EFFECTS OF CORPORATE SOCIAL RESPONSIBILITY IN LATIN AMERICAN COMMUNITIES: A COMPARISON OF EXPERIENCES

Roberto Gutiérrez
Universidad de los Andes, Bogotá, Colombia

Audra Jones
Inter-American Foundation, Arlington, Virginia, USA

Abstract

Five different Latin American experiences help us to understand the impacts of corporate social responsibility on communities. We focus on communities composed of low-income populations to compare types of interventions, their main characteristics, spaces for community participation, and some results and impacts. Some of the findings indicate that (a) a company's enlightened self-interest in its CSR program ensures its commitment to the program and the program's sustainability; (b) community involvement from the outset in defining a project increases the probability of success, since corporations cannot assume they understand the needs of a community by taking them at face value; (c) projects do not create untenable expectations in local communities when they consider the whole life cycle and the sustainability of the investment after an appropriate exit strategy is executed; and (d) financial resources are only part of the equation because corporations can have enormous impacts with limited financing if programs are well defined and supported.

Introduction

This section concentrates on five case studies of corporate social responsibility (CSR) in the Latin American context, in order to understand the resulting impact on communities. After a review of the research and practice of CSR in Latin America, it highlights successful and unsuccessful experiences in community development as a result of CSR activities. The focus is on communities composed of low-income populations, and on deriving lessons from their experience.

Latin America is a region in which enormous gaps exist between social groups. Joint endeavors between the haves and the have-nots are a constant challenge. They have always been linked in one way or another: through exploitative relations, paternalism, charity, or solidarity. Yet exclusion and distance between groups have created

 pp. 303–328

distrust. It is not surprising that socially responsible activities, aimed at improving living conditions in a surrounding community, are not a common corporate practice in Latin America. It is important to explore when and why business and community decide to work side by side, and the effects of such efforts. Great opportunities lie ahead.

An Overview of CSR in Latin America

Ethical questions have been raised about philanthropy at someone else's expense. Friedman's (1962) arguments keep coming back in one way or another. While managers are entrusted with the care of assets belonging to the firm's shareholders, "[s]upporting good causes out of their own generous salaries, bonuses, deferred compensation, options packages and incentive schemes would be admirable; doing it out of income that would otherwise be paid to shareholders is a more dubious proposition" (*The Economist* 2004) Other questions can be asked about why, in a democracy, managers should decide social-policy priorities when this is a job for voters and elected politicians.

In Latin America, where there is a highly skewed distribution of income and opportunities, these questions are not at the forefront of the debate. The interests of communities, rather than shareholders, frequently dominate the discussion. A move towards a "compassionate capitalism" comes as no surprise.

Multilateral agencies have been turning to the private sector to further the development agenda. States 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 as to what private companies can do as corporate citizens have increased. Multilateral agencies are providing various kinds of support to the private sector so that it can fulfill these expectations.

In the meantime, distance and distrust make it difficult for businesses to assess community needs, to develop plans to address these needs, and to learn from the process. Attitudes of community leaders differ significantly from those of corporate leaders, not only in Latin America but in other regions of the world (for an example of these differences in Israel, see Boehm 2002). Since "attitudes toward supporting collaborative dimensions are influenced by the expected profitability of the collaboration," community leaders are more supportive of CSR because "the expected costs to the community are lower and their interests are more evident" (Boehm 2002: 188–189). Sometimes a humble and direct approach gets community and corporate leaders to work together; other times an intermediary brings together a business with its surrounding communities.

There are several frameworks available for understanding why a business might decide to work for the improvement of living conditions in a community. Carroll (1999) describes the evolution of the CSR construct since the 1950s, along with such alternative frameworks as corporate social performance, stakeholder theory, and the theory of business ethics. Considerable attention has been given to the reasons behind business engagement, and to classifying the different approaches. However, what drives a corporation to engage in socially responsible activities, and what are the expected benefits of such engagement, are two different questions.

The Argentine and Peruvian economic crises, as well as the Brazilian and Colombian social crises, have elicited responses from the private sector. Many more businessmen and women have come to understand that "there is no healthy business in a sick society." They have joined philanthropic traditions that in the past were rooted in religious beliefs and today respond to civic obligations. For example, Thompson and Landim (1997) describe philanthropy and volunteerism introduced by Spanish and Portuguese colonial authorities in close coordination with the Catholic Church. A special issue of *Revista* (Spring 2002) traced such practices into modern days and described it as the evolution "from charity to solidarity."

One approach to understanding motivations behind CSR is Martin's virtue matrix. The virtue matrix is a tool for understanding what generates socially responsible corporate conduct. It considers a civil foundation (the norms, customs, and laws that govern corporate practice) and an innovation frontier where benefits for shareholders and society can be accrued. Widespread imitation of a successful innovator or government mandate will increase the civil foundation; abandonment of a socially responsible practice by a critical mass of firms will diminish the civil foundation.

The virtue matrix is helpful to address such questions as what creates public demand for greater corporate responsibility, what are the barriers to increasing responsible corporate behavior, and what forces can add to the supply of corporate responsibility. Martin argues that "the most significant impediment to the growth of corporate virtue is a dearth of vision among business leaders," and that "the most effective weapon against inertia is collective action, either on the part of governments, nongovernmental organizations (NGOs), or corporate leaders themselves" (Martin 2002: 10).

The Role of Legislation

Although motivations help explain the evolution of CSR practices, one point little researched is how the evolution of CSR itself is different in developed and developing countries, and how this affects the trends defining CSR at any given time. One can hypothesize that business responses to legislation or to organized pressure depend heavily on local context. Compare, for example, the evolution of CSR in Latin America to that in the United States. The origins of CSR in both regions are philanthropic, resulting from a few rich industrial families such as the Rockefellers and Packards in the U.S. and the Mendozas and Fortabats in Latin America. However, the axes of CSR activities in each region are distinct and have much to do with the role government played or did not play in creating a framework for enabling and fostering CSR activities.

CSR in the U.S. has grown through regulation and was initially driven by *responsible business operations* rather than by community investment. As a result of the great industrial boom in the late 1960s and early 1970s, the U.S. government established the "Big Four" regulatory agencies that shaped much of the baseline for responsible corporate business operations: OSHA (Occupational Safety and Health Administration), EEOC (Equal Employment Opportunity Commission), CPSC (Consumer Product Safety Commission), and the EPA (Environmental Protection

Agency). These agencies created and continue to maintain standards for responsible corporate business practices that have become thresholds for CSR behavior with respect to daily operations of business. The U.S. government has continued to innovate on ways to influence responsible business practices. In 1994, the U.S. Department of Commerce's Bureau of Economic Analysis took the first steps in calculating a "green" gross domestic product, a move that, over time, could produce a widespread impact on how the government sets tax policy. More recent examples of industry-specific and sector-wide regulation include the Community Reinvestment Act in the banking sector, the Clean Air Act, the Foreign Corrupt Practices Act and, post-Enron, the Public Company Accounting Reform and Investor Protection Act.

In Latin America, regulation of corporate operations is less common, particularly outside of the Mexican and Mercosur markets, where U.S. and European foreign direct investment has influenced some requirements. There has been little government movement towards regulatory standards for business. In part, this is a result of weaker formal organizations of workers, such as trade unions, or weaker social groups, such as women or ethnic populations, which greatly influenced U.S. labor and business practices in the twentieth century. Without pressure from society, governments are less likely to create standards that incur a cost to corporations, which often enjoy more wealth and power than government itself. Even in those cases where standards are in place, such environmental regulations along the U.S.-Mexican border, or the environment ministries that exist in several countries, the question becomes one of enforcement. While NAFTA envisioned creating California-like environmental standards for the border region, the resources on the Mexican side initially were not adequate to manage its enforcement. The other missing factor in promoting a culture of responsible business practices in Latin America is consumer or public consciousness. Absent pressure or kudos from consumers, a traditional corporation without idealistic leadership is unlikely to operate responsibly at a cost it cannot recuperate through social marketing (Jones 2004).

