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**Transnational Corporations in Mexico: The
Creation of Competitive Advantage through
Corporate Social Responsibility**

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Abstract

In addition to contributing to the small, but fast growing, literature on CSR in emerging and developing economies around the world, this thesis draws on prior research and goes further to investigate the competitive advantage of Corporate Social Responsibility (CSR) for transnational corporations (TNCs) in Mexico. It seeks to build a conceptual framework to understand the benefits that CSR has brought to society and corporations, investigates what is driving CSR globally and locally, analyses how global conditions unfold over local CSR, and assess how CSR is shaped by local culture, the economic and political history in Mexico.

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List of acronyms

AMBA	Mexican Association of Food Banks (<i>Asociación Mexicana de Bancos de Alimentos</i>)
CC	Corporate Citizenship
CED	Committee of Economic Development (United States of America)
CEMEFI	Mexican Centre for Philanthropy (<i>Centro Mexicano de Filantropía</i>)
CEO	Chief Executive Officer
CR	Corporate Responsibility
CSP	Corporate Social Performance
CSR	Corporate Social Responsibility
ESR	Social Responsible Company (<i>Empresa Socialmente Responsable</i>)
EU	European Union
FDI	Foreign Direct Investment
GATT	General Agreement on Tariffs and Trade
GDP	Great Domestic Product
GRI	General Reporting Initiative
GRI	Global Reporting Initiative
IMF	International Monetary Found
ISO	International Organisation for Standardisation
MDGs	Millennium Development Goals
MNE	Multinational Enterprise

NAFTA	North American Free Trade Agreement
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Co-operation and Development
PAN	National Action Party (<i>Partido Acción Nacional</i>)
PRI	Institutional Revolutionary Party (<i>Partido Revolucionario Institucional</i>)
R&D	Research and Development
SEP	Secretary of Public Education (<i>Secretaría de Educación Pública</i>)
TNC	Transnational Corporation
UN	United Nations
UNGC	United Nations Global Compact
WB	World Bank
WHO	World Health Organisation
YMCA	Young Men's Christian Associations

Chapter 1 – Introduction, aims and objectives

1.1 Introduction

Governments and international public organisations such as the World Bank (WB), the United Nations (UN) and the International Monetary Fund (IMF) have failed in their task to prevent the planet from under-development (Hopkins, 2007). Today these international organisations are highly involved in the world's development more than ever before (Hopkins, 2007). However, transnational corporations (TNCs), with the large amount of power and economic strength, play an increasingly important role in society and economic development (Hopkins, 2007). While the global financial crisis persists, economic uncertainty increases and government public expenditure decreases, the importance of adopting a committed Corporate Social Responsibility (CSR) strategy increases from TNCs around the world. The development and growing interest for topics such as CSR where businesses need to be ethical as a social demand are key factors in today's competitiveness trends (De Arrascaeta, 2008). This study will analyse the impact and evolution of CSR in Mexico and the implications it has on the performance of transnational corporations as well as how society benefits. This thesis will focus on the benefits that CSR has brought to some transnational corporations based in Mexico and society through four case studies. These case studies will describe the projects and the benefits and barriers that CSR has brought for corporations in Mexico. Furthermore, it will analyse how mainstream CSR in the West has shaped the perception of CSR and the impact of international pressure such as the North American Free Trade Agreement (NAFTA) in Mexico. This thesis will contribute to the growing CSR literature and practical knowledge by highlighting valuable strategic insights for executives and academics.

1.2 Research rationale

A relatively small body of researchers has studied and analysed CSR such as Crane et al., (2008), Husted and Allen (2007a), Logsdon et al., (2006) and Porter and Kramer (2006). The focus of this thesis is to examine Corporate Social Responsibility

(CSR) of transnational corporations in Mexico and how the local context shapes CSR in Mexico. The research in this paper looks to expand and broaden the reader's knowledge and critical understanding of CSR advising and examining how managers can effectively put the CSR approach into practice in Mexico. By uncovering and understanding the strategic importance of a sound CSR approach the intention is that the analysis presented in this paper will encourage Mexican firms to engage in CSR practices, in turn become a greater engine for development in Mexico.

1.3 Research aims and objectives

The aims and objectives are as follows: The central aim of this thesis is to examine and analyse the evolution of Corporate Social Responsibility of transnational corporations with particular reference to Mexico.

The main objectives of this thesis are:

- 1) To assess the implications of Corporate Social Responsibility for transnational corporations.
- 2) To uncover if Corporate Social Responsibility can be a driver of development and achieve competitive advantage simultaneously.
- 3) To assess the above objectives in the particular case of Corporate Social Responsibility in Mexico.

1.4 Structure of the thesis

In order to address the central aim and objectives the structure of this thesis is divided as follows:

Chapter two describes the methodology used in field research. An explanation is given to provide insight into Mexico as the chosen country from which to base my research. A reflection on the research process is also provided. Chapter three explores the CSR literature beginning with definitions as described by prominent authors. Chapter four demonstrates the drivers and consequences that different actors have on the impact of CSR. Also in this chapter I describe some of the conditions and barriers to

CSR. The theoretical reasoning behind the adoption of CSR and the importance of a strategic approach are discussed. Chapter five is the background chapter of the Mexican context and CSR in Mexico. In this chapter the business case for CSR in Mexico is explained. I describe in detail the socio-economic environment where corporations in Mexico operate. Further this chapter analyses the impact that the North American Free Trade Agreement has had in Mexico. At the end of this chapter I explain the dimensions of CSR in Mexico. Chapter six details four case studies from field research in Mexico. These case studies include transnational corporations based in Mexico such as Wal-Mart de Mexico, Grupo Bimbo, Unilever de Mexico and Volkswagen de Mexico. The CSR practices of these firms are described and key insights from CEOs and top executives are provided. Chapter seven analyses the benefits that CSR has brought to these four transnational corporations. Key lessons are highlighted followed by an explanation of the findings. Commonalities are assessed to form strategic insights that other corporations may adopt or gain from. The final chapter in this paper makes conclusions following analysis on the central aim and identified areas where further research is necessary.

Chapter 2 – Methodology and methods

2.1 Methodology

A methodology is not just a mathematical equation that gives a result, but, it refers to the rationale and the philosophical assumptions undertaken by the research (Murray and Overton, 2003). In terms of my methodology, this research is the product of the combination of qualitative and quantitative methods because it involves the analysis of numerical and non-numeric data throughout the thesis. Most of the field research in Mexico has been of qualitative nature, mainly due to the fact that I was trying to become explicitly aware of CSR dynamics that involved corporations. This qualitative approach was non-numeric and open-ended, as Robinson (1998) argues the information obtained was greatly multidimensional and unstructured in its content. The usefulness of this approach was largely due to the fact that CSR was seen through the eyes of my interviewees and shaped by their own personal perspective. This approach does not try to represent everyone, for example to be statistically applicable it seeks to present the purposeful experiences of my interviewees as case studies. However, quantitative data was analysed due to the fact that some corporations compare themselves with quantitative indicators. The helpfulness of this approach was to compare numeric indicators and their progress over time. This approach was also used to compare corporation's indicators from different fields of expertise. Interviewees were carefully selected considering their corporation's CSR practices, backgrounds, availability, my time frame and resources.

2.2 Choice of setting

Mexico's unique geographical position makes it the host country for many TNCs headquartered in the USA; the country of origin of most TNCs in the world. These TNCs have the capacity to bring substantial benefits to societies in the developing world through job creation, revenues, technology transfer, delivery of goods and services (Eade & Sayer, 2006). For this reason it represented an excellent setting for my research on Corporate Social Responsibility and the opportunity to interview top executives from a diverse range of corporations.

Mexico's particular geographical position and by having one of the most attractive markets in the world as a neighbour country has awoken research interest in a multitude of academic studies and reports increasingly through the years. Not only is Mexico's economy one of the most powerful in the developing world (Murray, 2005), but it has experienced a non stable economy with periodic crisis and a constant lack of structural reforms for the past 78 years (Hiskey, 2005). Mexico finally finds itself today in a reform process with a strong financial system (Santiso, 2006), however, greatly immersed in the global financial crisis. Whatever perspective one decides to take, Mexico certainly has one of the most interesting social, economic and political settings in terms of research opportunities, and I consider myself privileged to be a Mexican conducting research in my home country.

2.3 Methods used

'Good research requires good design' (Murray and Overton, 2003, pp. 1) that is why my research was carefully planned with my supervisor and co-supervisor. The research process relies on a combination between primary and secondary data, which was collected in New Zealand and Mexico between December 2008 and August 2009. One of the main components of my research was the combination of an exhaustive literature review carried out in New Zealand at the Victoria University of Wellington's library and in Mexico at the University *Iberoamericana de Puebla*. The literature review enabled me to examine existing data on the general conditions of CSR. A comparative structure including the history of adoption, the motivation of CSR adoption, the CSR programmes, managing the CSR strategic process and the corporation's future plans was created in order to assess the corporations' and their CSR programmes under a structured scheme. The elements under this framework were brought together to draw similarities between theoretical research and practical findings. Also the creation of tables was used to highlight the most important findings and illustrate results. Prior to my trip I aimed to become familiar with the dynamics of CSR internationally and in Mexico. I was completely aware of the current situation and what challenges to expect in the data collection process. However, by focusing on articles related to CSR in local newspapers, management magazines and talking to family, teachers and friends on site

helped me enormously understand the broad range of issues CSR involved. This preparation helped me narrow my choice of aims and objectives for the thesis and define the kind of interviews I was going to carry out.

2.3.1 Primary research: Open-end interviews

My primary source of research data came from interviews constructed with a broad range of top executives from diverse corporations with different backgrounds but involved in CSR practices. It was important to examine and analyse in depth the design of the implementation of CSR practices in each and every one of the top executive's corporation before every interview. Using semi-structured open ended questions helped me gather more information and put the executive in a comfortable position avoiding a narrow and squared approach during the interview. Although, I carried out the same exhaustive investigation on each of the executives and their corporations, interview questions had to be modified according to the corporation and their CSR practices. Furthermore, interviews were adapted on site at the time of the interview according to the executives' feedback. The interviews took on average 50 minutes and were conducted in Spanish.

2.3.2 Finding interview partners

Although I arrived in Mexico with only a couple of interviews confirmed via e mail, I was able to interview 3 CEOs and 6 top executives from a variety of corporations including Mexican, North American and European transnational corporations. I also had the opportunity to interview a Mexican Senator. It did not take me long until I had my first interviews in Mexico City and Puebla and then the 'snowball' effect set in. After an interview some of my interviewees pointed out some other executives involved in CSR to interview. Fortunately, top executives and CEOs were the keenest on talking about their CSR practices and the challenges their corporations faced. However, it was rather unfortunate that lower level managers and the government officials directly involved in the design and implementation process of CSR practices were the most difficult to get a hold of. I had the opportunity to interview some of the most knowledgeable, admired

and out of the ordinary people I have ever met. The names and position of the top executives I interviewed are as shown in Table 2.1:

Table 2.1 – Interviewees

Name	Position/Institution	Date
Daniel Servitje	CEO of Grupo Bimbo	17/02/09
Martha Hernandez	Director of Institutional Relations of Grupo Bimbo	17/02/09
Gisela Noble	General Director of Fundación Wal-Mart de México	05/03/09
Mauricio Lara	Marketing Director of Unilever Mexico	05/03/09
Bibian Pinto	Quality Director of Africam Safari	05/02/09
Jose Guadarrama	Mexican Senator	11/03/09
Esteban Seleguan	CEO of Productos Pelikan	10/03/09
Regulo Salinas	Vice-President of Businesses at Ternium Mexico	02/04/09
Alida Cañedo	Marketing Director of Degort's Chemical	20/04/2009
Consuelo Minutti	Head of Corporate Communication of Volkswagen Mexico	06/02/2009

Source: Author

2.4 Reflection on the research process

Doing this field research in Mexico which is a Spanish speaking country and my home country gave me the necessary tools to lead to some profound research. Even though I had prepared a few interviews and done research on the companies that I wanted to interview, by no means was this enough due to the fast changing environment of the world in the midst of the global financial crisis. Therefore I had to make sure that research was focused on a recent approach and took into consideration the ever rapidly changing day to day circumstances. At first I thought that getting to talk to top executives and especially the CEO from a transnational corporation was going to be impossible, however, soon I found out the higher I got in the pyramid the more keen they were on talking to me about their CSR practices. By no means can I say that getting the interviews was easy, rather it was really hard work and stressful. However, at the end of each interview, the rich fullness and wisdom of my interviewees made it completely worthwhile.

Chapter 3 – The Corporate Social Responsibility approach - Introduction, Concepts and Context of Corporate Social Responsibility

3.1 Corporate Social Responsibility and the private sector

The private sector plays a key role in economic growth and wealth creation and is considered a pillar of development (Carroll, 2008). We know that in order to contribute to sustainable economic development the private sector must be competitive, and it is becoming increasingly clear that long-run competitiveness requires that companies become socially and environmentally responsible (Carroll, 2008). An increased number of companies worldwide are behaving more responsibly and contributing to efforts to alleviate poverty because it is good for business (Spector, 2008). If well implemented, corporate social responsibility (CSR) efforts can contribute to the creation of quality jobs, a responsible supply chain, transparency, the efficient use of natural resources and other positive outcomes that can also help reduce poverty (Spector, 2008). The most important contribution that the private sector can make to development is through the way it conducts business (Spector, 2008). However, engaging with stakeholders inside and outside the company can help influence business resources, skills, competencies, technology and networks, and increase the sector's contributions to development (Spector, 2008). As long as CSR is considered a part of the business strategy, the sector will be able to have a long term, sustainable, positive impact on growth, society and the environment (Carroll, 2008).

3.2 Corporate Social Responsibility concepts

CSR has a multitude of definitions. Carroll (2008) has put together the definitions of authors such as Frederick (1960), Walton (1967), Heald (1970), Votaw (1973) and Lockett et al., (2006) in perspective. As a new concept developed during the 1960s, William C. Frederick defines CSR as a public posture toward societies economic and human resources, and as willingness to see that those resources are utilised for broad social ends and not simply for the narrowly limited interests of private persons and firms (Frederick, 1960 cited in Carroll 2008). Davis (1960, cited in Carroll, 2008) sets forth his definition of social responsibility by arguing that it refers to: 'Businessmen's decisions

and actions taken for reasons at least partially beyond the firm's direct economic or technical interest' (Davis, 1960 cited in Carroll, 2008, pp. 27). Davis (1960, cited in Carroll, 2008) argues that social responsibility was a nebulous idea which should be seen in a managerial context. Further, he asserted that some socially responsible business decisions can be justified by a long, complicated process of reasoning. Also they have a good chance of bringing long-run economic gain to the firm, thus paying it back for its socially responsible viewpoint (Carroll, 2008). Clarence C. Walton (1967, cited in Carroll, 2008) goes on to emphasise that the essential ingredients of the corporation's social responsibilities include a degree of voluntarism, as opposed to coercion, and an indirect linkage of certain other voluntary organisations to the corporation. They need to, accept that costs are involved for which it may not be possible to calculate any direct measurable economic returns (Davis, 1960). For Walton (1967, cited in Carroll, 2008) the relatively new concept of social responsibility recognises the intimacy of the relationships between the corporation and society. It realises that such relationships must be kept in mind by top managers as the corporation and the related groups pursue their respective goals (Walton, 1967 cited in Carroll, 2008).

Towards the end of the 1960s business practices that might be categorised as socially responsible embraced topics as philanthropy and employee improvements for example working conditions, industrial relations, personnel policies, customer relations, and stockholder relations (Heald, 1970 cited in Carroll, 2008). By the 1970s Votaw thought the term Social Responsibility was a bright one; it means something, but not always the same thing, to everybody. To some it conveys the idea of legal responsibility or liability; to others, it means socially responsible behaviour in an ethical sense; to still others, the meaning transmitted is that of 'responsible for', in a casual mode; many of those who embrace it most passionately see it as a mere synonym for 'legitimacy', in the context of 'belonging' or being proper or valid; A few see it as a sort of duty imposing higher standards of behaviour on businessmen than on citizens at large (Votaw, 1973 cited in Carroll). In addition, Spector (2008) argues that despite 'an astounding ascendancy and resurgence' of interest in CSR worldwide, no one common universal definition of CSR exists today. CSR looks to promote 'positive social change'.

It accepts as necessary but not sufficient the triple requirements that corporations have such as its leaders to act legally, to meet economic requirements to shareholders, and to avoid harm to their consumers (Spector, 2008). CSR also asks corporations to take positive action to ensure that a portion of the economic resources they generate are redistributed both equitably and sustainably from private to public hands (Spector, 2008). In this way sustainability is achieved by taking into account the needs of multiple stakeholders in the organization as well as the global environment (Spector, 2008). More recent definitions according to Werther and Chandler (2006), CSR covers the relationship between corporations or other large organizations and the societies they interact with. CSR also includes the responsibilities that are inherent on both sides of these relationships (Werther and Chandler, 2006). CSR defines society in its widest sense, and on many levels, to include all stakeholders and constituent groups that maintain an ongoing interest in the organization's operations (Werther and Chandler, 2006).

Similarly to Spector, Peinado-Vara (2005), understands CSR to be the corporate practices that complement and support main business activities and explicitly seek to avoid damage and promote the well-being of stakeholders by complying with the law and voluntarily going beyond it. CSR is a 'growing movement that remains in its infancy' argues Peinado-Vara, (2005, p.1) and to make further progress the investment climate and the institutional capacity of governments and civil society has to be improved, as well as 'adapt the CSR agenda to the specific needs of each country' (Peinado-Vara, 2005, p.1). Sen and Bhattacharya (2001) define CSR as 'the managerial obligation to take action, to protect and improve both the welfare of society as a whole and the interest of organizations' (Sen and Bhattacharya, 2001, p.226). Taking this in consideration Sethi's (1975 cited in Carroll, 2008) schema argues that social obligation is a corporate behaviour 'in response to market forces or legal constraints' (Sethi, 1975 cited in Carroll, 2008, p.31). The criteria here are simply economic and legal constraints (Carroll, 2008). Social responsibility, by contrast, goes beyond social obligation (Carroll, 2008). Social responsibility implies upgrading corporate behaviour to a level where it is aligned with prevailing social norms, values, and expectations of performance (Carroll, 2008). It can be said that, few subjects in management has provoked as much

controversy and contestation as CSR (Lockett et al., 2006). Despite the lack of one universal definition of CSR, corporate social responsibility can be portrayed as in a continuing state of change (Lockett et al., 2006). It is a phenomenon that can bring great advantages to businesses and societies in the developing and developed worlds (Lockett et al., 2006). Furthermore, the larger a corporation becomes, the greater are its responsibilities (Lockett et al., 2006).

3.3 Corporate Social Responsibility before the 1950s

During the period between the 1800s to the mid 1950s, emerging businesses were especially concerned with the labour workforce and how to make employees more productive (Carroll, 2008). According to management historian, Daniel A. Wren, there were criticisms of the emerging factory system in Great Britain, particularly regarding the employment of women and children (Carroll, 2008). And these same issues occurred in America as well (Carroll, 2008). Reformers in both countries perceived the factory system to be the source of numerous social problems, including labour unrest, poverty, slums, and child and female labour (Carroll, 2008).

Authors such as Logsdon (2006) and Carroll (2008) argue that the roots of the concept that we know today as CSR has a long and wide-ranging history. This is mostly a product of the twentieth century, especially from the early 1950s up to the present (Carroll, 2008). It is however, possible to see some evidence of CSR around the world including in developing countries a long time before the 1900s (Logsdon, 2006). Most early writings in the twentieth century came from the United States and since then, a huge amount of literature has emerged (Logsdon, 2006). Nevertheless, during the past decade, Europe has become a strong driver of CSR in the western world and has been taken seriously by social concern, often manifested in the form of formal writings, research, conferences, and consultancies (Carroll, 2008).

3.4 Theory of where Corporate Social Responsibility came from

Some authors argue that CSR theory is relatively new, considering that it 'started' in the 1990's (Mele, 2008). A considerable body of literature on CSR has emerged from these studies. The first theory put together by the author Mele (2008) argues that the

four theories compelling CSR consist of: the theory of corporate social performance, a theory that has its roots in sociology; Shareholder value theory or fiduciary capitalism, which come from economic theory; Stakeholder theory with roots found in ethical perspectives and Corporate Citizenship theory which has roots in political studies. However, Klonoski (1991 cited in Mele, 2008) identified three different kinds of groups in CSR. He calls the first group 'fundamentalism' (Mele, 2008). In the first group he claims that in one way or another, corporations are only legal artefacts and the only social responsibility of business is creating profits while complying with laws (Mele, 2008). In the second group corporations can be held morally responsible for all of their actions (Mele, 2008). And the third group considers theories in which the social involvement of corporations is particularly relevant (Mele, 2008). However Carroll (2008) argues that as businesses have been growing rapidly since the 1940s and World War II started, corporations thought that by becoming an anti-communist institution, was its social responsibility. For many years it was often referred to more as social responsibility (SR) instead of CSR (Carroll, 2008). Yet, this was possibly because the age of the modern corporation's dominance had not yet occurred as noted today (Carroll, 2008).

3.5 What is Corporate Social Responsibility?

Many of the main questions at the heart of CSR are as old as business itself, such as what is a business for? And what contribution does it make to society? (Handy, 2002). Now there are a whole range of attractive and interesting labels that cover the same or similar territory as CSR, such as: corporate citizenship (CC), sustainable business, corporate responsibility (CR), and corporate social performance (CSP) (Handy, 2002). Under this topic, researchers do not share a common definition or a set of core principles, and still they argue about what it really means to be socially responsible, or even whether firms should be socially responsible (Carroll, 2008). CSR has manifested in several ways and its literature has been growing rapidly (Carroll, 2008). Today, there is evidence that CSR campaigns have been established all over the world through Western corporations such as British Petrol, McDonald's, Nike, Shell, Exxon, but also in Asian, African, and Latin American corporations, as well as small and medium-sized companies (Carroll, 2008). These are not the only institutions attempting

to encourage investment in CSR (Carroll, 2008). There are also governments and intergovernmental organizations encouraging the implementation of better reporting social impacts by corporations while expanding public policies (Carroll, 2008). Nevertheless not everyone looks at CSR in the same way. Sahlin-Anderson (2006, cited in Carroll, 2008) argues that there is a mixture of unclear movements in CSR progression. Whilst some see it as a framework of weak regulation that places new demands on corporations, still others see it as a management trend and others see it as a way for corporations to assist in the social and economic development of a country (Carroll, 2008).

Many contributions to the growing literature on CSR can be found in journals (Carroll, 2009). Some of these are published in mainstream management journals that include: The Harvard Business Review, The Academy of Management Journal, The Academy of Management Review, and California Management Review (Carroll, 2008). These developments towards mainstream acceptance of CSR not only apply to US based management journals, but also in Europe, where in recent years more CSR related research has been published (Carroll, 2008). Nevertheless, other journals focusing on sustainability, environmental management and corporate governance exist while successfully contributing to the wider CSR debate (Crane et al., 2008b). In addition to these neighbouring fields in management, there is also a considerable debate on CSR in different topic journals such as in law, sociology, economics, politics and international relations (Crane et al., 2008b). While most journals are published in North America and the UK (Crane et al., 2008b) there is a considerable debate on CSR going on in various developing countries and non-English speaking countries such as in the French *Revue Ethique de Affaires*, the German *Zeitschrift fur Wirtschafts und Unternehmensethik*, the Italian *Etica degli Affari e delle Professione* (Carroll, 2008) and the Mexican *Union Social de Empresarios Mexicanos (UNSEM)* (De la Pena, 2008). The Mexican UNSEM journal 'La revista social del empresario' looks to encourage an ethical vision of business activities through well thought strategies and methodology (De la Pena, 2008). For some years now, It has been a tool to provide executives with useful up to date information not just only about business, but, about the environment and the community (De la Pena, 2008). All of this with the objective of giving decision

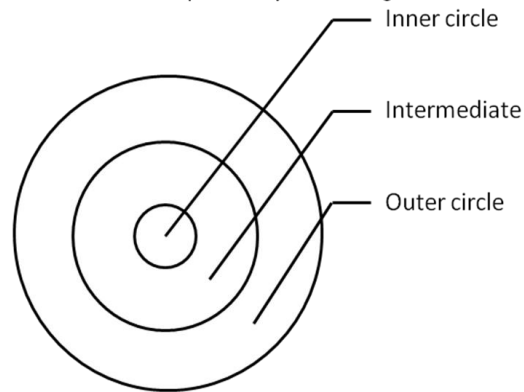
making executives clear and concrete ethical strategies for the well being of society and business (De la Pena, 2008).

