reports from Transparency International show that nine out of ten developing countries urgently need practical support in the struggle against corruption. Clearly, this is a task for everyone. The corruption perception indices of these countries show that regional markets and frontiers are disappearing, and that it is global markets that judge the behavior of firms. Excluding Chile, Latin America comes after Africa as one of the world's most corrupt regions. This is hardly an encouraging sign, yet there are those who think that publicizing this sort of finding will encourage better practice. Mr. Zadek firmly made the point that transparency is not an option; it is obligatory for those companies that want to belong to today's new markets.

The point that attracted greatest attention in this panel's discussion was the appeal made by the experts about the value of transparency in business communication. This continued with the intervention of **Allen White**, former CEO of the Global Reporting Initiative (GRI). According to Mr. White, serious studies show that transparency is a critical factor in financial markets and is definitely rewarded in capital markets. Non-financial reporting that deals with social and environmental issues has become a commonplace among thousands of firms. He continued in this vein by commenting on the role of transparency in corporate strategies for competitiveness. He explained how there were ever growing market expectations in all sectors. What follows is the appearance of an ever increasing number of reports in response to different demands, carried out by different groups with different interests. It is the responsibility of the firm that issues the report to know their public and adapt their reporting to those demands. People now talk of the 'naked firm'. Social networks communicate between themselves and remind both private and public organizations that, although they may believe they are the victims of transparency, really they ought to be the beneficiaries of it.

Transparency is a factor of obvious profit to the firm, Mr. White pointed out, and it is clear that a coherent strategy has to be developed to build up trust and confidence. With all the aspects of transparency and with the appearance of new types of reporting, it is worth mentioning GRI and AA1000, which enjoy high levels of credibility and give recognition to those responsible for it in their firm. GRI is an initiative that aims to become a global medium for reporting on corporate sustainability. However, it believes that the most important principle for any corporate communications strategy is to consider the value over time of simply being transparent:

> *"Public information reduces the level of surprise, has a palliative quality for stakeholders, and instills creditors with the confidence that the firm is well run."*

Tony Henshaw presented the case of Transredes, Bolivia, which has recently achieved the ISO 18001 certification for health and safety and ISO 14001 for its

environmental activities, and is currently in the process of drafting Good Neighbor policies in the region. Mr. Henshaw considers that when a report is undertaken by a third party, from outside the firm, it lends it greater weight and enhances its credibility.

The example of Transredes shows how certification and reporting have paved the way to the company being regarded as consistent in its activities and successful in its public reporting. Furthermore, it has built up new coalitions with NGOs and local suppliers that have enabled it to strengthen alliances by collaborating in education, water, electricity and health, even though these are not necessarily areas in which it is specialized. It is part of the communications strategy to measure the impact that the company has on society as a whole, as well as the safety of its employees and the firm's closest neighbors. As Mr. Henshaw mentioned, through small but stable alliances, enormous gains can be achieved in terms of goodwill, and with small budgets, major advances in building a solid culture of social cooperation.

Relating to all stakeholders is therefore vital given the benefits that this brings to the firm. Tony Henshaw also spoke of the Stakeholders Management System, in which a simple matrix shows how those organizations with a good record in stakeholder relations and good operating systems, have a secure footing in the sector in which they are involved. Meanwhile, there are those which have good operating systems, but little rapport with those they affect. While the latter may be content, the risks are very high. The benefits of good relations with stakeholders are many. Among them is that firms are receiving the benefit of the doubt in times of difficulty and having greater latitude in which to operate.

It is the stakeholders who have the last word, who create a positive or negative image of the firm in the sector. At times there is an excessive interest in creating a good impression, when in fact the preoccupation should be the other way round, starting with what goes on within the organization. What is needed is a solid culture that provides the basis and the foundations for creating an identity which, in all probability, will align itself with the image that the markets create. A solid culture in the firm will reflect itself in its identity and people's trust in it; it is the end result of ceaseless effort. Tony Henshaw added that in times past the financial management of a firm tended to be the most highly prized position:

> *"Perhaps it still is, but in these changing times it is no longer seen in isolation, rather it has to be seen in conjunction with two other pillars -- quality and social/ environmental factors -- on which rest the accountability and corporate governance of an organization."*

For Mr. Henshaw, management in the 21st century faces important challenges, such as:

- The capacity constantly to demonstrate an ability to add value
- Balancing different stakeholder demands, something which can only be done through dialogue
- Building faith in alliances

Concluding remarks

The market has changed and fortunately also those interests that sustain it. The public has become more critical and demanding. But this is a road that is not ending; rather it is just beginning, and one which requires constant adaptation on the part of the business community. A dynamic system of information is a sure way to achieve this effect, but it cannot be divorced from transparency in the way an organization works and business best practice. The prime responsibility of the firm is towards its employees, but it is also responsible to neighboring communities, trade unions, the public sector and all its other stakeholders.

Communication is definitely an important element in the firm, but the task begins within the firm itself, in its people, the corporate culture that shapes its identity. Communication does not resolve problems of organization; organizational problems are resolved by good management. It is a key condition for success that firms develop models of good corporate governance that generate trust in the ways they work and the services they provide. Certainly CSR is an instrument for competitiveness, and made sustainable over time because a firm that is socially responsible, that needs to establish and maintain trust between itself and its public.

Standardization in reporting is today more than a tendency, it is a fact; and it is necessary for firms to

Lunch sponsored by CEMEX

communicate what they need to and what is important to theirstakeholders. For this reason, the firm needs to understand the context in which it is operating and whom it is addressing and to know what their demands and interests are. The firm does not choose its public, the market establishes it; but the firm needs to know them of and to be able to personalize its appeal to each segment.

Finally, the importance of being transparent in the way the firm carries out its business cannot be overstated. Particular attention needs to be paid to the way in which employees and executives behave, for consumers are alert to the products that a firm makes and also to the activities of the firm that makes them. CSR has to be part of the very essence of the corporate vision. It is a clear commitment towards society, and is rooted in what is done, not what is said. Such a commitment is not just something for the public relations department of a firm, since those most involved are at the very top, those who represent the business. It is necessary to communicate what is done, since if we do not communicate, others will do it for us, and the message may not be as clear or consistent with the identity that we want of our business. It is the coherence and consistency of a firm's actions over time that help build the solid relationships that it is so important to have.

REPORTING STRATEGIES AND ALTERNATIVE MARKETS

Third Round of Breakout Sessions
Tuesday, October 28, 2003
10:30 a.m.-12:00 p.m.

SESSION B: ALTERNATIVE MARKETS

Gustavo Herrero
Harvard Business School, Latin American Research Center

Introduction

The number of firms dealing with low-income sectors of the population is constantly increasing[9]. These are not social undertakings that are born out of a spirit of altruism, but ones that seek to make profits and do so as part of well-defined corporate strategies. Nevertheless, the incursion of firms into this market frequently provides an important opportunity to create social value. The panel on alternative markets sought to show how the profit making objectives of firms are not necessarily at odds with doing good among poor people.

Jaime Sotela, Pórtico, Costa Rica, described how his company, which makes wooden doors, found itself in social and economic problems, and resolved these through socially and environmentally responsible business practices.

Among the most acute social problems in Costa Rica is the limitation on opportunities for peasants, especially in areas far from the main urban centers. In the environmental field, Costa Rica has distinguished itself through its innovative policies in promoting sustainable development; still, economic resources appear to be insufficient to confront to all problems. The country made a major investment to conserve 14% of its surface area in National Parks, which provide total protection. Environmental legislation makes it difficult for private companies to manage and exploit forestry resources. The social problem that arises is that small-scale producers are inclined to sell their land, or radically change their way of life and subsistence in the search for more profitable alternatives to forestry (banana cultivation or livestock rearing). At the same time, the company began to experience a sharp downturn, due to the appearance of other economic activities at the edges of the forest (like livestock farming) that are at odds with reforestation. Government restrictions on forest management, a lack of capital and technology to achieve sustainable development in forestry, provoked a fall in prices in formal markets for timber and the rapid growth in illicit productive and commercial activities. The alternative of purchasing surrounding land was impossible in view of the capital constraints on the firm and the migratory movements that this could cause.