With little government support for or enforcement of responsible business practices, those Latin American corporations that that have an interest in creating a common baseline for responsible practices have taken it upon themselves to create standards. For example, the Abrinq Foundation, a non-profit organization in Brazil, offers a logo to companies that are committed to fight the use of child labor. Corporations are certified through Arbinq's Child Friendly Companies Program once they pass a series of social audits conducted by unions, employees, and NGOs. Companies use the logo to market their corporate value to the youth community (Grayson and Hodges 2002).

In contrast, the evolution of CSR through *community investment* has been, arguably, more relevant in Latin America than that of CSR through business operations. Given that more than 60 percent of Latin America lives on less than one dollar a day, it is evident that governments in the region often do not the basic needs of their communities. Although corporations in Latin American are not well rewarded through tax-breaks, as are their North American counterparts, the private sector has stepped in to supplement and sometimes to replace government as a way to foster social stability, create jobs, and ensure an enabling environment that allows businesses to operate effectively. Corporations in Latin America are investing in communities in order to have a stable society where they can produce and sell their products. Community investment has a direct positive impact on their bottom line no less than on improving the lives of those in these communities. Doing good beyond legal requirements is more important where legal frameworks are limited and enforcement is weak.

There are even some cases in Latin America where corporations have influenced government regulation in order to enhance the impact of CSR activities on local communities. In 1990, after a flood devastated the state of Chihuahua in Mexico, the business community approached the state government with a plan to get assistance to those most in need: a special tax of 0.2 percent of earnings to be paid by each of the 29,000 business enterprises in the region, on the condition that members of the business community themselves would manage the funds generated. The overwhelming success of this effort in providing disaster relief and rebuilding the community prompted the business community to ratify a "Community Investment" tax permanently into state law. In 1994, the Chihuahuan Business Foundation (FECHAC) was established to administer these funds. Its creation was indicative that business leaders had come to two important decisions. First, the flood aid, though successful, was reactive in nature. To respond adequately to Chihuahua's social and economic inequalities, a more proactive strategy was needed. Second, corporations recognized that the complexities of implementing community development programs lay outside their own core business functions and areas of expertise. A separate entity was needed if these programs were to develop the successful methodology and strategies to make them effective.[1]

Legislation influences the type of CSR practices companies adopt in a particular context. However, governments can reduce their dependence on the contingencies of legislative action. Some roads have been opened: public-private partnerships (PPP) are particularly attractive because they pool different resources and involve practitioners from different walks in life.

Typologies for CSR Practices

In an article in which Jones (2004) emphasized CSR as a process, he defined CSR as "the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law and union contract." He views both stakeholders and scope as critical: "the obligation is a broad one, extending beyond the traditional duty to shareholders to other societal groups such as customers, employees, suppliers, and neighboring communities"; furthermore, "the obligation must be voluntarily adopted" (1980). Carroll identified "four kinds of social responsibilities [that] constitute total CSR: economic, legal, ethical, and philanthropic." (1991) He also describes a philosophy of responsiveness based on reactive, defensive, accommodative and proactive categories. Wood (1991) elaborates on the processes of corporate social responsiveness, including environmental assessment, stakeholder management and issues management.

A good portion of the CSR literature is devoted to the classification of responsible practices. Several typologies are based on the dimensions of CSR practices. These dimensions are related to basic questions such as:

- What activities are completed to fulfill social expectations?
- How are these activities carried out?
- What is the scope of these activities?
- Who is the target of these activities?

Different forms of intervention can be classified by examining what activities have been carried out by a company (strategic or unrelated to the core business) and how these activities were carried out (by the company itself or in alliance with another organization) (see Gutiérrez 2003). Another possible typology rests on the fact that the social responsibility of a business encompasses economic, legal, ethical, and philanthropic expectations (Carroll 1999).

The combination of Martin's virtue matrix and stakeholder theory provides yet another way of classifying company activities (Fig. 1). The horizontal axis accounts for the scope an activity can have within the four quadrants outlined by Martin (2002): the first two within the scope of the social foundation, and the last two extending the innovation frontier. The vertical axis lists the stakeholders that participate in CSR activities, ranging from those directly linked to the business to society in general (Freeman 1984; Epstein 1987; Blair 1995; Carroll 1995; Donaldson and Preston 1995; Jensen 2000).

Figure 1. A Typology for CSR Practices

Scope Stakeholders	Compliance with law	Observe social norms by choice	Direct integration into business	Social investment
Groups with direct link to business	OSH/EEO Consumer Protection	Fair trade		
Other groups with ties to business	Antitrust regulation	Cluster competitiveness		
Local community	Local content	Local culture		
Society	Environmental protection	Social inclusion		

The first two columns for Fig. 1 list some of the issues through which a company might comply with the formal and informal expectations of a society. In Martin's virtue matrix, these activities lie within the social foundation: those norms, customs, and laws that govern corporate practice. The last two columns represent the space within which companies may innovate through their social programs. In Latin America, large businesses have realized that their stakeholders consist of more than vendors and customers. As for scope, the tendency is to cluster towards the left of the continuum. It is important to understand the characteristics of businesses that are socially involved, because they hold the promise of addressing the region's social injustices. The experiences of some of these organizations are described below.

CSR Interventions

Communities can be identified as communities of geography, communities of identity and/or communities of interest. The community of geography could be the community closest to the corporation, or the community most affected by the primary function of the business. These communities are interested in the benefits associated with being a company's neighbor: access to education, infrastructure, less crime, jobs, etc. Communities of identity are those that define themselves through race, heritage, creed or age group. Finally, communities of interest are those that define themselves through topics of common interest, such as environmentalism or human rights (Burke and Gilmartin 1999). The communities discussed in this section represent a range of interests but are similar in that they consist of low-income populations.

The existence of a company in a community does not go unnoticed. From the moment it establishes itself, relations are forged, and they evolve hopefully beyond dependency into interdependency. Sometimes the moment of truth arrives when the company leaves a community. At that moment one can examine how much stronger and healthier a community is. A comparison of life conditions before the arrival of a company and after its departure is the ultimate test of its impact. An approximation to this ideal situation can be found in a few cases where some information has been gathered (Lozano 2003; Gutiérrez, Barragán, and Uribe 2004).

Changing Perspectives on Development

The first step toward understanding the impacts of CSR practices is to define what a strong and healthy community is. Around the middle of the twentieth century, philanthropy was the CSR practice of choice, and it created dependency relationships between donors and recipients. During the 1960s, the practice of giving things to poor people was criticized: it was said that people needed the ability to procure things for themselves. In the 1990s, these ideas changed even more: knowing how to get things is a limited ability; it is key to know how to organize. Poverty is no longer regarded as the lack of things, but as the inability to control circumstances. Poverty is equated with lack of organization. It is more a matter of empowerment than income.

In this conception, underdevelopment means waiting for others to solve one's problems, while development is the capacity to shape one's future through self-sustaining economic, political and social processes. It took decades for the notion of citizenship to replace paternalistic and dependent relationships. A citizen is someone capable of working with others to create or modify a social order. Therefore, according to Flores d'Arcais (1992), democracy is the possibility of legitimately transforming oneself. A strong and healthy community is one made up of citizens; that is, people who organize themselves to define their own future. Participation, organization, and interdependency characterize such communities. We will look for these characteristics in the cases where companies intervene and change community life.

