

Corporate social responsibility (CSR) in Latin American emerging countries: proposal for a compliance index

REYES-BASTIDAS, Carolina *† y BRIANO-TURRENT, Guadalupe del Carmen

Universidad Autónoma de San Luis Potosí. Álvaro Obregón #64, Col. Centro, C.P. 78000. San Luis Potosí, S.L.P. México.

Received July 28, 2017; Accepted December 20, 2017

Abstract

Nowadays, is important that firms disclosure non-financial corporate information additional to the financial information. The most common way is the issue of Corporate Social Responsibility (CSR) reports. For that reason, indicators have become an indispensable tool in the making decisions process as well as for revealing the business performance to the different interest groups (stakeholders).

According to the above-mentioned, this paper aims to propose a comprehensive compliance index including elements of social, economic, and environmental dimensions of CSR, based on the two most important indicators: Global Reporting Initiative (GRI-G4) and the ETHOS indicator in order to obtain a complete matrix that integrates elements of the three dimensions of CSR and may be a referent for later apply Latin American emerging countries.

Corporate social responsibility, index, latin america, emerging countries, GRI

Citation: REYES-BASTIDAS, Carolina y BRIANO-TURRENT, Guadalupe del Carmen. Corporate social responsibility (csr) in latin american emerging countries: proposal for a compliance index. Journal-Economic History 2017. 1-1:1-10

† Researcher contributing first author.

Introduction

Until a few years ago, it was thought that Corporate Social Responsibility (CSR) was used exclusively to generate profits. Currently, this concept is not enough. Nowadays, the issue has been complemented, since the company must contemplate that its activities carried out in the normal course of business can positively or negatively affect the quality of life of its stakeholders, whether investors, employees, suppliers, government and / or community.

CSR has its beginnings in the United States in the late 50's and early 60's. Citizens begin to believe that, through their work in certain companies or buying some products, they are cooperating with the maintenance of certain economic practices or ethically objectionable policies. CSR has a significant impetus with the publication of the book *Social Responsibilities of the Businessman*, by Howard R. Bowen (1953), since then it has been given special importance. In 2010, the ISO 26000 standard was promulgated, which offers guidance on CSR, and is designed to be used by companies in the public or private sector and by developed countries, developing or economies in transition, providing practical tools in the three dimensions of sustainable development: economic, environmental and social.

Analogously in Latin America, indicators have been developed to reflect the economic and social reality of organizations, for example the Ethos indicators in Brazil, the business association for development in Costa Rica and the CSR for SMEs developed by the Business Forum network o Development of Social Responsibility (DERES) in Uruguay that seeks to promote CSR, both from the conceptual point of view and from its practical application (Shaw, 2007).

However, Latin American countries are lagging behind this issue. While it is true that CSR has been investigated, there is still a gap in the literature, a long way to go to reach a general consensus and a change in social attitudes is required. As stated by Gonzales (2014) HR director at FUNIBER, "you can not change the values of organizations if you do not change the values and attitudes of people."

In the same way, it is necessary to measure and evaluate the CSR, in order to know the performance of the company in the achievement of objectives. Managing without carrying out any measurement mechanism or criterion, implies a lack of knowledge about the level of scope achieved by the company in relation to its objectives.

Therefore, the objective of this paper is to propose an integral compliance index that allows to measure and compare the degree of CSR compliance of companies in emerging Latin American countries, through the analysis of the CSR dimensions contained in the Global Reports Reporting Initiative (GRI) on corporate performance. To carry out the analysis, the analysis technique will be used as a methodology for approaching the investigation, for which a sample of 113 companies belonging to Brazil, Mexico, Argentina, Colombia, Peru and Chile will be integrated, which have issued their report sustainability in 2013, with the latest version required by the GRI (G4). Bearing in mind that the present research will be carried out with the emerging countries of Latin America, and an index that measures the level of compliance in the subject of CSR, identifying the areas of opportunity in each of the countries under study, will be proposed.

Justification

It is now clear that companies need to take a responsible attitude to the impacts they generate with business activities and communicate it to interested parties, the most common way is the publication of CSR reports, for which various organizations have made orientation guides to facilitate the process. This communication provides transparency in the activities carried out by the company, which is perceived as an element that adds competitiveness and business value.

