



**Asia-Pacific
Economic Cooperation**

Corporate Social Responsibility in the APEC Region

Current Status and Implications

**Economy Paper:
Chile**

Corporate Social Responsibility

in Chile

**Paper prepared Dante Pesce with collaboration from
Andrea Henriquez, Nelson Nuñez, Ana María Roa and
Karina Toledo**

**VINCULAR at Pontifical Catholic University of Valparaíso-
Chile**



Avenida Brasil 2241, Piso 6
Valparaíso, Chile

Fono: (56 - 32) 273880
Fax: (56 - 32) 273806

www.vincular.org

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1. CSR in Chile: Vision and Drivers

The antecedents of Corporate Social Responsibility (CSR) in Chile date back to 1920 when a series of philanthropic actions were first glimpsed. In the beginning, these activities, which were circumstantial and disconnected from business strategy, reflected the personal desires of philanthropic businessmen. But the globalization of the economy, the liberalization of markets and an increasingly demanding society began to spur the modification of paradigms towards fostering positions of greater commitment with society and at the same time a reality where spaces in which government, the private sector, and civil society interacted.

Today, this concern is no longer an incipient theme. Instead it is beginning to be developed more extensively. Representatives of each sector of society are starting to understand that they are not independent from the rest, that they have an important role in the development of this issue. They have come to realize that the entities which compose it should not be institutions that are not too inward looking, but should be institutions that behave in a responsible way with each of the other members of the groups they interact with and be capable of participating in the country's social development.

In general this concept has driven society to begin familiarizing itself with the issue. It has also convinced businesses to start adopting corporate politics that cover aspects linked to CSR. like a concern for the workers' integral development, environmental care, and community relationships, among other aspects.

It was not until after the 1990s that it began to be understood within Chile that CSR was a business vision that harmoniously integrated a respect for ethical values, people, the environment and the community, into a single business strategy. This concept began to gain importance and interest from a more proactive perspective, as much from the business community as from the state and civil societies connected through NGOs with the environmental themes of human development and the promotion of human capital.

Consequently, the role of businesses is no longer deemed restricted to the production of goods and

services, or to the satisfaction only of its shareholders, but has evolved towards an integrated vision based on the creation of value for its different stakeholders; without whose support the organization would cease to exist.

Nowadays there is greater maturity in the application of the concept of CSR as companies are evolving from the image-marketing linked to philanthropy, towards building a reputation based on the coherence of an internal focus on CSR where a concern for the workers is emphasized,¹ and towards forging an external organizational focus like a commitment to the community, mostly linked with education.

Many issues linked with social responsibility are implied by the Free Trade Agreements (FTA) subscribed to by Chile with developed countries. These Agreements force businesses to incorporate best practices in all their productive process in order to assure their competitiveness. It is for this reason that CSR is becoming a key strategy for businesses, specially export oriented industries.

Another concrete but more recent aspect that has surfaced in the business orientation of CSR is the establishment of commitments and the inclusion and/or enlargement of this concept in the small and medium enterprises (SMEs) via the support of important international institutions.² In Chile it is becoming more and more important to forge strategic alliances with parts of the production chain that used to be the weaker links.

The international context of commerce, the pressure of diverse social actors and the convictions of some businessmen are motivating businesses to incorporate CSR into their business strategies. While this trend has become evident on the level of large global companies, it has also been gaining ground among businesses in developing countries, among them SMEs,

¹ Mori polling has been consistently showing this trend during the last 4 years.

² There are projects funded by Inter-American Development Bank (IADB) and Governmental Agency for Economic Development (CORFO).

especially those that participate in supply chains or are part of greater suppliers.

The phenomenon described above has been pushed and fortified by the growing prominence of consumers in developed countries who are adding to the price and quality variables additional elements with which to discriminate between products and services, such as the adequate treatment of workers, constructive relations with suppliers, adequate management of the environment, etc.

2. Attitudes towards CSR

Qualitative research conducted by Vincular is consistent with the polling done by Mori in terms of Chilean attitudes and perception related to CSR practices. The six most relevant issues that reflect significant changes in Chilean society are as follows:

Quality of life in the work place: The poll revealed that 92% of the respondents consider the “quality of life” in the workplace as the number one consideration in describing a corporation as “responsible”. This perception underscores the concern for working conditions and the need for adequate conciliation between work and life. For Chileans, CSR starts at home. It was also part of the political platform of both major political coalitions in the December 2005 elections.

Concern for the environment: According to 79% of the respondents (only 63% last year), the environment is the second most relevant issue related to CSR. Recent corporate scandals related to bad environmental practices and increasing concern for the environment among Chilean citizens accounts for this perception’s rise. Also on this point, both major coalitions are proposing to establish a much more robust environmental institutional framework.