Types of Interventions

Life changes when a company arrives in a community. A relationship begins, one in which participation and autonomy are key elements. The matters in which community members are invited to participate, or the way in which their participation is elicited and maintained, are important aspects in understanding of the relationship between business and community. From the corporate standpoint, at least two types of intervention can lead to a strengthened community: companies can concentrate internally on their business or they can focus externally and develop social investments that support community projects.

A company can develop internal CSR strategies and pay attention to social issues within its *operations*. In order for a business to develop, all stakeholders are asked to pitch in, and they expect benefits from their participation. To concentrate solely on providing benefits to shareholders runs the risk of ignoring the needs of other stakeholders. Since this affects the sustainability of the whole enterprise, many companies read their environments to consider the needs of their stakeholders.

Alternatively or as a complement, corporations contribute to society by focusing externally and developing *social investments*. A company is willing to make such investments for several reasons: to satisfy various needs of the communities where it is located, to improve its public image, to increase its control over the resources it gives to government through taxes, to increase worker morale, to attract better employees, and—last but not least—to obtain favorable responses from investors and public officials. Social investments primary involve stakeholders who are beyond company boundaries. Although these investments are not directly related to the core of the business, companies benefit from them, and they help to alleviate certain social problems.

External CSR programs lie on a continuum that connects three discrete points: traditional philanthropy, social investment and business integration. Philanthropy is the oldest form of corporate social responsibility and is characterized by 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 social needs. When making a social investment, corporations view their CSR activity as an investment with a social return. Finally and most recently, corporations are beginning to integrate vulnerable populations directly into their regular business practice. This is what we mean by business integration.

Philanthropy

While some would argue that philanthropy is outdated and often takes a top-down approach, there are instances where philanthropy is appropriate and even necessary. In areas such at the arts where it is important to preserve the creativity of the beneficiary, philanthropic giving allows for a less involved type of giving. It is a reasonable option when a corporation is unable to involve itself more deeply in external CSR. Also, on the receiving end, incipient and/or grassroots organizations may not be ready to "partner" with a corporation. For these organizations, reliance on philanthropy is a necessary first-step in their evolutionary process.

Social Investment

The second level of external CSR, social investment, is a phenomenon that appeared midway through the twentieth century in response to heavy regulation and social lobbying. Corporations felt they needed to direct charitable giving in response to social pressures. As a result, external CSR became less top down in many corporations and more participatory by responding needs expressed by the community. Many of these early programs were related to social marketing and public awareness campaigns in which 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 prevalent in discussions of 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 defining "social investment" is largely a matter of semantics, the results have been more sustained and have involved more corporate levels than those of philanthropy. The "investment" approach to giving is now becoming widely used in many external CSR initiatives.

A network of corporate foundations, RedEAmérica, promotes two types of social investments to transform life conditions in a community: the strengthening of community-based organizations, and the development of public interest institutions that support community development. Programs to strengthen community-based organizations adopt financial and operational strategies that aid the creation and development of community-based organizations and their networks. Programs that develop public interest institutions use several strategies that support community development, ranging from the creation and financing of non-profit organizations, to the establishment of public-private partnerships, to the dissemination efforts of good practices and public debates. Each one of RedEAmérica's 49 members in 12 countries has projects in these areas and is moving ahead to understand the impact of their interventions (Villar 2003).

Direct Integration

On the forefront of CSR evolution, particularly in lesser-developed countries, companies are integrating vulnerable populations into their business processes by developing relationships through trainers, suppliers, distributors and even market competitors. These programs are often hotly debated as external CSR initiatives, since they are directly tied to the companies' business interest. However, the direct integration model is enticing in the context of the developing world, since 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, since the necessary enabling environment will remain undeveloped.

Value-added business often provides the multiplier that creates the necessary enabling environment for economic development. Examples include an educational system capable of training future employees, open financial markets that allow small- and medium-sized business to participate in the supply chain, and a peaceful society that 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 commonly the case in less developed countries.

Reports of corporate social responsibility tend to emphasize social investments; it is less common to report a social impact by concentrating on the business at hand. One challenge for management is to eliminate, at the source, any factor that feeds problems that will later require intervention. In this way, businesses act responsibly and avoid creating social problems.

It is important to examine the effect of corporate intervention. Comparison of success stories and difficult experiences answers several questions: When does empowerment occur and how does it happen? What makes a community investment more likely to be sustainable? What are suitable policy environments for sustainable company-community interaction?

Interventions at Work

There is a wide array of occasions on which a company has had a lasting impact on a community. In this section we look at several cases that highlight the achievements and shortcomings of CSR practices with regard to improving the life conditions in a community. In each case we analyze the characteristics of the community, the process in which they engage, and the effects of the intervention. Some of these experiences involve the *direct integration* of low-income populations into business processes; others exemplify *corporate social investment*. Some include community members as active participants and others continue to exclude them. A road map is beginning to emerge from lessons learned, and an examination of these cases will highlight the issues.

Participation throughout All Stages

Twenty miles off the north coast of Honduras is a group of islets and keys known as Cayos Cochinos (Hog Keys). Though small and geographically unprotected from the storms coming through the Caribbean Sea, the keys are an important economic hub for three Garifuna artesanal fishing communities. The Garifuna, descendants of survivors of a wrecked slave ship and local Arawak Indians, have been designated by the United Nations as a World Heritage Culture and maintain a distinct identity in their language, traditions, and livelihood. Unfortunately, the Garifuna are faced with the challenges of extreme poverty, lacking access to healthcare and education, as well as with the complexities of being a racial minority.

Beginning in the early 1990s, there has been significant interest in the keys because the surrounding coral reefs exhibit some of the best biodiversity in Central America. In 1992, the Smithsonian Institute completed a study that found threats to the local environment and concluded that a proactive management plan restricting human activity would eventually repair the damage. The study did not contemplate, however, a specific strategy for limiting local human activity or, more importantly, the needs of the Garifuna. Interest in the area converged to create a strategy of collective action for its long-term environmental sustainability. The Cayos Cochinos Foundation was established as a nonprofit organization and was capitalized jointly by members of the private sector, including multinational corporations and a dozen representatives of national Honduran businesses. Why did corporations in Honduras, a country with little CSR culture, commit to such a long-term, complicated undertaking? First, the international attention and support that Cayos Cochinos has received from the Inter-American Foundation, Texaco, Avina Foundation, and World Wildlife Fund, created a level of prestige in being associated with the project. Second, members of the Foundation's Board all have an individual interest and dedication to the preservation of the environment, and as a result the Foundation becoming fully operational within a very short time frame.

Today, the Cayos Cochinos Foundation represents a model of companies bringing together resources, community input, political will, and scientific study. As originally conceived, the Foundation dedicated itself solely to the scientific study and environmental preservation of the area by restricting human activity. Its neglect of the interdependency between the ecosystem and human activity resulted in friction with local communities, which subsist on fishing. The Foundation learned that the socio-economic welfare of the Garifuna is critical to successful of management of the reserve, and that local buy-in was at risk if the community was not involved in the Foundation's planning process.