In Western academia as Carroll (2008) argues, the CSR debate is an American idea that reflects the specific understanding of the role of governments, civil society, business and markets. As this idea is certainly true with regard to the origin of the CSR debate, there are some authors such as Logsdon et al., (2006) that would disagree with this affirmation. However, if this is the case as Carroll (2008) argues, that is why it is not hard to understand that the majority of the contributions are authored by scholars based at academic institutions in the USA. The Committee for Economic Development (US CED, 2009) is an 'American non-profit, non partisan business led public policy organisation' (USCED, 2009). This non-profit organisation is dedicated to policy research on major social and economic issues of our time and the implementation of the public and private sectors (USCED, 2009). Its members include 200 senior corporate executives and university leaders (USCED, 2009). CED notes that there was substantial change in society and business during the 1970s (Carroll, 2008). CED argues that business was being asked to assume a broader responsibility with in society, inasmuch as business exists to serve society and its future depends on the quality of the management's response to the public expectations (Carroll, 2008). Therefore, the CED came up with the three concentric circles notion of social responsibility which includes 'the inner circle, the intermediate circle and outer circle' (Carroll, 2008).

As shown in Figure 3.1 the inner circle holds the basic responsibilities for the efficient execution of the economic purpose of the firm, such as economic growth (Carroll, 2008). The intermediate circle consists of the awareness of changing social values and priorities for example the environment, relationships with employees, consumer information, fair treatment (Carroll, 2008). And the outer circle outlines the numerous ways that business should assume to become more broadly involved in improving the social environment for example poverty and malnutrition (Carroll, 2008).

Researchers have studied the impact of accidents on firms' reputation for social performance. Zyglidopolous (2001 cited in Carroll, 2008) found that accidents and their complexity play a role in social performance reputation perceptions. Authors came up with best practices that can well assist

Figure 3.1 Business Responsibility according to CED



Source: Adapted from USCED (2009)

companies with their CSR programs (Carroll, 2008). These include: Corporate philanthropy (the contribution directly for a cause), 'Corporate social marketing' (the behaviour change initiative), 'Cause-related marketing' (the contribution to causes based on sales revenue), 'Cause promotion' (to increase the awareness and concern for social causes), 'Community volunteering' (the employees donating resources to their local community) and 'Socially responsible business practices' (discretionary practices and investment to support a cause) (Kotler and Lee, 2005, cited in Carroll, 2008, pp. 40-41). Of these best practice initiatives some are more voluntary adopted than others. There have been some corporations that have been under legal and regulatory pressure to adopt them (Carroll, 2008). Worldwide, there appears to be divergences of commitment and management practice, even in areas such as labour standards, fighting bribery, environment and human rights (Carroll, 2008). Stainer, (2006) argues that in today's world of extreme global competition, it is clear that CSR will only be sustainable as long as it contributes to add value to corporate success (Stainer, 2006). Nevertheless, there is to say that society, or the public plays an increasingly important role in what constitutes business success, and for that reason, CSR has valuable importance (Stainer, 2006). And so, pressure over business competition will not cease, yet, it will increase, indicating that CSR has much ground to go through during incoming years (Stainer, 2006).

3.5.1 Example of paternalism

Paternalism is broadly defined in dictionaries, the World Wide Web and journals. In this case, the business dictionary (2009) defines paternalism as acting like a father to control, protect, and reward in return for loyalty from his employees, followers or subordinates. However, as a behaviour pattern it may or not be justified under certain circumstances and may be a violation of a moral rule of conduct (Carroll, 2008). A real case example of paternalism is illustrated by Heald (1970 cited in Carroll, 2008). The owner of Pullman Palace car company Mr. George M. Pullman created a community town that enlightened business policy (Heald, 1970 cited in Carroll, 2008). He built houses, a church, a casino and a hotel with building standards far more advanced from that time (Heald, 1970 cited in Carroll, 2008). Mr. Pullman invested in improving living conditions of his employees and their families, and, this all resulted in an improved capacity for attracting and retaining employees in his company (Heald, 1970 cited in Carroll, 2008). Another good example of early social responsibility initiatives from the same author was the Young Men's Christian Associations (YMCA) a movement that started in London in 1844 and quickly spread out to the United States (Carroll, 2008).

3.5.2 Corporate Social Responsibility commitment

The business commitment as authors such as Marta (2007), Husted and Allen (2007a) and Mele (2008) argue should be to contribute to sustainable economic development, working with employees, the local community, society at large and to improve their quality of life. Also, this commitment to CSR should be viewed as a tool to help build a good and sustainable corporate reputation (Husted and Allen, 2007b). Common questions surrounding CSR is How can corporations be commercially successful in an intense competitive world? How can CSR balance the economic, legal and environmental concerns? And how will CSR pay off? These questions, acknowledge the four primarily dimensions of ethical thinking such as ethical awareness, moral intent, principled judgment and responsible action (Mele, 2008). However, a broader understanding of CSR makes you realise that there is no one answer because often, there is no single starting point (Husted and Allen, 2007b). Taking past research into consideration, CSR is a tool that depending on how it is used,

can be of strategic advantage for a corporation and society (Husted and Allen, 2007b). Corporations should ask themselves a few key questions about their CSR practices which may include:

- 1) What is the corporation currently doing that is irresponsible or responsible?
- 2) What will the cost benefit from adopting CSR?
- 3) What is the core argument to adopt CSR?

Husted and Allen (2007b) suggests that too many organizations have failed to create a strong business strategy to go beyond their competition, retain, expand, and attract the loyalty of new customers and while at the same time gain market share. An important part of achieving the corporation's goals includes having a strategy (Porter and Kramer, 2006). Having a strategy is all about the process of making correct choices as well as about how to allocate scarce resources, all being effectively harmonised to CSR (Porter and Kramer, 2006).

3.6 Global perspectives on Corporate Social Responsibility

'In a democratic state, only those institutions which so conduct themselves as to deserve, secure, and hold public confidence can survive and prosper' (Ibid., 34 cited in Spector, 2008, pp. 325-326).

Corporate power is a reality in the 21st century. A frequently used statistic is that half of the world's largest economies are corporations, not nation states (Bendell and Kearings, 2005). Even though the functions of the state system are frequently contested, it is generally said that in capitalist societies the role of the state is to set the preconditions for the proper functioning of markets (Scherer and Plazzo, 2008). Clearly business firms have to obey the law, which at the same time is the minimum social responsibility of businesses. (Scherer and Plazzo, 2008). As the state system continues with its inefficiencies, there is an increased demand for businesses to be socially responsible (Scherer and Plazzo, 2008). Corporations are asked to act according to the law when enforcement is weak and some authors argue that they even have to go beyond what is required by law, when the legal system is imperfect or incomplete

(Scherer and Plazzo, 2008). With the phenomenon of globalisation, it seems that the negative consequences of businesses have intensified, as has the public call for corporate responsibility (Parker, 1998 cited in Scherer and Plazzo, 2008). Ironically today, businesses are not just considered what McWilliams and Siegel (2001) call 'bad guys', causing environmental disasters, social ills or financial scandals. But they are at the same time considered the solution to global regulation and social problems (McWilliams and Siegel, 2001). There is to say, that the global framework of rules is far from being complete (McWilliams and Siegel, 2001). Therefore businesses have the extra political responsibility to contribute to the development and proper working of global regulation (McWilliams and Siegel, 2001).

The developing world and especially Latin America seems to be heavily influenced by guidelines from multinational headquarters, multilateral institutions, international and non government organizations (NGOs) (Haslam, 2004 cited in Peinado-Vara, 2005). During the 1960s the developing world has seen an increase in efforts to regulate foreign investment in the developing world (Peinado-Vara, 2005). During the 1980s, the increased mobility of capital permitted transnational corporations (TNC) to exploit weak regulatory differences between states and allocating or reallocating their production facilities in countries where their conditions were more favourable (Peinado-Vara, 2005). As a cause of this, in the developing world, competition against deregulation increased in order to attract foreign direct investment (FDI). (Bakan, 2004 cited in Jenkins, 2005). The fact today is that CSR has been largely driven by trade unions, consumers, shareholders and NGOs in the North (Jenkins, 2005). The concerns of such groups tend to be the same towards environmental impacts, working conditions and human rights (Jenkins, 2005). As a result, companies became concerned for their reputation from media exposure for corporate malpractice (Jenkins, 2005). This shift ended in the creation of the Millennium Development Goals (MDGs) by the UN which focuses mainly on eradicating poverty and hunger, achieving universal primary education, promoting gender equality, reducing mortality, improving health and ensuring environmental sustainability (UN, 2009). Therefore, Jenkins (2005) argues that in today's world there are grounds to affirm that if corporations only seek financial benefits they would not meet the social objectives. On the other hand, a

socially responsible corporation would seek to go further than the financial gains in order to ensure a wider spread of benefits (Jenkins, 2005). Antonio Vivos (2004, cited in Jenkins, 2005) goes even further to say that by its pure nature CSR is development done by the private sector and it complements perfectly the development efforts of multilateral institutions and governments.

Porter and Kramer (2006) argue that governments, activists and the media have become important agents of holding corporations accountable for their actions. As we have seen in a globalised world the power of the state to regulate economic behaviour and conditions for market exchange is limited (Porter and Kramer, 2006). Corporations need to analyse their prospects for CSR (Porter and Kramer, 2006). CSR can be much more than just a cost, a constraint, or a charitable action (Porter and Kramer, 2006). In fact, CSR can be a source of opportunity, innovation and competitive advantage for the corporation (Porter and Kramer, 2006).

A sound modern perspective of the emergence of CSR arose only after corporations were surprised by public responses to issues they had not previously thought were part of their business responsibilities (Porter and Kramer, 2006). Nike for example faced a massive boycott after the New York Times published a story about the abusive labour practices at its Indonesian suppliers in the early 1990s (Porter and Kramer, 2006). Another example today is fast-food companies and how they are being held today responsible for obesity and poor nutrition (Porter and Kramer, 2006). Nevertheless, while corporations are aware of these risks, they have much less clear ideas of what to do about them and through Porter and Kramer's (2006) words corporate responses today have been neither 'strategic nor operational but cosmetic' (Porter and Kramer, 2006, pp. 2); such as public relations, media campaigns and cause-related marketing.

Reputation has been one of the causes for many corporations to justify CSR initiatives in order to improve the corporation's image, strengthen its brand or even raise the value of its stock (Husted, 2005). According to Carroll (2008), stakeholder theory says that corporations should operate in ways that secure long term economic performance by avoiding short term behaviour that is either environmentally wasteful or

socially irresponsible. Therefore executives without a clear strategic understanding of CSR can lead them to far greater costs when the company is being judged for its violation to social obligation (Porter and Kramer, 2006). In order to take CSR a step further, we must broadly understand the relationship between a corporation and society while at the same time grounding it in strategies and activities of specific corporations (Porter and Kramer, 2006). There is to say that a healthy society needs successful corporations (Husted, 2005). And no social program can overcome the private sector when it comes to job creation, wealth, innovation and improving the standards of living conditions over time (Husted, 2005). If either a business or a society pursues policies that will benefit the interests at the expense of the other, in the end it will find itself in dangerous grounds, since, windfall gains in expense of each other, will undermine the long term prosperity of both together (Porter and Kramer, 2006). 'A company's impact on society also changes over time, as social standards evolve and science progresses' (Porter and Kramer, 2006, pp. 5). No longer can corporations be satisfied with minor or current social impacts of today without a careful process of analysing the evolving social effects of the future, because it might jeopardise their very survival (Porter and Kramer, 2006).

A corporation needs to choose which social issues it will address. And society needs to be aware that

'No business can solve all of society's problems or bear the cost of doing so. Instead, each company must select issues that intersect with its particular business. The essential test that should guide CSR is not whether a cause is worthy but whether it presents an opportunity to create shared value - that is, a meaningful benefit for society that is also valuable to the business' (Porter and Kramer, 2006, pp. 6).

Organising and integrating business and social needs takes a lot more than good intentions and strong leadership (Spector, 2008). It requires strategic adjustments in organization, relationships and meaningful incentives. The emphasis must move from an emphasis on image to an emphasis of essence (Spector, 2008). Strategy has been always about choices and success in CSR is no different. It is all about which social

issues the strategy is going to focus on (Spector, 2008). Organizations that build long-term investment to make the right choices and build focused positive and integrated social initiatives aligned with their core strategies will increase its distance from its competitors (Spector, 2008), for example Porter and Kramer (2006) argue that Volvo chose to make safety the primary element of its competitive positioning, while Toyota chose to build its competitive advantage around environmental benefits of its hybrid technologies.

It has been argued that successful corporations have a deep and positive influence on society by providing jobs, investing capital, doing business every day, selling and purchasing goods.

‘Corporations are not responsible for all the world’s problems, nor do they have the resources to solve them all. Each company can identify the particular set of societal problems that is best equipped to help resolve and from which it can gain the greatest competitive benefit. Taking this into consideration, when a well run business applies its vast resources, expertise, and management talent to problems that it understands and in which it has a stake, it can have a greater impact on social good than any other institution or philanthropic organization’ (Porter and Kramer, 2006, pp. 13).

It is constantly argued by Spector (2008) that no business would prosper if its only concern is to make as much profit as fast as possible, without any concern of other moral values. For this corporations need to integrate a business strategy that goes along with social, environmental, and financial performance, with responsible practices in the corporation’s core strategy while at the same time adopting a leadership role with society and the environment (Peinado-Vara, 2005). It is known that few companies have really attempted to adopt a comprehensive CSR strategy for example initiatives dealing with corporate environmentalism rarely encourage consumers to adopt different consumption patterns that would represent a strong reduction on environmental degradation (Utting, 2000). And other times executives argue that contributions to

sustainable development represent an extra task that goes beyond a corporation's core activities (Hahn and Scheermesser, 2006).

The bottom line is that sustainable development involves far more than environmental protection (Utting, 2000). And there are suggestions that any corporation that is seriously committing to sustainable development needs to demonstrate a degree of consciousness progress in six areas (Welford, 1997 cited in Utting, 2000). These relate to environmental performance, the empowerment of employees which consists of labour rights and workers' participation, economic performance which consists of sustained profitability, employment generation, fair wages, ethics consisting of codes of conduct, transparency, stakeholder accountability, equity consisting of fair trade and treatment of stakeholders and education consisting of information dissemination and participation in campaigns (Welford, 1997 cited in Utting, 2000). Further, as Gonzalez-Gutierrez (2008) argues that CSR and environmental regulation can stimulate the creation of new niche markets such as environmental consulting, recycling waste, production, installation and operation of clean technologies. Also these technologies need to bring balance between profits and sustainability.

In Latin America, for example, there have been many 'success stories' in CSR literature so called by Levy (1995, cited in Utting, 2000). Environmental certification is often misplaced as it relates to the fact it is evaluated on environmental management and not environmental impact such as 'Does your company have an environmental policy? Not to what extent has your company reduced its emissions or use of energy?' (Utting, 2000 pp. 15) surprisingly this is the result of a study of many Northern TNCs based on the United States (Levy 1995, cited in Utting, 2000). Another problem noted within large corporations is the narrow focus on one particular aspect for example, environmental protection and ignoring of other issues like labour conditions (Utting, 2000). Even though the CEOs of these large leading corporations mention its commitment to the triple bottom line or 'three legs' representing financial, environmental and social goals (Barkin, 1999 cited in Utting, 2000). Here the problem with this approach is that these three legs are by no means even (Barkin, 1999 cited in Utting, 2000).

There has been considerable debate regarding the 'win-win' situation that environmental improvements can do for reducing costs in a firm (Utting, 2000). For certain corporations this is true, although, especially for medium and small enterprises this may not be the case (Utting, 2000). In fact medium and small enterprises find themselves in the need to find innovations simply to be in business, rather than gain an additional competitive advantage (Utting, 2000). Even large corporations may find it difficult to economically justify improvements in environmental management systems (Utting, 2000) for example; the CEO of Productos Pelikan agrees that he sees these environmental upgrades as an 'investment for the future. Further, the fulfilling of environmental standards cannot be seen as a cost but rather as an investment' (Seleguan, 2009).

Foreign direct investment (FDI) plays an important role on any country's growth (Jenkins, 2005). While some authors find a positive relationship between FDI and growth, others point out that it largely depends on the capability of the host country to absorb it (Jenkins, 2005). For example, Jenkins (2005) argues if FDI does lead to greater growth and prove that it is not offset by increased income inequality, then an increase of FDI will lift some people out of poverty. As Jenkins (2005) argues this result tells us little about the relationship between FDI and poverty reduction.

In sum, the 'business case' for CSR is made clear as outlined in this chapter, for example the engagement of a corporation in social responsibility is considered similar to an investment in the profit-making of the corporation (McWilliams and Siegel, 2001). The behaviour of the corporation needs to be aligned with the rules of the game set by the state and defined by the morality of today's global-local social community (Utting, 2000).

3.7 Cultural, national factors that shape Corporate Social Responsibility

There seems to be in general, a great disparity between what Corporate Social Responsibility is supposed to mean and what the academic community and business practitioners think (Carroll, 2008). The interpretation of CSR often changes in the area of strategic management especially in relation in today's global scenario due to the fact

of varying national and cultural factors (Logsdon et al., 2006). The fundamental motive for CSR is how it shows the ethical principles, can improve reasoning and harmonise decisions, especially in complex situations and with this, enhance performance. In order to operate in its own best interests, an organisation needs to show enthusiasm in accepting the responsibility of its image and sustainable reputation (Logsdon et al., 2006). In today's world, CEOs from corporations should take the opportunity to reorder and reinforce their own social contracts in order to secure the billions of that their shareholders have invested in the company (Logsdon et al., 2006). As O'Connor (2001 cited in Carroll, 2008) suggests, if a corporation has a doubt of how to act, the safest thing is not to do it, because corporations have to take responsibility for what they do. Also corporations are realising that their most important assets are human capital and the 'know-how' that resides in its work force, therefore, an important objective from corporations should be to stimulate human capital (O'Connor, 2001 cited in Carroll, 2008). There are considerable communicational advantages in keeping performance management closely aligned to current organisational strategies and objectives (Carroll, 2008). Cataline et al., (1999, cited in Carroll, 2008) suggests that if there is management focused on results and backed by commitment in the firm, it can deliver great benefits in order to become great firms. Peters (2000, cited in Carroll, 2008) argues that great firms do not always believe in excellence but rather in constant improvement.

3.8 Summary

Authors such as Frederick (1960), Walton (1967), Heald (1970), Votaw (1973), Lockett et al., (2006) and Carroll (2008) argue that CSR has multitude definitions 'because when it comes to CSR context matters' (Logsdon et al., 2006, pp. 59). In today's world of ever intense worldwide competition CSR can be sustainable only if it continues to add value to corporate success. Nevertheless it must be observed that civil society plays an increasingly vital role on corporate success, not just managers alone (Carroll, 2008). For this reason 'CSR has an upbeat future in the global business arena' (Carroll, 2008, pp. 42). Interestingly the overall impression worldwide in CSR is its importance as a social phenomena, with growing controversy and debate coming from

the CSR agenda (Carroll, 2008), which is why for further understanding of this phenomena the next chapter discusses the drivers and consequences of CSR.

Chapter 4 – Drivers and consequences of Corporate Social Responsibility in developing countries

4.1 Introduction – Corporate Social Responsibility in a developing country context

This chapter explores some of the key drivers of CSR in the developing and developed world with an overview of Latin America. The chapter goes on to present the particular case of Mexico and the North American Free Trade Agreement (NAFTA), some of the limitations to CSR and the competitive advantage of CSR for corporations. The aim of this chapter is to give the reader some background of the Mexican context and CSR in Mexico. De Oliveira (2006 cited in Jamali and Mirshak, 2007) argues that Latin America is the least explored region in the developing world regarding CSR. CSR literature in Latin America mainly focuses its attention in Mexico, Brazil and Argentina. CSR in Latin America has been shaped by the socio-economic and political conditions of each particular country. Conditions in each country vary from environmental and social problems such as deforestation, income inequality, unemployment and crime (Jamali and Mirshak, 2007). The author Schmidheiny (2006 cited in Jamli and Mirshak, 2007) argues in a constructive way claiming that CSR is seen in various Latin American countries as a hope for positive change in the actual face of poverty, environmental degradation, economic stagnation and corruption. In developing countries CSR is most commonly related to philanthropy or charity (Porter and Kramer, 2002). Also providing an economic contribution is often seen as the best effective way for a corporation to make a difference on society for example job creation, taxes, technology transfer and investment. There are a variety of issues that deserve the attention in the pursuit of CSR in the developing world. The key here is to create 'shared value' for each of these issues. Implementation of CSR is key because it allows companies to use their unique competences to meet unique demands of the industry and place in which they interact (Wall, 2008).

4.2 Drivers of Corporate Social Responsibility

There are many internal and external factors driving CSR in the developing world such as: governance gaps, consumers, top executives, cultural traditions, economic crisis, international standardization, investment incentives, market access, supply chain, shareholder activism, however, some of the most important factors will be explained in more detail as follows.

4.2.1 Top Managers

Top managers are key drivers of CSR in both the developing world and in the Western world. As a matter of fact, consumers are more negative to CSR practices than to positive CSR information. It has been argued by Swanson (2008) that all consumers react negatively to negative CSR information, whereas only those loyal and supportive consumers to CSR react positively to CSR information. Therefore top executives need to be careful about managing public awareness from irresponsible practices. One of the rationales for the type of leadership needed to seek socially responsible goals is that corporations are granted power and social status in society because of their ability to serve the community (Utting, 2000). Consequently, the enhancement of CSR policies most of the times relies under the decision of top managers such as the executive manager or the chief executive officer (CEO). These managers are in control of setting the organisation's conduct in society whether to support CSR policies or not. It is important to note that the executive has the access and power to various mechanisms for redirecting or directing the organisational conduct towards a more committed constructive social practice, for example redirecting its formal structural organisation. Also corporations have been increasing their influence on the government in the form of political sponsorship including contributions to election campaigns (Carroll, 2008). This influence has been argued by Carroll (2008) to result in legislation that sometimes tends to favour business interests. Executives have the power to align social concerns with the engagement of the corporation in their organisational decision-making process. Furthermore internal and external pressure may exist in the adoption of a responsible decision-making process such as the board of directors, public pressure, public policy and its various stakeholders (Porter and Kramer, 2006).

4.2.2 Consumers, Market access and Supply chain

Consumers are keen on rewarding a company perceived as socially responsible; this is why they become vital drivers of CSR (Smith, 2008). Negative consumption might appear from consumers as a punishment to a company that is perceived as irresponsible. These so called ethical purchasers that have political, religious, spiritual, social, environmental or other personal motives for directing and influencing their purchase for one product over another. These types of consumers are concerned with the effects of purchasing a certain product, not only on themselves as consumers, but also in their own personal environment. However, it must be said that consumers in developed countries have much more consumption power over a firm's performance than in developing countries because in developing countries consumers more often are not aware of corporate actions and sometimes have less product choices (Smith, 2008).