Responsibility to consumers: Some 75% of the respondents held a positive attitude towards corporations that were transparent and fair to their consumers. The relatively weak legal environment, inadequate protection extended to consumer rights, and the limited education and income of Chileans have made it possible for some corporations to commit abuses. Respect and fairness are thus highly appreciated.

Contribution to community: For 69% of the respondents, the contributions made by the corporation to the community are considered highly relevant. When asked about the form contribution should assume, respondents identified three major issues:

Corporations’ helping improve links between education vis-à-vis market needs and future work opportunities,

Corporations’ investing on improving the employability of existing workers by better equipping them for an increasingly competitive environment and corporations’ providing opportunities for local small and medium size enterprises to succeed alongside them as long-term partners.

Consistency between speech and practice: Of the respondents, 66% expressed their appreciating a corporation that can demonstrate a clear link between its public commitments and real practices. The respondents indicated concern for some very visible corporations that appear to be generous, but are not necessarily concerned about relevant CSR practices, especially those pertaining to working conditions. Chileans are suspicious about marketing giveaways rather than CSR policies and practices.

Equal treatment/opportunities: Around 64% of the respondents showed concern for discrimination in the work place and the absence of equal opportunities, a marked increase from the previous year’s figure. Chileans are increasingly appreciative of corporations that provide opportunities for women and do not discriminate against them. This stance reflects a marked change in Chilean society. It is very likely that the next President will be a woman.

Other issues that are important but less relevant to Chileans are those related to complying with legal obligations, paying taxes adequately, being transparent, doing some charity work and attributes related to its core business.

3. CSR players in Chile

Considering the favorable context for CSR expansion in Chile, different players are

promoting and expanding CSR in the country. Key players and examples of on-going developments are the following:

3.1 The Private Sector

The concern for sensitive topics by society is a traditional attitude of Chilean businesses that largely originated from the strong influence of the Catholic Church. This social activity associated to philanthropy has been constituted in an effort to take a step towards coming up with a systematic response and commitment on the part of the company vis-a-vis its various stakeholders.

Several examples indicate how entrepreneurs are becoming more conscious of the benefits arising from practices linked with CSR and its incorporation into their management system within the context of open markets. They recognize that interest in this topic is growing, for which reason the business focus traditionally centered on the satisfaction of the investor is beginning to extend its vision, paying attention to a more extensive group of stakeholders.

The president of the Commission of CSR of the highly representative Confederation of Production and Trade (CPC), Mr. Gonzalo Garcia has declared that “Legitimizing CSR as an indissoluble element of all business management is an objective that is increasingly being fulfilled: definitely, CSR today is a fundamental topic in the country.”

CSR is being transformed from an emergent issue to being constituted as an essential element of differentiation, leadership, and excellence in business management. The following are some significant examples:

Health and safety mutual help associations (or *mutuales*) are organizations dedicated to improving health and safety conditions in the work place. They were created by the private sector 46 years ago as nonprofit groups. From the very start, they their Boards included union leaders. Years later they were regulated by a law that was passed. Notably under the socialist government (1970-73) and the right wing dictatorship (1973-90) they were not modified. They continue to exist as a partnership between business and labor up till to the present.

Currently, four *Mutuales* represent 70.000 businesses. This represents 100% of the incorporated businesses that have workers who receive payment and social benefits.

The rate of accidents in Chile is among the lowest in the world, developing countries included.

- **Chile Good Agriculture Practices Standard:**

In the agricultural sector, and according to the data provided by the Fundación para el Desarrollo Frutícola, FDF (Foundation for Fruit Industry Development), until year 2004 around 1,200 businesses had adopted the Chilean Good Agricultural Practices Standard (Chile-GAP³). This standard which was recognized in Europe encompassed environmental, labor and good food safety practices. It is considered the first robust step towards CSR in the agriculture sector. Meanwhile, the 2005 Chile-GAP will also cover the avocado and wine industries which, combined with the previous sectors, will reach approximately 2500 producers.

- **Chile Clean Production Agreements:**

Increasingly, more and more businesses from different industry sectors are subscribing to the Chilean Clean Production Agreements (CPA)⁴. From the wine-growing industry, 522 businesses encompassing 849 facilities (660 vineyards and 189 vineyards), have signed this agreement. Meanwhile, in the fruit industry this agreement has been signed by 884 businesses consisting of owners of orchards, packers, cold-storage plants owners and exporters.