The Foundation's philosophy today reflects the intrinsic role of community in its projects. The Foundation learned a valuable tool in managing community development programs: participation. This transition occurred in several of the programs managed by the Foundation. For example, in a scientific research and observation station on Cayo Menor, only Foundation staff, scientists, and members of the Honduran Navy originally lodged there to patrol the waters of Cayos Cochinos and ensure compliance with fishing controls. Today, Garifuna fishermen are employed as park rangers and reside at the station along with Foundation and naval staff. Their job is to monitor activities in the protected zones, educate people about policies protecting the keys, and lend their unique expertise of the area to assist in the management of the reserve. Educational programs are jointly developed and taught by the Foundation and Garifuna educators to local school children. One such program is the involvement of the students in raising and eventually releasing endangered species of sea turtles. Other initiatives include capacity building exercises such as micro-enterprise development, exchange visits with artesanal fishermen in other countries, and grassroots lobbying efforts with the national government.

Cayos Cochinos teaches many lessons on how community engagement must be participatory to be successful. Corporations that wish to support community development often find themselves acting in concert with other international and national donor organizations, all pursuing development from many angles. This can be a double-edged sword if project goals and coordination are not managed well and the community is an afterthought. Corporations should carefully consider the motives of an intermediary organization when working with it to make a community investment. Communities are complex systems. CSR programs must be clearly articulated to fit local communities, commit for the long term, and have a feedback mechanism from all involved partners. Personnel who are dedicated to the program are key for stability, both from the company's perspective and the community's (James 2004a).

The Learning Curve during the Life Cycle of CSR Programs

The Department of Oruro houses 5 percent of Bolivia's eight million inhabitants. The richness of the native Aymara Indian culture contrasts with the economic poverty resulting from the region's precarious agricultural system. In the early 1990s, more than 70 percent of the families in Oruro were officially categorized as living in poverty, 84 percent did not have access to potable water and/or latrines, and 55 percent could not reach the nearest community health center for lack of adequate transportation. The Inti Raymi gold mine is located in this region, and it is responsible for over 60 percent of the gold production in Bolivia. It has created 700 jobs, filled by Bolivian citizens who collect 8.2 million USD per year in salaries and benefits. The mine also spends eighteen million USD annually on local goods and services and pays four million USD in taxes. The Newmont Mining Corporation, a company that became the world's largest gold producer in early 2002, is the majority owner of the Inti Raymi mine. The company exemplifies how a company can contribute to worker welfare by concentrating on its business. One of its proud achievements is a much higher worker salary level than local and national averages. According to their figures for 2001, Oruro's villagers annual income averaged 300 USD, while their annual average salary was 10,500 USD (the annual income per capita in Bolivia averaged 1,021 USD). The company also provides its employees training, education, and full access to medical care. The Inti Raymi mine has one of the best reputations in Bolivia, a strong safety and health record, and good relations with the union representing the mine workers.

Inti Raymi also engages with the community. Mario Mercado, a former company president, established in 1991 the Inti Raymi Foundation to promote sustainable development through alliances between the public, private, and civil society sectors. Today, grassroots development is one of the foundation's key objectives, and it takes the form of social and productivity investments in the Oruro communities. Social investments include health and education programs, while a small business program, grants, and a loan program contribute to productivity. These were developed in partnerships with the municipal governments and the Inter-American Foundation. By 2003 the Foundation had invested more than ten million USD in rural development projects for twenty-five communities and the city of Oruro. Living conditions, according to community members, have changed: "Our lives have improved, as we now have water, electricity, and latrines in our communities." The project has brought these services to more than 200 families in the region. Once dependent on potato farming, they now have access to a small fund that has made more than fifty credits to local community members for micro-enterprise development.

Whenever a large corporation has physical presence in a specific location, expectations rise in the surrounding community. This is particularly true in regions where residents have little or no means of economic security other than the company. An extractive industry is in the commodity business and, like the local community, depends on the available natural resources. There is one significant distinction between the industry and the community, however; the mining corporation will eventually close operations and move on, while the community cannot. Since the life of the mine is finite, community, corporation, and foundation have worked together to develop a strategic plan to assure a smooth transition once the mining concession is over. Their overarching goal is to achieve continuity in the design, funding and implementation of social programs, so that even after the mine shuts down the foundation can continue.

To that end, the foundation is exploring an endowment fund with seed capital from the company. As a first step, Inti Raymi created a U.S.-based foundation for the purpose of fundraising. Different sources of funding have been explored, such as the Bolivian expatriate community. Beyond organizational self-sufficiency, Inti Raymi is considering sustainability for specific projects like its micro-credit program. Another important factor in long-term planning is the development of sustainable leadership. Attracting visionary leaders to run the foundation could become more difficult once the business interest is no longer behind it. In response, Inti Raymi expects to open its Board of Directors to both community members as well as nationally known leaders, thereby increasing both the talent pool and the visibility of the foundation's management. Finally, certain procedural issues have already been planned in conjunction with community input, such as ownership of land and payment/compensation for land use. Due to the presence of the mine for so many years, the region enjoys good infrastructure such as roads, electricity, airport, etc. This could open the door for new productive land use. Possible replacement institutions, once the mine shuts down, are an industrial park, a university, or a wildlife habitat.

Early in its timeline of community involvement, the Inti Raymi Foundation carried out a number of programs that included such health initiatives as the construction of a hospital and such economic development initiatives as a sheep-raising project. Some of the projects were primarily intended for the mineworkers but were made available to the wider community as well. Others, such as the sheep-raising and marketing projects, did not include miners at all and were targeted towards other segments of the population. Though the programs were described as successful and well-received overall, the foundation managed a top-down model of program funding, with ideas and implementation of projects generated by Inti Raymi. The communities did not take part in the planning process.

To capitalize on corporate-sponsored social programs, communities must be able to participate fully and equally in this and other aspects of the operations. When local people are equal stakeholders, sensitive issues such as land tenure and usage rights can be resolved in a transparent manner. Inti Raymi has discovered that if communities are part of the negotiation process, agreements necessary for the mine's existence are resolved much more quickly and profits increase. The agreements have a certain legitimacy in the eyes of the people, and the mine's daily operations are less likely to be interrupted by civil unrest.

This case presents two valuable lessons for other corporate foundations involved in CSR programs with local communities. There is a learning curve that can be accelerated by partnerships with institutions experienced in community engagement. Though an obvious issue for a mining company, a well-planned exit strategy should be a part of every company's community engagement efforts, since it actively commits both the company and the community to avoid traditional dependency programs. Finally, intangible benefits to the community, such as an increase in individuals self-esteem (2,300 community members indicated this in an evaluation process), are more valuable than an increase in income, since they represent a change in mindset—particularly one from dependency to independence, which lies at the root of participation (James 2004c).

Strategic Initiatives that Promote Citizenship

Rural communities in Huila, a southern department in Colombia, made a living from cattle ranching for more than two centuries. Government presence was rare for these dispersed and isolated communities, and the arrival of an oil company in the 1950s was an important event. Roads were built to start oil production in the 1960s, and the international oil crisis of the 1970s boosted the oil industry in this neglected region. Communities then had someone to ask for basic social infrastructure. Hocol, one of the companies there, responded by providing the resources to build schools and health centers.

Until the beginning of the 1990s, Hocol subcontracted organizations that would work with the communities in which they had operations. In 1992, some of the community leaders who had been supported by Hocol through its micro-enterprise program organized a strike against the company. The oil industry was blamed for a painful drought, which in fact was due to specific weather patterns and cattle raising conditions. Hocol's production was halted, and guerrillas blew up some of the production infrastructure several days after the strike began. It was evident for Hocol that the community did not view the company as beneficial to them. Hocol therefore decided to stop subcontracting its social initiatives. From then on, its own foundation (established five years earlier) developed the micro-enterprise program and started an environmental education program. The latter became crucial for community members to understand the reasons behind the drought and develop projects that would protect and recuperate water sources.