The measurement generates confidence and ensures that the objectives set and business performance are aimed at improving the organization, therefore, a system of indicators that involves various variables and on which we can assign weighted values is required. The indicators constitute a useful tool at the time of decision making, as well as to present the business performance to the different interest groups.

Problem

In Latin America there are several conceptions about CSR, this is because in each country the situation is different, it depends on social, environmental and economic factors, however, the American continent has been venturing into the issue, although its level of economic development, of environmental issues, human rights, child labor and minimum working conditions, is lagging behind compared to other regions of the world which present a greater degree of development in CSR. In the same way, Latin American priority issues are dissimilar to European or American countries. There are countries where the conflict or social problems dominate strongly and take the greatest attention from both the public and private sectors, as in Colombia.

In spite of this, initiatives such as Novo Mercado in the Brazilian stock exchange (BOVESPA) coexist, which make room for some sustainability issues in management, including Correa, Sharon, & Alon (2004), affirming that Brazil is the most highlighted in the issue of CSR, where about 500 companies offer public reports following the lines proposed by the Ethos Institute.

According to a publication of the Inter-American Development Bank (IDB) in a study for the Multilateral Investment Fund in most cases the companies that stand out in CSR are the largest and among these stand out those that receive instructions from their parent brand (Vives & Peinado, 2011). With respect to small and medium enterprises, they are carrying out responsible practices empirically, but in most cases they are responsible in a piecemeal way.

In the Latin American countries there are significant gaps in the measurement and publication of aspects related to ethical conduct and all that entails Social Entrepreneurship (Echeverría Valenzuela, Godoy Faúndez, & Rossell Landaeta, 2015).

Objectives

General objective

Propose a compliance matrix in CSR that allows to measure and compare the progress of CSR of companies from emerging Latin American countries, based on the dimensions contained in the GRI-G4 and the ETHOS indicator.

Specific objectives

- Study the current situation regarding CSR in emerging Latin American countries.
- Identify the most important elements contained in the GRI-G4 and ETHOS index.

- Propose a matrix that integrates the most important elements of CSR in its environmental, social and economic dimensions, which is a reference for Latin American companies.

Theoretical framework

CSR appears for the first time in the book "Social Responsibilities of the Businessman" by Howard R. Bowen (1953), considered the father of CSR. The aforementioned author defines CSR as "the obligations of entrepreneurs to promote corporate policies to make decisions or to follow lines of action that are desirable in terms of the objectives and values of society"

The International Labor Organization (ILO) defines CSR as the way in which companies take into consideration the repercussions that their activities have on society and in which they affirm the principles or values by which they are governed, both in their own internal methods and processes as in their relationship with other actors. CSR is a voluntary initiative that only depends on the company, and refers to activities considered to be beyond the mere fulfillment of the law (ILO, 2010).

From another standpoint, organizations are required to be responsible in all positions, economic, social and environmental. The company's CSR must seek to achieve a benefit, obey the law, be ethical, and be a good corporate citizen (Carroll, 1999). In a more general context Aguilera Castro and Puerto Becerra (2012) assert that CSR operates as an instrument that promotes the growth of the organization. For Bateman and Snell (2005), the socially responsible company maximizes the positive effects on society and minimizes its negative effects.

Vives, Corral and Isusi (2005) argue that the concept of CSR from a Latin American perspective corresponds to a strategic path that seeks to value companies, generating beneficial relationships in the long term, where "it does not only matter how much I earn, but also how I earned it.

For several years now, standards, indexes, reports and proposals on CSR have been emerging to measure the performance of companies in the economic, social and environmental dimensions. According to Duque Orozco, Cardona Acevedo and Acevedo Rendón (2013), the most outstanding indicators in Latin America and worldwide are respectively: the Ethos indicator, and the Global Reporting Initiative (GRI).

Instituto Ethos: Among the Latin American indicators for the management of CSR, the ones launched by the Ethos Institute for Business and Social Responsibility in 2000 stand out for their scope. The Ethos Indicators were first developed for Brazil and then, with the Spanish translation from the adaptation of the Argentine Institute of CSR (IARSE, 2005 and subsequent editions), they were again adapted by Peru 2021 (2006), the Bolivian CSR Corporation (COBORSE, 2009) and the Association of Christian Entrepreneurs (ADEC, 2009), from Paraguay (Fundación AVINA, 2011).

