Corporate social responsibility in international development

Education, Sustainability

The Role of Corporate Social Responsibility in International Development

Even though each year millions of people in developing countries are rising out ofpovertyto join the emerging middle class, a large portion of the developing world still lives on less than $2 a day. Governments, non-governmental organizations, non-profits, and corporations acknowledge this disparity and aim to address the issue using a variety of methods. Mineral extraction corporations, in particular, have the potential to play a key role in alleviating poverty.

These firms are eager to meet the increasing demands of the newly developing global middle class by spreading their operations further around the globe. Their sprawling presence creates new opportunities to serve the world? s impoverished through corporate socialresponsibilityinitiatives. Today, many of the problems seen in developing countries include inefficient distribution of resources, poverty, poor standards of living, overpopulation, malnutrition, disease, lack ofeducation, gender inequality, and government corruption.

Corporate social responsibility initiatives create new avenues to address these issues associated with developing nations. In the past 20 years, the private sector has been experiencing a paradigm shift from purely focusing on generating profits to also contributing to the social good. Today, civil society pressures corporations to not only earn profits, but also contribute to the betterment of society. Corporate social responsibility initiatives are methods of how companies can provide services to society.

The term is roughly defined as “ economic, legal, ethical, and philanthropic expectations placed on organizations by society at a given point in time “(Carroll and Buchholtz 2000, 35). Carroll and Buchholtz argue that each of these corporate social responsibility components must be met before the 1 subsequent component can be met (2000). Essentially, businesses must first fulfill economic responsibilities which include, making profits, providing employees with safe and fair paying jobs, and providing customers with good quality products. More broadly speaking: to be a functioning economic unit and stay in business.

Secondly, businesses need to commit to their legal responsibilities. Meaning a business must obey the laws and follow industry norms. Since the government is viewed as an extension of society, the laws that the government enacts are social codes that must be met before any other social responsibilities are pursued. The third step of corporate social responsibility is to address a business? s ethical responsibilities. Carroll defines this element as what is generally expected by society, above and beyond economic and legal requirements (1991).

Society generally expects corporations to be just, fair, and to do what is right. Lastly, businesses will focus on corporate social responsibility philanthropic initiatives. The Greek word “ philanthropy” directly translated means “ the love of the fellow human. ” Thus, philanthropic corporate social responsibility is how businesses can positively contribute to the overall quality of life (Hennigfeld et al 2006, 8). Corporations are driven to participate in corporate social responsibility by a compilation of altruistic and utilitarian motives.

The stronger and more integrated application of these motives precipitate richer, fuller relationships capable of producing higher value for stakeholders on multiple levels (Austin 2004, 30-32). Altruistic components refer to a passion to help society. Utilitarian components refer to organization competitiveness. It is important to note that each factor does not represent a “ right” or “ wrong” corporate social responsibility method. There is not an innate tension between the two because both are essential in the corporate social responsibility process. While it is important to serve the needs of the community, it is equally important to meet the legitimate needs of a corporation. (Austin 2004, 33). Davis and Blomstrom's " Iron Law of Responsibility" suggests that " in the long run, those who do not use power in a manner which society considers responsible will tend to lose it" (1975, 50). The most successful corporations must choose to intentionally and strategically become a part of the solution to complex issues today, in order to preserve their businesses for the future.

Michael Porter, well-known for his work on competitive advantage, argues that if a corporate philanthropic activity does not have a strategy base, it is a disadvantageous activity. Thus, even though companies gear corporate social responsibility towards an altruistic element, a utilitarian element must be present, as well. Porter attests that certain philanthropic investments will create a long-term competitive advantage for business, industries, and communities (2003). In some cases, companies are better equipped than governments to meet society? needs because they possess specialized skills and technologies that are significantly more efficient than government. Similarly, the “ bottom of the pyramid” method aims to tap into the nearly 4 billion person market in developing countries. When companies transform their products to meet the financial and resource needs of this market they simultaneously increase profitability and contribute to reducing poverty. In addition, when companies contribute to social, economic, or environmental community needs the company is investing in the region? s potential for business operations in the future.

As a result, improving the company? s competitive advantage compared to those companies who do not participate in equitable quality corporate social responsibility. 3 Adversaries of corporate social responsibility business strategy refute that corporations should play a role in philanthropic activities. Milton Friedman once attested that the primary “ social responsibility of business is to make profits (Friedman, 1970). ” Within his argument, Friedman claims that only human beings are responsible for their actions and that corporations are not considered human beings.

Therefore, corporations are not responsible for their business activities, but rather the individuals a part of the corporation must hold themselves responsible. Further, Friedman (1970) asserts that social issues should be the responsibility of the state, not business. This is because managers do not have the capacity to understand how to address society? s needs. This rests under government jurisdiction. Since legal restrictions on business activity are set in place by the government, who represents society, managers are obligated to solely act in the interest of shareholders, as long as the mandatory legal framework is being met.

According to Friedman, shareholder interest revolves around fulfilling the corporation's central purpose: profitability (1970). For managers to act otherwise, would be considered „ theft? from shareholders. Friedman does not deny that corporations participate in such corporate social responsibility activities, however he argues that any business action performed for corporate-interest should not be classified as corporate social responsibility (1970). If actions are grounded in a central goal to produce profit, then Friedman reasons it should be not characterized as a corporate social responsibility activity.