Another driver for CSR is the opportunity to access a determined market. In the developing world CSR becomes an enabler for companies to try and access markets in the developed world for example Mexican companies exporting to Western Europe meeting EU's environmental standards. Araya's (2006, cited in Visser, 2008) survey of CSR in 250 large Latin American corporations found that businesses with an international orientation were almost five times more likely to report CSR practices than companies targeting the local and regional markets. This is particularly relevant as more and more companies from emerging countries are entering globalisation and needing to comply with international requirements for example international stock market listing requirements, sustainability performance reporting, international standards and CSR code compliance (Visser, 2008). Visser (2008) argues that CSR has been sometimes the trigger to partnerships in creating or developing new markets in the developed and developing world.

Another significant driver of CSR in the developing world, especially among medium and small size companies, is the requirements being imposed by multinationals on their supply chains. The author Johnson (2004, cited in Visser, 2008 pp. 488) called it the 'Wal-Mart effect' where leading retailers in local and international markets are committing to promote sustainability and responsibility through their suppliers.

4.2.3 Government, cultural tradition and socio-economic priorities

One of the most important reasons why corporations commit to CSR is to be trusted by society. Another primary reason is to offset the threat of regulation. Some corporations fear that if they do not attempt to find prompt solutions to local problems, the government will take responsibility for itself. For this rationale corporations prefer to be a step ahead of government regulation, to anticipate social pressures and take advantage in developing their own policies in response to these social pressures (CBI, 1981 cited in Moon and Vogel, 2008). Governments have the important task of setting the preconditions of the business climate where corporations operate. It is important to note that if corporations are willing to move responsibly towards CSR and take advantage of the opportunity that it represents, then governments would have to move towards a more rewarding legal environment for these corporations (Visser, 2008). This should be achieved in a way that the new regulation delivers value to those responsible corporations by putting incentives in the right places to create value for society (Visser, 2008). By aligning private profit with society, governments can help deliver inclusive shared value. This change would have to be a recognition that governments, corporations and society can each contribute in their own different ways to a healthy economy and society. In order to achieve the best results, governments need to seek solutions on how to work with corporations and not against corporations. Seeking to cooperate and work with each other, is a way to create shared value, because, good regulation is essential and there should be no collusion between the state and businesses (Visser, 2008). A key element in the relationship between the state and businesses is to find shared solutions to common problems by taking a cooperative approach (Visser, 2008).

Several governments have looked for promoting global CSR through requiring corporations to report on their social and environmental policies and practices, however, this is most commonly in the developed world (Moon and Vogel, 2008). In the developing world efforts on fighting corruption by the private sector are likely to fail unless the local government improves its own governance. A study from the World Bank argues that, for CSR in a developing country to be effective in improving labour,

environmental and social practices the local government has a critical role to play (Moon and Vogel, 2008). Therefore, the improvement of the capacity of the local government is a key condition for improving the impacts of CSR (Ward, 2004 cited in Moon and Vogel, 2008). CSR is highly contextual and strongly depends on the country and the state of governance of that time. As a result of this, managers need to take a 'very close look' at the participation of local governments on CSR policies.

Some believe that CSR is a Western invention, and this affirmation may be greatly true in its modern conception. However, there is plenty of evidence to show that CSR in the developing world is deeply grounded in indigenous communities, cultural traditions of philanthropy and business ethics (Visser, 2008). To put it in perspective in Latin America the authors Logsdon et al., (2006) argue that three myths 'influence the perceptions of outsiders to Mexico's economy and society. One myth is that CSR in Mexico is new, another is that US firms brought CSR to Mexico, and a third is that CSR as practiced by Mexican firms simply reflects the CSR patterns and activities of US firms' (Logsdon et al., 2006, pp. 52). Past research from the same authors 'indicates that CSR in Mexico is not new and was not brought to Mexico by US firms. Further, Mexican CSR is not identical to CSR patterns found in the United States because the Mexican context is quite different' (Logsdon et al., 2006, pp. 52). In addition, by looking at more modern applications of CSR in Vives's (2006 cited in Visser, 2008) survey of over 1000 small and medium sized companies in Latin America, the result was that some of the major motivations for CSR were rooted in religious beliefs. There are authors such as Schmidheiny (2006, cited in Visser, 2008) that argue that another factor that shapes the operation of the firm is the socio-economic environment. However taking in consideration all of these factors, locally developed CSR approaches are more likely to respond to the local problems of the developing world in areas such as deforestation, unemployment, income inequality and crime (De Oliveira, 2006 cited in Visser, 2008).

4.3 Corporate Social Responsibility conditions and barriers

4.3.1 Education as a condition for Corporate Social Responsibility

The author Zagal Arreguin (2008) argues that the social responsibility does not come from the company, but from the people in charge of it. In other words, CSR is learned at home, not at the office. Therefore, what we need is meaningful education from the people. Top executives need to be willing to listen to society's needs and then act. Corporations, effectively as seen in the previous chapter have the capability to positively impact society. However, it is in hands of those who manage corporations to act and ensure this positive impact occurs. From all this, we can be certain that education is a condition for CSR. Only through a meaningful ethical and academic education can CSR become a reality and be sustainable. If we really want CSR to succeed, we will have to adopt education as a pillar of CSR, because, before any commercial strategy or principle manuals, corporations need people with ethics (Husted and Allen, 2007b).

4.3.2 Barriers to Corporate Social Responsibility in Mexico

The business context in Mexico is locally shaped by its long history and the polarisation of the developed and the developing world conditions, for example poverty, income inequality and high levels of unemployment. Some of the key factors limiting regulatory effectiveness in Mexico are: the lack of institutional stability as government agencies change radically after the 6 years term with the election of a new president; poor implementation of regulatory instruments due to the lack of political effectiveness; deficiencies among government agencies; the existence of corruption; and many government institutions being too centralised in Mexico City with lack of regulatory capacity in other states (Acutt and Medina Ross, 2004). Some countries share these points especially in the developing world. However, in Latin America some other factors shape the local context: the lack of strong sanctions to enforce compliance; budget cuts; a history of non-disclosure and secrecy; a culture of command and control and a lack of political leadership for sustainable development. In Mexico political transition and institutional reforms has resulted with the growing impact of economic globalisation.

Mexico has been experiencing significant macroeconomic policy favouring a greater integration to international markets for example NAFTA, export promotion, privatization and trade liberalisation. Taking the last example in consideration, the combination effect of the NAFTA agreement and economic globalisation have lead to stronger environmental standards as a result of new production centres (Husted and Logsdon, 1997). There are also more internal and external factors influencing the implementation of CSR in Mexico such as table 4.1 shows:

**Table 4.1 The external and internal drivers of Corporate Social Responsibility
in Mexico**

External drivers	Internal drivers
<ul style="list-style-type: none"> • The corporate image with local authorities, direct consumers, clients, communities and suppliers. • Environmental regulations and international standards. • More demand from foreign markets. • Increased pressure from large corporations and stakeholders. • Competitive factors such as gaining or maintaining a position of leadership in certain market or country. • Improvement of environmental performance through the NAFTA and Kyoto agreements. • Better opportunities to export and 	<ul style="list-style-type: none"> • Large pressure from the corporation and guidelines including values and mission and vision of the corporation. • Economic and competitive gains. • A better working environment for workers as a pressure from worker unions. • Interest to innovate.

commercialise products in western markets.	
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Source: Adapted from Acutt and Medina Ross (2004)

After analysing the internal and external factors that are conditioning CSR in Mexico, it becomes clear that corporations in Mexico are far away from operating in a complete CSR context. As Acutt and Medina Ross (2004) argue to advance CSR in Mexico therefore, it will require a commitment on regulatory capacity building. However, in Mexico, as explained, the regulatory culture is strong but officials prefer to support CSR as a voluntary approach. An important barrier here to CSR is that there is almost no involvement with civil society and little public pressure to drive CSR. Not only in Mexico, but in the context of developing economies must also include a commitment to address country specific and unique barriers.

The development and growing interest for topics such as CSR and the adoption of a more sustainable ways of managing corporations are key factors in today's world competitiveness trends as De Arrascaeta (2008) argues. CSR has to be implicit in the corporate values of the organisation. It has to begin from the mission of the corporation and extend itself to cover all of the corporation's operations and strategic planning. Further, CSR needs to guide every action and decision taken by the corporation. As the author Crebessac, (2008) argues, CSR must not only be an attribute of an executive but rather a shared collective value. CSR is not something static; it is a dynamic and multidimensional concept that does not stop evolving. As Zegal Arreguin, (2008) argues CSR it is a tool to incline corporations to a more sustainable development.

4.4 The competitive advantage of Corporate Social Responsibility

Studies by authors such as Husted (2007), A. Crane et al.,(2008b), M. Fratianni et al.,(2003), J.M Logsdon et al.,(2006), D. Eade & J. Sayer (2006), have identified some of the CSR advantages and disadvantages of being socially responsible while doing business. For example companies that are able to successfully operate in low-

income markets can improve their reputation and gain a competitive advantage as countries become richer, and more business opportunities emerge.

Past studies on CSR focus on guidelines and strategies for non-Western corporations and Western corporations to become socially responsible in their home country and while working overseas. Some of the main attributes of an effective strategic alignment in CSR include: engaged learning with stakeholders, promoting learning and innovation impacting the company's targets; a business strategy that aligns to social, environmental and financial performance to the company's strategy; a leadership role in responsible actions; operational excellence based on the required infrastructure that needs to be in place to allow the business strategic planning implanted into its daily operations (Peinado-Vara, 2005).

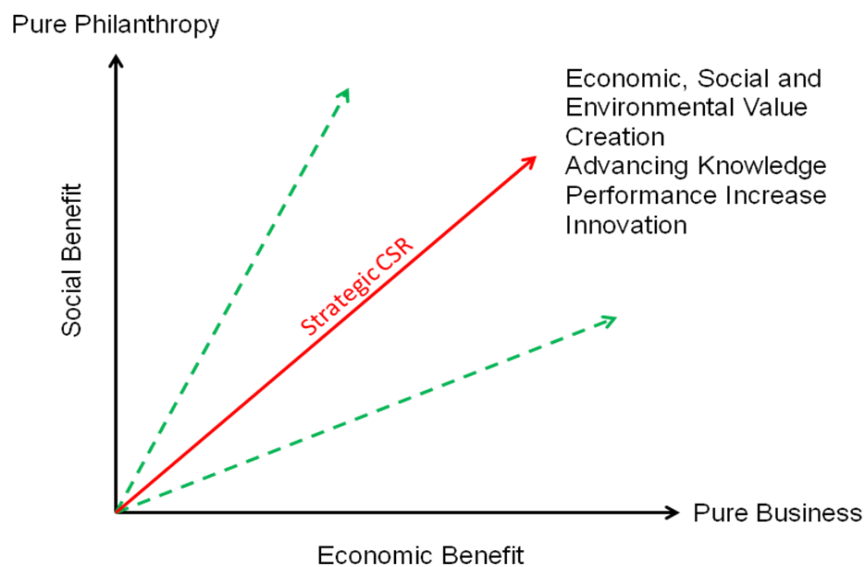
Understanding the link between CSR and competitive context helps companies identify where they should focus their strategies. In addition to this, understanding the ways in which CSR creates value highlights how they can achieve the greatest social and economic impact through the implementation of the corporate strategy. The so called cause related marketing as a CSR strategy, falls far short of truly strategic CSR (Porter and Kramer, 2002). True strategic CSR, by contrast, addresses important social and economic goals targeting areas of competitive context where the company and society both benefit (Porter and Kramer, 2002). The author Wall (2008) argues that core competences should drive a corporation's CSR policies and practices. In order to identify a corporations core competences a top executive should ask itself a few main questions such as: what are the fundamental abilities, techniques and know-how that got the corporation to where it stands now?, what is it about the corporation that makes it unique, different from the rest of your competitors, and how does this impact the responsibilities as a corporation?, why should your employees be proud to work for your corporation and what is special about your work force?, and how can you use all your resources, skills, experience and differentiate yourself in order to gain competitive advantage through a CSR strategy? A corporation's strategy should go beyond best practices.

CSR is all about finding and choosing the unique position in doing things differently than competitors in order to achieve lower costs or serving better a consumer need. Porter and Kramer (2006) argue that these principles apply to a company's relationship with society as to its bond with consumers and competition. As Wall (2008) argues strategic CSR is about identifying and taking advantage of opportunities that exist for a corporation. CSR strategy must be in the capacity of the company to address certain issues aligned to the issues that the company influences and where the long term life of the corporation is at stake. Porter and Kramer (2006) set as an example Toyota's response to concerns about car emissions. They argue that Toyota's Prius, which is a hybrid electric and gasoline car, is the first in a series of new and innovative car models that has reduced environmental impacts and created a competitive advantage. This is because hybrid engines emit as little as 10% of the harmful pollution than an average car while consuming half as much gas. Another example from the same authors is the Mexican construction company Urbi, which has been successful by building houses for disadvantaged buyers using innovative financial services such as a flexible mortgage payments made through payroll deductions. As seen from these examples that Porter and Kramer (2006) argue, pioneering value chain innovations and addressing social issues to competitiveness are each powerful tools in creating social and economic value, yet, the impact is much greater if they both work together.

In the world we live today an increasingly number of corporations are focusing CSR as a form of public relations and advertising, promoting a corporation's image to consumers through cause-related marketing strategies (Visser, 2008). These corporations are often supporting universities, national charities, customers and the local community, rather than having a well thought social and business objectives. Often these types of contributions reflect the beliefs of the executives or the employees supporting a cause. In other words this type of contribution is pure philanthropy (Porter and Kramer, 2002). It has been argued that cause-related marketing falls way short from a truly strategic CSR, because its emphasis remains on the publicity rather than on the social impact, however,

‘True strategic giving, by contrast, addresses important social and economic goals simultaneously, targeting areas of competitive context where the company and society both benefit because the corporation can bring unique assets and expertise. Most corporate expenditures produce benefits only for the business, and charitable contributions unrelated to the business generate only social benefits. It is only where corporate expenditures produce simultaneous social and economic gains that corporate philanthropy and shareholder interest converge’ (Porter and Kramer, 2002, pp.58 and 59) as illustrated in Figure 4.1.

Figure 4.1 Maximising CSR Value



Source: Based on Porter and Kramer (2002)

Using the example from Porter and Kramer (2002), contributing to a university or higher education may be a less expensive way to attract human capital with unique skills required by the company, than rather developing a training program inside the company (Zagal Arreguin, 2008). It can be seen that in order for the Porter and Kramer (2002) model to work is if the where and the how are mutually reinforcing. In today's world we also see a great amount of CSR activity involving giving money to other organisations such as NGOs or similar organisations to deliver social benefits. However, it must be said that the impact achieved by the donor is largely determined by

the effectiveness of the NGO or similar organisation. However, this falls far behind true strategic giving. When corporations support the right causes in the right ways, which means getting the where and the how in the right place, if this happens, then they set in motion a virtuous cycle (Porter and Kramer, 2002).

It is a common thing for corporations to be distracted by the desire to publicise how much money and effort they have spent in order to contribute to fostering an image of CSR (Werner and Weiss, 2003). This may also be a reason why some other corporations distance CSR practices from the core business of the corporation. On the other hand, moving to a more context focused CSR requires a thoughtful approach. This means aligning and coordinating the management of CSR with other activities of the corporation. The key to this approach is to examine the competitive context of where the corporation has its main activities and find where can social investment improve the corporation's competitive potential. The corporation will need to address the important constraints that limit innovation, productivity, growth and competitiveness and most importantly seek where the corporation can create the 'greatest value through giving in ways that no other company can match' (Porter and Kramer, 2002 pp. 67-68). It is worth noting that authors such as Gonzalez Gutierrez (2008), Husted and Allen (2007b) and Porter and Kramer (2002) argue that the best programs for corporations at least in CSR are the medium and long term strategies. This context focused approach to CSR, with the aim of creating a true and lasting competitive advantage, is hard work, however, there is no single recipe and managers should remember that 'one size does not fit all' (Porter and Kramer, 2002 pp. 68) in CSR.

4.5 Summary - Global Corporate Social Responsibility

There are numerous very well recognised drivers, barriers and consequences of CSR in both the developing world and in developed countries. These drivers, barriers and consequences tend to vary due to the starting point of the research and context (Cane et al., 2008) for example studies of this phenomenon have been conducted at numerous levels such as by organisation, industry, managers, employees, nation, region and globally. In most cases the firm has been the base unit of observation. Cane et al., (2008) argues that this is entirely true since CSR related decisions are made at

the corporate level. Corporations are not development agencies, however, they can be very efficient drivers of development (Wall, 2008). This is one of the reasons why the engagement from governments, businesses and civil society is essential, for this, collaboration not charitable giving is the right way down the road. This desire to engage in CSR practices by corporations has to be driven primarily by a desire to create profits and shareholder value. However, in pursuing profits the corporation has to look for ways to create shared value, in finding opportunities to improve the social good (Peinado Vara, 2005).

It has been made clear that CSR is not about promoting charity as Wall (2008) argues. But, instead CSR should be in the strategic interest of corporations and society. CSR as Porter and Kramer (2002) argue will never be an exact science, because of a constant evolution of society and its environment. Friedman (cited in Porter and Kramer, 2002 pp. 68) argues that 'where the company neither creates added value nor derives benefit, should appropriately be left'. Also, it has been said that 'if corporations have a sound strategy on context focused CSR it can offer companies a new set of competitive tools that well justify the investment of resources' (Porter and Kramer, 2002 pp. 68) spent on CSR.

Chapter 5 – The business case for Corporate Social Responsibility in Mexico

5.1 Introduction

This chapter describes the Mexican CSR context showing evidence that CSR can bring a competitive advantage to corporations in Mexico. It is important to understand the diverse implications of CSR in Mexico because, CSR can improve the well-being of society, the environment and the performance of the firm (Stainer, 2006). Executives might be interested in these chapters due to CSRs strategic importance and to gain understanding of how to utilise CSR as a tool to gain competitive advantage while benefiting society and the environment (Zegal Arreguin, 2008). It is intended to help Mexican and foreign managers decide whether CSR in Mexico fits in their strategic plan. By linking positive CSR to the company's performance by minimizing corporate risk, achieving competitive advantage and accomplishing the economic gains sought by the firm. In other words 'doing well by doing good' as Spector (2008 pp. 314) argues. This chapter was created due to the fact that CSR has increasingly been an inescapable priority of businesses around the world today and Mexican businesses are no exception.

5.2 Mexico's socio-economic situation overview

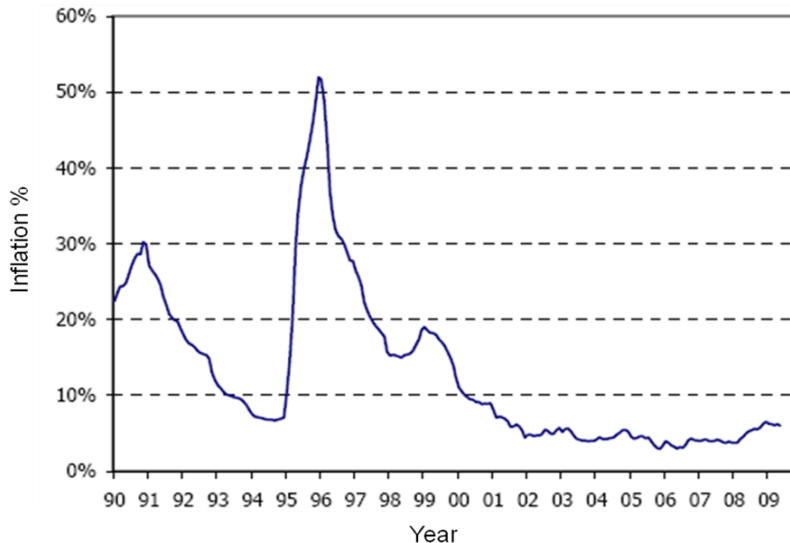
After achieving independence in 1910, Mexico has gone deeply in a very long cycle of crisis, devaluations, inflation, poverty, structural changes and changing social policies (Hiskey, 2005). However, 1994 was one of the most meaningful years in its economic history. After signing a free trade agreement with its northern commercial partners USA and Canada in 1993, in 1994 the North American Free Trade Agreement (NAFTA) gave birth to a new era (Hiskey, 2005). In other words, it was the first free-trade agreement between an underdeveloped country and the world's largest and most powerful economy. Nevertheless 1994 was no exception for political and economic crisis, as every six years the cycle begins and ends from one president to the next. This in turn causes the economic cycle to continue with crisis, stabilization, little growth and back again (Aspinwall, 2009). This economic transformation, however, aggravated regional economic conditions or in other words as the author Murray (2005) argues it

intensified the periphery inside the periphery. This effect could especially be viewed in the southern part of Mexico where indigenous people watched the centre-north part of Mexico drive away pulled by Globalisation (Santiso, 2006). Nevertheless, NAFTA provided Mexico with an anchor of credibility internationally similar to what Spain gained with its link to the European Union (Santiso, 2006). A few years after the Agreement, Mexico went from being a classic oil exporting country to one of the largest exporters of manufactured products in the world (Santiso, 2006). Mexico differs from other Latin American countries in the way that it has reduced its dependence on raw materials such as oil due to the increase and diversification on manufacturing exports (Aspinwall, 2009). Nevertheless, Mexico's economy is extremely dependent on the economic cycle of the USA given this is where more than 70% of all exports go to (Banco Santander, 2009). Yet, Mexico 'benefits' from its strategic geographical location being the only underdeveloped country bordering the most powerful and wealthiest nation in the world, the USA. This strategic location represents an opportunity that no other Latin American country has. This provides Mexico with a competitive advantage over almost any country in the world, for example transporting a product from Mexico to the USA can take around a week, while shipments from Argentina or China can take up to four (Murray, 2005).

After several years of resistant movements to NAFTA for example Zapatista movements, political, economic and social changes threaten Mexico, once again we find ourselves in the end-beginning of the cycle at presidential election year (Hiskey, 2005). The year 2000 was a time of huge expectations. Huge expectations in every sense economically, politically, socially, environmentally, Mexicans were demanding a change of direction. Its international partners and investors had huge concerns and uncertainty of what road was Mexico going to take (Aspinwall, 2009). For the first time Mexico elected a president from the opposite political party, Partido Accion Nacional (PAN), and defeated the previously undefeated political party that had ruled for more than 70 years Partido Revolucionario Institucional (PRI). Furthermore, for the first time in Mexico's democratic history the presidential result was not followed by an economic crisis for example Figure 5.1 shows us how inflation was at the beginning of the cycle

after the election in 1994 above 50%, compared to the political cycle after the elections in 2000 that was below 5%.

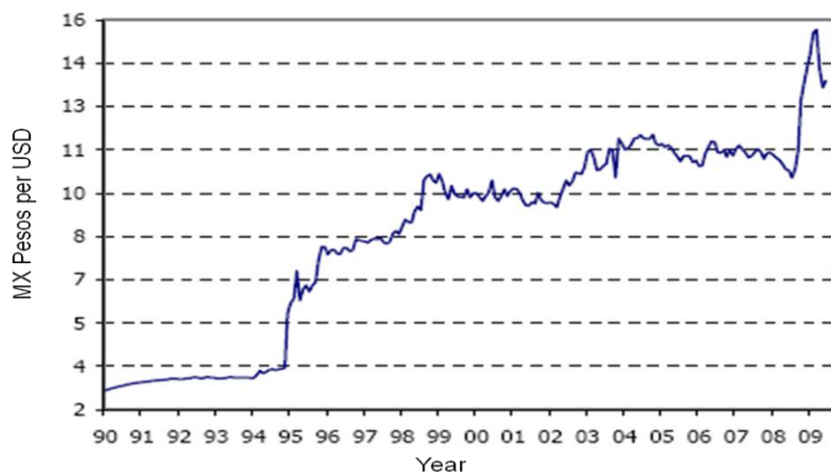
Figure 5.1 Inflation in Mexico



Source: Banco Santander (2009)

It was a great difference for a country that was getting used to hyperinflations in the past after presidential elections (Banco Santander, 2009). Also the Mexican peso did not tumble it kept on steady as showed in Figure 5.2. Private investment celebrated this by buying Mexico's long term bonds issued for the first time for 25 and 50 years in international capital markets (Santiso, 2006). This awarded Mexico international credibility and security for the next years achieving top rating bonds (Santiso, 2006).