Part of the evolution of the issue of CSR can be seen through the various editions of the Ethos Indicators. In the 2003 version, for example, aspects such as the protection of customer and employee privacy were incorporated, and issues such as the preparation of the social balance sheet, the appreciation of diversity, the remuneration, benefits and career policies were reinforced. A year later, points related to corporate governance, fair trade, moral harassment and forced labor were added.

In 2005, the new topics were: sustainability in the forestry economy and construction of citizenship by companies. The 2006 version incorporated the Index of Childhood Business Development, on indicators of quality of life and children's rights, and reinforced diversity by addressing the commitment to racial and gender equity. The deepening is also observed quantitatively, since in the 2009 version there are 5 general indicators more than in the 2000 and, within the general indicators, the binary indicators increased from 66 to 294 and the quantitative indicators went from 55 to 169. In Table 4 shows the elements of the index.

The latest version of the ETHOS institute is made up of four dimensions, the dimension of vision and strategy (strategies for sustainability, value proposition, business model), dimension of governance and management (governance of the organization, operating practices and management), social dimension (human rights, work practices, issues related to the consumer, participation with the community and its development) and the environmental dimension (Ethos, 2017).

Global Reporting Initiative (GRI): was founded in Boston, USA. Its roots lie in the United States Nonprofit Organizations, the coalition of Environmentally Responsible Economies (CERES) and the Tellus Institute.

The GRI is an independent international organization that helps companies, governments and other organizations to understand and communicate the impact of companies on critical sustainability issues such as climate change, human rights, corruption and many others.

The first version of the guidelines was launched in 2000, the second generation was announced in 2002.

The absorption of the GRI guide was driven by the launch of the third generation in 2006 and in May 2013 The fourth generation of guidelines known as G4 was published. The G4 guide has two types of content, the general basic contents and the specific basic contents. The general basic contents refer to the following points which in turn are divided into different criteria that companies must cover: strategy and analysis, profile of the organization, material aspects and coverage, participation of interest groups, memory profile, government, ethics and integrity. On the other hand, the specific basic contents focus on two dimensions: Information on the management approach and Indicators (GRI, 2015).

Another important factor to consider is the evolution that CSR has presented in Latin America, from its conception, regulations and application. While it is true there is an absence of literature on the subject, there are relevant studies which have been taken as reference.

Contextual framework of CSR in Latin America

CSR in Latin America has been distorted because in each country the situation is different, social, environmental and economic factors depend and there are gaps in how to measure and publish it. This has caused it to be lagging behind compared to other countries. The companies that stand out the most in the subject are large companies and specifically foreign companies that receive instructions from their parent company.

Brazil is the leading country in CSR in Latin America, mainly due to the support in the development of the Ethos institute indicators and the social reports of the Brazilian Institute of Social and Economic Analysis (IBASE) and in the stock market they have had a significant increase of companies cataloged as "sustainable".

In Mexico, the theme is maturing year after year. The Project Manager in Responsible, Deyadira Curiel (2013), argues that the three difficulties for which an adequate adoption of CSR is not achieved are: the lack of a strategic vision of the SR, the lack of budget and the difficulty to align the activities of RS with the strategy of the company; and according to Pérez Chavarría (2009), he affirms that the large Mexican companies have "double standards", since one thing is what they publish in sustainability reports and another is what they really practice. In the aforementioned document it is concluded that the results present a bleak panorama, although it is true that there is no need for CSR actions and programs, if there is a lack of a good communication strategy for the sustainability reports.

In Argentina authors such as Alberto Willi and Carlos March believe that CSR in Argentina has advanced in the last decade, but not with sufficient momentum to be a substantial strategic component of business (Etchebehere, 2012), on the other hand, companies In Colombia, CSR and corporate governance practices have been gradually introduced, however in terms of transparency and availability of this type of information, Colombian companies, and companies from emerging countries in general, require an eloquent effort to its stakeholders can know and evaluate social performance and CSR policies and therefore it is difficult to understand what these organizations do in terms of economic, social and environmental issues (Romero Gonzáles, Wanumen Martín, & Católico Segura, 2014).