Either way, corporations are engaging in corporate social responsibility activities, therefore, investigating the most efficient models provides valuable information to these entities. Determining which element causes the other, corporate social responsibility initiatives or profitability, is nearly impossible to prove because of the ambiguity between 4 each factor. There is, however, a positive relationship (Porter and Kramer, 2002). So according to Carroll's four-level corporate social responsibility design, it is imperative that corporations take into account social concerns because corporate social responsibility promotes profitability, which is the first requirement of his corporate social responsibility model. Corporations are attracted to corporate social responsibility activities because of the multi-tiered benefits for the community and the corporation itself. For example, by using a socially responsible business structure studies show an increase in new consumers who are attracted to the company's positive reputation.

Further, companies who uphold social responsibility attract a higher quality workforce, which is even more committed to their corporation because of its perceived socially responsible mission. Establishing a positive mutual relationship with the government is also an advantage for corporations. They gain more autonomy from and influence over legislation in order to promote their own business practices. Overall, corporate social responsibility represents short-term and long-term investments in the local population, government, and economy to secure a prosperous business in the future (Henningfeld 2006).

Individual corporations participating in corporate social responsibility initiatives dictate their own strategies according to their industry norms, available corporate resources, and specific community needs. Some corporations commit to meeting the minimum governmental regulations. By doing this, corporations curb the most pressing public concerns, but do not go beyond their legal obligation. On the other hand, corporate social responsibility could be used to fulfill a philanthropic vision in which a corporation proactively and consistently contributes to society above and beyond the basic governmental requirements.

Regardless of the differing corporate social responsibility 5 missions, each entity strategically formulates their corporate social responsibility agenda to, in some regard, meet the needs of the communities it affects. This agenda dictates how a corporation? s resources and expertise are administered.

Discussed below are examples of methods in which corporations may construct corporate social responsibility initiatives. This information represents hypothetical strategies and possible results, not necessarily strategies proven to be most effective.

Corporate Social Responsibility Strategies

Environmental Sustainability Environmental sustainability initiatives aim to provide anenvironmentthat meets the needs of those today, without compromising the ability for future generations to meet their own needs (United Nations, 1992). Since a wide range of people benefit from sustainable development and environmental activist groups strongly support these initiatives it is useful in influencing positive public opinion. In addition, corporations preserve future resources for their own business activities.

The first step corporations take in pursuing environmental sustainability is to thoroughly research the environmental impacts of their operations. If corporations are producing negative environmental externalities, local communities are inflicted with present and future environmental challenges. In response, corporate social responsibility resources are used to create proactive and retroactive sustainable business responses, techniques, and technologies in order to reduce their direct environmental impacts. Further, environmental education and sustainable community development can be provided.

This strategy places more responsibility on the local citizens to use their sustainability education to benefit their 6 own community. In theory, it creates a longer lasting sustainable influence because community members can use their knowledge throughout their entire lifetimes and pass on sustainable traditions to future generations. (2) Anti-corruption/ Anti-bribery Multinational corporations operating in the developing world typically possess more influence over political, social, and economic issues than local community members.

This is due to the fact that the corporations have superior financial resources, connection with the government and knowledge about national legal issues. Despite this power disparity, it is in a corporation? s best interest to avoid engaging in corrupt activity. The news of questionable business operations eventually leaks out to the global community. Currently, international business etiquette disapproves of corrupt behavior and views it as immoral. A company that participates in corrupt activities negatively impacts its reputation, thus, diminishing shareholder confidence and ultimately decreasing overall business value.

To avoid this, a corporation should adopt anticorruption and anti-bribery corporate social responsibility strategies. When a corporation refuses to engage in dishonest activities, it reflects positively on corporate operations and adds to a just political climate (Stewart 2009). In addition, a contribution to a smooth running government benefits corporations because they can operate with few governmental interventions and also savemoneyby avoiding bribes.

Local Economic Development Corporations may choose to invest in local economic development.

As a method to spur business growth corporations provide microfinance loans to local start-up or small businesses within the community. Business management courses that extend knowledge concerning entrepreneurship and sustainable business are another beneficial corporate social responsibility economic development alternative (Stewart 2009). In addition, contribution to infrastructure such as roads, ports, and city centers are beneficial for local trade because goods can be more efficiently transferred over a broader region. 4) Education and Training If a corporation employs people from the local community, it is necessary that these people are trained adequately. Education integration into business operations is imperative for social development (Nelson 2006). Corporate social responsibility focused on educational development helps people become more self-sufficient by teaching them skills that will attribute to being more productive members of society. This type of corporate social responsibility strategy, creates valuable human capital. Corporations could choose to focus on primarily employee training or choose to extend services to the entire community.

The latter would consist of supporting primary to tertiary schools in order to invest in local human capital for potential future employees. The locally operating corporations will be more efficient with trained and educated employees who gain business and operations skills. 8 (5)Healthand Wellness Access to health care services attributes to healthier community members, therefore extending a person? s work life and improving productivity. “

Business works best when operating in stable and secure societies,” (Plugge 2004) in which a healthy workforce plays an important role.

