

A new side to CSR

Latin American consumers are demanding an evolution—from corporate social responsibility to socially responsible corporations

by Italo Pizzolante Negrón, Ph.D.

A political transformation is taking place in Latin America. Ideological jousting and changing doctrines have capitalized on unresolved social problems, including gender discrimination, child labor and unfair labor practices, and environmental damage, as well as improper corporate governance. In Venezuela, Argentina, Ecuador, Nicaragua, Bolivia, Brazil and elsewhere, meeting these challenges has become the core of government plans. That is changing the relationship between the state and the private sector, often resulting in increased auditing, regulation and intervention. For these reasons, and especially in light of the global recession, it's not surprising that KPMG's November 2009 "Out of Adversity" report notes that 61 percent of organi-

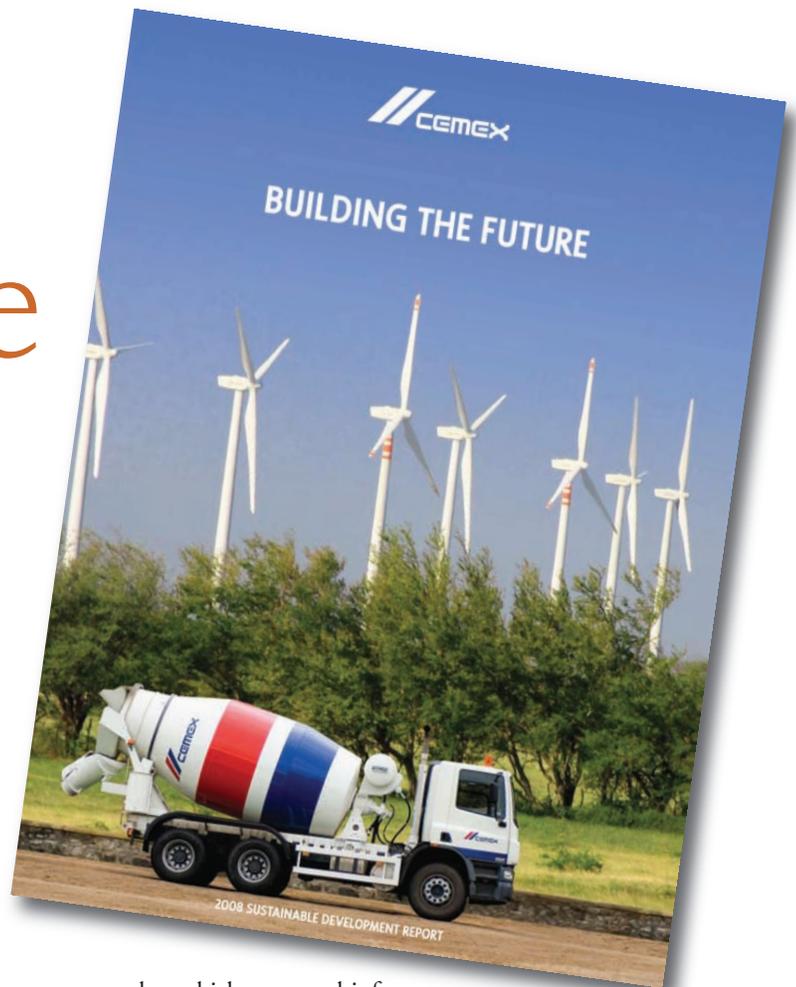
zations in Latin America say they are making substantial changes to their short-term business strategies, and 59 percent are radically rethinking their long-term plans.

In order for a country to evolve politically, social struggles must be treated not from an ideological standpoint, but rather through a perspective in which revision of the social management of public and private corporations is a priority. There is a kind of "social warming" taking place in Latin America that is affecting the sustainability and reputation of many companies. By "social warming" I mean people's attitudes toward the many issues listed above: There is a new awareness among Latin Americans who are determined to act in defense of their rights.

These changes in attitudes are taking place at an accelerated pace as well, due to the increased

speed at which news and information are communicated, in part through social media. In fact, consumer demands are changing much faster than most companies can react, creating a deep breach between a company's interest and society's expectations. This breach is even greater among multinational companies, because most try to respond to a specific group with global programs of social responsibility that are not adapted to a particular location. All of these factors accentuate a lack of confidence in private enterprises. According to Latinobarómetro 2009 (an annual public opinion survey of 19,000 people in 18 countries), only 42 percent of people have some or a lot of confidence in private enterprises, ranking them eighth among 15 institutions, demanding that corporate leaders revise their models

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of management and create a shared perspective toward corporate social responsibility.

The United Nations Global Compact and the Global Reporting Initiative have generated a framework for companies that are committed to aligning their operations and strategies with important indicators and universally accepted principles for sustainable and responsible businesses, including workplace standards, environmental responsibility and anti-corruption measures. Those that fail to meet these standards, or to communicate their progress toward meeting them, are taken off the Global Compact's list of participants; in fact, 859 companies worldwide were removed from the initiative in February because they failed to report on their progress.

For example, fair trade initiatives have become more than just a brand to promote more equitable trading conditions. Rather, fair trade is a way to connect concerned consumers and attentive producers in order to combat poverty and guarantee sustainable livelihoods. Though fair trade products are more expensive, many consumers see additional value in supporting labor rights of banana producers in Peru, protecting the environment for beekeepers in Chile and empowering coffee co-operatives in Costa Rica, among other issues. Consumers used to be interested in a product; now they are also concerned about the way it gets to the shelf.