Figure 5.2 Mexican Peso vs USD



Source: Banco Santander (2009)

Mexico profited from eight years of economic and macroeconomic stability and growth since 2000, benefiting from the high international oil prices for more than USD 130 per barrel (Banco Santander, 2008). Other favourable signs included: a positive balance of payments of more than USD 5 billion never seen in the past 70 years; a strong tourism industry becoming the second source of foreign income coming to Mexico; high volumes of remittances coming in the country worth more than USD 20 billion; reduction of foreign debt standing today on USD 112.5 billion against USD 78 billion in foreign reserves and the 2nd highest rate of foreign reserves in Latin America after Brazil; low interest rates currently standing at 7.2% and only behind Peru with 5.2% and Chile with 6.2% in Latin America; a GDP averaging 3.3% a year, a consumer inflation of 3.7% the lowest in Latin America and a stable exchange rate average of 10.54 pesos per dollar (Banco Santander, 2008). Considering these factors Mexico seemed to be going the right way economically speaking, nevertheless, during 2009 the global financial crisis and the swine flu have had severe impacts over Mexico. These events have led to a forecast from Banco Santander (2009) of GDP for 2009 of -6.5%, a Balance of payments of -17.4 (Banco Santander, 2009, pp. 13), unemployment rising from 4.9% to 6.3% (Banco Santander, 2009, pp. 13) and a consumer inflation increase of 4.3% (Banco Santander, 2009, pp. 13). As such, today Mexico's economic recovery seems far away. Further, the second most important source of income for Mexico, the Tourism industry, has been seriously damaged by the awful international advertisement created from drug cartels and more recently the swine flu. Further, the third most important source of income for Mexico, remittances, has dropped to never seen historical figures. To blur things more, the USA, Mexico's best economic partner is currently at a recession (Banco Santander, 2009). This crisis makes it clear that there are major changes that still have to take place. However, the worse stroked sector continues to be the social sector. This is highlighted through the absence of efficiency in education and social health needs primarily, and the only way of increasing government expenditure will be improving the tax collection system and the fight against corruption (El Universal, 2009). Nevertheless, Mexico has a long way to go. Mexico needs to fight corruption from top to bottom especially inside government institutions, traffic of influences from the popular saying 'everything depends on who I know', drug wars

killing more than 3000 people during the first semester of 2009 (El Universal, 2009), crime and kidnapping especially in Mexico city, unemployment and artificial employment of people in the informal sector, health and education and above all an equal income distribution.

Globalisation, trade liberalisation, deregulation, and privatisation have been driving forces to create a more competitive environment and highlight the need for better management in Mexico's corporate environment (Aspinwall, 2009). Foreign investors, foreign states and organisations have also demanded better corporate governance from the private and public sector. These influences have helped accelerate the evolution of Mexican corporate governance in both sectors over the past two decades (Husted and Serrano, 2002). The Mexican government has reduced its role in managing the economy over the past two decades, with a shift from a policy of import substitution to an export promotion (Husted and Logsdon, 2000). This shift has been supported through policies of trade liberalisation with the admission of Mexico to the General Agreement on Tariffs and Trade (GATT) and by signing NAFTA by the early 90s (Aspinwall, 2009). Since then Mexico has been a free trade supporter by diversifying and signing free trade agreements with other countries in Central America, South America, Europe and Asia. Further, other free trade agreements are on their way including New Zealand (Murray and Rabel, 2008). In addition to all of this, the Mexican government has pursued a policy of privatisation selling government owned companies such as banks, steel companies, the national telephone company and other agricultural and industrial companies (Husted and Serrano, 2002). In these last two decades all these changes have led to a 'reduced state intervention in the economy and increased the importance of corporate governance and other self-regulatory processes' (Husted and Serrano, 2002, pp. 334).

5.3 The impact of NAFTA on Mexican policy as a driver for Corporate Social Responsibility

Past research from the authors Husted and Logsdon (2000) argue that international pressures and expectations deriving from NAFTA have made Mexico adopt western mainstream regulations. NAFTA is the result of continuous negotiations

between the nation states of Canada, the US and Mexico. After 1994, as the author Ibarra-Yunez (2004, cited in Aspinwall, 2009) asserts, NAFTA has strengthened Mexican institutions in areas such as, competition policy, consumer rights, property rights, bankruptcy laws and the environment.

NAFTA influenced changes in Mexican policy in telecommunications, intellectual property rights, automotive sector, competition, inward investment, monetary policy and others (Aspinwall, 2009). These changes and incentives have brought new standards of reporting in Mexico to harmonise and minimise international differences. Suddenly Mexico became a promoter and believer in free trade (Husted and Logsdon, 2000). After reinforcing Mexico's environmental laws and regulatory standards, many businesses changed their environmental practices to reduce environmental degradation in order to comply with these regulations (Aspinwall, 2009). The authors Husted and Logsdon (1997) argue that there have been significant reductions in environmental degradation since then.

Poverty and industrialisation are the main contributors to the greater levels of environmental degradation in Mexico (Acutt and Medina-Ross, 2004). During many years and especially before 1982 the environment was a low priority for Mexico's government. Mexico began to move towards a greater environmental awareness during the Presidency of Miguel de la Madrid from 1982 to 1988 (Acutt and Medina-Ross, 2004). This change started to happen primarily because of increasing environmental degradation from population growth, urbanisation with inadequate infrastructure and higher industry generated pollution from an increase in production (Acutt and Medina-Ross, 2004). For economic reasons, Mexico's economic policy focused on industrialisation from the post war period until the early 1970s. This began with import substitution and later focused on the export promotion plan with through the establishment of a Border Industrialisation Plan. Under the border plan, foreign firms could bring raw materials, operation equipment and capital duty-free within a distance of 12 miles from the border, as long as the final product was exported from Mexico (Husted and Logsdon, 1997). One of the key attractions for corporations as Husted and Logsdon (1997) argue was low labour costs for simple assembly. This increased the

number of plants close to the border plan brought from 120 plants with 20,000 employees and earnings of 81 million USD in 1970 to 1,700 plants with 447,000 employees and 3,550 million USD by 1990 (Husted and Logsdon, 1997). In 1993, NAFTA brought the promise of higher GDP with which to provide resources for environmental issues. When the agreement was signed, critics expected a reduction in commitment to protect the environment, while at the same time supporters of NAFTA expected continual environmental improvements while Mexico became more productive and wealthy (Husted and Logsdon, 1997). However, significant environmental challenges stood above NAFTA while the economic crisis in 1994 struck Mexico. The fear was that interest in environmental issues would disappear due to serious domestic economic pressures on government and businesses (Aspinwall, 2009). Despite the vast economic crisis and the extraordinary pressure on policymakers and budgets, caused by the adverse situation, Mexico's commitment to environmental protection was kept (Husted and Logsdon, 1997). The environmental side agreement has produced some results, it has 'supported and encouraged Mexican environmental statutes and institutional capabilities' (Aspinwall, 2009, pp. 15) for example NAFTA brought benchmarking of environmental norms and new registry for emissions in Mexico (Alanis interview, 2005, cited in Aspinwall, 2009).

During the past two decades significant political and economic reforms took place in Mexico. Mexico's development was tied to a model of import substitution in which Mexican industry would grow in order to fulfil its own internal markets. As a result of this, internal markets were highly protected from foreign competitors and foreign ownership in Mexican businesses was restricted to 49% (Husted and Serrano, 2002). There is to say that Mexican companies were assured attractive profit margins in highly oligopolistic markets and could count on government bailouts as Husted and Serrano (2002) argue. The problems created from this environment was that political skills were often more important to success than were business skills (Austin, 1990 cited in Husted and Serrano, 2002), in other words, the Mexican government promoted an inefficient private sector.

During the 1980s and driven by international trade, investment and unregulated markets, a series of environmental incidents and high levels of air pollution, especially in Mexico City, resulted in the creation of the Federal Environmental Protection Law (Husted and Logsdon, 1997). By 1988, for the first time, the political party of that time, PRI, recognised the link between the environment and development. By 1993 under the influence of chasing 'the American dream', Mexico's entry into the North American Free Trade Agreement (NAFTA) was signed by president Ricardo Salinas de Gortari (1988-1994) (Husted and Logsdon, 1997). This then led to the inclusion of Mexico in the Organization for Economic Cooperation and Development (OECD) in 1994. Supporters of NAFTA tended to separate environmental issues from trade issues and would advocate that NAFTA would only be evaluated under trade volume (Husted and Logsdon, 1997). Bearing in mind the argument that greater economic growth resulting from the free trade agreement would bring greater resources that could be devoted to environmental issues (Husted and Logsdon, 1997), Western mainstream on economics suggests that developing countries should incorporate themselves to world trade as a necessary step for economic growth (Husted and Logsdon, 1997). Therefore, with economic growth and higher income per capita will come the necessary resources to invest in pollution control and other environmental solutions (Husted and Logsdon, 1997).

In a highly globalised world we have seen that free trade leads to environmental degradation, in developing nations such as Mexico economic growth comes with higher incomes resulting on higher consumption, therefore this has led to more environmental degradation (Aspinwall, 2009). Nevertheless, Husted and Logsdon (1997) argue that there is significant evidence that Mexico's environmental policy making and enforcement did improve in the early 1990s while NAFTA was being debated. Also the influence of NAFTA over Mexico's environmental commitment has been maintained as previously said (Husted and Logsdon, 1997). On the other hand, compliance among businesses in Mexico still remains a serious problem (Aspinwall, 2009).

5.4 Corporate Social Responsibility, Mexico and development

CSR in Mexico still remains an ‘unexplored’ topic waiting to be uncovered. Perceptions of CSR differ from country to country; one example is that CSR in North American Western companies focuses more on environmental issues compared to Mexican firms who focus their CSR strategies mainly on job creation (Logsdon et al., 2006). Approaches to CSR are not necessarily wrong but vary in the context from which firms do business on. A large part of philanthropic activity in Mexico and many parts of Latin America has emerged as governments become less effective (Logsdon et al., 2006). This results in the state’s illegitimacy, institutional ineffectiveness related to education and welfare, and business leaders and their corporations assuming an increased responsibility to meet major social roles, such as economic and social development (Logsdon et al., 2006). As we know, some of the CSR developments are mainly driven by global developments, but shaped by context specific conditions as Weyzig (2006) argues. Taking this perspective into consideration, international CSR standards and guidelines such as the ones from the OECD for transnational corporations (TNCs) are largely supported in Mexico and used for regulation guidance by public officials (Weyzig, 2006). The local dimension, however, strongly influences priority issues and operational aspects of how CSR is implemented in Mexico (Weyzig, 2006).

In Mexico the lack of stakeholder engagement is normally attributed to the lack of an alliance culture (Weyzig, 2006). The authors Hiskey (2005) and Cameron and Wise (2004) argue that in its long political history Mexico was governed by the corrupt and populist Partido Revolucionario Institucional (PRI) for more than 70 years, until the centre right wing political party Partido Accion Nacional (PAN) took over in 2001 after the most contested and closest elections in Mexican history. All of this historical political environment did not foster trust nor cooperation between diverse segments of society, and they used to operate independently from each other (Sarvide et al., 2002 cited in Weyzig, 2006). This chaotic environment was not ideal for stakeholder engagement, and these historical confrontational attitudes may incline a corporation to make

charitable donations in most cases as the author Schouten (2002 cited in Weyzig, 2006) argues.

5.5 Transnational corporations in Mexico

Mexico is a rapidly growing country that has aggressively entered the global economy by opening its borders to foreign trade and investment. Further, the Mexican government has stimulated the growth of the Mexican private sector by privatising state-owned enterprises (Husted and Serrano, 2002). Mexico's unique geographical position makes it the host country for many transnational corporations (TNCs) headquartered in the USA, the country of origin of most TNCs in the world (Eade and Sayer, 2006). These TNCs have the capacity to bring substantial benefits to societies in the developing world through job creation, revenues, technology transfer, delivery of goods and services (Eade and Sayer, 2006) in other words, contribute to the development of a country.

Most Mexican TNCs are family-owned whether they are public or privately held, and the appointment of the board directors relies largely on family matters (Husted and Serrano, 2002). A review by the author Stewart (1993 cited in Husted and Serrano, 2002) found that 25% of the Chief Executive Officers (CEOs) of the biggest 90 Mexican corporations also serve as chairman of the board. In regular business, usually the founder or senior family member is still very attached to the corporation and serves as chairman of the board, while at the same time, a younger family member is the CEO of the corporation (Husted and Serrano, 2002). In fact 95% of all family-owned firms in Mexico as argued by the author LaPorta et al., (1999 cited in Husted and Serrano, 2002), the CEO is a family member. It is worth noting that TNCs in Mexico have converged toward world standards in corporate governance. The Code of Best Corporate Practices indicates that the private sector and especially Mexican TNCs are aware and fulfil world standards and often lead to the encouragement and adherence of those standards domestically and in their offshore subsidiaries (Husted and Serrano, 2002).

5.6 Dimensions of Corporate Social Responsibility in Mexico

In Mexico inequality persists and extremes of wealth and poverty remain strong. Most of the time, economic development tends to benefit the already privileged minority, and corruption is a continuing problem and frequently a condition for doing business (Knott, 2003 cited in Paul et al., 2006). A Mexican researcher named Cardozo Brun (2003 cited in Paul et al., 2006) found that only a few Mexican corporations publicise ethical codes, sustainability reports and other dimensions of CSR in 'well known' international websites such as the Global Reporting Initiative (www.gri.org), The Corporate register (www.corporateregister.org) and Account Ability's National Corporate Responsibility Index (www.accountability.org.uk). Despite this fact, current studies on CSR such as the author Haslm (2004 cited in Paul et al., 2006) argue that there is an increase of CSR awareness in Mexico.

CSR implies a constant contribution of business to sustainable development and poverty reduction in its many forms and levels (Paul et al., 2006). Table 5.1 illustrates the analysis of five stages of the perspectives and the focus that CSR can take.

Table 5.1 Perspectives and Focus of Corporate Social Responsibility

Stage	Type of Transnational and the relation with Civil society	CSR perspective	Description
1	Private-sector philanthropy	None	This is when a corporation takes a wide range of charitable donations. These are normally 'small' with mostly no strategic focus. Also they are often a personal motivation of company managers. Business benefits are largely incidental.

2	Strategic contributions	Broader goals	These corporation donations are less frequent but with a larger structural character. They are more narrowly focused on a limited number of topics, often related to the business environment and cause related marketing.
3	Mainstream involvement	Broader goals	In this stage community involvement is more immediately linked with operational business concerns. Promoting employee involvement in community relations and increasing benefits such as staff motivation and customer loyalty. From this stage a corporation starts to give CSR a strategic approach.
4	Corporate accountability with CSI	Combined	The corporation relationship with stakeholders in this stage is characterised by a complete integrated long term engagement involving strategic Corporate Social Investment (CSI).
5	Corporate accountability in regular operations	Core business	The corporate relationship with stakeholders in this stage is characterised by a complete integrated long term engagement with a special focus on regular business operations. Furthermore, it looks for a competitive advantage through its CSR policies.

Source: Based on Weyzig (2006)

Authors such as Barkin (2003 cited in Weyzig, 2006), Baskin (2005 cited in Weyzig, 2006) and Welford (2005 cited in Weyzig, 2006) argue that in Mexico, the current CSR agenda is mostly related to philanthropy. Logsdon et al., (2006) argues that many authors attribute this to various reasons such as catholic traditions and the large influence of the US business culture in Mexico. Organisations such as the Centro Mexicano de Filantropía (CEMEFI) or Mexican Centre for Philanthropy have been promoting a 'well' structured and strategic CSR approach on corporations (Logsdon et al., 2006). CSR in Mexico is normally associated with a cause related marketing strategy, and the adoption of a sound strategic CSR approach seems to be far away (Weyzig, 2006). For example, the personal and private activities of funding families in Mexico, remains extremely important for some corporations orientating CSR as Paul et al., (2006) argues. However, even if a Mexican corporation has considerable CSR readiness, its corporate competitive advantage in the global context may not be identified (Paul et al., 2006). If the CSR message were to be amplified in Mexico and understood in its global and local context and for its strategic value, it could be expected to have a positive impact on both the social performance of Mexican corporations and on the attractiveness and reputation of the corporations through the eyes of investors, employees, suppliers and consumers (Paul et al., 2006).

Mexico also has its CSR champions, of which the bakery products multinational Grupo Bimbo offers a good example (Logsdon et al., 2006). Grupo Bimbo has a philosophy grounded in catholic social doctrine with a large focus on contributing to society through social programmes (Logsdon et al., 2006), but also having a code of ethics on labour relations. Another example is the transport company Grupo ADO. Grupo ADO has a special focus on living wages and consciously aim to build an internal culture of consciousness for CSR (Weyzig, 2006). Even the Japanese based corporation in Mexico, Yakult, limits the highest wages of managers to ten times the lowest wage paid, as a measure to reduce income inequality starting from the company (Barkin, 2003 cited in Weyzig, 2006) On the other hand, controversial examples do exist as well as the company FEMSA (Weyzig, 2006). It is one of the few domestic companies that has and publishes CSR results. At the same time, FEMSA was accused of discriminatory and anti-union practices, overuse of water and anticompetitive

behaviour (Weyzig, 2006). These initiatives are exceptional, and suggest that only complying with national legislation sometimes is not being fully responsible (Weyzig, 2006). They also indicate that context specific CSR factors may not be sufficiently fulfilled by international CSR standards or corporate policies and require further commitments (Porter and Kramer, 2006).

In developed countries, it is usual that the 'greening of industry' (Hansen and Lehmann, 2006 cited in Velazquez et al., 2008, pp. 402) has moved from a command and control approach to a much more preventive approach. The drive to measure corporate environmental performance is the result of various factors such as image and reputation, stakeholder pressure, legislation and environmental compliance among others (Velazquez et al., 2008). The author Ashkenas et al., (2002 cited in Velazquez et al., 2008) argue that Mexico is far behind developed countries on sustainability awareness for example workers in developed countries usually expect to be engaged as informed adults and have their say in key decisions, in contrast most workers in Mexico struggle just for better working conditions. Therefore education and research takes a serious role in order to successfully raise awareness of environmental and occupational risks and introduce safer alternatives in communities and businesses (Zegal Arreguin, 2008). In this sense universities play a key role in fostering collaboration with communities, agencies, and organisations in order to improve the quality of life of their members (Zegal Arreguin, 2008). Another important point that universities should take in consideration is to do a better job educating not only students but also members of communities for example unions, community leaders (Velazquez et al., 2008).

Corruption among government officials and corporations has been a major problem in Mexico (OECD, 2009). Some of the states with the highest economic activity are among those with the highest incidence of corruption (OECD, 2009). Weyzig (2006) argues that in an extensive survey carried out in 2005, one third of all domestic and foreign corporations admit corrupt payments to public officials; these payments on average amount somewhat 6% of their total income (Weyzig, 2006). Furthermore, 20% of all corporations and a higher portion of foreign medium and small companies,

admitted bribes to influence laws and government policies (SEP, 2006 cited in Weyzig, 2006). This can only mean that the situation remains severe.

There are sectors more corrupt than others; some of the most corrupt industries in Mexico are construction, oil, gas, electricity and telecommunications (OECD, 2009). However, many corporations that want to conduct their businesses responsibly have strong internal policies that fight corruption (OECD, 2009). In addition, several transnational corporations have tightened their anti corruption policies over the past years as a result of pressure from US legislation (OECD, 2009) and other global CSR policies (Welford, 2005 cited in Weyzig, 2006). These TNCs profit from taking a relatively strong position on rejecting corruption (Weyzig, 2006). For example, while it is difficult for government officials to refuse a license to a large transnational corporation, small and medium size companies are under greater pressure to pay bribes (Weyzig, 2006).

In Mexico, as we have seen, driving forces pushing CSR are somewhat different from those in the international and global level. Where legal and civil regulation mechanisms are relatively weak, awareness about CSR is also low and most businesses are family controlled as the authors Husted and Serrano (2001) argue. Nevertheless, the author Brown (2000 cited in Weyzig, 2006) argues that there are managers that believe that ethical incentives, as those sought from family-controlled companies, are the most important incentives regarding community impacts, wage levels and stimulation of the host economy. As the author Barkin (2005 cited in Weyzig, 2006) argues CSR is somewhat less important for a corporation reputation at the local level and hardly used as a marketing tool. Also, compliance with environmental standards is largely demanded by foreign customers (Brown, 2000 cited in Weyzig, 2006). In Mexico local anti-corruption measures are to some extent considered profitable in the medium term, because they reduce the expectation that bribes can be obtained from the corporation in the near future (Weyzig, 2006). Despite the importance of the local context, 'global corporate policies have been a larger driving force for CSR in Mexico than local business incentives' (Dominguez-Villalobos, 2000 cited in Weyzig, 2006, pp. 77). Corporate policies influence the CSR initiatives of Mexican subsidiaries

on all types of issues of the corporation (Paul et al., 2006). And most of the time corporate commitment plays the most important role influencing practices at the local level (Paul et al., 2006). However, most of the implementation CSR failures come partly from low ambition levels (Paul et al., 2006) of CSR from the corporation not to go beyond the already established CSR practices. Furthermore, Mexican companies hardly ever engage with stakeholders in CSR initiatives, compared to the global level where this is considered one of the most important aspects of managing CSR (Holme and Watts, 2000 cited in Weyzig, 2006) for example the Mexican government has supported CSR initiatives from the private sector, but is not as keen to engage with NGOs as Weyzig (2006) argues.

Despite the growing concern of CSR initiatives that industrial sectors have, the lack of CSR enforcement prevails. Further, a large proportion of Mexican workers is unaware of CSR or has no interest in this topic (Velazquez et al., 2008). The author Velazquez et al., (2008) well argues that literature relating sustainability in Mexico is well below the levels in Europe and North America. This lack of awareness has created an additional issue in operating sustainability initiatives because it has led to a small amount of actions to protect the environment and improve working conditions (Velazquez et al., 2008). The Mexican government should be one of the most important stakeholders since sustainability is already, at least on paper, and is a national priority of the federal government (Velazquez et al., 2008). The government is a key stakeholder since it is responsible for overseeing the Mexican regulation framework for example Law of Ecological Balance and Environmental Protection and the Federal Labour Law (Husted and Serrano, 2002). However, what seems a common issue for several years is the lack of enforcement to ensure that existing environmental and labour legislation is adopted and followed (Velazquez et al., 2008). Additional challenges to the progress towards sustainability may include lack of resources such as lack of interest, lack of time, lack of funding, lack of training, lack of understanding (Velazquez et al., 2008). The Mexican government should place key financial incentives for developing business strategies in order to secure long term economic growth while at the same time improve environmental and working conditions (Velazquez et al., 2008).

The authors Paul et al., (2006) argue that in their former research from some corporations that they expected to have social reporting, did not, they argue that an example would be Wal-Mart de Mexico, which is Mexico's largest retailer. At the same time of the research from Paul et al., (2006) argue that Wal-Mart de Mexico did not have evidence of CSR in its Mexican website or printed materials. However, there is evidence that prior to 2006 Wal-Mart de Mexico did have CSR data such as its annual Social Responsibility and Sustainable Development Report. Wal-Mart de Mexico's Sustainability reports have been done annually in Spanish and English since 2004 and can be found at www.walmartmexico.com.mx.