Another turning point occurred in 1994: due to financial difficulties, the company slashed its budget for social initiatives by half. Hocol Foundation had promised the communities projects that required twice the resources that were now available. Hocol's people in the field decided to keep the current year's plan intact by raising funds within the communities and the government. The question came up: why had education and health become Hocol's responsibility? From then on, government organizations were summoned to participate in every program, and all programs were funded by several partners. Between 2001 and 2003, social initiatives costing two million USD were developed; 46 percent of the funds came from Hocol, 19 percent from communities, 16 percent from government, and 19 percent from other sources such as multilateral agencies.

As the relationship between the communities and Hocol evolved, the meaning of community development changed for all parties. The Hocol Foundation opened programs for community development and institutional strengthening. One program created a School for Democracy and a Rural School for Community and Citizen

Participation. Hocol wanted to learn, with its communities, how to take advantage of a shift to a participatory democracy within the framework of the new Colombian Constitution enacted in 1991. According to a Hocol executive, "the best we can do is to teach people the value of being leaders of their own life." The "School for Democracy" is now a formal offering in the state university and teaches how to participate in order to decide; community members are given tools to diagnose their needs, set priorities, and develop projects that are funded by different partners. Similar to the expansion of this school, other projects became regional initiatives. For example, in the institutional strengthening program, Hocol started by inviting the government to participate in community projects. In 2004 the company participated in eight different coordinating and decision-making committees at the regional level.

Strengthened communities have been key to the development of Hocol as a business. Oil companies explore vast and remote territories and produce with expensive machinery. As part of the armed conflict in Colombia during 2003, there were 753 attacks on the oil infrastructure. None of these affected Hocol's infrastructure. One of Hocol's main competitive advantages nowadays is its capacity to operate in any part of Colombia. This capacity, very much appreciated in the oil industry, has been instrumental to Hocol's expansion. The company has been invited to become a partner in various projects sponsored the main oil companies. It has become the third largest operator in the country, and its overseas shareholders have decided to close operations elsewhere and concentrate their investments in Hocol, and to expand its operations to other Andean countries. The numbers related to any of its projects are impressive: they set record time for one of the largest private seismic initiatives in recent years in Colombia, logged 2,350,000 working hours without any disabling accident in forty-eight rural communities of five municipalities, created jobs for 1,430 local workers, and invested 5.7 million USD for social development in the region. An award-winning communications program was responsible for clear, transparent and timely information that paved the way to reaching consensus with the communities on such issues as wages, local workforce hiring, and payments for land usage, all within a moderate budget relative by industry standards.

Hocol has learned that it needs long-term relationships with communities. Communication, participation, consensus building, and feedback are all characteristics of these relationships. From their interaction with Hocol, communities have learned to work together to change their life conditions. Not only are they able to solve their internal conflicts, but they can apply pressure externally for their rights to be honored. The communities quitted by Hocol pulled have continued to improve on their own. As Hocol's employees like to state it, "A public good has strengthened the social fabric" (Gutiérrez, Barragán, and Uribe 2004).

Economic Benefits through Adequate Responses to Legal Requirements

Pará is the second largest state in Brazil. While the state can cite significant indicators of industrial development, few benefits trickle down to local communities: the average annual income is 2,200 USD, whereas the national average is 7,600. Communities in the Amazonian basin are further removed from the larger economy due to their geographic isolation. Despite having rich and plentiful natural resources, community-based agro-industries in the region face obstacles in their efforts to market products and engage in sustainable resource management. In terms of commercialization, these producers often have limited organizational capacity, as well as limited access to technologies needed to tap into the larger markets. POEMAR, a non-profit organization located in the state of Pará, offers training in all aspects of product development, with a focus on low cost technologies that add value. POEMAR works with producers to diversify their products, to acquire information on market demand and quality standards, and to establish relationships with corporations that seek local sourcing agents. POEMAR provides support in a way that helps local agro-industrialists preserve their natural environment for future generations.

POEMAR is part of the larger "POEMA system" within the Environmental Center at the Federal University of Pará. POEMAR capitalizes on the university's laboratories to study the natural products of the region, as well as to develop processing and quality constrol technologies. POEMAR's competitive advantage is its ability to establish market relationships between the different actors. An example is the link POEMAR has forged between buyers and suppliers in Pará's coconut fiber industry. POEMAR approached Daimler-Chrysler (at the time Daimler-Benz AG) to conduct research on substituting natural fibers for synthetic materials in interior car parts. Daimler-Chrysler agreed in 1992 to make an initial investment of 1.4 million USD to research viable natural fiber products and the role local communities could play as suppliers. The result of three years of research was a pilot project to produce headrests and other interior car parts in the community of Praia Grande. Initially the manufacturing was done manually. Eventually Daimler-Chrysler donated equipment to allow for more efficient processing of fibers. Additional investments in the project were then financed by Amazonian Bank BASA. POEMAR trained community members in technology, administration, marketing, and innovative agro-forestry practices. Coconut production increased from nine to forty coconuts per tree.

Two major challenges were identified in the pilot project: transporting the car parts from the remote community, and meeting production deadlines that were not customary in rural community production. With help from POEMAR these obstacles were removed, and in March 2001 the first fiber processing plant was inaugurated. POEMATEC, a business in the POEMA system, undertook management of the plant and assured that quality and quantity were consistent with market requirements. The plant was financed by the State of Pará, the municipal government of Ananindeua, the Amazonian Bank, Daimler-Chrysler, and DEG, a German Investment and Development Company. Specifically, Daimler-Chrysler financed four million USD worth of imported machinery and provided training in the use of the equipment.

Today the plant has a production capacity of 80,000 tons per month. Some 25 percent of its production is dedicated to interior car parts for Daimler-Chrysler. The plant is rapidly expanding to meet demand from General Motors and Honda. It is also adding such product lines as gardening pots and mattresses. It is easy to get lost in the plethora of cutting-edge plant and technological developments. One success story relates to benefits enjoyed by rural community organizations in eight districts that supply coconut fiber to POEMATEC. POEMACOOP, a cooperative of small producers and specialized technicians, purchases inputs in bulk to allow small producers to benefit from the associated economies of scale. All this translates into approximately 4,000 new jobs in coconut fiber production, including agricultural producers, processing plant workers, and plant workers. The project has allowed this community of agricultural producers to participate in the global economy along with a Fortune 100 company.

The project also has measurable benefits to Daimler-Chrysler's business. The company meets its local content requirements by sourcing its interior car parts from the coconut fiber plant. This also ensures that the company's vehicle production meets the high environmental and recycling standards in Germany. Finally, natural fibers are as economically viable as synthetic ones, if not more so.

The key lessons learned from this case, from the corporation's perspective, are twofold. The first is that corporate self-interest can be a powerful motivator in establishing sustainable, successful CSR programs. Daimler Chrysler has tied many business objectives to this program, as well as local content and environmental content compliance, making it one of the most successful economic development programs in the region. Secondly, innovative commercial relationships can be mutually beneficial for a company and local communities, while also adhering to environmentally sound principles of sustainable development. Communities must identify their indigenous comparative advantage when engaging with a corporation. The environment is often the organizing issue for communities of interest, whether these communities are represented by NGOs or governments. There is enormous support for sustainable resource management in the Amazon basin. The Daimler-Chrysler project addressed the concerns of communities of interest that are focused on the environment (Menucci 2004).

Community Investment through Partnerships

The Delegación of Iztapalapa, located on the periphery of Mexico City, houses one of Mexico's most marginalized populations. Over 90 percent of its inhabitants live in poverty. Annual family incomes range from 1800 to 3600 USD. Prospects for future generations are bleak, since only 50 percent of the children finish elementary school. Iztapalapa attracts immigrants from Mexico's thirty-five states, who come in search of economic opportunity. For most, the stark reality of Latin America's biggest city sets in, and families begin to search for ways to sustain themselves as micro-entrepreneurs in the new urban setting.