Corporate social responsibility health and wellness strategies may include education about basic hygiene, nutrition, and sanitation. Corporations who open access to basic medicines reduce the risk of many common illnesses that could be avoided or significantly reduced. All of these benefits contribute to stronger, healthier, and more productive employees.

Gender Equality and Women Empowerment

Evidence shows that empowering women contributes to positive socio-economic development within communities in developing countries (Malhorta et al 2002, 33).

Femaleleadershipprograms, increase corporate employment of women, provide microfinance loans for female entrepreneurs, and establish strict sexual harassment corporate policies are all possible corporate social responsibilitygender equalityinitiatives (Plugge 2004, 6). By empowering women, more people are added to the work force, more businesses are developed, and familial relationships are more equalized. As a result, the community becomes increasingly competitive.

Employee Volunteerism Highly qualified professionals immigrate into local developing communities when a large business opens. These people have received ample training and are intellectually 9 qualified to operate a business on multiple levels. Using employee volunteerism within the local community is another example of a beneficial corporate social responsibility strategy. Depending on each employee? s skill set, corporate volunteers serve the community by improving local business strategies, infrastructure, education system, and public services. Studies have shown that employees desire a sense of “ self-worth and a belief that their work provides value to the community,” rather than solely receiving high salaries (Shayon et al 1975, 2).

Employee volunteerism fulfills this desire for importance in corporate work. When employees participate in volunteer work they also gain and perfect skills that will be more effective within corporate operations. Hence, this corporate social responsibility technique improves employee morale, provides needed services to the community, and advances employee skills. Corporate Social Responsibility Implementation Techniques Corporations choose from a variety of implementation techniques in order to maximize the positive effects of each corporate social responsibility strategy within communities.

Specific techniques are “ aimed at mobilizing not only money, but also the company? s people, products, and premises to help support and strengthen local communities and non-profit partners” (Nelson 2006, 7). Discussed below are examples of corporate social responsibility implementation techniques that multinational corporations invest in.

Philanthropic Cash Donations

The philanthropic corporate donation phenomenon began in the United States during the 20th century with business leaders such as Rockefeller, Mellon, Ford, Gates, Kellogg, and Packard. This type of relationship is based upon responses to non-profit requests for donations with simple “ checkwriting," rather than a deeper interaction with charitable organizations. Interactions between corporations and non-profits are usually infrequent, with low engagement, and do not apply strategic planning. The basis for this implementation technique is to promote company image in a way that consumers and stakeholders perceive a compassionate and responsible institution. On the flipside, nonprofits receive the necessary funding to maintain service operations (Austin 2004, 4).

Independent Service Provider

Less commonly pursued, corporations may choose to develop an " in-house" philanthropic service department to carry out their corporate social responsibility strategies. This department would act as the management team for the creation and implementation of corporate social responsibility strategies autonomous from non-profits, non-governmental organizations or the government. Nonetheless, consultation from these service organizations and the government occurs because of their specialized understanding of philanthropic initiatives which the corporation does not possess.

Employee volunteerism would be the most common resource used within this implementation technique because it is one of the most accessible assets the company holds. 11 Direct Corporate Humanitarian Investments represent another form of independent service provider implementation technique that corporations autonomously develop. This technique " involves a firm using its resources and know-how to alleviate a particular instance of human misery" (Dunfee ; Hess 2000, 95). Corporations with specific niches in a development sector best optimize this technique.

For example, the pharmaceutical company, Merck, held the patent to the drug that controlled river blindness. Hence, Merck was the only entity that could distribute this drug independently to developing communities for a reduced price.

Partnerships Corporate and social sector partnerships resemble a joint-venture relationship in order to achieve common philanthropicgoalscentral to the mission of each institution. Within the partnership each organization shares its resources equally and frequently communicates about specific initiatives. In addition, the managerial complexity required within a partnership typically precipitates a separate department to directly manage and implement the bilateral exchanges (Austin 2004, 4-5). In contrast to the previous implementation techniques, corporations acting in a partnership focus on specific initiatives and programs. For example, cause-marketing, project development, and synchronization of strategies are all activities involved within corporate and non-profit partnerships. Multinational corporations play an additional role in partnership corporate social responsibility implementation.

Specifically, multinational corporations frequently participate in cross-sector partnerships because most have a mission to engage with the local community. Not only do corporations transfertechnologyand economic 12 development, but also their values and social policies (Austin 2004, 35). This adds another level of influence within the partnership. Methods of how corporations establish partnerships includesocial networking, past relationships, connections through acquaintances, related institutions or an affiliation with a specific cause.

Typically in developing countries partnerships are with reputable non-profits or non-governmental organizations. Corporations partner with mostly traditional institutions because of their established reliability and proven success. In more progressive developing countries relationships could be developed with local service organizations, but in more underdeveloped countries multinational western based service organizations are used. A partnership acts as a form of risk-management for both the corporation and non-profit organization.

