## The Journal of Corporate Citizenship

**Issue 21**  
**Spring 2006**

**Theme Issue**: Corporate Citizenship in Latin America: New Challenges for Business

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Issue 21
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Theme Issue: Corporate Citizenship in Latin America: New Challenges for Business

World Review

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Jose Antonio Puppim de Oliveira, Brazilian School of Public and Business Administration (EBAPE), Getulio Vargas Foundation (FGV), Brazil

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A View of Corporate Citizenship in Latin America

Stephan Schmidheiny
Honorary Chairman, World Business Council for Sustainable Development (WBCSD)

It is as difficult to generalise about corporate citizenship, or corporate social responsibility (CSR), in Latin America, as it is to generalise about anything in Latin America. It is actually harder, as there is no generally agreed definition of CSR in the region, and different organisations in various countries offer diverse definitions.

But, if we are to generalise, CSR in Latin America and the Caribbean has always been more focused on social issues than on environmental issues, perhaps because social issues have always been more acute. Wealthy Northerners look southwards and see rainforests and biodiversity; thoughtful Southerners look around them and see poverty, poor education, bad housing, scarce healthcare and all the rest of that grim list.

A lot of the encouragement of CSR in the region has come from the US and Europe in terms of norms and vocabulary, but more importantly in terms of big companies improving their supply chains in the region or their regionally based projects (such as in mining and oil). This is especially true for companies that export from Latin America, whether they are multinationals or local companies. Many of these have promoted CSR as a risk management tool, decreasing the risks of a scandal in the end market owing to bad behaviour by themselves, their subsidiaries or their suppliers.

For example, the Latin American holding company I formed some years ago, GrupoNueva, had a forestry products subsidiary in Chile that was wondering whether to become certified by the Forest Stewardship Council (FSC). Doing so seemed a lot of trouble, as the company got timber only from plantations and not from natural forests. Yet the US and Canadian chain Home Depot, an important customer, demanded proof that the subsidiary was socially and environmentally responsible. The easiest proof turned out to be getting FSC certification.

That is an example not only of a driving force for CSR in the region, but also of the strangeness of the world of CSR. To sell to a customer in the US and Canada, a Chilean company then owned by a Swiss businessman had to be certified by a non-governmental organisation (NGO) then...
based in Mexico—all of this with no government involvement.

CSR’s foreign roots mean that it is not as appropriate for the region as it could and should be. For example, one of the region’s biggest social problems is poverty, yet the tools and methodology of CSR—created in the North—do not emphasise this issue as much as they should. Corporate tax avoidance is another social problem in Latin America, yet many Latin American companies professing allegiance to CSR would be shocked if tax avoidance became a key CSR issue, as I believe it should.

Despite the recent major business scandals in the United States, the functional governments and legal frameworks of the North assure that businesses generally act in the interests of society. In the South, governments are less effective at playing this role. Thus there is continuing pressure by Latin American civil society for business to meet needs that governments are not meeting.

The increase of democracy in the region has created opportunities for people to speak out, and, as governments fall behind in meeting social needs, pressure increases on the private sector. Latin American companies feel cornered and without recourse because of inefficient government. They see CSR as a smart way to help them in this situation. Also, communities are less afraid to take them to task for dumping waste or not being a good neighbour.

Thus the key CSR challenges for the region, and the entire developing world, have to do not so much with the numbers of companies talking about CSR, but with creating a home-grown, meaningful form of CSR that addresses local issues and improves society, while also strengthening governments’ capacity.

However, the numbers are also important and demonstrate a growing trend in Latin American companies’ interest in CSR. Maria Emilia Correa, vice-president for social and environmental responsibility at GrupoNueva, and colleagues wrote a report on CSR in Latin America in 2004 for the Economic Commission for Latin America and the Caribbean (CEPAL) (Correa et al. 2004).

She found that more than 1,000 Latin American companies were associated with EMPRESA, the hemisphere-wide CSR network founded at a Business for Social Responsibility meeting in 1997. More than 300 were members of the World Business Council for Sustainable Development’s (WBCSD) national councils and partner organisations, of which there are 16 in Latin America.

More than 1,400 companies had obtained ISO 14001 certification. At that time, 118 Latin American companies had signed on to the UN’s Global Compact, out of about 1,100 in the world.

Yet only six companies in Latin America had published sustainability or corporate citizenship reports following the Global Reporting Initiative guidelines; four of those were GrupoNueva and three of its subsidiaries, the only four with external verification (KPMG Sustainability).

Another reporting company was Natura, a Brazilian cosmetics company that sources many of its ingredients from poor indigenous people in the rainforests and is one of the few companies in the region to have made corporate citizenship a core element of its corporate strategy.

Brazil has in fact become the regional powerhouse of CSR, with about 500 companies there issuing citizenship reports following the guidelines of Brazil’s Ethos Institute. Ethos has been a leader and driver of the CSR movement in the country, but the São Paulo stock exchange has also created an evaluation of quoted companies’ corporate citizenship.

Where does the CSR movement’s energy come from in Brazil? I believe it is a combination of factors: a fairly healthy economy, which always makes CSR easier; a huge divide between rich and poor, a problem to which companies want to be seen as part of the solution rather than as a cause; and an eagerness on the part of companies to distance themselves from the reputation for corruption that still haunts the country.
I am afraid that the best way I can explain the importance of CSR in Latin America and the developing world is to offer another example of GrupoNueva, all of whose stock I have recently placed in a trust fund to promote leadership for sustainable development in the region. So I am no longer involved in the running of the company.