The international reporting framework includes a large number of Mexican corporations, some of them we can see in the chart below:

Table 5.2 Mexican corporation's profile summary

Company	Type	Annual revenue (US\$ Million)	Employees
Cemex	Cement	6792	25694
Grupo Industrial BIMBO	Bread and food products	4237	69403
Grupo Modelo	Beer	4045	47953
Brupo Vitro	Class products	2392	25475
Industrial Peñoles	Mining and chemicals	1134	6500
Organización Soriana	Supermarkets	4137	41373

Source: Paul et al., (2006)

The International Organisation for Standardisation (ISO), which is based in Switzerland, has achieved a considerable acceptance by a wide range of Mexican corporations such as the ones presented in the chart above. A study carried out by Contacto (2004, cited in Paul et al., 2006) showed that more than 4000 Mexican businesses have achieved ISO 9000 or ISO 14000 certification by 2004. Nevertheless, Mexican standards do exist and one of them is called 'Industria Limpia' or Clean Industry in English or the award 'Empresa Socialmente Responsable' or the CSR award in English (Paul et al., 2006). These standards are awarded by the Mexican government through its Department of Environmental Affairs and CEMEFI (Paul et al., 2006). The problem with these local standards is that sometimes global stakeholders will have problems understanding its meaning and its intention to communicate (Paul et al., 2006). Some examples of well known Mexican transnational corporations in Mexico with CSR policies are described briefly as follows:

Cemex is a well known Mexican multinational enterprise (MNE) that has published in its website a code of ethics and lists both its stakeholders both in the context of financial performance and social reporting, in which the definition includes customers, investors and suppliers (Paul et al., 2006). Also, it has published environmental, health and safety reports yearly since 1997, leading to Cemex sustainability report in 2004, including the following elements: eco-efficiency programme, waste management programme, reforestation and green areas programme, natural resources conservation programme, and relations with the community and NGOs programmes (Paul et al., 2006). Cemex is a member of the cement sustainability initiative sponsored by the World Business Council for Sustainable Development (WBCSD), and discusses this initiative in its social reporting. Some of its philanthropic activities include a programme called 'Patrimonio Hoy' which has organised more than 130,000 low income Mexican families into self financing cells in order to facilitate housing construction (Paul et al., 2006).

Grupo Modelo, the Mexican beer transnational who is famous worldwide for its beer Corona, displays its CSR policies on its website (Paul et al., 2006). In its website Grupo Modelo also describes Grupo Modelo's philanthropy and its commitment with the

environment (Paul et al., 2006). Some of the causes that the corporation supports are in the area of education especially from primary education to university level (Paul et al., 2006). Grupo Modelo established its foundation in the year 2000 which is called Filantropía Modelo or Modelo's Philanthropy in English, which is one of the few examples of corporate foundations in Mexico (Paul et al., 2006). In recent years Grupo Modelo has also focused more attention towards environmental issues (Paul et al., 2006).

The Mexican glass transnational Grupo Vitro recounts the participation of its work force in community service activities and CSR practices in three main areas such as recycling, environmental protection and the promotion of art and culture (Paul et al., 2006). In its main founding supports schools, development programmes and the glass museum in its founding city Monterrey (Paul et al., 2006).

The mining and chemical Mexican transnational Industrias Peñoles has a CSR discussion published on its website. Industrias Peñoles supports more than 12 community participation boards, 12 social welfare centres and a volunteer network (Paul et al., 2006). It has achieved several local and international CSR awards for its information disclosure and policies on environmental policy and annual indicator comparison report (Paul et al., 2006).

The Mexican supermarket corporation Organización Soriana has supported for many years more than 75 organisations in education, health and community services (Paul et al., 2006). In addition it supports and encourages employees and customers that currently support other 130 organisations (Paul et al., 2006).

Grupo Bimbo is a bread and food products multinational and has a 20 page code of ethics in Spanish published on its website and summarised in English (Paul et al., 2006). Inside its code of ethics it mentions the following stakeholders: business partners, suppliers, shareholders, customers, competitors and society (Paul et al., 2006). Also in its value statement it quotes several core values from the founding family which include to see every person as a human being, not as an instrument, effectiveness, profitability, passion, teamwork, quality and trust (Paul et al., 2006). This

corporation supports a variety of foundations and educational programmes and is a founding member of the programme 'Reforestemos Mexico' or We Reforest Mexico in English (Paul et al., 2006). Its website shows a more than five page of discussion on CSR and more than four pages on the environment (Paul et al., 2006). Its website also provides a clear comparison of several environmental indicators such as waste water and energy treatment (Paul et al., 2006).

All these examples are evidence that CSR and corporate social reporting can be found in some, but not all, Mexican businesses (Paul et al., 2006) such as banks. The next example illustrates why banks should engage more with CSR policies in Mexico. Rachel Kyte, vice-president of the International Financial Corporation (IFC), argues banks that survive today's financial crisis, will come out with a vision focused on the sustainability in order to manage long term risk (Eseverri, 2009). This is why she suggests that banks should adopt CSR policies (Eseverri, 2009). She argues that '*La sustentabilidad financiera no es algo que se pueda dejar de lado en la crisis, sino un componente estratégico para la supervivencia de los modelos de negocios de los bancos*' 'the financial sustainability is not something that you can leave behind, but rather a strategic component for the survival of the business models for Banks' (Eseverri, 2009, pp. 11D). This financial sustainability includes a series of CSR commitments not only from the banks themselves but also that its customers are encouraged to follow them (Eseverri, 2009). The executive pointed out that in Mexico and in the world, it is urgent that banks are closely regulated by nation states in order to make these structural changes a reality in their corporate governance by placing key incentives in order to reward this long term vision regarding today's extra-financial risks such as climate change and poverty reduction (Eseverri, 2009). The executive argues that Mexico's banking challenges play a key role in order to guarantee and contribute to a more sustainable economy (Eseverri, 2009). Financial sustainability is not only a trend in Mexico, it is a reality and banks that do not worry about their long term vision will jeopardise their own future survival (Eseverri, 2009).

5.7 Summary – Corporate Social Responsibility in Mexico

CSR in a developing country and a developed country are far from being the same. In a developed country CSR is mainly driven by synergies between the private sector, the public sector and NGO's (Jamali and Mirshak, 2007). Mainstream CSR is inclined towards environmental and global issues such as climate change (Jamali and Mirshak, 2007). On the other hand, CSR in developing countries as in Mexico CSR is driven and moulded by specific national and institutional factors (Jamali and Mirshak, 2007). CSR in developing countries mostly find itself in a vicious circle, where private sector CSR initiatives are desperately needed, yet, these initiatives are effectively disempowered by less than favourable contextual conditions (Jamali and Mirshak, 2007). CSR practices in developing countries focus mainly on country specific needs and vary from job creation and employee remuneration to environmental and anti-corruption practices (Jamali and Mirshak, 2007). Nevertheless large corporations have adapted CSR policies to local strategic needs (Porter and Kramer, 2006). These corporations are creating shared value by harmonizing the corporation's business to social needs while at the same time supporting mainstream CSR and global initiatives (Porter and Kramer, 2006).

There is evidence that CSR may be found in some, but not the majority of Mexican businesses (Paul et al., 2006) and is largely driven by many internal and external factors (Husted and Logsdon, 1997). This represents many challenges for future Mexican business (Paul et al., 2006). However, in order for Mexican businesses to become more attractive for international investment and partnerships, their corporate representatives should become much more familiar with international standards, initiatives and leading organisations working to promote and measure CSR (Paul et al., 2006). The following chapter goes in depth into four case studies taken as examples of transnational corporations with successful CSR policies in Mexico.

Chapter 6 – Local context Mexican case studies

‘The most important thing in a firm is its people because investors give what they have but people give what they are’ (Don Lorenzo Servitje, Grupo Bimbo Founding Partner)

6.1 Introduction

Companies at a global level are conducting business under new standards and are rethinking the social impact of their operations (Crane et al. 2008a). In other words, corporations are modifying their current business model in a more strategic responsible way; improving their environmental and social performance (Crane et al., 2008a). Mexican firms and subsidiaries that are engaged in international trade have begun to adopt voluntary mainstream environmental standards, set by the International Organisation of standardisation (ISO), and CSR practices as a corporate strategy (Husted and Logsdon, 2000). At the same time, many companies have not adopted this approach regardless of pressures from multiple stakeholders groups such as customers, employees, suppliers, community groups and government (McWilliams and Siegel, 2001). Furthermore, some companies do not completely understand how to create value by integrating CSR into their strategic planning (Crane et al., 2008a). However, there is meaningful evidence from Mexican, North American and European corporations engaging in strategic and high value added CSR practices in Mexico. Strong CSR evidence in Mexico is reviled by local corporations such as Grupo Bimbo and Africam-Safari and foreign corporations such as Wal-Mart de Mexico and Unilever de Mexico. Some of these corporations as previously mentioned have become role models and the envy of other corporations by sailing away from their competitors. Yet, some of these corporations have become pioneers of ‘modern’ CSR today in Mexico; in their different industries, levels and depth, by making CSR part of their core business value strategy and maximising benefits for both society and business. This chapter portrays four large transnational corporations from where three are role model corporations in Mexico due to their CSR approach. These case studies follow a similar structure for ease of comparison starting from the history of CSR adoption, the

motivation of CSR adoption, the corporation's CSR programmes, managing the CSR strategic process and the corporation's future plans.

6.2 Description of the Mexican Case studies and their CSR policies

6.2.1 Wal-Mart de México S.A.B. de C.V. and Corporate

Social Responsibility

'Mi sueño es que no se tenga que hablar del tema. Que el tema sea tan normal que no deba de ser de tanta atención y que sea algo normal en las acciones de cada día' (Gisela Noble Colín, General Director of Fundación Wal-Mart de México).

6.2.1.1 History of Corporate Social Responsibility adoption

As shown in Figure 6.1 Wal-Mart de Mexico S.A.B. de C.V. is one of the most important retail chains and one of the most important employers in Mexico (Wal-Mart, 2009). Wal-Mart de Mexico is the 4th most important corporation in Mexico according

Figure 6.1 Wal-Mart Logo



Source: Wal-Mart de Mexico (2008)

to the top 500 corporation rankings list made by 'Expansión 500' in 2009. 'Expansión 500' is one of the most important business magazines in Mexico (Expansión 500, 2009). Only in Mexico Wal-Mart de Mexico 'operates 1,204 units (Stores) including Bodega Aurrera, Wal-Mart, Superama, Sam's Club, Suburbia, Vips Restaurants, as well as 38 Wal-Mart de Mexico Bank Customer and Member Services Modules (MACS) and 394 consumer credit modules' (Wal-Mart de Mexico, 2008, pp 0). Wal-Mart de Mexico's main headquarters is located in Mexico City, and its units are distributed throughout 224 cities nationwide (Wal-Mart de Mexico, 2008).

6.2.1.2 Motivation of Corporate Social Responsibility adoption

Wal-Mart de México's vision is to 'contribute towards improving the quality of life of Mexican families' (Wal-Mart de Mexico, 2008, pp. 4) and its core values are based on three main principles. The first principle is 'Respect for the individual, Wal-Mart de Mexico ensures an atmosphere of respect and dignity in the workplace, with equal

opportunities for all of its 'associates' as Wal-Mart de Mexico calls its employees' (Wal-Mart de Mexico, 2008, pp. 4). The second principle is customer service, Wal-Mart de Mexico 'exists in this business to serve its customers' (Wal-Mart de Mexico, 2008, pp. 4). And the third principle is striving for excellence, Wal-Mart de Mexico 'strives for excellence regardless of the position held or the area of responsibility in the company' (Wal-Mart de Mexico, 2008, pp. 4). Wal-Mart de Mexico has identified five main stakeholders whom they have a close relationship with. Wal-Mart de Mexico's main stakeholders are; their shareholders, Wal-Mart de Mexico's responsibility with shareholders is to 'create short, medium and long term value as a sound and transparent company' (Wal-Mart de Mexico, 2008, pp. 6). Customers; Wal-Mart de Mexico knows that 'customers acknowledge their philosophy of offering everyday low prices and how we work to provide a better quality of life for their families, with the best products and an excellent shopping experience' (Wal-Mart de Mexico, 2008, pp. 6). Associates; Wal-Mart de Mexico is aware that its 'associates are their main asset, they foster a healthy and safe work environment, with competitive salaries and benefits, and both professional and personal development opportunities' (Wal-Mart de Mexico, 2008, pp. 6). Suppliers; Wal-Mart de Mexico considers that 'strengthening relationships with suppliers is one of its main objectives and are constantly looking for new partners that share their philosophy, always trying to produce greater benefits for its customers' (Wal-Mart de Mexico, 2008, pp. 6). And Society; Wal-Mart de Mexico 'conducts itself as a responsible and ethical corporate citizen at every moment as a main premise to society. Thus, Wal-Mart de Mexico does not only support better nourishment programs in less favoured communities, but they also foster local employment and promote efficient use of resources' (Wal-Mart de Mexico, 2008, pp. 6). After all this is said, for Wal-Mart de Mexico

'being socially responsible implies following the principles of our (Wal-Mart de Mexico) culture; looking for development and quality of life for our (Wal-Mart de Mexico) associates; operating efficiently so as to achieve low costs, which in turn become low prices for our (Wal-Mart de Mexico) customers and members; investing in Mexico with employment generation and supplier development; driving competitiveness; favouring

innovation; promoting volunteer work among our (Wal-Mart de Mexico) associates; supporting sustainable nutrition among less-favoured communities in Mexico while operating in harmony with the environment' (Wal-Mart de Mexico, 2008, pp. 4).

6.2.1.3 Corporate Social Responsibility Programmes

During the interview with the General Director of Fundación Wal-Mart de Mexico, Gisela Noble-Colin (2009) stated that the 'corporation (Wal-Mart de Mexico) has three strategic initiatives' which include that Wal-Mart de Mexico must be a corporation with 'talent, social responsibility and sustainable growth' (Noble-Colin, 2009). Noble-Colin (2009) argues that the corporation '*(no hacer las cosas solo por hacerlo económicamente)*' 'does not just do things for the economic profit', in contrast, everything must be based on a '*(integridad fundamental)*' 'fundamental integrity' (Noble-Colin, 2009). The executive argues that 'Wal-Mart de Mexico has been socially responsible since its roots' (Noble-Colin, 2009). The social responsibility of Wal-Mart de Mexico comes from the culture of the company since they have low operation costs in order to have 'low prices'. The executive makes it clear that Wal-Mart de Mexico's main objective is not 'to go out there and achieve or gain any type of certificates nor awards' (Noble-Colin, 2009). By doing what it already does in regard to CSR policies, Wal-Mart de Mexico 'attracts these kinds of certificates and awards anyway' (Noble-Colin, 2009). For example most of the time Wal-Mart de Mexico gets invitations to participate with certain standards and certifications such as the fight against corruption. Wal-Mart de Mexico in support to these standards and certifications established an 'anti-corruption company policy' (Noble-Colin, 2009), where if you get caught doing 'anything illegally either big or small, you get fired straight away' (Noble-Colin, 2009). Noble-Colin argues that the actual corporate policy of 'low prices always' is from its essence a type of CSR. In this policy, Wal-Mart de Mexico's main objective is 'to save customer's money through self-developed programmes' (Noble-Colin, 2009). This vision to save people's money was the goal of its founder Sam Walton when he opened the first Wal-Mart store more than 40 years ago (Wal-Mart, 2009). Further, Wal-Mart de Mexico believes that its

‘constant economic investment has been the driver of its sustainable development. And will keep on reinvesting its utilities in Mexico’ (Wal-Mart de Mexico, 2006).

In regard to human resource (HR) policies, Wal-Mart de Mexico has established a self-merit programme. This means that every associate (employee) has a ‘career plan under equal gender, race and age opportunities’ (Noble-Colin, 2009) that is used as a catalyst for self-development and assessment. Every associate is evaluated with specific indicators to measure their performance in the most objective way (Wal-Mart de Mexico, 2008). ‘Wal-Mart de Mexico believes in the constant improvement of every indicator year by year’ (Noble-Colin, 2009) which is why in 2008 it developed many more indicators than previous years. Further, Wal-Mart de Mexico seeks to maintain the indicators from the Global Reporting Initiative (GRI) and improve its yearly results. As Wal-Mart de Mexico has gained remarkable expertise in GRI through the years, ‘Fundación Wal-Mart de Mexico helped achieve the application of the GRI methodology for the Wal-Mart global sustainability report 2009’ (Noble-Colin, 2009).

A major priority for Wal-Mart de Mexico’s programmes is to support productive projects in lower income communities (Wal-Mart de Mexico, 2008). In this programme, Wal-Mart de Mexico has supported sustainable projects in rural and indigenous communities with resources and training to help them transport, market and sell their own products in Wal-Mart de Mexico stores (Wal-Mart, 2009). From this programme craftsmen in 62 communities sold their products in Wal-Mart de Mexico stores gaining 100% of their total sale benefiting 7,856 people in 2008 (Wal-Mart de Mexico, 2008). Further, Wal-Mart de Mexico recently opened ‘(Banco Wal-Mart)’ ‘Wal-Mart Bank’ in order to provide ‘financial services products to the un-banked and the underserved’ (Wal-Mart, 2009 pp. 9). With Wal-Mart Bank it has been possible to open more than 70,000 accounts, especially because ‘35% of all these account holders have never had any kind of bank account before’ (Wal-Mart, 2009, pp. 9).

Another example of Wal-Mart de Mexico’s ‘joint-programme is the one shared with NGOs in case of natural disasters’ (Noble-Colin, 2009). The main objective of this programme is to arrive at the damaged region first in order to distribute food to those most in need (Noble-Colin, 2009). Further, as Noble-Colin explains, ‘(dependemos

seriamente de la eficiencia de las ONGs) Wal-Mart de Mexico 'depends completely on the effectiveness of these NGOs for success' in these type of programmes. For this reason, every project or projects shared with any NGO, Wal-Mart de Mexico has developed in house detailed-specific indicators to evaluate their success.

6.2.1.4 Managing the Corporate Social Responsibility

strategic process

Noble-Colin (2009) argues that 'CSR is a 100% top down approach', in which Wal-Mart de Mexico 'top executives are very interested in' (Noble-Colin, 2009), because today '*la RSC juega un papel muy importante estratégicamente para Wal-Mart de México*', 'CSR plays one of Wal-Mart de Mexico's most important strategic roles' (Noble-Colin, 2009). Further, in this 'change' of philosophy, people inside Wal-Mart de Mexico at all levels have embraced it (Noble-Colin, 2009). Because, Noble-Colin argues '*si nosotros como lideres no decimos que si se puede progresar, los más pobres no tienen esperanza*' 'if we as leaders do not say that progress is possible, the poorest people do not have hope'. This mixture of leader engagement with CSR is another vital ingredient of what Mexico as a country needs in order to achieve a certain degree of development (Noble-Colin, 2009). Moreover and despite the fact that Wal-Mart de Mexico has its own local philosophy, it 'supports global issues that are aligned with global initiatives' (Noble-Colin, 2009) such as global warming, the environment and a reduction in use of the earth's resources (Wal-Mart de Mexico, 2008).

Up until 2004, in respect to CSR, Noble-Colin (2009) argues Wal-Mart de Mexico followed a comprehensive philanthropic approach in which basically included three main activities; 'donations, the achievement of CSR awards that Wal-Mart de Mexico received or awarded, and some rural community development' (Noble-Colin, 2009). 'There was support from the board of directors, but at this stage CSR did not take any type of strategic focus for Wal-Mart de Mexico' (Noble-Colin, 2009).

Social reporting in Wal-Mart de Mexico to some extent started in the year 2004 with the 'Corporate Social Responsibility 2004' manual. This manual was composed of 16 pages where most of them were filled up with pictures and there was a lack of

quantitative indicators and detail specific information. The main source of information from this manual is predominantly qualitative. The analysis of this manual mainly focuses on Wal-Mart de Mexico's philanthropic activity and the environment as previously said with no CSR strategic value and mainly driven by 'good will'. However, it identifies stakeholder groups such as employees, the community and suppliers (Wal-Mart de Mexico, 2004). In this manual there are many blank spaces as Noble-Colin (2009) argues it was due to the fact that Wal-Mart de Mexico was somewhat 'discrete' on publishing all of its information because they had doubts about 'informing well civil society' (Noble-Colin, 2009). 'Wal-Mart de Mexico's doubts continued into what would people say about Wal-Mart de Mexico?' (Noble-Colin, 2009). Despite the fact that, Wal-Mart de Mexico's CSR 2004 manual was in some extent very conservative. The manual achieved acceptance across Wal-Mart de Mexico and was the catalyst to a CSR movement inside Wal-Mart de Mexico. Furthermore, this manual was into some extent a pioneer of CSR in Mexico. In my opinion, other Mexican and international TNCs in Mexico today should even try to catch up to Wal-Mart de Mexico's CSR policies of 2004.

In 2005 Wal-Mart de Mexico started to question its actions and mistakes from past years and gave meaningful thought on how to improve them and its CSR approach (Noble-Colin, 2009). During the same year, Wal-Mart de Mexico took the serious decision to commit itself to the issue of 'food security' in Mexico (Wal-Mart de Mexico, 2005). Wal-Mart de Mexico's plan was to give communities higher value added and for that it adopted a strategic focus approach where the net effect of this new approach would be maximised. 'During the creation of this approach which was to link Wal-Mart de Mexico's strategic focus with food security, Wal-Mart de Mexico asked itself who are the people that need this programme the most?' (Noble-Colin, 2009). The answers to this question as Noble-Colin (2009) argues are 'the poorest people'. The poorest people need the most help from the richest and most powerful corporation in the world in its market, '*(de esto esta conciente Wal-Mart)*', 'Wal-Mart de Mexico is conscious of this premise' (Noble-Colin, 2009). However, 'as most of Wal-Mart de Mexico's businesses are in urban areas, then urban areas are where Wal-Mart de Mexico directly affects the most people in its daily business, that is why the majority of Wal-Mart de Mexico's

development programmes are focused on urban areas' (Noble-Colin, 2009). With this approach Wal-Mart de Mexico is conscious of who are the people in most need, and where and how can it impact the most people aligned with its core business in order to give it a strategic focus and maximise results (Noble-Colin, 2009).

In 2005 Wal-Mart de Mexico wrote a 20 page 'Social Responsibility Report' including a page where the CEO of Wal-Mart de Mexico explicitly mentions the commitment of Wal-Mart de Mexico to CSR practices. This was proof of the engagement Wal-Mart de Mexico's top executives have in CSR. For the first time, the report shows the award 'ESR' (Empresa Socialmente Responsable) or Socially Responsible Company achieved every year since 2001 granted by the local government using local standards. Further, the report shows a first attempt of a 'strategy to sustainable development' (Wal-Mart de Mexico, 2005, pp. 4). It clearly identifies its key stakeholders such as 'customers, shareholders, employees, suppliers, communities and the environment' (Wal-Mart de Mexico, 2005, pp. 5). This report also takes into account Wal-Mart de Mexico's economic development and identifies that 'supermarket chains create a multiplicity effect for the economy, because they become points of development for the localities wherever they are established' (Wal-Mart de Mexico, 2005, pp. 7). There are concrete improvements of this report compared to the previous year however, the data analysis of this manual still remains mostly qualitative (Wal-Mart de Mexico, 2005), lacks a much more profound quantitative approach and a comparison framework of the 2005 indicators to the previous year.

Wal-Mart de Mexico gained expertise from previous years in developing reporting manuals and by 2006 it developed a 32 page 'Social Responsibility and Sustainability Manual' under the name of 'Comprometidos por un Mexico mejor' or 'Committed for a better Mexico'. This manual highlights the first time the award 'Equidad de Genero' or 'Gender equality' from the National Women Institute was received. In fact, '50.6% of Wal-Mart de Mexico's labour force are women' (Wal-Mart de Mexico, 2006, pp. 9). That year, as Noble-Colin (2009) argues, Wal-Mart de Mexico achieved several formal detailed-specific 'meetings among top managers in order to appoint CSR representatives in Wal-Mart de Mexico and to formalise its CSR information'. The

analysis of this manual shows evidence of the start of a new structured CSR way of reporting by balancing the qualitative and quantitative indicators and by structuring a comparison indicator performance chart of the years 2006 and 2005.