In Peru, CSR has not made significant progress, analogously in most Latin countries, and one of the great challenges is to incorporate SMEs in the field, since 97% of companies in Peru are SMEs and of these only 30% are formal (Pezet, 2011), and as regards Chile and following Astaburuaga Poblete and Kaltwasser Bello (2012), he argues that in Chile there is no differentiation of the concept of CSR and Sustainable Marketing (MS) , since there are companies that consider all their stakeholders or dimensions in their CSR declaration, while others only consider the community as part of their declaration. Valenzuela, Jara and Villegas (2014), affirm that the activities that the companies have carried out in recent times represent a lack of "ethics" and therefore have led to a crisis of distrust in the Chilean capital market.

Research Methodology

This article is of an exploratory nature, since the CSR linked to GRI G4 reports in Latin America is a little researched topic. According to Diaz Narvaez (2009), exploratory studies are usually carried out when the objective is to examine a research topic or problem that has not been studied or that has not been addressed before. That is, when the review of the literature revealed that there are only uninvestigated guides and ideas loosely related to the study problem.

The research has a descriptive focus because it will analyze the elements of CSR content in the GRI-G4 and the ETHOS report, with the aim of proposing a CSR index that contains the dimensions, social, environmental and economic.

This matrix can be used as a benchmark to measure the degree of CSR compliance in emerging Latin American countries.

Results

The resulting indicator contains the specific basic elements of the GRI-G4 indicator and the Ethos indicator. The resulting matrix is composed of an information section related to the profile of the company, four dimensions, five sub-categories and sixty-three elements with which the financial, social and environmental aspects are covered.

The first dimension of our indicator is the economic, which is composed of five elements that group all the financial information of the company.

#	Elements of CSR Index	GRI	Ethos
Economic			
1	Economic performance	✓	✓
2	Presence in the market	✓	✗
3	Indirect economic consequences	✓	✗
4	Acquisition practices	✓	✗
5	Social balance	✗	✓

Table 1 Elements of the economic dimension of the proposed CSR index with GRI and ETHOS data.

The second is the Environment Dimension, is composed of thirteen elements which are oriented to the restoration, preservation and expansion of biodiversity.

#	Elements of CSR Index	GRI	Ethos
Environment			
1	Materials	✓	✓
2	Energy	✓	✓
3	Water	✓	✓
4	Biodiversity	✓	✓
5	Emissions	✓	✓
6	Effluents and waste	✓	✓
7	Products and services	✓	✓
8	Regulatory compliance	✓	✓
9	Transport	✓	✓
10	General	✓	✓
11	Environmental assessment of suppliers	✓	✓
12	Grievance mechanisms in environmental matters	✓	✓
13	Education and creation of environmental awareness	✗	✓

Table 2 Elements of the Environment dimension of the proposed CSR index with GRI and ETHOS data.

The third is the Social Dimension, is composed of 4 sub-categories and thirty six elements, which are aimed at improving the quality of life of stakeholders and are based on the Universal Declaration of Human Rights and the Organization International Labor.

#	Elements of csr index	GR I	Etho s
Social performance			
Labor practices and decent work			
1	Job	✓	✓
2	Recognition and support for the voluntary work of employees	✗	✓
3	Relations between workers and management	✓	✓
4	Occupational health and safety	✓	✓
5	Training and education	✓	✓
6	Diversity of equal opportunities	✓	✓
7	Equal pay for women and men	✓	✓
8	Remuneration policy, benefits and career	✗	✓
9	Evaluation of the labor practices of suppliers	✓	✓
10	Grievance mechanisms on labor practices	✓	✓

Table 3 Elements of the SOCIAL PERFORMANCE 1 dimension of the proposed CSR index with GRI and ETHOS data.