Corporations utilize a partnership as an effective tool to address incurred harm to the community from business activities or as a resource to resolve future issues (Austin 2004, 34). Specifically in industries that produce negative externalities, a preventative alliance with a non-profit that specializes in neutralizing harmful business activities is extremely advantageous. Businesses cut-costs, improve public image, and engage with the local community with an established partnership. Moreover, when a corporation partners with the government or provides a service to society, both parties create a “ win-win” relationship (Steward 2009, 18).

The government gains from the economic development, material wealth, and jobs that corporations provide. Corporations benefit from government investment in infrastructure and legal protections. In addition, the government determines laws and regulations that a corporation must abide by. Thus, positive and reliable partnerships would influence the government to be more willing to 13 responsive to accommodating corporate needs. Governments are better off because corporations create an increase in GDP, provide jobs to local citizens and contribute to national development.

Non-profits and non-governmental organizations further gain from partnering with corporations. Funding diversification and reducing dependence on public resources are the main examples of how these organizations reduce their business risks. Corporations provide a secure source of funding despite possible government fluctuations in monetary support. For example, if a non-profit organization relies solely on government funding and there is a change in government leadership, budgeting, or policy that reduces funding to the non-profit, the organization would be at-risk of losing many resources.

By partnering with corporations, non-profits and non-governmental organizations reduce their financial risk and gain valuable business strategy consultation. Corporate Social Responsibility Assessment Methods The evaluation of corporate social responsibility initiatives is extremely important for organizational analysis and public awareness. Documenting corporate social responsibility investments may influence corporations to be more accountable and take more ownership over their activities because it will be appraised by corporate and public experts.

Firms use a variety of corporate social responsibility assessment methods in order to internally assess and externally report their corporate social responsibility investments. Reporting assessments may be an important and efficient way to communicate corporate social responsibility investments and achievements with academia, the financial community, government, policy makers, regulators, interest 14 groups, non-governmental organizations, general public, the local community, employees, shareholders, and the industry (Tilt 1994).

Jason Saul (2009) believes that “ at the end of the day we have to demonstrate value, and the way we demonstrate value to business, and to society, is by speaking the language of the business—by speaking the language of measurement. ” Therefore, he argues that quantitative analysis of corporate social responsibility initiatives and reporting is a key component of corporate social responsibility management. In addition, if companies choose to use the internet and their websites to disseminate their social and environmental activities they have the potential to increase their transparency.

This is an advantageous mode ofcommunicationbecause of its wide accessibility, low-costs, and ability to easily create in-depth or interactive tools (Line et al, 2002). The information gathered from expert audits, annual reports, corporate social disclosure reports, environmental sustainability reports and corporate assessments can be used to assess the efficiencies and short comings of corporate social responsibility initiatives. Important factors to consider are generally firm transparency, corporate governance, code of conduct, corporate social disclosure, social mpacts, community relationships, product quality, and stewardship (Szablowski 2006, 49). Thomas Haynes (1999) further recommends all companies measure four critical areas of corporate social responsibility: 1) economic function, 2) quality of life, 3) social investment, and 4) problem-solving. However, Harold

D. Lasswell would consider these four critical areas incomplete because it does not take into account the evaluation of corporate social responsibility investments and policies according to the appraisal results. The corporate social responsibility goals must be specific and clear in order for the evaluations to be 15 ffectively implemented to improve corporate social responsibility programs and investments or to propose alternatives. In the past decade, corporate social disclosure reports are being more commonly used. These reports consist of voluntary and mandatory accounting of community issues above purely economic activities, such as human resources, community involvement, energy, product safety, environmental issues). The Corporate Citizenship Company, an international corporate responsibility and sustainability consulting firm, uses seven categories to assess the effectiveness of corporate social responsibility activities.

Assessment Factors by Corporate Citizenship Company (Yakovleva 2005, 23) 1) Shareholders a. Return on investment b. Corporate governance 2) Employees a. Salary and Benefits b. Health and safety c. Training and staff development d. Diversity e. Communications 3) Consumers a. Price/ value b. Quality of product c. Advertising policy 4) Business partners a. Jobs sustained b. Payment of bills c. Technology transfer 5) Government a. Tax contribution b. Local economic impact c. Transfer pricing policies 6) Community a. Charity contributions b. Local economic impact c. Transfer pricing policies 7) Environment a. Sustainable raw materials 16 b. Emissions to water and air c. Energy efficiency d. Waste management e. Reduced packaging f. Consumer education In partnership with the Corporate Citizenship Company, the London Benchmarking Group analyzes corporate social responsibility investments and gives each program and service quantitative value. The LBG was founded in 1994 and consists of over 100 companies dedicated to measuring Corporate Community Investment. Hundreds of companies round the world use the LBG method to quantitatively value corporate social responsibility activities. Monetary values are applied to 5 variations of business activities: 1) business basics, 2) mandatory contributions, 3) commercial initiatives in the community, 4) community investment, and 5) charitable gifts. These varying business activities allow corporations to classify a monetary value to a company? s corporate social responsibility inputs including cash, time, in-kind, and management costs (" Measure for Measure," 2004).