New demands on CSR

Latin American consumers are

demanding an evolution from corporate social responsibility to socially responsible corporations, asking business leaders to understand CSR not as a way of "compensating" for a company's impact but to create truly responsible business processes. A company can become a socially responsible corporation by syncing its business goals with the expectations of society. To do so, strategic communication must be used as an important instrument for institutional strengthening, guaranteeing the coherence and consistency between what we say as a company and what we do, inside and out. This way, corporations can build perceptions that not only inject more certainty into business plans, but also facilitate the accomplishment of the organization's goals.

For those who are unaware of the dramatic cultural and political change that Latin American society is undergoing, it's important to understand that a company's performance today must go beyond economic factors to include new social and environmental dimensions. Today, more important than producing a change of culture is creating a culture for change. Only a leader with creative energy and thinking is capable of finding new approximations that guarantee business sustainability and a new state of awareness that promotes the challenge of a "social model" between company-society-government, taking into consideration all interests at stake.

Over the years, numerous publications from qualified business schools have invited leaders to "adapt" themselves to

new realities and to the current competitive market, in order to take advantage of new opportunities. It is true that all companies wishing to survive competition must be fully competent and flexible in order to adapt; however, companies that are successful in a sustainable way will only be those that move further and accept the challenge to model the environment in which they operate. Strategic and responsible communication is the most important tool for providing the necessary institutional strengthening for all companies to build long-term relationships based on trust.

"Building" trust

One example of building this kind of trust comes from CEMEX, a worldwide producer of cement, ready-mix and aggregates that has based its CSR strategy on creating sustainable value in the more than 50 countries in which it operates. Aiming to be the company of choice for each of its key stakeholders, CEMEX bases its strategy on three main objectives:

1. **Increasing competitiveness**—improving operational excellence and efficiency, and following high ethical standards to achieve long-term sustainable growth
2. **Reducing negative impact**—providing a safe, healthy workplace, as well as minimizing the company's environmental footprint
3. **Reaching out to key stakeholders**—creating long-term relationships with these groups to promote a sustainable construction industry

about the author

Italo Pizzolante Negrón, Ph.D., has more than 30 years of experience in strategic communication. He founded the Venezuelan firm PIZZOLANTE Comunicación Estratégica in 1976, and is currently chairman of the board.

A model for responsible action

Companies seeking to become more socially responsible can consider using a “responsible action model”—a management tool that constructs corporate reputation, permits institutional strengthening, and builds trust with all internal and external audiences. The model integrates three spheres of action—messages, strategy and skills—as well as a fourth sphere representing governance. Each sphere can act independently, but must always take into consideration that the corporate environment and culture condition the company’s activities and the achievement of its business goals.

Messages allow a company to position itself within a network of relations based on trust toward the company, its products and services, and especially its people.

Strategy refers to a synchronized vision of actions that enables the accomplishment of business objectives. The development of this integral and strategic perspective requires the leader of the company to harmonize the various interests of internal stakeholders with those of external audi-

ences, and should include concrete and simple messages that express a company’s culture, intentions, values and long-term vision.

Skills include verbal and nonverbal skills. Companies should be fully aware of the importance of communication and help their leaders connect their verbal skills with their nonverbal ones. In Latin America, a great deal of public perceptions come from nonverbal communication. Therefore, it is important to train not only executives and official spokespeople in nonverbal communication, but also the “informal spokespeople,” such as employees, who quickly become the voice of the organization and can have an influence on a company’s reputation.

Governance describes the corporate structure and management processes that apply to both day-to-day operations and a company’s CSR efforts. It’s critical to align, level and direct each part of the company toward its efforts to guarantee the company’s “social license to operate.”

—I.P.N.

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Knowing that the construction industry provides essential building materials, skills and employment, CEMEX has exceeded these goals by promoting affordable housing and construction for people in developing countries, as well as by creating opportunities for community engagement. A great example is “Patrimonio Hoy,” a self-construction program by CEMEX—and winner of the 2006 Worldwide Business Award given by the United Nations Development Programme—that looks to remedy housing deficits in Colombia, Mexico, Nicaragua and Costa Rica by providing families with micro-loans for discounted building materials. The true

advantage is that benefits increase when families band together to save for the materials they need over seven cycles of 10 weeks, providing them at a fixed price within each cycle.

According to the company’s 2008 sustainability report, more than 224,000 families have benefited from this initiative. But the beauty of the program is that besides building homes, CEMEX helped strengthen the social fabric of those groups as people worked together to access CEMEX’s supplies. The real “building” was in the trust that developed among residents in the communities, as well as between CEMEX and the program beneficiaries. It’s a powerful

example of a company aligning its social offer with its business goals through a worldwide strategy.

Corporate sustainability is the bridge that permits us to pass from the traditional concept of corporate social responsibility to the new awareness in leaders who want to build socially responsible corporations. That transition will depend more and more on those who learn to communicate (through their actions) their capacity to positively influence others. Therefore, the challenge is not to adapt ourselves to the environment, but to accept the challenge of modeling it, inviting others to compete to improve their work. ●