Noble-Colin (2009) argues that 'by 2007 Wal-Mart de Mexico had already established a formal and structured committee with employees working and focused on sustainability and CSR'. That year Wal-Mart de Mexico took its Social Responsibility Report a step further by aligning for the first time to the Global Reporting Initiative (GRI) methodology. The 'Social Responsibility and Sustainable Development Manual' was aligned to the GRI with the main objective to situate CSR at the pinnacle of Wal-Mart de Mexico's strategic plan in the centre of its core business and becoming the driver for innovation, opportunity and competitive advantage' (Wal-Mart de Mexico, 2007, pp. 1). In order for Wal-Mart de Mexico to give it a real strategic focus it decided to focus on the topic 'food sustainability' where Wal-Mart de Mexico has the most expertise and is aligned with its core business as shown in Figure 6.2 (Wal-Mart de Mexico, 2007). Noble-Colin (2009) argues that 'CSR policy inside Wal-Mart de Mexico was born, developed and achieved as a new way of thought and does not come from the influence of the United States nor from any kind of pressure from Wal-Mart's Headquarters in the United States'. Further, Wal-Mart de Mexico's CEO Eduardo Solórzano Morales argues that they 'have embarked on this journey, and there is no turning back. Out of genuine conviction and because our (Mexico) country needs us' (Wal-Mart de México, 2007, pp. 13).



By 2008, Noble-Colin (2009) argues that the 'Sustainable and CSR committee functioned in an excellent way'. Nowadays there is much more information and involvement of Wal-Mart de Mexico's staff. Wal-Mart de Mexico has moved on to the epoch of strategic alliances with other corporations. Further, there are many CSR initiatives from Wal-Mart de Mexico involving local and international suppliers. This link

between Wal-Mart de Mexico and suppliers 'has been well proved successful by getting quick and positive responses from them' (Noble-Colin, 2009).

'(Somos un efecto multiplicador)' 'We are a multiplicity effect' (Noble-Colin, 2009). Noble-Colin (2009) argues that 'by doing things the right way and by setting up the example we can influence many other corporations'. A clear example of this effect would be *'(cuando Wal-Mart de México dice quiero verde, se modifica el Mercado)'* 'when Wal-Mart de Mexico says I want green, the market modifies itself to green' (Noble-Colin, 2009). In the 2008 'Social Responsibility and Sustainable Development Report' Wal-Mart the Mexico has 93 GRI indicators compared to 56 GRI indicators from the previous year (Wal-Mart de Mexico, 2008; 2007). 'Basically, all the information presented in the Social Responsibility and Sustainable Development Report (SRR) is quantitative' (Wal-Mart de Mexico, 2008, pp.0). This report shows Wal-Mart de Mexico's performance related to its policies, actions, and financial, social and environmental results for 2008. Its content is a 'product of the support from different company areas aligned to the relevant topics' (Wal-Mart de Mexico, 2008, pp. 0). The 2008 Social Responsibility and Sustainable Development Report was created in order to reiterate Wal-Mart de Mexico's commitment to CSR and is aligned to the GRI methodology 'because we (Wal-Mart de Mexico) meet all the necessary requirements' (Wal-Mart de Mexico, 2008, pp. 0).

'For Wal-Mart de Mexico, being socially responsible implies following the principles of our (Wal-Mart de Mexico) culture; looking for development and quality of life for our (Wal-Mart de Mexico) associates; operating efficiently so as to achieve low costs, which in turn become low prices for our (Wal-Mart de Mexico) customers and members; investing in Mexico with employment generation and supplier development; driving competitiveness; favouring innovation; promoting volunteer work among our (Wal-Mart de Mexico) associates; supporting sustainable nutrition among less-favoured communities in Mexico while operating in harmony with the environment' (Wal-Mart de Mexico, 2008, pp. 4).

The 2008 report mentions Wal-Mart de Mexico's challenges such as to 'solidify its capability to attract and retain talent and staff promotions' (Wal-Mart de Mexico, 2008, pp. 6). It identifies Wal-Mart de Mexico's 'risks and opportunities such as supporting suppliers with investment in technology and logistics' (Wal-Mart de Mexico, 2008, pp. 6) and to have a supplier base that allows Wal-Mart de Mexico to adapt to the changing needs of its customers (Wal-Mart de Mexico, 2008). As Noble-Colin (2009) argues '*(siempre fomentamos la competitividad e innovación)*' 'we always promote competition and innovation' among suppliers. 'Any supplier that is not competitive is not for Wal-Mart de Mexico, because many suppliers do not always want to be competitive' (Noble-Colin, 2009). 'It is up to Wal-Mart de Mexico to fulfil customer's needs in today's world where the customer is ever more changing, more sophisticated and exigent' (Noble-Colin, 2009). The 2008 report includes the governance structure with the names of the board of directors, the alternate directors, audit committee, corporate practices committee, executive committee and the independent auditor as clear evidence of the integration between CSR and top executives at Wal-Mart de Mexico (Wal-Mart de Mexico, 2008).

Ever since 2001 Wal-Mart de Mexico embarked on its journey to become one of Mexico's 'modern' CSR pioneers by developing its own CSR reports in English and in Spanish and giving the corporation serious reliability and commitment to CSR policy locally and internationally. The 2008 sustainability report is the most comprehensive report developed in Wal-Mart de Mexico. It is aligned to the GRI and takes reporting a step further by self-developing and assessing reporting indicators. It also analyses Wal-Mart de Mexico's weaknesses, threats and success factors in order to have a clear view of the changes that have to be made. 'Today, Wal-Mart de Mexico does not feel the need to be 'discrete' with the risks and challenges it faces as a corporation in CSR matters' (Noble-Colin, 2009), because Wal-Mart de Mexico understood that 'if we (Wal-Mart de Mexico) do not do things right then they become a risk' (Noble-Colin, 2009).

6.2.1.5 Future plans

The 2008 Wal-Mart de Mexico sustainability report leaves a clear path to future work. Wal-Mart de Mexico (2008) argues that 'the measures conducted in 2008

underscore their commitment to CSR' (Wal-Mart de Mexico, 2008, pp. 48). Wal-Mart de Mexico needs to continue engaging in CSR practices to adequately respond to community needs, where Wal-Mart de Mexico operates and contributes to generate greater welfare for Mexicans through everyday low prices, community support and environmental conservation programs (Wal-Mart de Mexico, 2008). Noble-Colin (2009) argues that

'Wal-Mart de Mexico's future plans also include that any company from any type of industry that belongs to Wal-Mart de Mexico needs to develop its own CSR policy aligned strategically to its own core business, but, harmonised with Wal-Mart de Mexico's CSR essence in order to create shared value'.

Furthermore, in Wal-Mart de Mexico

'We (Wal-Mart de Mexico) feel proud of our (Wal-Mart de Mexico) achievements and the fact that each year our report contains, with greater precision, the indicators suggested by the GRI. This further motivates us (Wal-Mart de Mexico) to continue with our (Wal-Mart de Mexico) efforts to become increasingly better corporate citizens, ever more conscious of our (Wal-Mart de Mexico) commitments to our (Wal-Mart de Mexico) stakeholders and to the country (Wal-Mart de Mexico, 2008, pp. 48).

6.2.2 Grupo Bimbo S.A.B de C.V. and Corporate Social Responsibility

'Seguimos dedicados a dar la bienvenida a los desafíos sociales como una oportunidad de mejorar nuestras prácticas, productos y nuestro mundo' (Daniel Servitje, CEO of Grupo Bimbo)

6.2.2.1 History of adoption

As shown in Figure 6.3 Grupo Bimbo S.A.B de C.V. was 'the largest Latin American-based food company' in 2008 (Rangan and



Garcia-Cuellar, 2009) and the largest bread company in the world in 2009 (Expansión 500, 2009). It had annual sales of over \$7.4 billion as of the last twelve months accumulated into June 2008 (Rangan and Garcia-Cuellar, 2009). Grupo Bimbo is composed by more than 100 brands (Rangan and Garcia-Cuellar, 2009) and more than 100,000 worldwide 'associates' as Grupo Bimbo likes to call its employees (Expansión 500, 2009). During 2008 it manufactured more than 5,000 products from 83 plants located in the Americas, Europe and Asia. Further, 'Grupo Bimbo has one of the most extensive and widespread distribution channels in the world with more than 36,000 routes worldwide' (Grupo Bimbo, 2008b, pp. 6). In 2008 Grupo Bimbo distributed its products to more than 1 million sales points in 18 countries through its distribution channels (Rangan and Garcia-Cuellar, 2009). Its 'products range from sliced bread, buns, cookies, snack cakes, pastries, sweet baked goods, packaged food, tortillas, salted snacks, confectionary goods and sweet goat milk sweet candy among its assortment' (Grupo Bimbo, 2008b, pp. 6). Accordingly to the Mexican business magazine 'Expansión 500' Grupo Bimbo currently stands on the 21st place of the top 500 corporations ranking in Mexico (Expansión 500, 2009) and

'in a recent survey in Mexico consumers conducted by Reputation Institute, Grupo Bimbo earned a Global Reputation rating of 81.75, placing it 9th in 2008 on a list of the largest companies in the world' (Reputation Institute, 2008) and 1st in Mexico (Reputation Institute, 2008). Grupo Bimbo's reputation score is above the average rating of all companies rated by consumers in 27 countries, and places Grupo Bimbo in an elite group made up of the 200 best regarded companies in the world' (Reputation Institute, 2008).

6.2.2.2 Motivation of Corporate Social Responsibility adoption

The CEO of Grupo Bimbo, Daniel Servitje argues that:

'since our (Grupo Bimbo) beginning we (Grupo Bimbo) have assumed with full conviction, values and specific actions that guide the projects and goals of Grupo Bimbo, in accordance with the responsibility

we (Grupo Bimbo) have towards our (Grupo Bimbo) consumers, clients, stockholders, associates, distributors and to society in general' (Grupo Bimbo, 2008a, pp. 1).

Grupo Bimbo is a corporation which is actively engaged in helping society deal with the challenges it faces through its CSR programmes. These programmes focus mainly on four lines of action including:

'Committed to environment, committed to your health, committed to our (Grupo Bimbo) associates and committed to our community. Through these commitments Grupo Bimbo promotes a healthy lifestyle and seeks to increasingly offer better products, minimise the environmental impact of its processes and services, facilitates the full development of its associates and contribute to the overall well-being of society' (Grupo Bimbo, 2008a, pp. 0).

6.2.2.3 Corporate Social Responsibility programmes

Through Grupo Bimbo's programme 'commitment to your health', in 2004 the CEO, Daniel Servitje addressed a letter to the CEO of the World Health Organisation (WHO), Her Majesty Dr. Margaret Chan, in order to formalise its commitment and to align its 'Health and Nutrition programme with the WHO strategy on Diet, Physical Activity and Health with the objective of promoting healthy lifestyles' (Grupo Bimbo, 2008a, pp. 1) through Grupo Bimbo's products (Servitje, 2004). This commitment represents an important CSR step taken by Grupo Bimbo to become a CSR role model corporation in Mexico (Servitje, 2004). Grupo Bimbo has made the commitment with society to work intensely in order to offer a variety of products based on technical and scientific support, in order to promote healthy diets and lifestyles (Servitje, 2004).

'As a socially responsible company, we (Grupo Bimbo) are convinced that reaching a better and healthier ways of life needs the commitment and actions of many actors: Industry, government, scientific community and the society in general' (Servitje, 2004).

In its seriousness to achieve these goals, Grupo Bimbo established the program 'committed to your health' in order to counter the various causes of obesity in Mexico (Servitje, 2004). This plan consists of five areas where Grupo Bimbo has already taken concrete steps towards in reformulating the existing products and developing innovations that will offer healthier options to all customers, provide customers with more and clearer information about the nutritional composition of Grupo Bimbo's foods and beverages, adopt voluntary measures on the marketing and advertising of food and beverages particularly to children, widen partnerships and research, and promote greater physical activity, sports and healthier lifestyles including workplace (Servitje, 2004).

Grupo Bimbo believes that greater efforts will need to be made by all stakeholders as a whole if the CSR's strategic goals, particularly in developing countries, are to be achieved in the incoming years (Servitje, 2004). Grupo Bimbo's CSR 'first commitment is product composition and availability, and consists to develop new products with a healthier profile including functional ingredients such as whole grains' (Servitje, 2004, pp. 2). Further, they wish to improve the nutritional value of products in order to reduce the contents of fat sugar and salt in all product portfolios (Servitje, 2004). Grupo Bimbo have committed to create smaller portions in order that consumers have a variety of options and consider portion control in their daily diets (Servitje, 2004); To eliminate Trans fat acids in all their products (Servitje, 2004); and to develop fortified products aligned to guidelines established by health organisations (Servitje, 2004). 'The second commitment is the nutrition information disclosure to consumers including labelling in order to provide complete and clearer information to customers about the nutritional composition of all foods and beverages' (Servitje, 2004, pp. 2). And in case there are no legislative requirements already in place, Grupo Bimbo has the commitment to incorporate the same nutrimental information on every pack for public health concern as a minimum standard (Servitje, 2004). As a 'third commitment marketing and advertisement to children in the beverage and food industry is aligned since 2004 to the framework of the International Chamber of Commerce (ICC) for responsible food and non-alcoholic beverage advertising' (Servitje, 2004, pp. 3). 'The fourth commitment is the promotion of physical activity and healthy lifestyles' (Servitje,

2004, pp. 3). In this commitment wherever possible Grupo Bimbo will use its marketing channels or collaborate with public authorities and other stakeholders to help rise consumer awareness on balanced diets, as well as to promote greater physical activities and healthier lifestyles including workplace (Servitje, 2004). This commitment will promote sport events that seek to endorse an energetic balance as well as stimulating values such as companionship, respect, discipline, teamwork, family integration, and healthy habits among others (Servitje, 2004). And 'the fifth commitment is partnership and research that supports research to generate better evidence and practices to keep improving the consumer lifestyle' (Servitje, 2004, pp. 4).

'As the main global action, is our (Grupo Bimbo) goal to create consciousness in all our (Grupo Bimbo) associates in Grupo Bimbo, motivating the adoption of healthier lifestyles inside and outside the company, through different activities: dieticians consultations, health and nutrition conferences, improving menus in cafeterias, promoting physical activity in workplaces, as the more relevant. We (Grupo Bimbo) want to become a Role model Company in our country' (Servitje, 2004, pp. 4).

In this role Grupo Bimbo looks to cooperate and promote this approach in all markets and encourage other businesses to follow Grupo Bimbo's lead (Servitje, 2004). Moreover, Grupo Bimbo has created four Innovation and Nutrition Institutes with the objective to transform scientific advances into practical applications in order to exceed customers' expectations with better products (Servitje, 2004). Further, it has reinforced partnerships with other corporations, institutions and universities in order to provide society with tools to improve their well being (Servitje, 2004).

Grupo Bimbo's foundation has always participated in a decisive manner in the care and conservation of the environment. It has done this by investing in research and implementation of technologies to reduce its environmental footprint in its day to day business by saving energy and water, reducing emissions, and by having a sound solid waste management (Grupo Bimbo, 2008a). The programme 'commitment to the environment', led Grupo Bimbo to become the first corporation in Latin America to use the technology which makes its packaging oxodegradable. In other words, Grupo

Bimbo's packaging is more eco-friendly by shortening the degradation time when compared to conventional plastic packaging (Grupo Bimbo, 2008a).

Further, Grupo Bimbo has become a promoter of lifestyles compatible with the conservation of the environment through its environmental programmes and a true international 'supporter of the Kyoto Protocol by reducing by 4% its emissions of CO₂ to the environment' (Grupo Bimbo, 2008a, pp. 5) in 2008.

As a local example of how Grupo Bimbo is a step ahead developing CSR practices and technologies from Mexican Policy, deputies in Mexico City at the 'Asamblea Legislativa del Distrito Federal' (ALDF) have modified policy so that supermarkets would shift to use biodegradable bags from normal plastic bags (Osorio, 2009). This new policy states that supermarkets and every other commerce business has prohibited giving their customers plastic bags after a purchase (Osorio, 2009). As Osorio (2009) argues this initiative establishes that all businesses will have a period of 6 months to shift from plastic bags to biodegradable bags. And if businesses do not comply, economic or even arrest measures will be taken towards these businesses (Osorio, 2009). In order to give incentives to businesses to shift to biodegradable bags, the government developed an economic incentive programme for businesses that made normal plastic bags in order to upgrade and adapt their technologies to fulfil the new requirements (Osorio, 2009). This governmental measure was taken after Grupo Bimbo had already substituted all the plastic bags of their products for biodegradable bags in 2008 (Osorio, 2009). Grupo Bimbo began the usage of degradable polyethylene packaging for its products, which made it the first Mexican corporation using this 100% environmental friendly material (Grupo Bimbo, 2008a). Also, in quantifiable terms the degradation of these packaging takes a maximum period of 3 to 5 years, in comparison to the normal plastic bags that can take as long as 100 to 400 years to become degraded as the Operations Director of Grupo Bimbo, Ramon Rivera argues (Rangan and Garcia-Cuellar, 2009). As a matter of fact Maria del Carmen Peralta a deputy from the Green Party argues that every resident in Mexico City uses on average more than 280 plastic bags, multiply this by more than 10 million people in Mexico City and this

represents a great damage to the environment if this technology is not used (Osorio, 2009).

Within this commitment Grupo Bimbo has promised to provide more than 100,000 associates with optimal Health and Safety working conditions (Grupo Bimbo, 2008a). Also Grupo Bimbo has developed professional development programmes such as to provide English courses as a second language, support on elementary education, instruction towards a graduate degree and promoting savings programs in regard to strengthen their personal finances (Grupo Bimbo, 2008a).

Alcántara (2009) argues that during adverse circumstances, such as today's global financial crisis, is where CSR practices are challenged the most. However, in order to show Grupo Bimbo's strong CSR commitment the general director of Grupo Bimbo, Daniel Servitje during an interview with a local newspaper has made clear that the devaluation of the Mexican peso against the US dollar has increased its operation costs as much as 20%, due to the fact that a high percentage of the materials used are bought in foreign currency or in international markets (Alcántara, 2009). During the interview, the executive argued that Grupo Bimbo is becoming more efficient on its spending in order not to translate the increase in operational costs to end consumers (Alcántara, 2009). Nevertheless, Grupo Bimbo will maintain its regular prices for as long as possible (Alcántara, 2009). The CEO of Grupo Bimbo does not agree with common management measures to mass-fire employees as an anti-crisis measure, but rather, puts into practice projects that will ameliorate the operational effectiveness of the company (Alcántara, 2009). As the CEO of Grupo Bimbo he has not seen a decrease in the consumption patterns of his products, and foresees that consumption will remain the same (Alcántara, 2009).

After participating at the Mexico-China business committee, the CEO of Grupo Bimbo, Daniel Servitje said that despite the global financial crisis Grupo Bimbo does not plan to modify its investment plans for this year (Alcántara, 2009). Even though, the Mexican economy will contract as most economies around the world, Grupo Bimbo had already foreseen a recession (Alcántara, 2009). Further, focusing on the Mexican economy, the executive believes that knowing that the Mexican economy is contracting

as are other economies around the world, both government and businesses should engage with civil society to make the necessary changes in order to ameliorate the economy (Alcántara, 2009). Daniel Servitje argues that such a catastrophic atmosphere is a good opportunity to achieve a more solid and efficient national economy, in order to make Mexico a winning country at the end of the catastrophe (Alcántara, 2009).

On the other hand, Grupo Bimbo's community programmes support a large range of organisations in a variety of ways including schools, universities, cultural events, rural and indigenous development, suppliers and entrepreneurs among others (Grupo Bimbo, 2008a).

6.2.2.4 Managing the Corporate Social Responsibility

strategic process

The CEO of Grupo Bimbo, Daniel Servitje and the Director of Institutional Relations of Grupo Bimbo, Martha Hernandez, they argued that Grupo Bimbo's Corporate Social Responsibility (CSR) has three main purposes which are, the economic, the social and the environmental purpose. These three purposes are divided into internal and external aims. The objective is to contribute to the well-being of people and society through maintaining and creating efficient job opportunities, caring about the environment and maintaining rural development in every country where Grupo Bimbo has operations (Grupo Bimbo, 2009).

The CEO of Grupo Bimbo, Daniel Servitje (2009) argues that 'CSR is part of the natural activities of the company and it is immersed in Grupo Bimbo's culture with different internal and external, economic, social and environmental aims'. Grupo Bimbo's economic internal purpose is 'to reward employees and investors for their contributions to the corporation' (Grupo Bimbo, 2009, pp. 1). Grupo Bimbo's economic external purpose is 'to provide products and services in order to satisfy society's needs, through the payment of salaries to its employees and being a profitable corporation' (Grupo Bimbo, 2009, pp. 1). Grupo Bimbo's social internal purpose is 'to help its associates develop professionally and as human beings' (Grupo Bimbo, 2009, pp. 1). Its social external purpose is 'to contribute to society's development wherever Grupo

Bimbo has operations being a good corporate citizen' (Grupo Bimbo, 2009, pp. 1). Grupo Bimbo's environmental internal purpose is 'to create a more environmental friendly awareness culture among its associates and use resources in the most efficient way' (Grupo Bimbo, 2009, pp. 1). Its environmental external purpose 'consists of environmental campaigns, environmental projects, environmental education and environmental conservation' (Grupo Bimbo, 2009, pp. 1).

The CEO of Grupo Bimbo argues that 'we do it because we believe we have to do it' (Servitje, 2009) and by looking after Grupo Bimbo's reputation and examining mistakes, Grupo Bimbo achieved one of the world's best grades in a worldwide survey by the Reputation Institute (Reputation Institute, 2008).

'In former times CSR was a distinction and that is how we took it, however, today CSR are important practices that any company must have in order not to find itself in a disadvantaged position' (Servitje, 2009).

The Director of Institutional Relations of Grupo Bimbo, Martha Hernandez (2009) argues that 'not necessarily a family owned business has to be socially responsible'. However, the case of Grupo Bimbo's CSR comes from a long lasting history since its founder 'Lorenzo Servitje instilled paternalistic values to help others, in order to contribute to the well being of society' (Hernandez, 2009).

Grupo Bimbo has been granted the Mexican award 'ESR' or CSR award by the Mexican Public Institution CEMEFI (Centro Mexicano de Filantropía) Mexican Centre for Philanthropy 6 times for its internal and external CSR practices, products, projects and corporate governance (Grupo Bimbo, 2008a). Further, within Grupo Bimbo's CSR advertising, its policies only 'promote positive values or neutral publications, but never something negative' (Servitje, 2009). For example commercial spots with healthy advice such as 'fill yourself with energy with 30 minutes of exercise a day' (Grupo Bimbo, 2008a, pp. 3) on T.V., the radio, brochures and packaging.

At a global scale, Grupo Bimbo's CEO argues '*veo de todo*' 'I see a little bit of everything' (Servitje, 2009). There are 'very committed multinationals' (Servitje, 2009) such as in the case of 'conscious European' (Servitje, 2009) companies and the

particular case of the American Johnson and Johnson which is strong 'mentally and in productivity' (Servitje, 2009) as a corporation. Grupo Bimbo's CEO argues that CSR plays a strategic role inside Grupo Bimbo and 'we (Grupo Bimbo) remain focused in the needs of our environment and in the endless search for the well-being of people' (Grupo Bimbo, 2008a).