The companies also assess their corporate social responsibility outputs and impacts in order to equate the net gains of corporate social responsibility investment. For example, new availability of cash or other resource, quantity of people aided, and business benefits represent measurable outputs. Assessment tools have the potential to be extremely valuable in corporate social responsibility strategies. Companies should be evaluating the performance of their corporate social responsibility investments to gain further intelligence about how to efficiently improve the use of their corporate resources.

However, currently corporations are not required by law to report their corporate social responsibility activities. Those that do report use different methodologies, creating inconsistencies in appraisals techniques. 17 Some models that companies are presently using could be omitting crucial key factors in corporate social responsibility efficiencies, thus, providing incomplete information. A comprehensive corporate social responsibility evaluation model needs to be established in order to effectively assess and improve corporate social responsibility activities.

Historical Trends of Corporate Social Responsibility Strategies Implemented by Corporations in Brazil Background: Corporate Social Responsibility in Brazil

Throughout Brazilian history, philanthropic and charitable donations were significantly represented in the nation? sculture. Since the colonial period, the Catholic Church has inspired the establishment of many civil society organizations that carry out needed services for society. This movement grew during the industrialization period and gained substantial public support.

During military rule, civil society organizations diminished in quantity because of the extremely centralized government. By the democratization period during the late 1980s until present, more and more corporations have adopted corporate social responsibility initiatives, thus, influencing a shift in Brazilian business culture. Brazilian society remains highly centered around philanthropic concerns, which is made evident through a study cited by Cappellin and Giuliani. In 2000, 70 percent of the adult population donated goods and money to social organizations or people in need (2004).

Understanding the historical trends of the evolution from philanthropy to corporate social responsibility strategies will provide more insight into the analysis of mining company corporate social responsibility and how it could be most effectively implemented. Brazilian colonial development was originally based upon an agricultural slave economy under an authoritarian and centralized government. The country? s colonial origins also influenced the predominance of the Catholic Church in Brazilian society. The state collaborated heavily with the Church.

Responsible for public services including education, health and social welfare, the Church played an important role in connecting 19 the state to its people. After the separation of Church and state in 1891, the Church continued to invest in schools, hospitals and charitable works (Landim 1998, 68). During this period, “ popular Catholicism” inspired the establishment of the first societal associations, including the most notable “ Brotherhoods of Mercy. ” These endeavors were sponsored by the business elites, who helped in establishing a philanthropic cultural norm among many wealthy citizens.

These associations were used for worship, as well as creating some of the first hospitals, homes and psychiatric hospitals (Landim 1998, 67). Corporations did not notably donate to philanthropic associations, but business leaders contributed individually. The state managed Brazilian society in a hierarchical fashion that maintained power and wealth within exclusive authoritarian elite. For example, societal changes generated by industrialization in the late nineteenth century were managed using agreements between the dominant elites (Landim 1998, 64).

Under governance, the Brazilian rich became relatively richer while the poor became relatively poorer. This disparity is evident to this day. During the industrialization period between 1822 and 1930, the government established associations to provide services and resources to the unemployed as a strategy to attract foreign workers. Trade unions gained momentum during this period, as well. Thus, businesses were forced to deal with employee rights and services in order to contract with the trade unions.

James Austin notes that if corporate social responsibility was implemented, it only extend to corporate employees (Austin 2004, 29) during the industrialization period. Military governments controlled the state from 1964-1985. They prioritized economic growth through expanding its industrialization system to diversify from the 20 previous mono-culture agriculture of sugar, rubber, coca, and coffee (Schroy 2006). In the mid-twentieth century the military government instigated anti-inflation policies and invested in economic infrastructure: industry, transportation, and power, but failing in essential reform of public education (Evanson 2002).

In addition, this period also marked the suppression of social organizations and social movements. The state controlled all social initiatives from education, to social security and health care. Consequently, the evolution of corporate philanthropy into Brazilian business strategy became extremely limited. However, the Brazilian non-governmental organizations, civil society organizations and non-profits that did operate during the period of military rule were given minimal supported by the government, so some organizations turned to corporations as a source of resources and funding.

This process led to significant alterations to how Brazilian social organizations strategized their operating models (Austin 2004, 207).

Corporate Social Responsibility in Brazilian Business Culture In Brazil, like elsewhere, companies are being challenged to better strategize their corporate social responsibility resources in order to become a part of the shifting paradigm that businesses should implement corporate social responsibility initiatives in their development. A survey conducted by Instituto Ethos (2002), a Brazilian corporate social responsibility on-profit organization founded in 1998, reveals that Brazilian consumers expect ethical behavior from companies. It is no longer acceptable for a corporation to produce negative externalities without engaging in activities to recuperate and compensate those who are affected. On the other hand, Brazilian consumers seek out 21 companies that operate sustainably, collaborate with the community, and provide quality working conditions (Instituto Ethos 2002). Corporations increasingly devote more resources to their corporate social responsibility initiatives as a result of public pressure and evolving business missions.

In the 1990s, an increase in civil society organizations occurred because of the changing economy and collaboration of business leaders. Liberalizing the Brazilian economy presented many challenges due to over 25 years of strictly regulated military rule. After eradicating most trade barriers, local Brazilian businesses were faced with intense international competition that nearly suffocated local businesses. This created an extremely unfavorable economy for corporate commitment to factors outside of direct business activities, such as corporate social responsibility.