The solution consisted of an agreement between Pórtico and an NGO called FUNDECOR. Pórtico launched a program of technical training aimed at small-scale forestry producers in Costa Rica, in alliance with FUNDECOR (Fundación de la Cordillera Volcánica Central). FUNDECOR issued certificates for compliance with environmental standards established by the World Forestry Congress to which FUNDECOR is affiliated. These certify that producers comply with criteria that help preserve the forest, including protection of water, natural beauty, bio-diversity etc. Pórtico provides technical assistance to the producers, helping them improve their practices and yields, paying them a premium over the market price in recognition of their compliance with environmental norms. The company is able to afford the difference in price because technical investments have improved productive methods and generated higher wood yields. Thus a substantial percentage of the increase in productivity is translated into the price paid for the raw material.

The project has been very successful, even though it is fairly new. It was planned for in 1998, and entered into operation in mid-1999, only fully consolidating itself in 2001. All the actors involved benefit. The producers receive technical assistance that enables them to incorporate technology and improve their efficiency, at the same time as getting assurances of selling their

output. FUNDECOR fulfills its social objectives as an NGO, and increases the geographical area over which it is working. Pórtico absorbs the extra costs of paying a premium over the market price for wood through the higher yields on the raw material it receives. At the same time, it finds that the monitoring of environmental rules which it carries out through its alliance with FUNDECOR enables it to open up new markets.

New situations constantly make it necessary to adapt the scheme and analyze the results achieved. On the one hand, the small-scale producers have adapted to the scheme, feeling greater identity with the firm; FUNDECOR has been able to expand its environmental activities in those regions where Pórtico has operations, and the wood used complies with all the requirements for sustainability. However, civil society in Costa Rica has been unable properly to recognize the social and environmental value of the company. For this reason, Pórtico is rethinking the project, producing a new business strategy through a new program called Mercados Alternos con Enfasis en el Mercado Local. Launched in 2003, this seeks to develop specific products for the Costa Rican market at a affordable prices but without compromising standards of quality. The company maintains its export business to developed markets (chiefly the United States), and is producing a new line of products at lower margins but higher volume, which it hopes will help it sell in other Central American markets over the medium term.

Responsible activities in supply, output and marketing have been determinant for Pórtico. Not only has it brought small-scale producers into the supply chain, but the company has overcome the pressures which it faced and were reducing its profitability. In addition, it has gained access to new markets, creating environmental value and preserving its sources of supply.

Héctor Ureta Morales, CEMEX, Mexico, outlined the Patrimonio Hoy scheme developed by the company. The program aims to provide Mexican families with the opportunity of realizing their dream of having a home of their own. The inhabitants of low-income neighborhoods have the chance of building on an additional room (e.g. a bedroom, bathroom or a kitchen) by means of a system of solidarity saving, in groups of three, providing them with a loan for US$1,600 (the cost of the extra room) once they have attained savings of 20% of this amount. The program operates through 48 CEMEX offices in 23 cities in Mexico. So far, 50,000 families have benefited. Over the last 12 months, the equivalent of 3,500 houses (of 40 square meters) have been constructed. The rate of repayment on the loans is 99.4%.

Two sets of circumstances led to the creation of Patrimonio Hoy. On the one hand, the company was suffering from a slowdown in sales, whilst on the other there was a demand for self-build housing that was not being met. The company set in motion what was to become Patrimonio Hoy with a team, both from outside and inside the firm, which took upon itself the task of understanding the predicament afflicting disadvantaged people. The team lived in Mesa Colorada to understand habits and customs, to identify needs and to assess the viability of providing for this sort of market.

The aim is to access the resources, materials and the technology required for the construction of houses. The scheme provides the credit required, allowing the individual to buy the materials necessary to build a house. Also, Patrimonio Hoy offers the technical assistance to maximize the value of the project, collaborating with technical supervision during construction. It also freezes the price of materials for 70 weeks, storing them in CEMEX warehouses until they are needed. Patrimonio Hoy allows for housing units to be built at a saving of 67% on time and 33% on cost, since Patrimonio Hoy offers an integrated service that substitutes for two of the intermediaries usually involved.

The new model of socially responsible business exemplified by Patrimonio Hoy not only enables many families to obtain housing that would otherwise not be able to afford it, but also helps provide neighborhood infrastructure, encourages individual responsibility by generating positive social values like a culture of saving and community responsibility. It thus brings a substantial band of people within formal economic circuits; furthermore, doing so in a way that is sustainable since the company also makes profits.

The success of this program has led to the Proyecto Construmex, through which Mexican migrants to the United States send money direct to a cement distributor in Mexico, who receives the money, deposits the material

in an agreed place, that in turn becomes a home or business in Mexico. The plan includes advice and methods of cash transfer that are much cheaper than conventional ones. The profit margin for CEMEX is small, but this is a market that the company was not previously attending and it makes use of its distribution networks in Mexico. Also, there is a program known as Patrimonio Hoy Calle Digna, where finance is provided to improve basic infrastructure, such as pavements, drinking water supply and street lighting. In recognition of the fact that housing and education are key components of people's birthright, Patrimonio Hoy Escolar provides construction materials for the schools that each client chooses, on the basis of a percentage of their weekly payment.

Antonio Boadas, Procter & Gamble, Venezuela, described the social programs carried out by his company. He began by urging those businessmen present to reconsider some of the myths that normally apply to poor sectors of society. These include the idea that mass-consumption companies do not find business opportunities in depressed markets; that their products do not adapt themselves to this sort of consumer; or that price is a barrier to access for consumers in this segment. There exists a logical fear of failure in introducing marketing campaigns in markets that are not well known. This is the real barrier that has long blocked access to this market for firms producing mass consumption goods. It is necessary to learn to listen, putting oneself in the shoes of others, to reach these markets. This means changing traditional business models in satisfying consumer needs. Knowledge is weak about consumption habits and distribution channels. Social networks and structures are highly complex in places that are usually overpopulated where trust in formal structures is absent. He referred to the irritation that low-income sectors feel when they are treated in a deferential manner.

It is a question of creating new models with the same creativity that consumers in these segments show in covering their needs. Among the examples cited by Mr. Boadas was the sale of shampoo in large containers that led to hairdressing centers being established in various communities, or the sale of large quantities of diapers that make the unit price more affordable, prompting the setting up of care centers for children. In the case of detergents, the lack of washing machines gave rise to itinerant laundry services that go wherever customers are to be found.

P&G considers it of key importance to develop sustainable relations with low-income consumers, social organizations and local governments to fulfil its commitment. In Mr. Boadas' opinion, it is fundamental to understand the complexity of these networks, as well as the real concerns and needs of this sector of the population. Once this confidence is re-established, patterns of communication arise in both directions that make it easier to identify and meet new needs, generating benefits to the company at the same time. Cases include water purification, developing a new generation of toilet soaps adapted to people's requirements, and multi-use cleaning products. Furthermore, through the establishment of hairdressing centers, new employment is generated in communities afflicted by social problems. P&G has organized a program for the training of hair stylists to promote their development and, of course, to use its products. The same thing takes place with technical assistance and the creation of employment for the development of activities both in the case of Pórtico (with Costa Rican forest producers) and CEMEX (with non-professional Mexican bricklayers).

Concluding remarks

In the first place, it is interesting to see how the three cases presented achieved objectives for the common good in three different sectors of Latin American society, at the same time achieving profitability for the companies involved. This refutes the prejudice that social action by business always has a negative impact on the balance sheet. It also highlights a very interesting idea, the connection between the business mission and a broader view in defining of 'yield' or 'profit', bringing in society as an important part of business activity.