6.2.2.5 Future plans

Every company belonging to Grupo Bimbo, has its own budget percentage that has to be invested in CSR practices as a corporative policy (Hernandez, 2009). These CSR practices include community programmes and environmental programmes (Hernandez, 2009). After the end of each programme a report for Grupo Bimbo's headquarters on both programmes has to be made (Hernandez, 2009). The Director of Institutional Relations argues that 'we have these CSR programmes because we have to do it in order to attribute back to society what they have given us' (Hernandez, 2009). The executive argues that 'Grupo Bimbo's advantage in CSR is that Don Lorenzo Servitje started it' (Hernandez, 2009). By now Grupo Bimbo has solid successful programmes that have lasted for many years (Hernandez, 2009) such as 'Futbolito Bimbo' which promoted to more than 46,000 kids the importance of daily exercise and a nutritious diet (Grupo Bimbo, 2008a). The executive argues that before putting into practice any CSR project, previous research is done in order to tailor adequately these projects to the local specific demand in order to maximise results (Hernandez, 2009). The executive argues that 'in every one of Grupo Bimbo's projects it is implicit to promote Grupo Bimbo's CSR practices so that other corporations know what Grupo Bimbo is doing and what can be done' (Hernandez, 2009).

'From this positive advertising other companies notwithstanding if they are related to Grupo Bimbo's business or not, they adopt these new CSR ideas in their processes creating a multiplicity effect' (Hernandez, 2009).

Grupo Bimbo will continue to engage in CSR because, 'any corporation that does not engage in CSR is in a competitive disadvantage' (Sevitje, 2009).

6.2.3 Unilever de México and Corporate Social Responsibility

‘Hay que darle más valor a la gente que nos consume’ (Marketing Director of Unilever de México, Mauricio Lara)

6.2.3.1 History of adoption

Unilever as shown in Figure 6.4 is an Anglo-Dutch transnational corporation with operations in over 150 countries around the world (Unilever, 2009a). Unilever markets a broad range of brands covering food, household and personal care products (Unilever, 2009a). Many of these brands profit from strong market positions and ‘13 brands have annual revenues of over 1 billion Euros (Unilever, 2009a, pp. 4). Some of these brands that have revenues over the billion Euros include ‘Lipton, Dirt is good, Blue Band, Silk, Knorr, Dove, Lux, Becel, Surf, Rexona, Axe/Lynx, Hellmann’s and Heart-brand ice creams’ (Unilever, 2009a, pp. 4). Around the world over ‘160 million times a day someone buys a Unilever brand’ (Unilever, 2009a, pp. 7). Further, ‘5 billion Euros are spent on advertising and promotion and 927 billion Euros were spent on Research and Developing (R&D)’ (Unilever, 2009a, pp. 7) in 2008, making Unilever one of the world’s largest advertising spending corporations (Unilever, 2009a). Unilever’s brands are sold in nearly every country around the world and are present in half of the households on the planet (Unilever, 2009a). Unilever has deep roots in the developing world where in 2008 represented ‘47% of its total sales’ (Unilever, 2009a, pp. 7). Unilever over the years has targeted both the well off and the very poor with products that suit different pockets and lifestyles (Unilever, 2009a). Today, Unilever and Unilever de Mexico are conscious of their size, its distribution channels and the number of daily consumers it reaches (Unilever, 2009a). The Marketing Director of Unilever de Mexico, Mauricio Lara argues that ‘Unilever de Mexico’s impact represents a great opportunity to do good in a local-global scale’ (Lara, 2009).

Figure 6.4 Unilever Logo



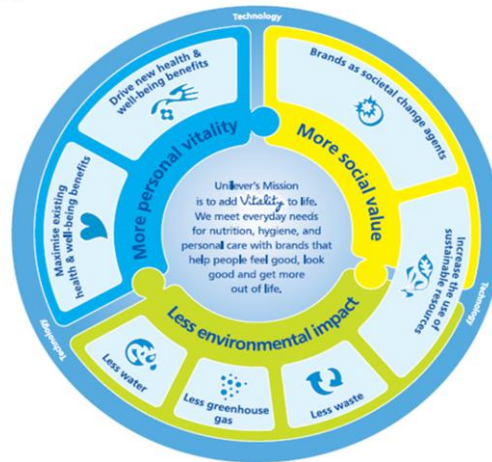
Source: Unilever (2009a)

‘Unilever’s mission is to add Vitality to life. Meeting everyday needs for nutrition, hygiene and personal care with brands that help people feel good, look good and get more out of life’ (Unilever, 2009a, pp. 2).

6.2.3.2 Motivation of Corporate Social Responsibility adoption

‘Over 100 years ago, our founders not only created some of the world’s first consumer brands, but also built businesses with strong values and a mission to act on social issues. We (Unilever) continue to build on this heritage. A commitment to sustainable development and responsible business practice is embedded in our (Unilever) Vitality Mission and Corporate Purpose’ (Unilever, 2009a, pp. 8) as shown in Figure 6.5.

Figure 6.5 Unilever’s Vitality Framework



Source: Unilever (2009a)

Today Unilever’s approach to Corporate Responsibility and Sustainability is rooted in the impacts and influences of the activities of Unilever’s brands as illustrated in Figure 6.6. The Unilever (global corporate brand) and Unilever de Mexico’s CSR approach is based on 4 pillars that reflect their brands and their heritage including Nutrition and Health, Hygiene, Sustainable Development and Brands with Social Missions (Unilever, 2009a).

Figure 6.6 Unilever’s Impacts and Influences CSR approach



Source: Unilever (2009a)

6.2.3.3 Corporate Social Responsibility programmes

The first pillar of Unilever de Mexico's CSR strategy is the Nutrition and Health programme. This programme covers four main areas such as the Nutrition enhancement programme which 'consists on improving the nutritional profile of existing products' (Lara, 2009). The second main area is "The Choices Stamp" which consists of a stamp on the front of packaging which refers to products that meet international accepted dietary guidelines in order to enable consumers identify healthier products (Unilever, 2009a). The Marketing Director at Unilever de Mexico, Mauricio Lara (2009) argues that in 'Mexico among almost every

Unilever de Mexico product the logo Choices appears' as shown in Figure 6.7. Since 2006 the 'choices stamp has appeared in Unilever's products in order to improve the quality of products aligned to the World Health Organisation (WHO) standards' (Lara, 2009). Unilever has already one third of its products worldwide with the Choices logo certified by the Choices International Foundation

Figure 6.7 Choices logo



Source: Unilever (2009a)

(Unilever, 2009a). The third main area is to innovate and create new and healthier foods targeting five different products such as tea, fruit and vegetables, milk, soy and oils. This is in order to benefit people's heart health, weight management, the brain, immunity and strength and beauty (Unilever, 2009a). And the fourth main area is to target the problems of malnutrition by providing fortified products that make up an important part of people's everyday diets (Unilever, 2009a).

Hygiene is the second pillar of Unilever de Mexico's CSR strategy ('Unilever, 2009a). Its objective is to make effective products that deliver health benefits and promote the well-being of people' (Lara, 2009). Also, it aims to transform people's everyday habits through effective behaviour change campaigns and working with partners to achieve wider improvements in health (Unilever, 2009a). Hygiene

programmes target four main areas including hand washing, oral hygiene, water purification, laundry and household care (Unilever, 2009a).

Sustainable development is Unilever de Mexico's third pillar of its CSR strategy (Unilever, 2009a). Unilever's sustainable development strategy is divided into four main areas targeting sustainable agriculture, water, climate change and packaging (Unilever, 2009a). Unilever de Mexico's sustainable agriculture's 'long-term aim is to buy all its agricultural raw materials from sustainable sources' (Unilever, 2009a, pp. 18) so that farmers and farm workers can obtain the income needed in order to improve their living (Unilever, 2009a).

'Unilever de Mexico has a strong commitment to minimise its impact across its value chain, yet, it has reduced its water footprint in raw materials, in products manufacturing and in consumer use, however, the greatest challenge that Unilever de Mexico faces is to develop new ways to maintain business growth while at the same time provide more products and reduce the usage of resources' (Lara, 2009).

'Climate change is one of the most serious issues the world faces' (Unilever, 2009a, pp. 20) that is why Unilever has seriously reduced its greenhouse gas footprint (Unilever, 2009a). Packaging represents one of Unilever's largest footprints in Mexico and worldwide, however, Unilever has been exploring new ways to reduce its footprint with lighter weight packaging, refillable and consumer habit change (Unilever, 2009a).

Unilever de Mexico's fourth pillar of its CSR strategy is called 'brands with social missions' (Unilever, 2009a). This programme supports advertisements from brands that promote social missions such as climate change, heart health and hygiene (Unilever, 2009a). Despite the fact that Unilever de Mexico has extensive programmes, previous research done before implementing any CSR project or programme (Lara, 2009). An example of this is

'if in any region of the country there is a lack of vitamin A or vitamin C among the population, then, Unilever de Mexico develops its projects

and products targeting this necessity in order to fulfil that specific need of the population' (Lara, 2009).

'In 2008, 47% of Unilever's sales were in developing and emerging markets' (Unilever, 2009a, pp. 27). Executives at Unilever argue that transnational corporations play an important role in economic development in developing countries, not only generating wealth and jobs, but also in sharing technology, developing best practice and setting standards in corporate behaviour (Unilever, 2009a).

'Our business and sustainability strategies are starting to come together. We are finding that addressing society's concerns holds the potential for business growth and success. One such opportunity is to meet the needs of low-income customers in developing and emerging markets' (Unilever, 2009a, pp. 27).

6.2.3.4 Managing the Corporate Social Responsibility

strategic process

Unilever's aim to grow sustainability is to satisfy the needs and aspirations of its consumers at all levels providing quality products through new distribution channels, smaller portions and creating new products (Unilever, 2009a). Unilever is 'trying to develop business models to reach the poorest members of society' (Unilever, 2009a, pp. 27). Unilever is committed to keep its responsible business behaviour in its day-to-day operations by improving its eco-efficiency manufacturing and by engaging with consumers, customers, employees, suppliers, government and communities (Unilever, 2009a). Unilever de Mexico's business and brands value chain have diverse impacts as at every stage of their lifecycle: starting from 'sourcing raw materials, manufacturing, distribution, customer usage and product disposal. These impacts across the value chain are all very extent topics' (Lara, 2009). However, consumer usage and product disposal is the area of the value chain where Unilever has the least control, but represents a great potential to make a difference by influencing how consumers use and dispose Unilever's products (Unilever, 2009a).

Lara (2009) argues that Unilever de Mexico at both a local and global scale aims its CSR policies to provide incentive nation states implement and update food policy. Unilever de Mexico always 'tries to go a step ahead of government regulation in order to fulfil customers needs' (Lara, 2009). Further, the executive argues that 'Unilever de Mexico's CSR practices are not driven by external pressure' (Lara, 2009).

Lara (2009) argues that 'Unilever de Mexico is creating a CSR multiplicity effect across the whole industry' for example, 'its suppliers need to compel entirely with Unilever's CSR standards or else suppliers do not meet Unilever de Mexico's minimum standards' (Lara, 2009). This multiplicity effect allows all Unilever's products to be aligned to its core mission (Lara, 2009).

The executive at Unilever de Mexico argues that 'Unilever de Mexico's marketing strategy is to promote family values in its products by teaching consumers the importance of a healthy diet' (Lara, 2009). As an example of this marketing strategy 'Unilever's advertisements employ schools with teachers, kids and parents' (Lara, 2009). Another marketing strategy through Unilever de Mexico's programme 'basic diets', is give 'incentive to the whole population to read the nutrition table in the back of Unilever de Mexico's products and to teach people its interpretation with the objective of improving their daily diets' (Lara, 2009). All this is possible through Unilever de Mexico's multiple marketing channels. The executive believes that

'a marketing strategy only focused on cause-related marketing does not make the long-run, however, a well thought and sustained marketing strategy delivers the long-term expected returns' (Lara, 2009).

Unilever de Mexico, is committed with 'a good and healthy diet despite the socioeconomic level of people because everyone has the right to a good and healthy diet' (Lara, 2009).

By working with other corporations towards common CSR objectives Unilever de Mexico has moved to the strategic alliances CSR epoch. For example, Unilever de Mexico has worked with Wal-Mart de Mexico because both share similar CSR objectives. In this CSR strategic alliance Wal-Mart de Mexico and Unilever de Mexico

have shared technology and expertise to achieve common goals (Lara, 2009). Also Unilever de Mexico has partnerships with local NGO's such as the 'Mexican Association of Food Banks' (AMBA). 'In this partnership Unilever de Mexico has benefited from AMBA's infrastructure and transparent processes (Lara, 2009). With AMBA's expertise and organisation we (Unilever de Mexico) have reached places where Unilever de Mexico might not have been able to without AMBA' (Lara, 2009). 'These strategic alliances the executive argues are designed for a win-win-win situation' (Lara, 2009) in other words, the brand wins, the consumer wins and the cause wins (Unilever, 2009a).

'Unilever's internal CSR policy consists in providing employees with a friendlier working environment with social common rooms, spa, wide spaces, a massage while you work, competitive salaries, working awards, entertainment, stress management, second language training, management training, career development, accident preventive training, a good balance between work and family and when there are job losses caused by a crisis, then there is emotional coaching and curriculum vitae development programmes' (Lara, 2009).

These programmes are 'implemented as close to Unilever de Mexico's CSR values and policies as possible' (Lara, 2009) in order to show Unilever de Mexico's employees the commitment that the corporation has with each and every one of them (Lara, 2009).

6.2.3.5 Future plans

'Unilever de Mexico's social and environmental impacts come from its own brands and CSR policies' (Lara, 2009). Unilever de Mexico's brands are supported by responsible business practices and principles of sustainability into the marketing and Research and Developing (R&D) plans of all brands (Unilever, 2009a). However, Unilever is conscious that there is a lot to be done in CSR matters and will remain engaged with local and global CSR issues. Unilever will remain committed to the Global Reporting Initiative (GRI), the Millennium Development Goals (MDGs) and the United

Nations Global Compact (UNGC) among others (Unilever, 2009a). Unilever's CEO argues that Unilever will continue to employ CSR as a distinction for its brand because

'I (Paul Poleman, CEO of Unilever) sincerely believe that businesses like Unilever can be a positive force for good in the world and that such an approach (CSR) is in the interests of all our stakeholders – our investors, our consumers and customers, our employees and the communities where we operate' (Unilever, 2009a, pp. 2).

6.2.4 Volkswagen de Mexico and Corporate Social Responsibility

6.2.4.1 History of Adoption

The Volkswagen Group as shown in Figure 6.8 'operates 48 production plants in thirteen European countries and a further six countries in the Americas, Asia and Africa. Around the world, more than 360,000 employees produce almost 25,400 vehicles or are involved in vehicle-related services each working day. The Volkswagen Group sells its vehicles in more than 150 countries' (Volkswagen, 2009a).

Figure 6.8 Volkswagen Logo



Source: Volkswagen (2009a)

Volkswagen de Mexico is one of the leading car manufacturers in Mexico (Volkswagen, 2009a). Volkswagen de Mexico has the largest automotive manufacturing plant in Mexico located in the city of Puebla (Volkswagen, 2009a). Volkswagen de Mexico assembles in its totality the Jetta, Bora and Beetle (Volkswagen, 2009a). Volkswagen de Mexico's daily production average in 2007 was 1,800 cars (Volkswagen, 2009a). In 2007 Volkswagen de Mexico produced 411,000 cars of which 80% were exported (Volkswagen, 2009). Volkswagen de Mexico is one of Mexico's largest companies and employed 16,000 people in 2007 (Volkswagen, 2009a). From the total amount of employees 7.2% are women and 1% are foreigners (Volkswagen, 2009a). Volkswagen de Mexico has more than 300 car part suppliers of which more than 40 of them are between the Mexican states of Puebla and Tlaxcala (Volkswagen, 2009a).

Further, Volkswagen annual sales in Mexico represent the 9th best market for Volkswagen cars worldwide (Volkswagen, 2008). 'Volkswagen group is made by several brands including Volkswagen passenger cars, Audi, Bentley, Bugatti, Lamborghini, Seat, Skoda and Volkswagen commercial vehicles (Volkswagen, 2008, pp. 6).

6.2.4.2 Motivation of Corporate Social Responsibility adoption

The chairman of the board of directors of Volkswagen AG, Martin Winterkorn argues that sustainable development represents an opportunity to demonstrate the long-term innovative capabilities and competitiveness of Volkswagen group (Volkswagen, 2008). The executive argues that

'we (Volkswagen) are convinced that we (Volkswagen) need to align our activities closely with the principles of sustainable development. Only when will we (Volkswagen) be in a position to secure our commercial success in the long term' (Volkswagen, 2008, pp 2).

'The need for sustainable social development today enjoys worldwide recognition' (Volkswagen, 2008, pp. 4), on the other hand, Volkswagen is conscious that the automotive industry is one of the 'originators of environmental problems' (Volkswagen, 2008, pp. 4). For this reason Volkswagen is convinced that efforts need to be made not only to make its production operations eco-friendly but also 'lay and underpin the commercial foundations for the sustainable development of society' (Volkswagen, 2008, pp. 4).

'Companies that succeed in meeting these requirements and proactively transforming sustainability into a business case, instead of considering it exclusively as a cost and risk factor as in the past, will create an opportunity for themselves to bring about a substantial increase in value added. A sustainable corporate strategy means greater efficiency in the production sector, clears the way to more innovative products and thus represents a key competitive edge in many markets' (Volkswagen, 2008, pp. 4).

6.2.4.3 Corporate Social Responsibility programmes

Sustainability represents challenges and important opportunities to Volkswagen, however, these sustainability matters have to be addressed systematically and integrated into Volkswagen's strategic processes (Volkswagen, 2008). Despite the fact that, growth in developing countries poses environmental, safety and health risks, Volkswagen is addressing these issues by developing new technologies and suitable road safety strategies (Volkswagen, 2008). Further, Volkswagen focuses to maintain the employability of its workforce while promoting preventative healthcare and providing the appropriate workplace (Volkswagen, 2008).

The director of group research, Wolfgang Steinger argues that 'globally, we (Volkswagen) must tackle three main objectives; firstly, we (Volkswagen) must reduce pollutant emissions. Secondly, we (Volkswagen) must find carbon-neutral mobility solutions. And thirdly, we (Volkswagen) must achieve significant improvements in efficiency' (Volkswagen, 2008, pp. 14). Volkswagen de Mexico in alignment with Volkswagen Group's values 'has based its CSR strategy mainly on three main pillars including, corporate governance, corporate citizenship and sustainability' (Minutti, 2009).

Under the pillar of sustainability Volkswagen de México takes an integrated approach to environmental protection, where not only the environmental impact of Volkswagen's variety of products are considered and evaluated but also those of its production and logistics processes (Volkswagen, 2008). In support of this pillar Volkswagen de Mexico created the programmes 'Por amor al planeta', 'Reforestando el Izta-Popo', 'Bluemotion Technologies' and the 'Sistema Integral para la Protección de Recursos Naturales'. The programme 'Por amor al planeta' 'aims to intensify actions, scientific research and recognise efforts towards biodiversity conservation' (Volkswagen, 2009b). The programme 'Reforestando el Izta-Popo' is a permanent programme that 'plants, conserves, and protects trees in the Izta-Popo zone in support of Volkswagen de Mexico environmental policies' (Volkswagen, 2009b). The programme 'Sistema integral para la conservación de recursos naturales' aims to prevent any kind of pollution from the normal activities of the firm (Volkswagen, 2009b).

This programme is divided into water management, waste management, energy, emissions, preventive care and environmental certifications (Volkswagen, 2009b).

Production processes in the automotive sector consume large amounts of fresh water. Volkswagen de Mexico's water management includes water recycling processes, reduced water use in operations, increased water usage from the rain while promoting a caring culture for water (Volkswagen, 2009b). Volkswagen de Mexico is committed to continuously improve waste management in order to further reduce residual waste (Volkswagen, 2009b). Volkswagen de Mexico 'recycles up to 92% of all the non toxic waste produced' (Volkswagen, 2009b) by Volkswagen de Mexico. Energy consumption is an important issue in the production stage. In order to reduce energy consumption Volkswagen de Mexico has a specialised team dedicated to improve energy saving measures throughout the plant (Volkswagen, 2009b). Volkswagen de Mexico has prevented more environmental damage by upgrading processes and technology in all its plants (Volkswagen, 2009b). In environmental certifications, Volkswagen de Mexico has been 'certified in ISO 14000 and achieved the award 'Industria Limpia' from the local government since 2008' (Volkswagen, 2009b). The programme 'Bluemotion Technologies' has the main objective to 'develop more eco-friendly engines' (Volkswagen, 2009b). This programme develops fuel-efficient petrol and diesel engines with innovative eco-friendly technologies employed in all Turbo Diesel Injection (TDI), Turbo Stratified Injection (TSI) and Dual Shift Gearbox (DSG) engines (Volkswagen, 2009b). Further, this programme has the aim to 'reduce car emissions while maintaining performance' (Volkswagen, 2009b).

Under the pillar of corporate citizenship, Volkswagen de Mexico has founded and supported various programmes through several years such as 'The Volkswagen foundation for homeless children', 'One day for the future', 'Casa del Sol', which all in general support homeless children's programmes (Volkswagen, 2009b). Other programmes consist of promoting values, a healthy lifestyle and culture through events such as the 'Volkswagen 10km Marathon' (Volkswagen, 2009b). Volkswagen de Mexico has kept on supporting its in-house institute for engineers and its language school. Also, it supports communities by donating water, food and clothes when natural disasters

occur' (Volkswagen, 2009b). Further, Volkswagen de Mexico is involved in national and international supplier safety and health protection of employee audits, in support of its responsibility outside of Volkswagen (Volkswagen, 2008). Volkswagen considers essential that all its business partners support Volkswagen's environmental and sustainability standards (Volkswagen, 2008). 'Only by working together in this way can we (Volkswagen) fulfil our social responsibilities and secure the future of our (Volkswagen) partners along the value chain (Volkswagen, 2008, pp. 36).

Under the pillar of 'corporate governance and good practice we (Volkswagen) reinforce the trust of our (Volkswagen) customers and investors, thereby laying the foundation for a sustainable increase in the value of our (Volkswagen) company' (Volkswagen, 2008, pp. 34). Further, Volkswagen de Mexico envisions being the best firm in the Volkswagen group (Volkswagen, 2009b) by acting strictly under its core values and guidelines; including 'customer nearness, top performance, added value, renewability, respect, responsibility and sustainability' (Volkswagen, 2008, pp. 30).

6.2.4.4 Managing the Corporate Social Responsibility

strategic process

'The public is paying close attention to the conditions under which international companies operate in the emerging and developing markets. Generally speaking, environmental and social standards' (Volkswagen, 2008, pp. 16) this is why in order for Volkswagen to remain internationally competitive the corporation 'must improve its productivity' (Volkswagen, 2008, pp. 16). In this matter 'well-educated, committed employees play an increasingly crucial role in maintaining competitiveness' (Volkswagen, 2008, pp. 18). Volkswagen has constantly created attractive working conditions for employees in order to secure talents by 'recognizing and encouraging individual achievements, attractive career opportunities and performance related compensation, appropriate ongoing training schemes, training and recruiting, supporting knowledge transfer, working roles adapted to different ages and a systematic approach to healthcare management' (Volkswagen, 2008, pp. 19). Volkswagen de Mexico's

values support its activities. However, the principle of sustainability serves as a framework to its core values (Volkswagen, 2008).

‘For us (Volkswagen) at the Volkswagen Group, sustainability means taking into account the company’s long-term goals in our (Volkswagen) day-to-day work and striking a balance between economic, environmental and social objectives’ (Volkswagen, 2008, pp. 30).

CSR inside Volkswagen is managed through the CSR Coordination and Sustainability office with the objective ‘to sharpen Volkswagen suitability profile’ (Volkswagen, 2008, pp. 31). This office is responsible for developing ‘the strategic direction and optimization of CSR and sustainability management across the Group’ (Volkswagen, 2008, pp. 31).

6.2.4.5 Future plans

Volkswagen group’s strategy for 2018

‘represents Volkswagen’s adherence to a management philosophy based on sustainability and the pursuit of long term goals, because in order to achieve success in the marketplace, today’s companies need to show a firm, ongoing commitment to tackling the core challenges faced by modern society’ (Volkswagen, 2008, pp. 27).