#	Elements of CSR Index	GRI	Ethos
Social performance			
Human rights			
1	Investment	✓	✓
2	Nondiscrimination	✓	✓
3	Freedom of association and collective bargaining	✓	✓
4	Child labor	✓	✓
5	Forced labor	✓	✓
6	Security measures	✓	✓
7	Rights of the indigenous population	✓	✓
8	Evaluation	✓	✓
9	Evaluation of suppliers in the field of human rights	✓	✓
10	Grievance mechanisms in the field of human rights	✓	✓

Table 4 Elements of the SOCIAL PERFORMANCE 2 dimension of the proposed CSR index with GRI and ETHOS data.

No.	Elements of CSR Index	GRI	Ethos
Social performance			
Society			
1	Local communities	✓	✓
2	Relations with local public entities	✗	✓
3	Fight against corruption	✓	✓
4	Public politics	✓	✓
5	Unfair competition practices	✓	✓
7	Competence of the company with social action	✗	✓
8	Regulatory compliance	✓	✓
9	Evolution of the social impact of suppliers	✓	✓
10	Grievance mechanisms for social impact	✓	✓

Table 5 Elements of the SOCIAL PERFORMANCE 3 dimension of the proposed CSR index with GRI and ETHOS data.

No	Elements of CSR Index	GRI	Ethos
Social Performance			
Product Liability			
1	Health and safety of clients	✓	✓
2	Labeling of products and services	✓	✗
3	Marketing communications	✓	✓
4	Customer privacy	✓	✓
5	Excellence in care	✗	✓
6	Regulatory compliance	✓	✓

Table 6 Elements of the SOCIAL PERFORMANCE 4 dimension of the proposed CSR index with GRI and ETHOS data.

Finally, there is the fourth dimension that refers to the Management System; It is composed of a general part, a sub-category and nine elements. This dimension focuses on the administrative management and corporate governance part.

No	elements of csr index	GRI	ethos
Management System			
1	Politics	✗	✓
2	Review by Administration	✗	✓
3	Control of suppliers / subcontractors and sub-suppliers	✗	✓
4	External communication	✗	✓
5	Access for Verification	✗	✓
Values, transparency and corporate governance			
1	Ethical commitments	✓	✓
2	Corporate governance	✗	✓
3	Dialogue with interested parties	✗	✓
4	Relations with the competition	✗	✓

Table 7 Elements of the Management System dimension of the proposed CSR index with GRI and ETHOS data.

Conclusions

Indicators are essential in CSR because they help to manage and carry out more responsible and transparent business skills, as well as to know what the main concepts of sustainable development and social responsibility are.

Bearing in mind that today communication is considered as an essential element in companies, this research highlights the fact that companies communicate what they do, make it known to their different publics of interest through the means they deem convenient. Communicate the performance of the company causes confidence, fidelity and transparency.

A good memory is not one that is broader or more extensive, but one that manages to gather the greatest amount of information in the economic, social and environmental spheres.

Through the index proposed in the research, it is possible to analyze the context and the current situation of the companies, as well as identify strengths, opportunities, weaknesses or threats of the company / society relationship.

On the other hand, the indicator aims to improve management systems and define business objectives and strategies in an efficient and transparent manner.

In the same order of ideas, the compliance indicator contributes to mitigate the negative impacts in the social and environmental field while encouraging dialogue between organizations and society, helping to find appropriate solutions for all interested parties.

The proposed CSR compliance matrix is a measurement and compliance tool for CSR of Latin American companies. As a future line of research, it is intended to apply this matrix to Latin American listed companies and relate it to indicators of financial performance.

References

- Aguilera, A., & Puerto, D. P. (2012). Crecimiento Empresarial Basado en la Responsabilidad Social. *Pensamiento & Gestion*, 1-26.
- Astaburuaga Poblete, P., & Kaltwasser Bello, F. (2012). Responsabilidad Social Empresarial y Marketing Sustentable: anàlisis cualitativo a nivel de empresas en Chile. *Seminario para optar al Título de Ingenieria Comercial, mención Administración*. Santiago de Chile, Chile: Universidad de Chile.
- Bateman, T., & Snell, S. (2005). *Administración: Un Nuevo Panorama Competitivo*. México: McGraw-Hill Interamericana.
- Bowen, H. (1953). *Social responsibilities of the businessman*. Estados Unidos: Harper.
- Carroll, A. B. (1999). Corporate social responsibility: Evolution of a definitional construct of business and society. *Business and Society*, 268-295.
- Correa, M. E., Sharon, F., & Alon, A. (2004). *Responsabilidad Social Corporativa en América Latina: Una Visión Empresarial*. Santiago de Chile: United Nations Publications.
- Curiel, D. (4 de septiembre de 2013). Congreso ResponSable. net FRM. (Corresponsables.tv, Entrevistador)
- Dankhe. (1976). *Diferentes diseños - Tipos de investigación*. México, DF: McGraw Hill.
- Diaz Narvaez, V. (2009). *Metodología de la Investigación científica y bioestadística: para médicos, odontólogos, y estudiantes de ciencias de la salud*. Santiago de Chile: RIL Editores.