Instead, business leaders personally founded third-sector organizations in order to influence legislation and public opinion regarding issues they were most passionate about. For example, a group of business people who all had a mission to mobilize, encourage, and help companies manage their business in a socially responsible way, established Instituto Ethos. Once the Brazilian economy began to recover in the mid-1990s, businesses slowly started engaging in corporate social responsibility initiatives once again, first with charitable giving (Austin, 2004) to many of the newly established third-sector organizations.

The increase in research, academicstudies, dissemination pieces, and broad media communication about corporate responsibility initiatives has further influenced businesses to participate in corporate social responsibility activities. The stronger spotlight on this shifting business paradigm further increases awareness and promotes widespread expectation of corporate social responsibility investment. 22 Brazilian Government Social Policies During the early part of the twentieth century, civil society organizations rapidly gained a strong presence within Brazilian culture.

In 1938, the Decree-Law was enacted establishing the Conselho Nacional de Servico Social (National Social Service Council or CNSS): a linkage institution between the state and public sector. The institution? s main duties included implementing and assessing aid to the poor and determine which nonprofits should receive government funding. In addition, the Legiao Brasileira de Assistencia (Brazilian Legion of Assistance or LBA) was established to serve the needs of the noticeably vulnerable portions of the population, for example, young children, pregnant women, and the elderly.

These services were carried out with the partnership of social or church organizations. These departments of state maintained a social network within the government and society that set a precedent for subsequent social governing and Brazilian culture. The military acted as a highly centralized functioning government from 1964 to 1988. Under military rule, the government directly controlled the economy, national development, and social service agencies. The military focused on rapid economic growth and expansion creating the “ Brazilian Economic Miracle. From 1964-1972, Brazil experienced an average of 10% GDP growth (Schroy 2006). Despite its economic achievements, Brazil neglected education and health care reform leaving a significant portion of the population in poverty (Evanson 2002). By the end of military rule, the economic disparities between the rich and poor were epic creating the societal need for poverty assistance. 23 The current democratic government and constitution were founded in 1988 after the military relinquished governing power. In light of the experience under the military governments, the 1988 constitution directly protects Braziliancivil rights.

It is best known as the “ Citizen Constitution” due to the state? s commitment to enhancing social policies and defendinghuman rights(Austin 2004, 210). Thisphilosophyaids in developing and maintaining civil society organizations that contribute to reducing poverty, improving health care and education, and protecting the environment. Government regulation of business also reflects the protection of civil rights. For example, in 1995 the Environmental Crime Law was enacted to give citizens the right to sue business executives in court if they do not comply ith health, environmental, or safety standards (Cardoso 2003). To understand the remaining needs and opportunities for corporate social responsibility contributions, it is important to understand existing social policies. Currently, the Brazilian government actively implements social service programs for poverty alleviation and social safety protection. The government of President Luiz Inacio Lula da Silva established the Ministerio do Desenvolvimento Social e Combate a Fome (Social Development and Fight Against Hunger Ministry or MDS) in 2004.

This ministry enacted " Assistencia Social" (Social Assistance), " Bolsa Familia" (FamilyBag), " Seguranca Alimentar e Hutricional" (Foodand Nutrition Security), " Inclusao Produtiva" (Production Inclusion), and " Avaliacao e Gestao oa Informacao" (Information Management and Evaluation) all aimed at elevating poverty and promoting human development (Desenvolvimento Social, 2010). As a result, Brazil? s poverty rate declined by 20 percent during the 1990s (Cardoso 2003). Bolsa Familia was created in 2003 as a 24 ethod to reduce short-term poverty and combat long-term poverty by requiring children to attend school and become vaccinated. Currently, the program provides 11 million families with US$44 a month (Casanova 2009, 141). The past decade has shown even more social improvements. The World Bank justifies that living on less than US$1. 25 equates to living in poverty. In 2003, 22. 9 percent of the Brazilian population was impoverished, but by 2009 only 10 percent of the population was impoverished (Santos 2010). It is important to note that there are still many weaknesses within the social system. 3 percent of the active working population does not qualify for unemployment or social insurance, leaving them at risk against sickness, accidents or maternity leave. At the same time, 20. 3 percent of children are still living in poverty (Santos 2010). Overall though, the system as a whole has been effective in reducing poverty. Brazilian Government Environmental Policies The government has a formal commitment to sustainable development in addition to improving civil society. For instance, the Brazilian “ Environmental Protection and Licensing Plan” requires corporations to receive a „ Previous License? „ Installation License? , and „ Operation License". At each stage, environmental risk assessments must be completed by the company and approved by the environmental government agency, Insituto Brazileiro do Meio Ambiental (IBAMA 2010). At any time in the application process, the Brazilian government has the right to halt construction. Government regulations appear to be strict; however, past precedent shows that the government encourages profitable resource extraction industries, such as mining. Mineral exports are a robust commodity for Brazil contributing to GDP and tax revenue for the quickly 25 eveloping nation. Therefore, the government reduces regulation and loosens its monitoring system in order to promote rapid resource extraction and increase national revenue. At the same time of the increasing expansion of the mining industry, the International Council of Minerals and Metals, consisting of 19 robust multinational mining corporations, have set in place environmental and social commitments in an attempt to preserve environmental and social rights. Each mining project must receive a “ Social License to Operate” from the International Council of Minerals and Metals.