These results and issues dealing with social and environmental challenges lie at the core of a ‘far-reaching process of analysis that we (Volkswagen) are conducting as part of our (Volkswagen) future-research activities (Volkswagen, 2008, pp. 27).

6.3 Frame of thinking

Following the same structure these four case studies were carefully designed in order to deal with their different CSR orientations when performing their activities. This analysis was theoretically and practically based on up to date information in order to assess these corporations’ CSR programmes and gain valuable practical managerial and academic expertise.

Chapter 7 – Identifying key factors in CSR success in Mexico and beyond

7.1 Introduction - Managing Corporate Social Responsibility for results

This chapter analyses the four case studies in order to gain key practical and strategic expertise for executives, businesses and society. Wal-Mart de Mexico, Grupo Bimbo and Unilever de Mexico's top executives have well understood the implications of strategic CSR and how the local context shapes their CSR internal and external policies in their corporations. Also they have recognised through the years that CSR plays an increasingly important role in their corporations and it is in the corporation's best interests to tailor a CSR strategic plan into the day-to-day operations of the corporation in order to create shared-value to stakeholders and achieve competitive advantage. Understanding how these three CSR champions in Mexico have made CSR part of their core business can be seen in, how they are role model corporations in their own industries and markets. They have proved how corporations can benefit from this 'new management trend' and sail away from competition. Notwithstanding that Wal-Mart de Mexico and Unilever de Mexico are both foreign based (USA and Anglo-Dutch) transnational corporations, that have successfully implemented locally developed CSR policies suitable to the markets where they operate and aligned to corporate objectives in complete harmonization with the local context. On the other hand, Volkswagen de Mexico is evidence of a transnational corporation that is starting to show some evidence of its CSR policies in some areas. However, Volkswagen de Mexico has a long way to go in order to really engage in strategic CSR. They need to turn their 'normal' CSR practices into strategic CSR practices in order to deliver shared value.

7.2 Key success factors driving Corporate Social Responsibility in Wal-Mart de Mexico, Grupo Bimbo, Unilever de Mexico and Volkswagen de Mexico

After analyzing Wal-Mart de Mexico I consider that Wal-Mart de Mexico's CSR success factors are the self-governance separation of Wal-Mart de Mexico from its Headquarters, the creation of the yearly report and comparison of yearly performance indicators, top executives' and CEO engagement, employee involvement, partnerships, strategic alliances and attachment to its core values as shown in Table 7.1.

Table 7.1 Key success factors in Wal-Mart de Mexico's strategic Corporate Social Responsibility policies

1. Self-Governance
2. Yearly CSR reports
3. Comparison of yearly performance indicators
4. CEO and top executives' engagement
5. Employee involvement
6. Partnerships
7. Strategic alliances
8. Attachment to its core values

Source: Author

Wal-Mart de Mexico's CSR self-governance is somewhat separated from its headquarters. This has been a key factor in Wal-Mart de Mexico's success by taking in consideration the local context in the shape of its CSR policies. Wal-Mart de Mexico's yearly sustainability report has made an important difference on the process of how Wal-Mart de Mexico has objectively created and aligned its reporting indicators to international-national and internal Wal-Mart de Mexico's standards. The creation of Wal-Mart de Mexico's strategic CSR unit called 'Wal-Mart de Mexico's Foundation' has increased stakeholder and CEO engagement in CSR. Today, stakeholders and CEO engagement play a crucial role in Wal-Mart de Mexico's CSR policies by empowering innovative practices across the value chain of the corporation, partnerships with NGO's and the creation of strategic alliances with other corporations. Also, Wal-Mart de Mexico's success is attributed to its involvement with employees and to its capability of harmonizing its core business strategy with key strategic and specific social issues delivering shared value. Yet, in order for Wal-Mart de Mexico to further develop its overall CSR strategy, it has to focus on its strategic engagement and creating synergies

with key stakeholders in order to increase the intensity of Wal-Mart de Mexico's multiplicity effect.

After Grupo Bimbo's analysis the key CSR success factors are the long lasting drive towards philanthropy and ethical principles that its founder Don Lorenzo Servitje envisioned and stored in the company since its foundation. The CEO, top executives' and employee engagement in CSR practices, partnerships, strategic alliances, sustainable cause-related marketing, constant innovation in the whole value chain and the broad focus on internal and external CSR initiatives are some of Grupo Bimbo's success factors as shown in Table 7.2.

Table 7.2 Key success factors in Grupo Bimbo's strategic Corporate Social Responsibility policies

1. Commitment to core values
2. CEO and top executives' engagement
3. Employee involvement
4. Partnerships
5. Strategic alliances
6. Sustainable cause-related marketing
7. Innovation in the value chain
8. Internal and external initiatives

Source: Author

Since its foundation Grupo Bimbo's CSR has been mainly driven by the core company values that its founder Don Lorenzo Servitje instilled. Today the involvement of the CEO and top managers guiding the corporation's CSR policies around employees as a core competence has been vital in Grupo Bimbo's CSR success. Also, Grupo Bimbo has successfully worked with NGOs in order to have a more prominent impact in

contributing to Mexico's development. Corporate strategic alliances have allowed Grupo Bimbo to share expertise, increase innovation, penetrate and expand diverse markets. Grupo Bimbo's advertisement campaigns have been successful due to its sustainable long term programmes creating awareness and promoting values among society. Grupo Bimbo's ever growing innovations across the whole value chain has delivered shared value and a competitive advantage, becoming the envy of other corporations and gaining customer's trust and loyalty. Grupo Bimbo's constant evolution has been a powerful driver of its competitive advantage. Also, Grupo Bimbo's vision and sustainable investment in internal and external policies to global and local issues in every level of the corporation, have earned Grupo Bimbo the approval vote from all stakeholders. However, in order to further develop Grupo Bimbo's overall CSR strategy the corporation should focus on aligning its entire investment CSR portfolio to its main strategic CSR goal, in order for all of its partner companies to harmonise their local-context CSR policies with the overall CSR strategy.

Unilever de Mexico's key success factors are the self-governance divergence that the corporation has in CSR policies from its headquarters, the strategic alliances and partnerships, CSR expertise sharing, CEO and top executives' involvement in CSR affairs, sustainable cause-related marketing campaigns and the alignment of the value chain to its corporate CSR values as shown in Table 7.3.

Table 7.3 Key success factors in Unilever de Mexico's strategic Corporate Social Responsibility policies

1. Self-governance
2. Strategic alliances
3. Partnerships
4. Expertise sharing
5. CEO and top executives' involvement

6. Sustainable cause-related marketing
7. Core values across the value chain

Source: Author

Unilever de Mexico's success is linked to the fact that it has, up to some point, a CSR self-governance framework distant from its headquarters that permits the corporation to adapt and develop its own CSR policies to the Mexican local context. Unilever de Mexico's strategic alliances with other corporations have allowed Unilever de Mexico to grow, develop and prosper in its relationships with other corporations. Unilever de Mexico's marketing strategies are to use cause-related marketing as a tool. This has been supported by sustainable programmes and has delivered Unilever de Mexico the benefits sought by the corporation. Also, the alignment between Unilever de Mexico's CSR practices from its brands and their value chains have compressed the gap between society and business, achieving a competitive advantage and delivering shared value. On the other hand, in order to further develop Unilever de Mexico's CSR approach needs to focus its attention not just on formulating innovative new products but also linking CSR communication between stakeholders and the corporation by aligning its responsible marketing to the corporation's core values.

Volkswagen de Mexico has shown symptoms of CSR and a remarkable CSR engagement on employment and education as their main CSR factors as shown in Table 7.4.

Table 7.4 Volkswagen de México main Corporate Social Responsibility policies

1. Employment
2. Education

Source: Author

Volkswagen de Mexico's CSR evidence is mainly focused on its capability to retain employment and become a vital source of economic activity in the state of Puebla. Volkswagen de Mexico has shown a strong commitment on education by

investing in its engineer institute in Mexico and employing a large number of young professionals. Nevertheless Volkswagen de Mexico has a long way to go in order to align all of its corporate philanthropy to Volkswagen de Mexico's strategic plans. Efforts should be made to re-think and re-plan Volkswagen de Mexico's internal and external CSR activities in order to be linked to the core business of the corporation, to deliver shared value and immerse Volkswagen de Mexico into the CSR virtuous circle. The first step for Volkswagen de Mexico to achieve true strategic CSR value is to engage top executives in Volkswagen de Mexico's CSR investment and rearrange CSR strategies aligned with the corporation's values and core business.

7.3 Key commonalities from Wal-Mart de Mexico, Grupo Bimbo, Unilever de Mexico and Volkswagen de Mexico

Noble-Colin (2009) from Wal-Mart de Mexico, Servitje (2009) and Hernandez (2009) from Grupo Bimbo and Lara (2009) from Unilever de Mexico have a broad understanding that by compressing social issues with the core activities of the corporation, the result is most likely to be a strategic CSR approach delivering competitive advantage and shared value for all stakeholders. CSR in these corporations has not always been the same. These corporations have gone through a long process before getting to the CSR level that they currently stand on. Their former CSR approach took a net philanthropic approach based on core business ethical values and has slowly changed into an ever more strategic and important topic in their corporations.

Noble-Colin (2009) from Wal-Mart de Mexico, Servitje (2009) and Hernandez (2009) from Grupo Bimbo and Lara (2009) from Unilever de Mexico believe that in order for a truly strategic CSR strategy to be successful, support from top executives including the CEO is vital as showed in Table 7.5. Making CSR is an absolute top down approach in which stakeholder engagement plays one of the most important roles as shown in Table 7.5. These three role model corporations have a strategic unit driving the CSR strategic planning in their corporations as shown in Table 7.5. In these strategic units the CEO and some of the corporation's top executives and key stakeholders are highly involved.

Noble-Colin (2009) from Wal-Mart de Mexico, Servitje (2009) and Hernandez (2009) from Grupo Bimbo and Lara (2009) from Unilever de Mexico take CSR seriously and truly believe that their corporations can be agents of a multiplicity effect driving CSR locally-nationally-internationally as shown in Table 7.5. In this commitment to CSR these corporations have moved into the strategic alliance epoch by creating partnerships with corporations that share common CSR goals in their search to maximise stakeholders' value while increasing their competitive performance as shown in Table 7.5. In this level of engagement with partner companies these corporations have shared expertise, innovation, technology, joint-strategies and developed technology. With their strategic alliances they have built up sustainable relationships with other corporations, gained corporate recognition, customer brand trust and loyalty, expansion and penetration to new and existing markets and creating shared value.

Wal-Mart de Mexico, Grupo Bimbo, Unilever de Mexico and Volkswagen de Mexico have engaged with local NGO's and government in order to build synergies between them as shown in Table 7.5. Because they believe that the engagement of the public sector, the private sector and NGOs plays a vital role in Mexico's development.

Noble-Colin (2009) from Wal-Mart de Mexico, Servitje (2009) and Hernandez (2009) from Grupo Bimbo and Lara (2009) from Unilever de Mexico are well aware of the needs, difficulties, threats and opportunities involved in the CSR process as shown in Table 7.5. These corporations have well understood the importance of the creation of a truly Multi-local-CSR multinational. Further, their openness to discussion makes it clear that sustainable CSR investment will be kept as former investments in CSR have delivered the shared value sought from each corporation.

Table 7.5 Common success factors

1. CSR is part of their core business
2. CEO, top executives' and stakeholder engagement
3. CSR is a top down approach

4. Specific unit driving the CSR strategic planning of the corporation
5. CSR as a multiplicity effect
6. Partnerships and strategic alliances
7. NGO and Government engagement
8. Awareness of the needs, difficulties, threats and opportunities CSR represents

Source: Author

7.4 Conclusion

The above discussion brings me to the conclusion that CSR is an upgrade in corporate management and leading transnational corporations in Mexico such as Wal-Mart de Mexico, Grupo Bimbo and Unilever de Mexico are moving to the level where strategic alliances between transnational corporations will drive CSR in Mexico. Any corporation that does not engage with minimum CSR standards will soon find itself in a serious competitive disadvantage.

The comparison of Wal-Mart de Mexico, Grupo Bimbo, Unilever de Mexico and Volkswagen de Mexico on Table 7.6 illustrates the level of importance placed on CSR in these corporations. This comparison is based on the explanation of findings after the data analysis of CSR literature, interviews, corporate CSR information examined in this thesis and personal judgement. These elements were brought together to draw similarities between the findings and theoretical underpinnings. For corporations with an average score of 8 or above; CSR is part of their success business strategy. Therefore, CSR plays a vital role in these corporation's strategic planning and day to day business operations. Corporations with an average score of 4 or bellow, CSR is not completely integrated into the core business strategy. Also including, large corporate CSR portfolios from large transnational corporations. Each corporation was assessed in comparison to the other case studies reviewed and every variable was given a grade out of 10. This idea of abstracting information and creating a structured case study for any corporation is to assess comparable data such as the corporation's CSR

programmes. Every firm needs to and should assess its CSR programmes and structure in order to gain valuable knowledge of current standings and future strategic planning. A firm that can harmonise and align its CSR programme(s) to its core business is more valuable for that corporation rather than having a large CSR portfolio not linked to the corporation. In other words, CSR is not about the quantity of programmes, but rather about the capability of alignment of those CSR programmes to the business strategic plan of the corporation.

Table 7.6 Case study comparison

	Indicator Reporting	Strategic CSR programmes			Top Executive involvement	Managing CSR Strategically	Average
		Economic	Social	Environmental			
Wal-Mart de Mexico	10	9	9	9	10	9	9.3
Grupo Bimbo	7	10	9	10	10	8	9.0
Unilever de Mexico	7	9	8	8	8	8	8.0
Volkswagen de Mexico	0	3	5	5	3	1	2.8

Source: Author

7.5 Key lessons and recommendations for corporations

In today's globalised world, corporations know that they need to get more productive and competitive nationally and internationally. Corporations need to transform CSR policies into a more productive and efficient tool in order to differentiate themselves and outperform competition. In today's globalised scheme differentiation, productivity and innovation are key issues to survive, prosper and compete in a globalised world. Corporations have to look for new ways to get more competitive, add shared value and become more efficient and effective in their operations. This is why corporations that do not engage and adapt CSR practices into the corporation's day to day business in a strategic way 'will find themselves in a competitive disadvantage' (Servitje, 2009).

High quality leadership and management are critical drivers not only in successful businesses but also on the implementation of CSR policies mainly driven from a top down approach. Other important drivers to improve CSR productivity among

businesses are to build strong linkages between corporations and research in order to provide incentive and support innovation. In other words, this means supporting basic research and investing in people who think of original ideas, in order to create intellectual property around CSR and be able to use it and share it. Innovation in CSR offers productivity improvements from more eco-efficient technology, all the way to more efficient processes for working inside the corporation. Companies need both local ideas and overseas ideas. Companies need to gain leverage off international and local CSR innovations, because corporations need to raise their skill levels to outperform competition. Rising skill levels will give rise to a higher propensity to innovate. Human capital is vital for any company to innovate and be efficient, because any efforts to lift productivity through strategic CSR practices will fail unless the corporation can access the right people.

Corporations engaging in CSR need to understand that CSR programmes do not result in immediate short term payoffs to the firm. As Cañedo-Sosa (2009) argues a wide understanding of CSR and the implementation of policies consumes non-financial and financial resources. A true strategic CSR approach needs dedication and the engagement of stakeholders before benefits arise.

By now we know that many corporations in Mexico, across diverse sectors, have taken important steps with newer and more innovative ways of being more efficient, by adopting 'new' management tools such as CSR. Mexican Corporations have developed a stronger understanding of the international markets for CSR and sustainable products, that is why, CSR makes good business sense. Nevertheless, idealistically in order to maximise results the private sector needs to be supported by public sector and NGOs initiatives.

The public sector plays a vital role in CSR and needs to provide reliable infrastructure as a platform on which businesses can compete. The government needs to become more efficient in supporting eco-friendly innovation, while regulating business compliance to local and global standards. Also, the government needs to adjust the required changes on policy and obsolete legislation. However, this lack of reliable and inefficient infrastructure is a barrier to CSR in Mexico.

Chapter 8 – Thesis conclusions and future perspectives

8.1 Analysis of research questions

This research indicates that ‘social strategy formulation is a sophisticated process that requires much thought beyond simply doing good’ (Husted and Allen, 2007, pp. 358). This work focuses on the clear benefits that CSR has brought some TNCs in Mexico as illustrated in the four case studies, and therefore CSR becomes an additional incentive for other corporations to adopt CSR strategically. This research is grounded in the work of authors and theories presented and has the practical application to help executives in the private and public sector understand CSR’s strategic importance, its advantages and disadvantages, how it is constantly being shaped by the international and local context and how it contributes to global and local development.

This research analyses the benefits that corporate social responsibility has brought to some TNCs in Mexico. The literature review from this thesis gives us a general overview of the body of research that exists in order to demonstrate in detail the current literature, then identifies some of its gaps in that literature. However, studies of CSR have fallen short through the general lack of consensus on the definition of the phenomenon (Crane et al., 2008a). In addition, globalisation adds to the complexity of CSR (Crane et al., 2008a). Current research needs to delve deeper in how the global drivers of CSR unfold in developing countries and this is where this paper seeks to provide more light.

The first objective of the thesis was to assess the implications of CSR for TNCs. Responsible TNCs can make and have been making significant and critical difference in the social and economic development of the region where they operate. Given the ever more complex global economy and continuing economic, social and environmental inequities, ‘CSR presents a significant challenge to any industry or any developing country to demonstrate its commitment and accountability beyond improved environmental performance, pollution control and eco-efficiency’ (Acutt and Medina-Ross, 2004, pp. 303). The CSR process has not yet been completely adapted to local

conditions, nor to address the constant change in expectations of many of the industry's stakeholders (Acutt and Medina-Ross, 2004). However the private sector cannot ignore the challenges posed by poor infrastructure, and lack of institutional capacity from the government and a sound enabling business environment. By becoming part of the solution to these problems corporations can prosper and contribute to the prosperity of society not only in Mexico but in the developing world as well (Peinado-Vara, 2005). These corporate actions also yield benefits that are central to the concerns of many NGOs in Mexico, such as preserving the environment and creating jobs (Peinado-Vara, 2005). Often the private sector is better able to achieve these development aims with less effort and increased sustainability than non-profit social organizations (Peinado-Vara, 2005). It is a 'win-win' equation that businesses should not leave unexplored (Peinado-Vara, 2005).

Regarding implementation, the virtual lack of stakeholder engagement and the related focus on internal management and control systems are most remarkable. The national CSR agenda is largely driven by the private sector not by civil society (Weyzig, 2006). TNCs operating in Mexico should not just comply with national law and take advantage of weak regulations (environmental and legal), but ensure that corporate policies are effectively implemented. Companies urgently need to foster a true CSR culture through enhanced supply chain management and internal and external communications with all stakeholders to improve the effectiveness of their CSR policies and strategic alliances, if CSR is to become part of the business culture in Mexico for the incoming years (Weyzig, 2006). Taking CSR a step further in the context of developing countries is thus likely to require more thoughtful planning and stronger determination from the private sector in order to set this 'new' trend in motion (Jamali and Mirshak, 2007). It also requires a concentrated effort and collaboration between the private sector, public sector and NGO sector and the leveraging of the strengths and resources of all partners (Jamali and Mirshak, 2007).

The second objective of this thesis was to uncover if CSR can be a driver of development and competitive advantage simultaneously. Exploring the use of management knowledge, such as the role of top managers can drive CSR in global

markets leading positive change worldwide making their corporations agents of development. It needs to be understood that, CSR is not about charity and international companies are not development agencies (Wall, 2008). But companies can be agents of development (Wall, 2008). As with any business decision, the challenge is to outperform the competition and to innovate to create new solutions to previous difficult problems (Wall, 2008). In other words, there is no single solution on what to do, each industry and each company has a different set of challenges to face and address (Wall, 2008). How companies use their core competences to create shared value can, still, create competitive advantage and will increasingly classify corporations and their relationship to society. Innovating to improve your company's response to its corporate responsibilities enables you to create new corporate opportunities, building your brand and creating shared value for all stakeholders. Implementing CSR strategically is not easy, but it is a good solution for the problems we face today as businesses and society. Wall (2008) argues that CSR is a tool that if properly implemented, can deliver returns to businesses, society and the environment.

The third objective of the thesis was to assess the above objectives in the particular case of CSR in Mexico. CSR is largely shaped by country specific factors such as culture, political and social history and religious heritage as a result of this 'multiple models of CSR can be equally responsive to different contexts because when it comes to CSR context matters' (Logsdon et al., 2006, pp. 59). After reflecting on present CSR developments in Mexico becomes clear that CSR in Mexico is mainly driven by global development, but shaped by local context-specific factors. Following global trends, companies and organizations in Mexico are increasingly focusing on responsibilities in regular business operations (Weyzig, 2006). Initiatives to increase awareness of the social and economic benefits of CSR practices in Mexico are starting to bear fruit in diverse industries, but greater efforts are needed to promote the implementation of these practices across the country. Nevertheless, sometimes Mexico seems to be caught in a vicious circle, where private sector CSR initiatives are desperately needed, yet effectively impeded by unfavourable contextual conditions (Jamali and Mirshak, 2007). These unfavourable conditions are certainly the scenario for managers and corporations in this study, which have opted to continue their CSR

investment despite prevailing constraints. Indeed, while we in the developing world have a lot to learn from mainstream western CSR expertise the reverse is also true (Logsdon et al., 2006). Managers and academics in the developed world have much to learn from the rest of the world especially regarding CSR practices (Logsdon et al., 2006). For example managers doing business overseas even in neighbouring countries such as managers in the USA doing business in Mexico, need to learn about CSR local specific factors such as expectations in the host country if they are to be successful (Logsdon et al., 2006).

8.2 Further questions for future research

Past CSR research does not always address specific issues in many countries and many companies across industries creating gaps in the literature that requires further research. Further research on CSR in Mexico should aim to reproduce this analysis but with different corporations from diverse industries. Also, researchers should take this research a step further by comparing Mexican corporations with corporations overseas. Husted and Allen (2007) argue that researchers should focus on making more specific recommendations to managers about the formulation and implementation for country specific CSR practices that may have significant impact on the performance of the firm. The role of the Mexican state and its priorities over Corporate Social Responsibility should be addressed. And the reproduction of more case studies on the current motivations that entrepreneurs have on Corporate Social Responsibility.

Paul et al., (2006) argues that further research should focus on the assessment of the relative impact of international organisations and associations, the influence of bilateral and multilateral trade agreements in Mexico. Further research should also focus on the effectiveness of global corporations in communicating CSR objectives, achievements, expertise and innovations achieved to all subsidiaries and stakeholders in Mexico (Paul et al., 2006).

Husted (2006) argues that further research should be addressed to the understanding into what extent can CSR reduce corporate risk in term of returns or on market risk. Also, further research needs to explore the barriers of adopting CSR policy

and practice for example, to assess the structures of power and ownership currently limiting CSR in the global and local context.

Future research on this topic should address more recommendations based on local specific context factors to certain types of businesses or industries. The authors Jamali and Mirshak (2007) argue that researchers should focus in the relationship that CSR has between the private sector, public sector and NGOs. The author Crane et al., (2008a) argues that the field would greatly benefit from more research precisely on how firms' matrix decisions regarding CSR into their own business and corporate strategies. Newell (2007) argues that future research in CSR should address the impacts that CSR has over poverty and the potential contributions of all stakeholders in order to help achieve the Millennium Development Goals. The authors Husted and Allen (2006) argue that further research should address the link between CSR and strategic management in order for TNCs to follow more rational approaches that evaluate the importance of local and global CSR issues.

As clearly stated above, future CSR research needs to take a stronger leadership role in academia empowered by the public, private and non-profit sector in response to new challenges and opportunities that each country demands.

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