Duque Orozco, Y. V., Cardona Acevedo, M., & Rendon Acevedo, J. A. (2013). Responsabilidad Social Empresarial: Teorías, inicios, estándares y certificaciones. *Cuadernos de administración*, 196-206.

Echeverría Valenzuela, C., Godoy Faúndez, A., & Rossell Landaeta, J. (2015). *Evaluación del Reporte de la Sustentabilidad Corporativa en Chile: Empresas IPSA*. Santiago de Chile: Universidad del Desarrollo.

Etchebehere, F. (18 de noviembre de 2012). *10 años de RSE en argentina: en el camino hacia la sustentabilidad*. Obtenido de ComunicaRSE: www.comunicarseweb.com.ar

ETHOS. (23 de Enero de 2017). *Instituto ETHOS Responsabilidad social Corporativa*. Obtenido de Instituto ETHOS Responsabilidad Social Corporativa: <http://www3.ethos.org.br/>

Fundación AVINA. (22 de julio de 2011). *En Busca de la Sostenibilidad. El camino de la Responsabilidad Social Empresarial en América Latina y la contribución de la Fundación AVINA*. Obtenido de Fundación AVINA: <http://avina.net/eng/wpcontent/uploads/2011/07/rse.pdf>

Gonzalez Martínez, A. (julio de 2015). El Techo de Cristal. *Master Universitario en Dirección y Administración de Empresas*. España: Universidad de Oviedo.

GRI. (23 de Junio de 2015). *GRI. Empowering Sustainable Decisions*. Obtenido de GRI. Empowering Sustainable Decisions: <https://www.globalreporting.org/information/about-gri/gri-history/Pages/GRI's%20history.aspx>

Nayar, L. (Agosto de 2010). La Gestión Documental. (P. Allendez Sullivan, Ed.) *Consultora de Ciencias de la Información*(20).

Pérez Chavarria, M. (2009). Responsabilidad Social Corporativa (RSC) y Comunicación: la agenda de las grandes empresas. *Signo y Pensamiento*, 201-217.

Pezet, M. (31 de agosto de 2011). *Tarea a medias: Lo que debe hacer Perú para avanzar en RSE*. Obtenido de MBA & Educación ejecutiva: <https://mba.americaeconomia.com/articulos/rep-ortajes/tarea-medias-lo-que-debe-hacer-peru-para-avanzar-en-rse>

Romero Gonzales, L. T., Wanumen Marin, L. F., & Católico Segura, D. F. (2014). Revelación de lineamientos sobre Responsabilidad Social en los códigos de buen gobierno de las empresas cotizadas en Colombia. *Cuadernos de Contabilidad*, 599-624. doi:doi: 10.11144/Javeriana.cc15-38.rlsr

Sampieri, R., Fernández, C., & Baptista, P. (2006). *Metodología de la Investigación*. México: McGrawHill Education. doi:ISBN: 9789701057537

Shaw, E. (28 de marzo de 2007). *Deres. Desarrollo de la Responsabilidad Social*. Obtenido de CEPAL: <http://www.cepal.org/dmaah/noticias/paginas/8/28248/shaw.pdf>

Valenzuela, F., Jara, B., & Villegas, P. (2014). Prácticas de Responsabilidad Social, Reputación Corporativa y Desempeño Financiero. *Revista de Administración*, 329-344.

Vives, A., & Peinado, E. (2011). *LA RESPONSABILIDAD SOCIAL DE LA EMPRESA EN AMERICA LATINA*. Paraguay: Vives, Antonio; Peinado, Estrella.