The multiplier effect of the programs mentioned was also striking. They not only satisfy goals of better communication and business flows (and consequently profitability) between firms and their customers (in the case of Pórtico, its suppliers), but also have secondary effects that bring enormous benefits to society. For example, from the moment that hairdressing centers are established in Venezuela, employment is created in communities racked by social problems. P&G

Opening Reception

meanwhile trains hair stylists to help their development and, of course, boost the use of its products.

The creation of employment and the social integration of otherwise marginalized communities are highly favorable consequences of undertakings carried out by firms that seek the commercial inclusion of low-income sectors.

It is noteworthy to observe how business activity can generate positive social action in links of the value chain that are different to their usual activities. Indeed, one could say that community action that results in this sort of inclusion achieves a qualitative improvement in business activity, adding to its stock of knowledge and contacts in ways that could not otherwise be achieved.

Benefits are also attained that are central to the concerns of many Latin American NGOs, such as preserving the environment, reforestation, water purification, and creating roots for solid cultural values like saving and solidarity.

The main conclusion of the panel was that firms can generate very important social value whilst at the same time improving their profitability. Often they can optimize the creation of such value in ways that require less effort and are more sustainable than hundreds of non-profit making social organizations. It is a ‘win-win’ equation that businessmen should not leave unexplored.

THE FUTURE OF CORPORATE SOCIAL RESPONSIBILITY

Closing plenary
Tuesday, October 28, 2003
12:00 p.m.-1:00 p.m.

THE FUTURE OF CORPORATE SOCIAL RESPONSIBILITY

David Valenzuela
President of the Inter-American Foundation (IAF), United States

The aim of this panel was to let participants discuss the issues dealt with during the conference and to present their ideas about the future of CSR from their own sectoral point of view. The panelists were **Jacques Rogozinski**, Inter-American Investment Corporation; **Pablo Gabriel Obregón**, Fundación Mario Santo Domingo; **Bradley Googins**, Boston College; and **Ivor Hopkins**, MHC International Ltd.

In the evolution of the concept of CSR, a constant theme throughout the conference is the notion that CSR is not an individual or specific action that enterprises or corporations engage in which is responsible in nature. Rather, CSR is fast becoming a holistic concept which encompasses the entire behavior of an enterprise. CSR is a manner of being implying the total set of actions an enterprise engages in that are considered to be socially responsible. Hence, to fit within this definition of CSR, a corporation, business, or enterprise must be mindful of the well-being of its workers and employees, shareholders, suppliers, customers, consumers, neighbors, community, region or nation. The sphere of social responsibility for multinational corporations is global. This view of CSR demands that social responsibility become engrained in the corporate ethos or culture.

Corporate philanthropy or giving is one dimension of this holistic definition of CSR. Though of great importance, particularly in the geographic areas of corporate influence, it is but one of the expressions of CSR. At a minimum, good CSR involves fairness and enlightened labor policies, adequate working conditions, environmental awareness and concern, product safety, ethical behavior at all levels and spheres, and community outreach. On a broader scale, CSR can also encompass corporate leadership in key areas of public policy or concern, such as affirmative action, gender equality, or issues of peace and justice. Corporations can also play leading roles in helping to bring about societal reform, particularly in developing countries.

Research reveals that business or enterprises that assume this holistic approach to CSR tend to perform consistently better than those not noted for an image of good corporate citizenship. This performance also extends to the relative value of their stock. Nonetheless, higher profit margins may not be the consistent reward for good CSR. There may be occasions when good CSR dictates actions that may not enhance the bottom

Closing panel

Tables set for dinner

line, such as costly environmental protection or the preservation of jobs during economic downturns.

Considerable discussion centered on the need for action. CSR is often presented in abstract terms or as ideals for which all reasonable businesses might aspire to attain, but which require concrete steps that are often postponed until a more opportune moment. Also, CSR should not be a topic for discussion among enterprises that practice it, but should be the subject of intense proselytizing. Some criticism is levied against the practice of holding conferences that mainly "preach to the converted".

Finally, another theme that emerged in the conference was the need for constant awareness and deepening of commitment to CSR. Good CSR is not a static condition, but a constantly evolving perspective that seeks to perfect and broaden a corporations´ good practice and understanding or its role as an ethical citizen in the business place and community.

The proposition was also advanced that CSR can play a positive role in good governance. Corporations are major players in societies, and thus can exert considerable influence in areas that enhance democratic practice, ethical behavior, and responsible citizenship. In Latin America, the business community has largely stood silent as major societal issues are debated. Corporations could play a critically important role in helping to consolidate the regions´ fragile democracies and advance practices that foster civic responsibility in areas such as payment of taxes, respect for the rule of law, concern for the environment, etc…

The concept of **responsible competitiveness** was presented as a new idea. While CSR may arguably offer a positive correlation with good business performance, the need for competitiveness in a globalized economy can present difficult dilemmas and tradeoffs. The constant need to reduce labor costs has led most major corporations to establish manufacturing facilities in poor countries that tolerate poor working conditions, inadequate social benefits, or child labor practices. Is it possible to remain competitive and also maintain high corporate standards in these and other areas? Is bribery a necessary evil in the struggle for competitiveness?

There is growing concern that while CSR can provide a positive competitive edge, it can also mean a net loss in competitiveness given certain tradeoffs that would be contrary to desired ethical standards. In this regard, proponents of responsible competitiveness stress the long-term vision. Ultimately, preserving high ethical standards, despite the need to make difficult decisions which might affect competitiveness, could ultimately prove to be good for business performance and the bottom line.

As we look to the future of CSR, three major themes emerged:

- **CSR and Small and Medium Enterprises (SME)**. In most of the worlds´ economies, as many as 80 percent of workers are employed in small and medium enterprises. Yet, most CSR discussions have centered on large businesses or major corporations, many of these multinationals. Yet, most actions that can be considered contrary to good CSR practices occur in SMEs: poor working conditions, inadequate social benefits for workers, unsanitary conditions, disregard for environmental protection, etc. The question is how to bring ideas of CSR to SMEs? A number of speakers challenged international organizations and CSR networks to pay attention to this new frontier, which has the potential of much greater social benefits given its relative impact on the labor force as well as national economies. Particularly challenging are countries with high levels or businesses that work in the informal economy.
- **Capacity Building**. Several speakers challenged participants regarding the need to "walk the talk". The fact remains that a willingness to become a good corporate citizen is not a simple decision. A great many internal procedural and policy reforms are needed to develop what amounts to a new corporate culture that places high value on social responsibility. Good CSR is learned behavior that requires deliberate steps, including the retraining of workers and managers. In this regard, there is a large unmet demand for expertise to assist business and corporations that are interested in becoming socially responsible not only in their practices, but also in their overall behavior and outlook. Professional consultants are needed to help businesses conduct a self-assessment of their corporate practices and image in order to determine the changes needed to implement

socially responsible practices. This is a new field of activity for which little expertise exists. Assistance is also needed to implement changes and provide training for workers and management.

• **Cross-Sector Alliances**. There is general consensus that one of the most effective ways for enterprises to exercise their good corporate citizenship is by forming partnerships with other organizations to mobilize both resources and share expertise to address a local problem or need. Most common members of these partnerships are local governments, civil society organizations, such as non-governmental agencies, and business enterprises. Such partnerships can help improve education, address key social problems, such as drug addiction, and generate new jobs through micro and small business promotion. Partnerships harness the talents, skills, resources, and comparative advantages of the members. They also offer a greater prospect for sustained action by relying on local resources, creativity and energy. Local partnerships are the key to the promotion of local development, for which business should play a key or even leadership role.