This requires consent by the local community through negotiations and written agreement of how the community will regulate mining activities. The firm is obligated to administer an environmental impact assessment to pinpoint potentially hazardous affects on the environment and how it plans to rehabilitate any degraded environments. However, the International Council of Minerals and Metals does not regulate corporate social responsibility initiatives. Companies themselves are responsible for implementation and assessment.

Present State of Corporate Social Responsibility in Brazil Instituto Ethos, Brazil? s prominent social change non-profit organization, reports that more than half of Brazilian companies implement social policies (2010). Public opinion continues to promote a shift in corporate culture to develop solutions to some of the country? s toughest problems such as, environmental degradation, poverty, and health care. The vast inequalities within Brazilian society have become a hot topic amonginternational developmentorganizations. For example, even though Brazil? s economy is 26 anked as the eighth largest economy in the world (IMF 2010), 50 million people are living on less than US$30 a month. Globally, Brazil is ranked 4th to last in income distribution and 73rd on the Human Development Index (Austin 2004, 215). This wealth disparity highlights the extensive potential corporate social responsibility initiatives could have upon the disadvantaged populations. Corporations operating in Brazil view corporate social responsibility as a tool to restore trust among the public by serving those who suffer from the unequal distribution of national wealth originally initiated by some of these corporations.

Sustainability

ViceChairman Geoff Lye reasons that " if business leaders can make a difference but choose not to, they will live to regret the disruptive social, environmental, and economic consequences that will result from failing to achieve development goals" (Lye 2006). Purely focusing on firm profitability is not enough now. A corporation's culture, impact, and global image play an imperative role in Brazilian business activity. Businesses that do, however, chose to participate in corporate social responsibility initiatives usually focus on issues that have relevance to their own business activities.

For instance, Roberta Mokrejs Paro and Claudio Bruzzi Boechat (2008) researched business priorities and corporate social responsibility initiatives of 30 Brazilian companies. The study uncovered that corporations prefer corporate social responsibility activities that are important for business activities. For example, the top four corporate social responsibility initiatives among the participants are in the energy, water, education, and environmental sectors. These were also the top four sectors for the implementation of business activities (Paro 2008, 539). 7 The Brazilian government heavily promotes corporate social responsibility activities, as well as, implements extensive corporate regulations in order to protect its environmental, social, and economic identities. Even though some business philosophies behind corporate social responsibility activities appear to be clearly defined and structured, often the reality is a different scenario. Emilio Klein a researcher at the International Labor Organization remarks about corporate social responsibility in Brazil Hopkins 2007, 177): in that country everything is there on paper, perfectly neat and rational. But when you check the reality then things are very different. I would say that roughly in Latin American large corporations, and almost all enterprises, lack something that is essential in the background of your definition: fairness. They are unfair with their stakeholders, both inside and outside, and they can be so because they have all the power, including of course the government. If you add to that their short-term perspective, then you get what we get [in Brazil].

Employees, customers, purveyors or whatever, are being squeezed and pushed around by business, particularly those related to basic services (privatized), financial services and commerce. Even though the Brazilian government has set into place complex social and environmental protection laws, the enforcement and regulation of these principles are extremely limited. Therefore, businesses easily take advantage of local communities by out maneuvering them through economic and political avenues. As a result, businesses typically operate according to their own motives, not the governmental guidelines.

Instituto Ethos uses strategies such as expanding the corporate social responsibility movement, deepen corporate social responsibility practices, creating a more favorable business environment for corporate social responsibility, and articulating corporate social responsibility within public policies to achieve their mission. Currently, this Brazilian corporate social responsibility organization has 907 member companies 28 who combined employ about 1. 2 million people and contribute to about 30 percent of GDP. Business represents one of the most powerful groups in Brazilian society.

Therefore, it is pivotal that this sector engages in corporate social responsibility activities to achieve development success. In 1999, the UN Secretary General launched the Global Compact Program. This aims to coordinate business and corporate responsibility initiatives. Instituto Ethos organized a conference of over 107 companies to develop guidelines for Brazilian companies to participate in this Program. Fourteen principles were created: 1) Indivisibility of rights (all human rights must be considered as a whole) 2) Meeting employee human rights should be viewed as positive and productive for business 3) Companies are leading agents for hange because of their large presence in society, 4) Possible new labor relations could be developed 5) Refuse child labor 6) Implement multiple intervention corporate social responsibility programs 7) Business participation in policy development for long-term commitment 8) Promote women rights 9) Environmental protection 10) Exchange knowledge and methodologies 11) Increase interaction with UN agencies 12) Pro-active thinking 13) Create methods for discussion 14) Monitor Global Compact indicators 29

These goals represent key factors that Brazilian companies could address while constructing their corporate social responsibility initiatives. Because of the scope of corporate social responsibility options is broad, the presence of corporate social responsibility and corporate social conscience create a favorable environment for further promoting corporate social responsibility into businesses not yet participating. Modalities of Corporate Social Responsibility in Brazil Within the Brazilian corporate social responsibility environment, corporations most commonly participate in civil society partnerships.