In contrast, a well-known Mexican industrialist family, the Servitjes, founded Grupo Bimbo S.A., the eighth-largest baked goods corporation in the world, with operations in sixty countries. In 2001 the group employed 70,000 worldwide and boasted net sales of 3686 million USD. Today, it ties its community investment directly into its core business by making loans available to micro-entrepreneurs who want to participate in its distribution system. The loans are provided through an innovative partnership with FinComún, a Mexican financial services business dedicated to serving low-income people. FinComún is widely recognized as Mexico's premier micro-finance institution. It is a pioneer on several fronts, including the capture of capital through savings accounts, customer service, use of technology, and the testing of new ideas and innovative partnerships. These savings programs support FinComún's micro-lending program. Loans are made to low-income individuals, for small business and productive activities, at the prevailing market rate for a period of sixteen weeks. As of 2001, 11,576 loans totaling twelve million USD had been made, with a default rate of 0.1 percent. FinComún uses its reputation and ties to the private sector to achieve recognition from the Mexican government, including management responsibility for a three million-dollar government micro-credit fund, and rather deep involvement in shaping national regulation of micro-finance activities.

FinComún presented an innovative opportunity to Grupo Bimbo, as it undertook to tie its community investment strategy directly into core business activities. The partnership allows Bimbo to take advantage of FinComún's expertise in providing micro-loans, while FinComún taps into Bimbo's distribution network and product delivery systems. For instance, FinComún's loan advisors accompany Bimbo delivery drivers on their daily routes. Because loan amounts are small (from fifty USD up), with an average of 750 USD per client, financial sustainability depends upon volume. As a way to increase its customer base, FinComún goes physically into the low-income neighborhoods to identify new clients rather than depending exclusively on branch offices to attract business. The partnership with Bimbo allows this and, since the Bimbo brand is strongly associated with quality, it gives FinComún instant credibility as well as potential clients.

Grupo Bimbo was concerned about the bottom line. The company derives 80 percent of its income from small "mom and pop" stores, and 20 percent of these clients regularly ask for credit. Previously Bimbo had an informal program to provide credit services to these stores. As a result of the partnership with FinComún, Bimbo expects to reduce bad debt, reduce the amount of time in which loans are repaid, and achieve its goal of providing credit to 22–30 percent of its clients.

Initial results of a small-scale pilot program showed that 20 percent of Bimbo clients received credit, and they expressed overall satisfaction with the customer service provided by FinComún. The next stage of the plan involves the donation of a Bimbo van that will be customized as a mobile FinComún branch office. If neighborhood conditions are favorable to micro-credit operations, the van will be a precursor to a permanent branch office. With this new method, FinComún expects new branch offices to break even in six months, rather than in one year as currently. Additional collaborative plans are in the pipeline. A pre-authorized credit program is possible, once Grupo Bimbo's customer database can be merged with FinComún's credit analysis and client/industry profiles. FinComún is looking at managing some of Bimbo's liquid assets. The possibilities for these community investments seem limitless.

The impact of this project is being evaluated. The issue is to what extent access to credit has allowed small- and medium-sized enterprises in Mexico City to grow their business, create employment, and generate capital in their local communities. More than 50 percent of the FinComún's loan recipients are low-income women who engage in commercial activities, ranging from fruit and vegetable stands to seamstress hops and grocery convenience stores. Access to credit also allows entrepreneurs to develop a credit record that will be invaluable to them as they attempt to grow their business and acquire more capital (James 2004b).

The community affected by Grupo Bimbo is less tightly knit than others discussed in this section, since it is comprised of individuals in an urban setting. They are a community of micro-entrepreneurs who relate to each other at arms length to drive the local economy forward and recycle loan money that helps to capitalize their businesses. The process of engagement relies on a bank, FinComún, as an intermediary to meet a very specific need of the community of micro-entrepreneurs in Iztapalapa: access to capital. Urban community interventions are arguably harder to assess in a collective sense, since people act more independently in defining and responding to their needs.

A Continuum of Results from CSR Interventions

A company's impact on a community can be placed on a continuum that stretches from one end at which environmental degradation, corruption and social unrest are the norm, to an opposite end at which conservation and citizenship practices are institutionalized. A company with clean production that fails to promote citizenship lies in the middle. Movement towards the desirable end requires democratic efforts that increasingly empower community members.

Since no previous study has determined the main factors that govern the community impact of CSR, we chose to concentrate on five cases (summarized in Table 1). We identify only some of the characteristics of the relationships between types of intervention, processes, and impacts. At most we can state hypotheses about these relationships.

Table 1. Main Characteristics of Five Case Studies

Cases	Initial life conditions in community	Type of intervention	Spaces for community participation	Link to operations	Distinctive characteristic of the intervention	Results and impacts
Cayos Cochinos	low access to health and education for racial minority	corporations invest through foundation	Foundation programs and community education programs	innovation not related to businesses	community integration into foundation	Organized grassroots lobbying
Inti Raymi	84% with no access to potable water and latrines	corporate investment by foundation	negotiation processes and foundation board	innovation sometimes related to business	foundation's learning curve	social services, 700 jobs, 10 million USD invested
Hocol	fragmented and isolated rural communities	foundation's business strategy	foundation and community development programs	strategic innovation for business	social initiatives become sources of competitive advantage	organized citizens; in one project alone, 1430 jobs and 5.7 million USD invested
Daimler Chrysler	fragmented and isolated rural communities	strengthen community suppliers through NGO	small producers cooperative	strategic innovation for business	compliance with local content and environmental standards	4000 jobs, 5.4 million USD invested
Grupo Bimbo	fragmented urban interest communities	services to customers through NGO		strategic innovation for business	strategic partnership with NGO	12 million USD in loans

The five cases show different ways in which direct integration of communities into business processes and corporate social investment can take place. Daimler Chrysler and Grupo Bimbo were able to directly integrate a community investment program into their core business practices. The Inti Raymi Foundation and the Cayos Cochinos Foundation exemplify two different types of corporate social investments: a corporate foundation invested in the community, and a foundation established by several corporations to pursue a common interest. Hocol started by investing in social initiatives and, in time, found those initiatives to be one of their main sources of competitive advantage.

The Business Integration Approach

Corporations increasingly see the value of incorporating low-income communities directly into their supply chain through training relationships, supplier relationships, distribution relationships, and even market competitor relationships. Business integration can fill the socioeconomic gaps common in less economically developed countries. It involves some transfer of technology, capital, and business process from the corporation to the community: Daimler Chrysler invested in industrializing an indigenous technology and capitalized its development; Grupo Bimbo increased access to financial services to better serve its distribution system; and Hocol worked in partnerships to improve life conditions in the society where it operates (see Fig. 2).

Figure 2. Examples of CSR Practices

Scope Stakeholders	Compliance with law	Observe social norms by choice	Direct integration into business	Social investment
Groups with direct link to business	OSH/EEO Consumer Protection	Fair trade	Daimler Chrysler	
Other groups with ties to business	Antitrust regulation	Cluster competitiveness		Grupo Bimbo
Local community	Local content	Local culture		Inti Raymi Found. Cayos Cochinos F.
Society	Environmental protection	Social inclusion	Hocol	

Various factors motivate multinationals in developing countries to engage in the business integration model of CSR: compliance regulation, profit from market opportunities, competitive advantage, stronger appeal to consumers and employees, or the advantages of creating wealth in poverty-stricken contexts. Locally based companies are also concerned that governments are not investing in the local resources required to keep their businesses going (Jones 2004).