The corporate officers realised that a company started by the founder of the WBCSD had to have impeccable CSR credentials. So, in the late 1990s, an awful time economically for the region and a dire time financially for the company, they began the long hard chore of monitoring impacts—financial, social and environmental—and making them comparable from plant to plant, office to office. Given the energy required just to stay corporately alive, this seemed to many inside and outside the company to be a suicidal distraction.

However, the exercise slowly brought the group together, giving all a team spirit and sense of common mission. We were surprised.

As we began to report and win various prizes, word got out and our CSR efforts began to improve our market shares and bottom lines. Customers are slowly beginning to realise that we are a different kind of company, and are giving us their business.

A Latin American business magazine wrote of GrupoNueva’s forestry companies: ‘Making an early commitment to social responsibility has been an exceedingly good deal for them . . . they can access demanding, premium markets to which others don’t have access.’

The Amanco subsidiary makes pipes and construction materials. As it developed its CSR approaches, it also developed a deeper understanding of the societies in which it operates. For example, it realised what a big problem corruption is, both as a destroyer of societal value and as a hindrance to doing business. So it has been working with Transparency International and its competitors to make bidding for public-sector jobs more transparent. At the same time, its profits have been increasing. Now other companies in these businesses are using the vocabulary of CSR.

These examples illustrate why corporate citizenship is so much more important in the developing world from a business point of view, as well as a social point of view. Those companies exporting to the wealthier regions are battling a preconception there that companies in the South are more likely to be dirty, to be sweatshops, to be employing children, etc. So in a global, transparent market, companies in the South must be seen to be cleaner than their Northern competitors and able to prove their virtues.

They then find that this even helps them do better business in their own regions: being seen, like those Brazilian companies, to be more a part of the solution than the dramatic problems. Many also find that CSR leads to better productivity, efficiency and employee morale.

Being socially engaged improves business intelligence. GrupoNueva has joined companies such as DuPont, Procter & Gamble, BP and SC Johnson in trying to do business with the poor in ways that benefit the poor, but also benefit the company by being real business and thus being replicable and able to be grown. GrupoNueva chairman and CEO Julio Moura even chairs the WBCSD working group on this type of business and has set a goal of 10% of the companies’ business being ‘pro-poor’ by 2008.

This is the next frontier: forms of business in developing countries that accelerate development. However, for this to happen, governments must play their part and establish business-enabling environments: fair and enforced laws and rights, access to credit and reasonable infrastructure. Then business can truly play the development role in the South that it has played in the developed world.
Reference


Stephan Schmidheiny, a successful Swiss industrialist and the author of many books and articles on business and sustainable development, is the founder of the World Business Council for Sustainable Development, the AVINA Foundation, and the GrupoNueva holding company.

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About the Journal of Corporate Citizenship

The Journal of Corporate Citizenship (JCC) is a multidisciplinary peer-reviewed journal that focuses on integrating theory about corporate citizenship with management practice. It provides a forum in which the tensions and practical realities of making corporate citizenship real can be addressed in a reader-friendly, yet conceptually and empirically rigorous format.

JCC aims to publish the best ideas integrating the theory and practice of corporate citizenship in a format that is readable, accessible, engaging, interesting and useful for readers in its already wide audience in business, consultancy, government, NGOs and academia. It encourages practical, theoretically sound, and (when relevant) empirically rigorous manuscripts that address real-world implications of corporate citizenship in global and local contexts. Topics related to corporate citizenship can include (but are not limited to): corporate responsibility, stakeholder relationships, public policy, sustainability and environment, human and labour rights/issues, governance, accountability and transparency, globalisation, small and medium-sized enterprises (SMEs) as well as multinational firms, ethics, measurement, and specific issues related to corporate citizenship, such as diversity, poverty, education, information, trust, supply chain management, and problematic or constructive corporate/human behaviours and practices.

In addition to articles linking the theory and practice of corporate citizenship, JCC also encourages innovative or creative submissions (for peer review). Innovative submissions can highlight issues of corporate citizenship from a critical perspective, enhance practical or conceptual understanding of corporate citizenship, or provide new insights or alternative perspectives on the realities of corporate citizenship in today’s world. Innovative submissions might include: critical perspectives and controversies, photography, essays, poetry, drama, reflections, and other innovations that help bring corporate citizenship to life for management practitioners and academics alike.

JCC welcomes contributions from researchers and practitioners involved in any of the areas mentioned above. Manuscripts should be written so that they are comprehensible to an intelligent reader, avoiding jargon, formulas and extensive methodological treatises wherever possible. They should use examples and illustrations to highlight the ideas, concepts and practical implications of the ideas being presented. Theory is important and necessary; but theory—with the empirical research and conceptual work that supports theory—needs to be balanced by integration into practices to stand the tests of time and usefulness. JCC aims to be the premier journal to publish articles on corporate citizenship that accomplish this integration of theory and practice. We want the journal to be read as much by executives leading corporate citizenship as it is by academics seeking sound research and scholarship.

JCC appears quarterly and the contents of each issue include: editorials; peer-reviewed papers by leading writers; a global digest of key initiatives and developments from the previous quarter; reviews; case studies; think-pieces; and an agenda of conferences and meetings. A key feature is the ‘Turning Points’ section. Turning Points are commentaries, controversies, new ideas, essays and insights that aim to be provocative and engaging, raise the important issues of the day and provide observations on what is too new yet to be the subject of empirical and theoretical studies. JCC continues to produce occasional issues dedicated to a single theme. These have included ‘Corporate Transparency, Accountability and Governance’, ‘Stakeholder Responsibility’, ‘The Global Compact’ and ‘Corporate Citizenship in Africa’.

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