CSR in Latin America and the Caribbean is a rapidly growing movement, but still in its infancy. With fragile democracies and uncertain commitments to the merits of free trade, open markets, and global competition, it behooves the business sector to assume a role of historic proportions. Business leadership is needed for the struggle to reduce poverty, strengthen civic duty and engagement, build democratic practice, and increase dialogue and trust among different sectors of society. Private business, armed with a strong sense of corporate social responsibility, can make a significant, if not critical difference. The Inter-American Development Bank, as well as the other co-sponsors of this event, will continue to foster opportunities for broadening the practice of CSR in Latin America and the Caribbean as well as addressing the new frontiers of CSR.

E-CONFERENCE SUMMARIES

CORPORATE SOCIAL RESPONSIBILITY AND PUBLIC POLICY: THE EXTRACTIVE INDUSTRIES AND FOREIGN DIRECT INVESTMENT

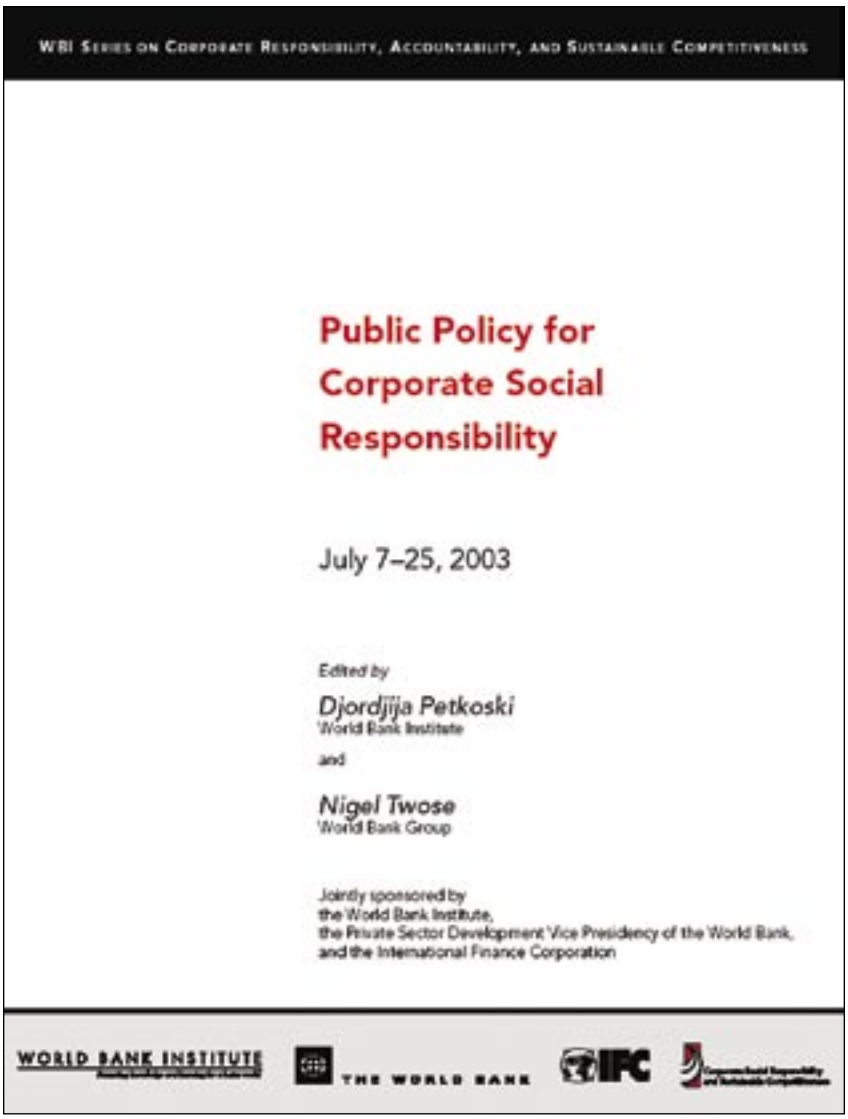
The following articles have been edited from the original summaries of the World Bank Institute E-Conference on CSR and Public Policy that was held July 7-21, 2003[10].

PREFACE

Djordjija Petkoski[11] and Nigel Twose[12]

Corporate Social Responsibility (CSR) is the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve quality of life, in ways that are both good for business and good for development.

Although the contemporary CSR agenda is maturing, the term "CSR" has not yet taken hold within many public sector agencies, either in industrial or developing countries. Few government initiatives have been undertaken explicitly as "pro-CSR initiatives" but nonetheless many have contributed effectively to the promotion of greater social responsibility. For example, the primary incentive of public sector activities that promote exports of sustainably produced goods and services might well be to earn foreign exchange, but they still have a positive impact by encouraging responsible production. Public sector agencies that do not use the expression "corporate social responsibility" are not necessarily doing any less than those that do.


WBI Series on Corporate Responsibility, Accountability, and Sustainable Competitiveness

Public Policy for Corporate Social Responsibility

July 7–25, 2003

Edited by
Djordjija Petkoski
World Bank Institute
and
Nigel Twose
World Bank Group

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the World Bank Institute,
the Private Sector Development Vice Presidency of the World Bank,
and the International Finance Corporation

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The challenge is for public sector bodies to identify priorities and incentives that are meaningful in the local and national context and to build on existing initiatives and capacities. There is a significant opportunity for public sector bodies in developing countries to harness current enthusiasm for "CSR" alongside key public policy goals and priorities to encourage delivery of results in both respects.

The overriding need to deliver sustainable and equitable development underscores the importance of achieving a better understanding of the role of public policy in relation to corporate social responsibility and its potential to contribute to the development agenda.

Public Sector Roles			
Mandating	Command and control legislation	Regulators and inspectorates	Legal and fiscal penalties and rewards
Facilitating	Enabling legislation	Creating incentives	Capacity building
	Funding support	Raising awareness	Stimulating markets
Partnering	Combining resources	Stakeholder engagement	Dialogue
Endorsing	Political support	Publicity and praise	

Government and companies should integrate consideration of such issues into their policies and business strategies as part of their commitment to business ethics and corporate social responsibility (CSR). However, CSR is a complex issue, with many players, definitions, and interpretations. Instead of focusing on finding "correct" answers to often ill-defined questions, the real challenge is managing the dialogue between various stakeholder groups, building coalitions for action and creating additional learning opportunities through the implementation of sustainable action plans.

THE RANGE OF ROLES THAT GOVERNMENTS PLAY IN PROVIDING AN ENABLING ENVIRONMENT FOR CSR

CSR covers a wide range of issues relating to business conduct, from corporate governance and environmental protection, to issues of social inclusion, human rights and national economic development. In the case of private sector investment in low and low-middle income countries, the emphasis placed on each of these issues can vary, and sometimes differs from the priorities of investors and businesses in more developed markets.

The role of the public sector in CSR is complex and is an emerging field. As the term "CSR" has not yet taken hold in many public sector agencies, many of their interventions have not been undertaken explicitly as CSR initiatives, but nevertheless could be seen as part of the agenda.

There is therefore a wealth of relevant experience among public sector agencies that is currently being overlooked. The following table categorizes possible government interventions regarding CSR.

For market-driven CSR issues, such as directors' pay, public sector agencies may elect to adopt a *laissez faire* approach or facilitate voluntary codes. CSR issues for which the market drivers are weak—where there is no clear business case—may suggest a stronger role for the public sector to create incentives. This might include as regulatory reform or the negotiation of strategic alliances with business or civil society, based on a sharing of the costs and risks.

In low and low-middle income countries, interest is increasing in the possible alignment of the public good outcomes of CSR activities with public sector priorities. For example, developing country governments are beginning to view CSR activities as a means to enhance sustainable development strategies, as a component of their national competitiveness strategies to compete for foreign direct investment and to position their exports globally, and to improve poverty focused delivery of public policy goals.