The effects of corporations on communities are unique to each experience. Interventions that directly tie communities into business practices provide local groups with an opportunity to participate in the global economy. Sometimes, however, this opportunity is not available because corporations do not want to share their privileges. This happened when, in 2003, Bogotá's garbage collection system was renegotiated and this metropolis of 7.5 million people was divided into six geographic zones. Around 70,000 recycling workers, organized in twenty-three cooperatives, wanted to participate in the bidding process for garbage collection. It was far from an equal opportunity process. Despite their efforts, recycling workers were unfairly excluded—according to the Colombian Supreme Court of Justice—and the six zones were assigned to large corporations. For none of these companies did CSR mean working with the recycling employees.

The Social Investment Approach

Dialogue and community participation, rather than top-down programs, are required when corporate foundations undertake social investments for which corporate and community needs are less closely linked than for direct business integration. In three of the cases described above, an initial top-down approach resulted in loosing sight of the community. The strikes and lack of organizational effectiveness disappeared when the foundations went beyond information exchange and consultation and opened up spaces for community participation in the design, funding, and execution of programs. Without community input into program development, well-meaning corporate foundations can create projects that have no positive long-term effect on local communities, and there is an increased risk of treating the symptoms of social problems rather than their root cause.

When are corporate foundations the best vehicle for CSR investment in a community? In Latin America, corporate foundations offer companies a vehicle to administer social programs under its brand name, with specialized staff that can design, implement, and evaluate programs effectively. The corporate foundation is also, at times, a helpful intermediary between the community and the corporation. The foundation deals directly with the community and the corporation can focus on day-to-day business. On occasion, however, corporate foundations get in the way of community development.

Some examples of the potential shortcomings of corporate foundations can be found among the micro-credit programs of the past couple of decades in Colombia. An evaluation of the National Plan of Micro-enterprise Development concluded that employment was not generated and people were not pulled out of poverty (Departamento Nacional de Planeación, Fundación Corona y Corporación para el Desarrollo de las Microempresas 1998). Rojas examined the National Plan and focused on the role corporate foundations played in it. He concluded that "that while [contact] with corporate philanthropy increases economic resources and provides innovative solutions to social ills, it has not similarly contributed to the democratization of the decision making process nor the strengthening of state legitimacy. Programs in the hands of foundations are not accountable to citizens nor do they increase the capacity of the state to act as an intermediary of powerful interests" (Rojas 2002: 28) Corporate foundations, for example, resisted the creation of an organization of micro-entrepreneurs that would participate in the decision making processes. According to Villar (1999), political empowerment was not part of the agenda of corporate foundations in their work with micro-entrepreneurs.

A Necessary Intermediary Role

Despite their shortcomings, corporate foundations have a role to play. Applying a well known principle in chaos theory, companies are high-energy systems that can distort or destroy a low-energy system like a community unless an intermediary exists. In the cases mentioned above, the relationship with the community is not direct: nonprofit organizations served as intermediaries between the company and the community. These intermediaries have been the catalysts to engage the communities with the corporation, articulate the potential for a partnership, and bridge corporate requirements with community capacity. Nonprofit 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.

Interaction between a company and an intermediary organization is not easy, and one must also ask about the effect of this intermediary on the community. The Social Enterprise Knowledge Network (SEKN) research team studied the interactions between private and social sector organizations in twenty-four cases throughout Latin America. They discovered six barriers to collaboration:

- The search for an interlocutor: "Sometimes, choosing an interlocutor is almost as important as choosing the message." (Austin et al. 2004: 27)
- The power of pre-existing relations: social networks are a critical organizational resource, and prior links to an individual or a cause can influence the unfolding dialogue in different ways.
- Imbalances among partners' institutional capabilities: the greater the institutional capacity, the smaller the barriers to cross-sector collaboration. A community without an organizational structure exhibits the least institutional capacity, and this capacity increases as a community leader attempts organizing efforts. A greater capacity exists when an individual or a group is backed by an established organization, and the greatest capacity is achieved when a mature organization exists, one with executive leadership and specialized staff.
- Differences in organizational cultures: lack of a common language, negative stereotypes, clashes between a culture of austerity and a culture of opulence, and different time frameworks.
- Communicating effectively: "An effective message demands a skilled communicator." (Austin et al. 2004: 42)
- The importance of being proactive and persistent: "Connecting successfully with another organization entails an alignment of several factors." (Austin et al. 2004: 43)

The development of alliances takes time and encounters difficulties. Holly Wise, one of the leaders from USAID in its alliance with Procter & Gamble, says: "true partnership involves shared problem definition and joint design of solutions; partners want to be involved at the front end, not invited to join after major decisions have been made; and alliances require special outreach and messaging which we are not accustomed to doing" (Gutiérrez 2003: 7).

However difficult the collaboration between companies and intermediary organizations is, and however varied the impacts of the latter on communities, these organizations are key to increasing social well-being. For example, they persuade governments and communities to increase common goods, help protect some rights, promote self-control and, on occasion, promote citizenship.

In the past decade, cross-sector alliances have dealt with every type of social problem, and these collaborations are expected to increase even more (Sagawa and Segal 2000). As an alternative path to development, alliances are particularly important in Third World countries. In Latin America, collaborative work has been enabled by three trends that have changed relations throughout the entire social landscape: democratization, decentralization, and "growth through the market" (Fizbein and Lowden 1999; Googins and Rochlin 2000). Tackling social problems is now a shared responsibility. As Trist recognizes, important social issues belong to an inter-organizational domain and cannot be solved by an organization acting alone (Huxham and Vangen 2001).

Lessons Drawn from a Comparative Perspective

Both success stories and difficult experiences help one understand some of the important characteristics of the relationships between corporations and communities. Some of the lessons are the following:

- A company's enlightened self-interest in its CSR program ensures its commitment to the program and the program's sustainability;
- Communities involved from the onset in the definition of a project make it successful; corporations cannot assume that they understand the needs of a community by taking them at face value;
- Partnerships last when both institutional and individual relationships exist throughout. Partnering for the sake of it is not enough; alliances involve alignment and value generation and have to be managed;
- Projects do not create untenable expectations in local communities when they consider the whole life cycle and the sustainability of the investment after an appropriate exit strategy is executed;
- Financial resources are only part of the equation. Corporations can have enormous impacts with limited financing if programs are well defined and well accompanied.

All sectors of society are asked to contribute their share, since social problems have increased and states have lost part of the preeminent role assigned to them in pushing the carts of development. Expectations related to what private companies can do as corporate citizens have increased, and a support system is being developed so that the private sector can fulfill these expectations: multilateral agencies are investing more resources in the private than in the public sector, universities offer new programs for social enterprises, coalitions of civil sector organizations are forged, volunteerism is on the rise, and mass media gives increasing attention to social initiatives.

Following in the footsteps of corporations in economically developed countries, current trends in Latin America include the deepening of CSR models, the extension of CSR practices to small- and medium-sized suppliers, an increase in cross-sector alliances, and the building of relational capital through the development of grassroots organizations. All these paths depend on leaders who search for consistency between strategy definition and implementation. They are paths in which profits, power, and prestige are combined, and that pose critical challenges to the firm and its stakeholders. On the one hand, companies need inclusive dialogues despite the lack of shared understandings; and firms better avoid legitimizing and de-legitimizing fragmented stakeholders. On the other hand, stakeholders need to dialogue, even though trust does not exist, and must learn to deal with contradictory views within the firms. There are challenges right and left.