A study conducted by James Austin (2004, 215) shows that of the 385 companies that participated, 85 percent rely on some variation of alliances with civil society organizations to implement social responsibility strategies. Of this group, 15 percent solely use partnerships to conduct their social practices, 37 percent use non-permanent partnerships, and 33 percent occasionally engage in partnerships. Most often these partnerships are multi-sectored, because each civil society organization has specific niches that aid in the common corporate social responsibility goal.

For example, businesses often partner with non-governmental organizations and non-profits that already have social management expertise to reduce implementation and operating costs for business social responsibility activities. In addition, corporations are amenable to working with local non-governmental organizations or non-profits because it can lead to positive community relations. In addition, corporations may also choose to partner with the local, regional or national government to implement social initiatives. Business leaders often view Brazilian governmental organizations as non-cooperative, bureaucratic, slow, nd 30 inefficient. Therefore, business and government alliances tend to be infrequent in Brazil (Austin 2004, 220). However, these difficulties do represent an opportunity for businesses to enhance government entities and to provide advice on how to make the government processes more effective. For example, Naturas commitment to improving local public education in Itapeceriaca da Serra not only required the company to work closely with the local government quiz, but also led to the establishment of “ Barracoes da Cidadania” (Community Shelters).

This program is managed by the Municipal Secretary of Culture in order to provide needy children and youth social and cultural activities and equipment (Austin 2004, 220). Even though such partnerships are becoming more prevalent, a significant proportion of corporations? efforts remain un-partnered because of factors such as lack of confidence in civil society organizations, lack of information, and precedent frustration. 15 percent of the companies in the Austin? s sample do not engage in partnerships, but individually create and implement corporate social responsibility (Austin 2004, 219).

Some company executives believe that they can better manage their resources independently because they have “ better control” (Austin 2004, 219) than those firms who engage in cross-sector partnerships to implement their social initiatives. Another finding is that companies that incorporate corporate social responsibility into their business models are more likely to make profits than if they treat these factors as expenses unrelated to business strategies directed to enhancing good will, educate potential employees or provide health care to the community (Hamman 2003, 238).

Company executives frequently commit to carrying out ethical business practices as a component of their corporate responsibility. This includes refraining from using 31 child labor, providing fair compensation, creating safe and comfortable work conditions, and operating within the legal environmental regulations. This promotes ethical business behaviors, as well as benefits the product and companies because they will avoid potential labor rights issues. Further, environmentally friendly operations reflect positively on the company and its products.

The company also reduces the risk for governmental fines due to negative environmental impacts. Often companies whose business leaders choose to invest in “ green” technology and environmentally sustainable business practices tend to become industry leaders because they are evaluating and strategizing how to improve their operations, as opposed to maintaining the status quo. Joint commitments to practice corporate social responsibility among firms at the same level within a specific industry have proven to be an effective tool to promote company investment in corporate social responsibility initiatives.

These commitments consist of each company dedicating a standardized amount of business resources to corporate social responsibility. Therefore, no company can gain a competitive advantage by not engaging in corporate social responsibility, thus creating a “ level playing field” within the industry. The International Council on Mining and Metals is an example of this type of alliance. The organization consists of 18 mining and metals companies, as well as 30 national and regional mining associations and global commodity associations.

Its vision is to lead “ companies to work together and with others to strengthen the contribution of mining, minerals and metals to sustainable development" (ICMM 2010). This alliance encourages mining corporations to participate in corporate social responsibility, which neutralizes potential disparities 32 between competitors because a significant amount of the world? s most prominent mining companies are members of the International Council on Mining and Metals.

Corporate Social Responsibility in the Mining Industry

Mining company leaders argue that the extraction of non-renewable resources is essential to world development (Jenkins and Yakoyleva 2006, 271). They declare that newly discovered mineral deposits and improved technologies will provide additional wealth into the world? s economy. Even though the mining companies claim that they are a part of an important source of global wealth, public opinion has largely focused on the negative externalities of mining activity.

In response to this public cynicism, corporate social responsibility represents a valuable impression management tool that all prominent mining corporations utilize (Jenkins and Yakoyleva 2006, 272). Corporate social responsibility is treated as a strategic response to social challenges that inevitably arise from mining extractive operations. Almost all mining companies allocate resources to these initiatives. Thus, it is necessary for corporations in this industry to participate in corporate social responsibility initiatives in some capacity in order to remain current among industry competitors.

It has become standard practice in the mining industry to develop more environmentally and socially conscience operational strategies. " corporate social responsibility in the mining industry is viewed as a mechanism for maximization of positive and minimization of negative social and environmental impacts of mining, while maintaining profits" (Acutt et al, 2001). According to a poll of the ten largest mining companies in the world, the number one reason for participating in corporate social 33 esponsibility activities is to contribute positively to brand reputation. Additional incentives are to increase value to shareholders, maintain relationships with the domestic government, and satisfy socially conscience consumers (Hamann 2003, 242).