Dealing with complexity: Defining CSR and measuring performance

CSR is complex, broad and deep in terms of topics, actors, contradictions and dilemmas. Neither public sector nor enterprises are homogeneous categories. There is a need to recognize the distinctions between public sector agencies at national, regional and global

levels, and also between different types of enterprise, from SMEs to multinational corporations.

Given the complexity of CSR there is not a working typology of activities yet that help researchers to measure CSR activities in different countries. However, any framework needs to be flexible so as not to stifle innovation. One suggestion could be based on Carroll's four main dimensions of CSR (economic, legal, ethical and philanthropic) within a framework such as the balanced scorecard. Although various CSR standards and measures already exist, it is necessary to recognize the difference between management/process standards such as ISO14001 and performance-based measures when measuring companies' activities.

The need for locally specific CSR

More research on country-level conditions, particularly in developing countries to balance the current emphasis on research that focuses on OECD countries is needed to know what shapes the role of business in society. CSR is viewed differently around the world. The views depend on cultural and historical circumstances - which means that locally-specific and culturally sensitive solutions are required. For example, in the EU accession countries, discussions on CSR are linked to a redefinition of the boundaries between public and private responsibilities, and defined by a low level of understanding of CSR, particularly within local government. Some approaches to CSR would depend on the orientation of the government and on the level of business influence on policy. There is a need to put greater emphasis on defining and implementing CSR (for example, in corporate reporting) at the local level rather than from the global level.

Context-specific national guidelines on CSR, against which companies' CSR activities and performance could be compared might be a way to solve this lack of locality, however, in practice it seems not feasible given the difficulty of defining and measuring against social indicators, although some MNCs are making efforts to measure and implement CSR at the local level. Here is often where the dilemmas start, as what appears to be a straightforward policy (e.g. no child labor) becomes more complex when the local context needs to be taken into account.

Does the public sector have a role to play?

There is a general agreement that the public sector does have a role to play, and the type of CSR that emerges is shaped by the roles that the public sector plays. Government has generally adopted CSR only in a reactive way, for example in response to requirements in export markets, rather than with a more proactive stance.

Public sector engagement is particularly crucial where there are questions of corporate accountability. Partnerships and synergy between the public and private sectors would be most useful, although this would only work when public sector roles are not being taken over by the private sector. A few questions then need to be answered: under what circumstances partnerships can work, where immediate cooperation is possible, and where conflict of interest is inevitable.

What roles should the public sector play?

Government needs to take a lead where companies do not appear ready to engage with CSR. Some suggestions are:

- Ensuring effective governance and a business environment that encourages CSR. This means that the government needs to provide a functioning legal and regulatory structure, and effective delivery mechanisms for public services.
- Setting up a special 'board' or agency with a remit of encouraging CSR and monitoring the CSR activities of both the public and private sectors, and to ensure that CSR is not 'tokenistic'.
- Leading by example, e.g. through procurement and raising investors' awareness.
- Eliminating bribery and corruption and encouraging transparency in relations between government and business, particularly related to payments made in return for access to natural resources such as oil and minerals. Promoting transparency at local government level, and tackling the corporate lobbying of government.
- Creating a vision and strategy for CSR, and allowing businesses to work with the government towards that strategy.
- Focusing particularly on the gaps in the current CSR agenda – particularly how to work with small and medium-sized enterprises (SMEs), and how CSR can be made to work in countries with poor information and a lack of capital.
- Applying the *Local Agenda 21*[13] process to involve local companies in implementing CSR.

Addressing a lack of public sector capacity

Not all governments have the capacity to engage with CSR, or even to establish a functioning legal and regulatory structure, particularly in developing countries. This means that the desired partnership approach may just not be possible. Where this is the case, business has a role to play in supporting the public sector. In order to allow this, government needs to set clear public policy objectives, and then encourage CSR activities by businesses that contribute to those objectives. But first, there is a need to define what is socially responsible. Only the public sector has the necessary overview and understanding of social objectives to be able to shape CSR, and that governments should not give legal authority to non-elected private groups to establish their own standards of CSR. However, both the public and the private sector sometimes fail to implement their policies and statements related to CSR, what is needed then is political will.

Business decisions, incentives and drivers

Some argue that expecting company managers to maximize shareholder value as well as aiming for vague social and environmental objectives (as opposed to adhering to clear regulations and laws) makes them unaccountable for their actions, and potentially allows them simply to act in their own self-interest. There is some discussion whether shareholder value and social and environmental goals are in line with each other - whether there is a business case for CSR. A commonly held view among business leaders is that adhering to social and environmental standards will harm their competitive position. Many doubt that there is necessarily a causal link between environmental/social performance and financial performance, and call for an open acceptance that in some cases there will be 'win-win', but also 'win-lose' situations - at least in the short run. In the long run, the public should endow a host of goodwill on the firms that have CSR in their agenda.

The public sector has to create the right incentives for responsible action by enterprises. It might be difficult to convince businesses to take part in project-based partnerships and they will only do so if it is in their financial self-interest. Thus, CSR should be linked to corporate risk management.

The public sector should provide incentives that encourage the focus to be on long-term sustainability not short-term profit gains. Where there is no business case for CSR then a variety of incentives could be created to make CSR in the company's financial interest. Such incentives may be created by government (e.g. through subsidies, tax rebates or penalties) or by civil society pressure.

Driving change and shifting the business mindset

The adoption and mainstreaming of CSR may follow the experience of Quality Management, which was met with skepticism at first but gained broader acceptance as it was increasingly recognized as an essential part of running a prosperous business. Establishing partnerships is difficult given entrenched assumptions that companies hold with regard to governments, and vice versa. Both need to work for a mindset shift to allow successful partnerships and dialogues.

The danger of CSR being thought as a tool used simply for brand promotion exists. Both government and civil society may need to be involved in bringing a change from the current business mindset - perhaps using the concept of CSR itself as a basis. However, this change needs to be context-specific and driven at grassroots level, top-down attempts to introduce CSR might not work.

The role of education, information and sharing experience

CSR-related education could build capacity, promote interaction between different actors, demand good governance and track public sector performance, and take into account local culture and identities. To begin with, CSR, business and public ethics should be a central element in the academic agenda, both for MBAs and in other disciplines. Although at some point it could go beyond the formal tertiary education sector, starting CSR-related education well before university level, and continuing to educate business leaders beyond formal education involving the private sector too in education on CSR.

Information sharing is an important element. Public sector agencies could usefully initiate learning

and exchange of good practice between diverse communities and locations. Technology and telecommunications could promote transparency, both in terms of public sector policies and activities, and by internationalizing the peer pressure that encourages enterprises to act responsibly.

The role of foreign governments and multilateral institutions

Foreign governments and multilateral institutions should link their support to CSR by only investing in projects that involve companies practicing CSR. This would force governments to establish mechanisms to encourage the private sector to implement CSR.

Foreign governments could bring CSR into their aid and trade policies, and support developing country governments to improve governance, to enable them to establish a 'social compact'. Where there is limited enforcement of legislation multilateral institutions should act as external checks or monitors of both member states and multinational companies.

The role of civil society

Civil society has a role in supporting an enabling environment for CSR, and the public sector could facilitate this. Generally, it was agreed that civil society organizations have a strong role to play. Segments of civil society (including media, NGOs, academics and the church) can engage with CSR, and called on each of these groups to 'walk the talk' by demonstrating their own social responsibility and accountability. Civil society organizations may be able to act as a bridge between companies and government and can translate the terminology of social development into language that business understands; they can also provide information on enterprises activities to the public.

Effective civil society needs the support of the public sector and good governance. Government may be able to coordinate partnerships between businesses and appropriate civil society organizations. However, there is a special need for civil society action in countries with governance failures or where public sector capacity is weak - for example, to act as a mediator between government, citizens and companies. Civil society itself may be able to support government capacity to deal with CSR where this is lacking.