Note

1. A similar scheme was developed in Colombia when some companies in Department of Antioquia gave some money to their workers with families and the lowest income during the mid-1950s. This example prompted the national government to enact a 4 percent wage tax in 1957. Regional nonprofit organizations were created to manage these funds and distribute it to the workers with the lowest income. In time, a smaller percentage of the collected funds were distributed and more were dedicated to different social services.

References

Austin, J. E., E. Reficco, G. Berger, R. M. Fischer, R. Gutierrez, M. Koljatic, G. Lozano, and E. Ogliastri. 2004. *Social Partnering in Latin America: Lessons Drawn from Collaboration of Businesses and Civil Society Organizations*. Boston: David Rockefeller Center for Latin American Studies.

Blair, M. M. 1995. *Ownership and Control: Rethinking Corporate Governance for the Twenty-First Century*. Washington: Brookings Institution.

Boehm, A. 2002. "Corporate Social Responsibility: A Complementary Perspective of Community and Corporate Leaders." *Business and Society Review* 107(2): 171–194.

Brammer, S., and A. Millington. 2003. "The Effect of Stakeholder Preferences, Organizational Structure and Industry Type on Corporate Community Involvement." *Journal of Business Ethics* 45(3): 213–226.

Burke, E. M., and R. V. Gilmartin. 1999. *Corporate Community Relations: The Principle of the Neighbor of Choice*. Westport, Conn.: Greenwood Publishing Group.

Carroll, A. B. 1991. "The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders." *Business Horizons* 34(4): 39–48.

________. 1995. "Stakeholder Thinking in Three Models of Management Morality: A Perspective with Strategic Implications." In *Understanding Stakeholder Thinking*, ed. J. Näsi. Helsinki: LSR-Publications, 47–74.

________. 1999. "Corporate Social Responsibility: Evolution of a Definitional Construct." *Business & Society* 38(3): 268–295.

Davis, K. 1967. “Understanding the Social Responsibility Puzzle: What Does the Businessman Owe to Society?” *Business Horizons* 10 (Winter): 45–50.

Departamento Nacional de Planeación, Fundación Corona y Corporación para el Desarrollo de las Microempresas. 1998. *Evaluación de los Programas de Apoyo a la Microempresa, 1997–1998*. Bogotá: Departamento Nacional de Planeación.

Donaldson, T., and L. E. Preston. 1995. “The Stakeholder Theory of the Corporation.” *Academy of Management Review* 20: 65–91.

Economist, The. 2004. “Two-Faced Capitalism.” (January 22). Available at www.economist .com, accessed on February 21, 2004.

Epstein, E. M. 1987. “The Corporate Social Policy Process: Beyond Business Ethics, Corporate Social Responsibility, and Corporate Social Responsiveness.” *California Management Review* 29: 99–114.

Fizbein, A., and P. Lowden. 1999. *Trabajando unidos para un cambio: las alianzas público-privadas para la reducción de la pobreza en América Latina y el Caribe*. Mundiprensa: México.

Flores d’Arcais, P. 1992. *Etica senza fede*. Rome: Einaudi.

Freeman, R. E. 1984. *Strategic Management: A Stakeholder Approach*. Boston: Pitman.

Friedman, M. 1962. *Capitalism and Freedom*. Chicago: University of Chicago Press.

Googins, B., and S. Rochlin. 2000. “Creating the Partnership Society: Understanding the Rhetoric and Reality of Cross-Sectoral Partnerships.” *Business and Society Review* 105(1): 127–144.

Grayson, D., and A. Hodges. 2002. *Everybody’s Business: Managing Risks and Opportunities in Today’s Global Society*. New York: DK Publishing, Inc.

Gutiérrez, R. 2003. “Partnerships in Local Economic and Community Development.” In Vives and Heinecke 2003: 5–7.

Gutiérrez, R., A. Barragán, and E. M. Uribe. 2004. “La transformación de las comunidades en el área de influencia de Hocol.” Bogotá: Mimeo.

Huxham, C., and S. Vangen. 2001. “Leadership in the Shaping and Implementation of Collaboration Agendas: How Things Happen in a (Not Quite) Joined-Up World.” *The Academy of Management Journal* 43(6): 1159–1175.

James, K. 2004a. “CSR in Environmental Protection and Human Development: Two Different but Complementary Objectives.” Www.iaf.gov/grants/community_outreach, accessed on March 15, 2004.

________. 2004b. “The Evolution of a Company’s Commitment to CSR From Philanthropy, to Investment, and Beyond.” Www.iaf.gov/grants/community_outreach, accessed on March 15, 2004.

________. 2004c. “The Lifecycle of CSR Programs: Inti Raymi Gold Mine.” Www.iaf. gov/grants/community_outreach, accessed on March 15, 2004.

Jensen, M. C. 2000. “Value Maximization and the Corporate Objective Function. In *Breaking the Code of Change*, ed. M. Beer and N. Nohria. Boston: Harvard Business School Press, 37–57.

Johnson, H. L. 1971. *Business in Contemporary Society: Framework and Issues*. Belmont, Calif.: Wadsworth.

Jones, A. 2003. “Partnerships with NGOs and Civil Society.” In Vives and Heinecke 2003: 8–13.

———. 2004. "Making Sense of Corporate Social Responsibility." Www.iaf.gov/grants/community_outreach, accessed on February 12, 2004.

Jones, T. M. 1980. "Corporate Social Responsibility Revisited, Redefined." *California Management Review* (Spring): 59–67.

Lozano, J. M. 2003. "*Danone en Ultzama*." Barcelona: ESADE.

Martin, R. L. 2002. "The Virtue Matrix: Calculating the Return on Corporate Responsibility." *Harvard Business Review* (March): 5–11.

McGuire, J. W. 1963. *Business and Society*. New York: McGraw-Hill.

Menucci, J. 2004. "Innovative Supply Chain Management in the Amazon Basin." Www.iaf.gov/grants/community_outreach, accessed on March 15, 2004.

Revista: Harvard Review of Latin America. 2002. "Giving and Volunteering in the Americas: From Charity to Solidarity." Spring: 1–87.

Rochlin, S., and J. Boguslaw. 2000. *Making the Business Case: Determining the Value of Corporate Community Involvement*. Newton, Mass.: The Center for Corporate Citizenship at Boston College.

———. 2001. *Business and Community Development*. Newton, Mass.: The Center for Corporate Citizenship at Boston College.

Rojas, C. 2002. "Corporate Philanthropy: A Reflection Based on the Colombian Experience." *Revista: Harvard Review of Latin America* (Spring): 27–29.

Sagawa, S., and E. Segal. 2000. *Common Interest, Common Good: Creating Value through Business and Social Sector Partnerships*. Boston: Harvard Business School Press.

Thompson, A., and L. Landim. 1997. *Voluntas* 8(4) (December).

Villar, R. 1999. "La influencia de las ONG en la política para las microempresas en Colombia." Bogotá: Mimeo.

———. 2003. "Marco sobre el desarrollo de base y el papel de los miembros de RedeAmérica en su apoyo y promoción." Washington: Mimeo.

Vives, A., and A. Heinecke, eds. 2003. *Alliances for Development: Proceedings of the Americas Conference on Corporate Social Responsibility*. Washington: IDB.

Wood, D. J. 1991. "Corporate Social Performance Revisited." *Academy of Management Review* 16: 691–718.

The Authors

Roberto Gutiérrez is Professor in the Faculty of Administration, University of the Andes, Bogota, Colombia. E-mail: robgutie@uniandes.edu.co.

Audra Jones is Foundation Representative, Inter-American Foundation, 901 N. Stuart Street, Arlington, VA 22203 USA. E-mail: ajones@iaf.gov.