CSR and national economic competitiveness

One key driver for strengthening CSR is to attract 'quality' foreign investment, and that CSR can provide an attractive marketing flavor at national level. Additionally, responsible business activity creates a better environment for doing business and promoting social development, which is conducive to medium- and long-term investment.

Despite a commonly held view among a few business leaders is that enterprises operating in developing countries should not be expected to adhere to social and environmental standards that developed countries did not follow at earlier stages of their development. CSR could help developing countries in terms of competitiveness, given that their competitive advantage at present is primarily based on low costs.

SMEs and indigenous enterprises

SMEs should be held as accountable as larger enterprises with regard to their operational activities, but engaging SMEs in CSR is a challenge, particularly in developing countries.

The following approaches could be suggested:

- Creating incentives for SMEs to adopt CSR, perhaps through fiscal incentives or as part of Poverty Reduction Strategies as promoted by multilateral institutions.
- Public funding for partnerships and 'learning networks' between SMEs in the North and South.
- Partnerships between SMEs and larger companies.
- Public promotion and subsidy for the adoption of CSR standards such as SA8000.
- Linking CSR to public procurement from SMEs.

CSR Categories

Economic

- Monetary flows to the public sector
- Employment and human resource development
- Procurement and supply chain management
- Technology transfer and intellectual property rights

Environment

- Environmentally safe production, products and services
- Environmental impact assessment and management
- Environmental reporting and management systems

Social

- Health and safety of employees
- Labor standards
- Corruption and bribery
- Human Rights
- Violence and Conflict
- Social impact assessment and management
- Community and stakeholder engagement (non-commercial)
- Charitable giving
- Social investment
- Social reporting and management systems

Corporate Governance

- Rights and treatment of shareholders
- Governance policies and business principles
- Information disclosure and reporting
- Responsibilities of the Board
- Customer/end-user care

Public Sector Priorities[14]

- Trade and foreign Investment
- Fiscal and monetary policy
- Private sector development and industrial policy
- Infrastructure development
- Decentralization and local government
- Employment and manpower
- National institutions and reform
- Health Care Services
- Education and youth development
- Poverty reduction
- Environmental protection and management
- Food security
- Political stability

EXPLORING THE ALIGNMENT BETWEEN PUBLIC SECTOR PRIORITIES AND CSR ACTIVITIES IN THE EXTRACTIVE INDUSTRIES

The extractive industry sector, specifically upstream oil, gas and mining companies, typically involve large multinational enterprises operating in a country over the course of several years, sometimes decades.

Operations involve large-scale capital investments, construction activities requiring significant labor inputs, both global and local sourcing, and long periods of facilities management. Tax and royalty revenues are often substantial but deferred, and though they offer an economic opportunity can also be a catalyst for poor governance.

Interest is growing in the potential coincidence of public sector priorities and the CSR activities of business, not least with regard to the social and environmental management practices of upstream extractive industries. This begs the question: how can public policy be formulated to strengthen this alignment, whilst ensuring that the resulting interventions are both 'optimal'—good for both business and development—and 'feasible'—in relation to the institutional constraints of public sector agencies and the value drives of business. The table below provides a means to begin to look for potential alignments between CSR business practices and public sector responsibilities and policies.

Characteristics of CSR in the extractive industries

Often, although not always, the upstream operations of oil, gas and mining companies are located in regions characterized by, inter alia, (i) "big men" who want to secure the flow of resources, (ii) weak local government, (iii) a lack of strategic social and economic planning in the region of operations, and (iv) local communities increasingly aware of the weak alignment between the conventional imprint of the business on society (in the form of tax redistribution, long-term employment and related benefits, local SME development and local infrastructure) and their own livelihood priorities. The division of roles between operating company and government in enhancing the social and economic impact of extractive industries for local communities is a key issue.

Role of government in avoiding dependency syndrome

Creating chronic community dependency of the company's donation or resources should be avoided. The commercial volatility of the extractive industries sectors suggests that operating companies should refrain from entering into long-term, unilateral, commitments to community development programs since these can generate false expectations and community dependency, as well as undermining the proper role of the state. Greater sustainability and reduced business liabilities would be achieved where companies learn to partner with local government on community projects, dovetailing their social investment programs with the strategic social and economic priorities of a mandated democratic planning and political process at district or regional level. Where such political and planning processes are either absent, fledgling or corrupted, a number of participants suggest that the company should seek to 'lead from behind'- avoid undermining the proper role of government and yet play a transparent and graduated part in building the capacity of local authorities to plan and implement social and economic development. This type of 'smart' social (or more accurately 'governance') investment was thought appropriate for countries such as Angola where good governance is in urgent need of resurrection.

Going a step further, companies might enter in the planning process itself (along with civil society), transforming hypothetical, desk-based, government-dominated planning exercises into a shared understanding in the region of operations of a division of roles and responsibilities for plan implementation. A sustainable livelihoods approach could be a possible methodology for a more inclusive form of regional economic planning. Two types of convenors of such planning exercises could be promoted: central government and supra-national bodies (e.g. development banks), the latter preferred when corruption levels present a challenge to civil society participation and transparency.

A word of warning must also be issued: that regional/local authorities are usually urban based, and thus lack the political incentive to engage in social and economic planning or partnering activities with companies whose operations are in very remote (i.e. low electorate density) areas. BP's operations in Tangguh (Indonesia) and the mining sector in The Philippine are examples of the

difficulties of extractive industries operations seeking to partner (or enter into joint strategic social and economic planning) with local authorities whose planning and management capacity is weak and whose power-base is remote from the field of operations.

Marketing CSR to promote FDI in the extractive industries

What could be the role of both central and local/regional government in marketing their CSR capabilities as part of FDI promotion? In the case of the extractive industries the example of the South African Government is worth mentioning, where a combination of partnering (in the from of 'negotiated policy making' with companies) and mandating in the form of new concession tendering criteria, e.g. black ownership, employment equity, affirmative procurement and community investment, combine to enhance the overall social and economic performance of new mining operations. At the local level, in the Philippines, a demonstrable capacity within local and regional government to collaborate with mining operations in economic and social planning and partnership-based social programs, might also provide a basis for FDI promotion.

However, despite these good intentions, in reality such forms of FDI promotion might be wrongly interpreted as a disincentive to investment, either because such messages suggest a greater exposure to commercial risk, or because it raises the prospects of higher recurrent costs and fixed liabilities. Moreover, proactive interventions by government might be seen as externalizing the social costs of investing, and thus raising the cost of capital.

UNDERSTANDING THE RELATIONSHIP BETWEEN CSR, TRADE AND FOREIGN DIRECT INVESTMENT

More and more companies are wondering what the link is between their CSR strategies and their trade activities from both the import and export perspectives. Multinational companies (MNC) are exporting not only their products and services, but also their operating standards, best business practices, values, and principles, i.e. codes of conduct, all over the world. Many of these practices are increasingly being adopted by domestic enterprises. Progressive corporations and financial institutions view CSR and sustainable investments as a competitive advantage or a minimum requirement for risk mitigation.

Governments are beginning to view CSR and codes of conduct as a cost-effective means to enhance sustainable development strategies, and as a component of their national competitiveness strategies to compete for the "right" type of FDI inflows and to position their exports globally. For example, the US-Vietnam textiles agreement signed in May 2003, includes an obligation for the Vietnamese authorities to encourage implementation of CSR codes, in return for access to the US market, which is now the top export market for Vietnam, after only two years of formal trade relations. This appears to be the first time that an international trade agreement has included a government obligation to encourage CSR codes, as opposed to the more typical language of requiring additional regulation or enforcement. The US-Cambodia textiles agreement also included an obligation to raise labor standards with the incentive of increased quota.

CSR, MNCs and SMEs

Why is that CSR-related activism focused mostly on the largest MNCs? A number of reasons can be identified: visibility; spillover effects into the supply chain; and an ability to affect the firm's bottom line. There seemed to be little dispute with targeting MNCs, however, MNCs tend to pay better salaries and have better working conditions than local firms therefore some attention might be paid to other type of organizations that have overall worse conditions.

Some countries were making parallel efforts to improve the competitiveness of local SMEs. In one case, Vietnam, external factors - namely, the US-Vietnam Bilateral Textile Trade Agreement - played a role in enhancing the presence of SA8000 in the country. In the second case, Thailand, the government, in consultation with the ILO, is in the process of advancing its own code that will be used to certify local firms.

CSR and trade agreements

Given the problem over defining CSR there are some concern about including CSR provisions in trade agreements. It is particularly worrisome whether vaguely defined parameters of CSR would evolve into a tool for protectionism.

Any such provision in trade agreements must include detailed description of what is meant by the term, CSR. A helpful model in this respect is the ILO monitoring criteria used in Cambodia, devised in cooperation with

various stakeholders, and meant to make concrete the term "substantial compliance" which is found in the US-Cambodia Bilateral Textile Trade Agreement.

Another point of view would be the inclusion of CSR and CSR-related (labor, environment) provisions in trade agreements because it might facilitate and encourage CSR in less visible MNCs operating around the world, yet left free from the scrutiny that falls on more consumer-prominent sectors like textiles, coffee, shoes and the like.

Marketing the state: good governance, FDI and trade

The promotion of CSR and CSR-related provisions (labor, environmental) is not a disincentive to investment, but only so long as a country remained cost competitive. The implication is that countries must continue to build an appropriate investment climate that includes cutting the costs incurred through weak state institutions and poor infrastructure.

Does FDI have a role to play? Cambodia is a positive example where efforts to market the country as a "safe haven for production" appear to have worked to its advantage. Investors are producing goods that are not under U.S. textile quota. The country is seen as cost competitive, with the ILO monitoring system, in particular, enjoying considerable credibility with major international garment buyers.

Still, the question of how to facilitate good governance without replacing the state or relieving it of its obligations remains. The Thailand case offers an exciting example of state-led facilitation of CSR geared not only to encourage FDI, but also to raise the competitiveness of local firms through a certification project.

More of this trend will probably be seen in the next few years as countries, fearful of losing market share to China, begin to sell themselves as the "un-China" with respect to labor standards, in particular. The implication here is of an emerging market of countries competing over the delivery of a low-cost CSR-friendly investment climate, in effect, "a race to the top."

Build new global institutions or empower the old?

Existing international institutions, especially the WTO and ILO, should work to enhance CSR. There is some concern about these institutions facilitating protectionism while others considered that only by recognizing the link between trade and labor in a body such as the WTO upward harmonization of standards to take hold could be expected. Conversely, current work underway by the ILO implies that no formal link is necessary to utilize international trade as a mechanism for domestic institution building and CSR.

Today, developing countries are increasingly being encouraged to devise "pro-poor" development strategies, ones that do not come at the expense of opening their economies, but somehow do manage to foster social equity. In this climate, mechanisms to enhance CSR are not only more likely to emerge, but it is vital that they do so if we are to speak of sustainable development and economic growth in the same breath.

END NOTES

[1] A summary of the study is to be found at www.sustainability.com/developing-value/contents.asp. The core of the business case comes from this study.

[2] For our purposes, sustainability can be considered as a synonym for corporate social responsibility carried through with a vision for the long term.

[3] From Developing Value: The business case for sustainability in emerging markets, IFC copyright

[4] Mr. Clariond-Reyes was unable to take part in the conference for reasons of health, but sent a written speech which was summarized by the moderator.

[5] It is interesting to note that four of the five exponents have used different terms to refer to the concept of corporate social responsibility: "social alliances", "sustainability", "sustainable livelihoods" and "corporate citizenship". This indicates that the broad concept of corporate social responsibility is ever more needed to unify criteria and encapsulate dispersed concepts.

[6] The survey elicits a high response, around 88% of employees.

[7] Jorgensen, H.B., Pruzan-Jorgensen, P.M. et al. (2003) Strengthening Implementation of Corporate Social Responsibility in Global Supply Chains. Washington, D.C.: The World Bank and International Finance Corporation, p. 1.

[8] Carroll, A. (1999) "Corporate Social Responsibility: Evolution of a Definitional Construct." Business & Society, 38, 3, pp. 268-295.

[9] The expansion undergone in this market has been called different things. Perhaps one of the more innovative has been 'Markets for the Majority', a phrase coined by the magazine Debates from IESA, Venezuela. This is an allusion to the enormous population that today suffers poverty or indigence in Latin America.

[10] See original text at http://www.worldbank.org/wbi/corpgov/csr/pdf/publicpolicy_econference.pdf

[11] Private Sector Development, World Bank Insitute

[12] Private Sector Development, CSR Practice, World Bank

[13] Local Agenda 21 is the action plan for a sustainable development of a municipality, set up by local authority together with the local stakeholders and citizens. The mandate for setting up a Local Agenda 21 was given to local communities world-wide at the UN

[14] World Bank Diagnostic and Appraisal Tool - Version 1.2, developed by Michael Warner with input from Halina Ward.

ANNEX: FINAL AGENDA

OCTOBER 26, 27 AND 28 2003
HOTEL CAESAR PARK
PANAMA CITY, PANAMA

Sunday, October 26th 2003

3:30 – 7:30 p.m.—Registration

7:30 – 8:30 p.m.—Welcome Reception sponsored by Grupo Empresarial Bavaria (Gran Salón

Monday October 27th 2003

7:00 a.m. – 3:00 p.m.—Registration

8:00 – 9:00 a.m.—Continental Breakfast sponsored by the World Bank (Foyer)

9:00 – 10:00 a.m.—Opening Ceremony (Gran Salón)

Inter-American Development Bank
Mr. Enrique V. Iglesias, President

United Nations Development Programme
Mr. Zéphirin Diabré, Assistant Administrator

Panama Canal Authority
Mr. Alberto Alemán Zubieta, Administrator

Government of Panama
Her Excellency Mireya Moscoso, President of the Republic

10:00 – 10:30 a.m.—Coffee Break (Foyer)

10:30 a.m. – 12:45 p.m.—First Plenary Session (Gran Salón)
The role of Corporate Social Responsibility in the Improvement of Competitiveness

Moderator:
Mr. Antonio Vives, Deputy Manager, Private Sector and Financial Markets, Inter-American Development Bank.

The Evidence
Mr. James Austin, Social Enterprise Knowledge Network, Harvard Business School

Ms. Josefina Doumbia, Latin America Environmental Coordinator, International Finance Corporation, World Bank Group

Private Sector
Mr. Eugenio Clariond Reyes, President, Grupo IMSA, Mexico; and Executive Committee member, World Business Council for Sustainable Development (WBCSD)

Mr. Paulino Barros, Executive Vice President, BellSouth Latin America

Mr. Stan Litow, Vice President, Corporate Community Relations, IBM; and President, IBM Foundation

Government
Mr. Andrés Palma, Minister of Planification and Cooperation, Chile

Civil Society
Ms. Joost Martens, Regional Director for Central America and the Caribbean, Oxfam International

Distinguished speakers from the private enterprise, government, civil society and academia will establish the reference framework of the conference and will share evidences on the impact that CSR has on business competitiveness.

1:00 – 2:15 p.m.—Lunch Sponsored by CEMEX (Chagres I and II)

Speech by Mr. Javier Treviño, Vice President of Communications, CEMEX

2:30 – 4:00 p.m.—First Round of Breakout Sessions (two concurrent sessions)
The role of Corporate Social Responsibility as a Tool for Competitiveness

Session A: The reputation of the company resulting from the use of CSR as a tool for Competitiveness
(Gran Salón: Divisa and Boquete)

Moderator
Mr. Jorge Nowalski, President, International Center for Sustainable Human Development (Cidh), Costa Rica

Panelists
Sr. Djordjija Petkoski, CSR Program Leader, World Bank

Mr. Rafael Wong, Executive Vice President, Favorita Fruit, Ecuador

Ms. Maria Eugenia Fuenmayor, Director of Corporate Affairs, Central America and Andes Region, Kraft Foods ANCAM

Mr. Juan Trimboli, Deputy Director, Latin America and Caribbean Office, Consumers International and Red Puente Chile

The reputation of a company is built and maintained satisfying the expectations of all stakeholders. One of the most evident results of applying CSR principles in a company is related to the improvement of the reputation and its effects in its risk management as well as in the value of intangible assets. The panelists will share their knowledge and experiences on these positive repercussions as a result of adopting CSR as part of the business strategy.

Session B: Human resources management to improve competitiveness (Gran Salón: Miraflores and Chorcha)

Moderator:
Mr. Josep María Lozano, ESADE, Spain

Panelists:
Ms. Claudia Piras, Especialist on Social Development, Inter-American Development Bank

Mr. Hermann von Mühlenbrock, President, Gerdau Aza, Chile

Mr. Eugenio Heiremanns, President, Asociación Chilena de Seguridad, Chile

Ms. Gerardina González, Director, Central America Subregional Office, International Labour Organization (ILO)

Selection, retention and motivation of the staff affect the bottom line. In this session the effects of CSR on the human resources of a business are analyzed. How personnel policies that go beyond the minimum required, or supporting communities in influential areas of a business, affect positively in the company recruiting, in employee productivity and in reducing personnel turnover.

4:00 – 4:30 p.m.—Coffee Break

4:30 – 6:00 p.m.—Second round of Breakout Sessions (two concurrent sessions)
How to turn CSR into a tool for competitiveness

Session A: Supporting suppliers to improve their competitiveness (Gran Salón: Divisa and Boquero)

Moderator
Mr. Roberto Gutiérrez, Universidad de los Andes, Colombia

Panelists
Mr. Daniel Turletti, Content, Quality and Logistics Manager, Exiros, Grupo Techint, Argentina

Ms. Maria Teresa Villanueva, Social Entrepreneurship Program, Inter-American Development Bank

Mr. George Richa, General Manager, Velas La Devoción, Panama

Ms. Rosa Alicia Yunes, Supply Chain & Business Affair Director for Latin America, McDonald's

CSR policies related to suppliers have been especially relevant after cases with subcontractors and labor practices are in the spotlight. In any case, the promotion of responsible policies with suppliers may result in an improved competitive position for both the supplier and the company itself. Panelists will share their experiences in this field.

Session B: Community Involvement as a Source of Competitiveness (Gran Salón: Miraflores and Chorcha)

Moderator
Ms. Audra Jones, Argentina and Venezuela Representative, Inter-American Foundation, USA

Introduction: Mr. Leopoldo Garza, Director, USAID, Panamá

Panelists:
Ms. Beatriz Febres-Cordero, President, Papyrus Foundation, Venezuela

Mr. John Weiser, Partner, Brody, Weiser and Burns, USA

Mr. Fernando Rodríguez, Manager HSEQ&SD, Conoco, Venezuela

Mr. George Jaksch, Senior Director, CSR and Public Affairs, Chiquita Brands International, Belgium

Companies must gain, maintain and enhance their "license to operate" to exist. Traditionally, the license to operate has referred to the compliance with local, national and international legislation and regulation. Today, the term also includes earning the trust and respect of the community. Panelists will share their experiences in community involvement and how this turned into a source of competitiveness that allows the company to be commercially viable in the long term, through the respect of a diverse group of stakeholders

7:30 – 9:00 p.m.—Dinner sponsored by the Government of Panama, through the Ministry of Economy and Finance (Gran Salón)

Tuesday, October 28th 2003

8:00 – 8:30 a.m.—Continental breakfast sponsored by the World Bank (Foyer)

8:30 – 10:00 a.m.—Second Plenary Session (Gran Salón)

Public policies, private sector needs and the role of the civil society

Moderator:
Mr. Frank Sader, South America Regional Program Coordinator, Investment Climate Department, World Bank

Panelists:
Ms. Paula Dobriansky, Undersecretary of State for Global Affairs, USA

Mr. Simon Zadek, CEO AccountAbility, UK

Mr. Erwin Hahn, Executive Director, Forum Empresa

Mr. Carmelo Calvo Ridruejo, High Level Management Advisor, Reputation and Corporate Social Responsibility General Subdivision, Telefónica, Spain.

This Plenary Session will provide a unique opportunity to determine what actions should national and local governments take to include the use of CSR as a tool in their business competitiveness plans.

10:00 – 10:30 a.m.—Coffee

10:30 a.m. – 12:00 p.m.—Third Round of Breakout Sessions (Two concurrent sessions)

Reporting Strategies and Alternative Markets

Session A: Reporting strategies and the dissemination of CSR activities as a tool for competitiveness. (Chagres I)

Moderator:
Mr. Italo Pizzolante, President, Pizzolante Comunicación Estratégica,Venezuela

Panelists:
Mr. Philip Monaghan, Senior Researcher, AccountAbility, UK

Mr. Tony Henshaw, Vice President, Health, Safety, Environment and Social Department, Transredes, Bolivia

Mr. Andy Webb-Vidal, Correspondent, Northern Andean Region, Financial Times, UK

Mr. Allen White, Former Acting Chief Executive, Global Reporting Initiative (GRI)

In the measure that business ethics are scrutinized, a growing number of companies have started to report their social and environmental performance. This session will illustrate new tendencies of social control, reporting methods (triple bottom line) and how reporting the social and environmental performance affects businesses.

Session B: Alternative Markets (Chagres II)

Moderator:
Mr. Gustavo Herrero, Harvard Business School Latin America Research Center

Panelistas:
Mr. Jaime Sotela, Pórtico, Costa Rica

Mr. Héctor Ureta Morales, General Manager, Patrimonio Hoy CEMEX, Mexico

Mr. Antonio Boadas Procter & Gamble, Venezuela

Mr. Igor Abramov, Senior Advisor, Department of Commerce, USA

Most companies have traditionally focused on those market segments that provide substantial profits and quick returns on investments, on markets that they understand and where there is no extreme poverty. However, there is a growing interest in doing business and creating wealth in non-traditional, poor markets. Business models must change to be successful; the creation of economic value must go hand in hand with the creation of social and environmental value. Panelist will present their experiences in opening new markets, not only the segments at the bottom of the pyramid but also the access to socially conscious niches in foreign markets; and the importance of free trade agreements in opening new international markets.

12:00 – 1:00 p.m.—Plenary Discussion (Gran Salón))

The future of Corporate Social Responsibility

Moderator:
Mr. David Valenzuela, President, Inter-American Foundation, USA

Closing Panel:
Mr. Jacques Rogozinski, General Manager, Inter-American Investment Corporation (IIC)

Mr. Pablo Gabriel Obregón, President, Fundación Mario Santo Domingo, Colombia

Mr. Bradley Googins, Executive Director, The Center for Corporate Citizenship, Boston College, USA

Mr. Ivor Hopkins, Director, MHC International Ltd.

This panel will allow participants to discuss themes touched upon during the conference and to present their ideas about the future of CSR from their sectorial perspective. This will give participants an opportunity to present their ideas on CSR as a tool for competitiveness. Lastly, an authority on CSR will give a summary and closure speech**.**

1:00 – 2:00 p.m.—Closing Buffet (Chagres I and II)

2:00 – 5:00 p.m.—**Visit to the Panama Canal** sponsored by the Government of Panama, through the Ministry of Economy and Finance

Limited space. Please pick up invitation upon registering on October 26