- **Dual Education Program:** Another important milestone worth mentioning is the involvement of 7,322 businesses in the dual

³ Chile GAP Standard was develop by the Foundation for Fruit Industry Development, which depends from the Agriculture Exporters Association and counted with the support of Government throw CORFO and the Chilean National Standards Body. More information at www.asoex.cl and www.fdf.cl

⁴ The Clean Production Agreement is a voluntary industry based approach to overcome collectively environmental issues. It has being lead by the Business Associations with support from Government throw CORFO, providing co-financing for SMEs that become part of the agreement.

education program espousing theoretical–practical education, where the practical phase is carried out in the company’s facilities. Implemented gradually since 1990 on a voluntary base by the private sector in partnership with the Ministry of Education, this German-develop program offers technical training for high school students and coaching by real workers. It has become a useful recruitment procedure. Employment rates among students who graduate from this system significantly surpass those of traditional education graduates.

- **GRI Reporting:** There is a growing interest in GRI reporting among local businesses. Some corporations like ACHS (achs.cl), Codelco (codelco.cl), Forestal Terranova, Gerdau-Aza (aza.cl), Shell-Chile, Endesa-Chile and Chiletabacos issue reports under the Global Reporting Initiative (GRI) form through which they present their economic, social and environmental performance. Some Industries, led by their business associations and with Vincular facilitation develop GRI Industry Reports and derive some sector-based indicators for use in future individual and aggregated CSR reporting. A pilot initiative includes up to 150 SMEs GRI Reports and up to six Industry-based reports.
- **The United Nations Global Compact:** There are also companies and associations such as Asociación Chilena de Seguridad, ACHS (Chilean Safety Association), Banco Estado, CMPC Enterprises, Forestal Terranova, Grupo Santander-Chile, Escondida Mining Company, *Toop and Brand* and Vincular from the Catholic University of Valparaiso that have subscribed to the United Nations Global Pact .

3.2 The Public Sector

Government supports the promotion of concrete CSR initiatives under a vision of competitiveness through the National Commission of Technological and Scientific Investigation (CONICYT, Comisión Nacional de Investigación Científica y Tecnológica) and the Corporation of Production Development (CORFO, Corporación de Fomento de la

Producción). These government agencies pioneer projects oriented to the development of pilot experiences in CSR, and expect them to evolve into regular public policies.

Some signature initiatives are the following:

- **CORFO** (www.corfo.cl). This is a government agency responsible for the improvement of production and competitiveness, especially among SMEs. In partnership with several business associations, with co-financing from the Interamerican Development Bank and facilitated by Vincular at the Catholic University of Valparaiso, CORFO has committed funding to facilitate the integration of CSR into several industry strategies. It has also piloted project with the SMEs within them. This project of CORFO, unique in the context of Latin America, considers US\$2.500.000 in investments. It is expected to expand to more industries and to include all their business members.

The National Standards Body (Instituto Nacional de Normalización. www.inn.cl). As part of CORFO, the Chilean National Standards Body is actively participating in the development of the ISO26000 standard for Social Responsibility. It has established a national “Mirror Committee”, with more than 60 active participants from all sectors, including unionized workers and the main business associations. It has become one of the most visible and active players among developing countries. Further because of Chile’s openness to the world market, there is a clear incentive to be part of the Global Setting on Social Responsibility.

- **Comisión Nacional de Investigación Científica y Tecnológica (www.conicyt.cl)** Its mission entails advising the Chilean government in the fields of science and technology. CONICYT, through FONDEF,⁵ the Fund of Scientific and Technological Development (Fondo de Fomento al Desarrollo Científico y Tecnológico), financed the project entitled “Development of a Management System for Corporate Social Responsibility” allowing the development of practical management CSR tools and training materials, which are increasingly being used. Vincular executed this over US\$500.000 project.
- **FONDEF project II:** A second project was recently awarded to Vincular. It entailed developing practical tools to better link competitiveness with the quality of life in the workplace, which is the most critical factor linked with CSR in Chile. This second investment significantly demonstrates the drive of some government agencies to contribute to the development and establishment of CSR in Chile.

3.3 Civil Society

The relationship between the third sector and CSR is evinced by a regional phenomenon, the presence of two groups: (i) civil society organized for the sake of CSR; and (ii) civil society organized to undertake issues of public interest. As part of this phenomenon, the

⁵ Ver <http://www.fondef.cl>

flourishing new group of CSR-related NGOs is playing an increasingly influential role, becoming visible to the business community. It is making significant advances in the diffusion of CSR.

More traditional NGOs have made less of an impact on the business sector and consumers, but some are starting to get better organized. Red Puentes is a network of NGOs focused on looking after impacting and partnering with business. NGOs in this group are active members of the Chilean National Mirror Committee on ISO for Social Responsibility. They network on an international level.

Traditional civil society does not take advantage of the newest trends, and instead confronts business with traditional strategies that were not completely successful in the past. Exceptions to this are those NGOs that have adopted a different attitude (like Teletón, Hogar de Cristo) by establishing partnerships with business and integrating top managers into their boards.

Traditional civil society has a crafted response to the most habitual paradigms, and the mainly assume roles related to welfare. Nevertheless, the academe emphasizes where initiatives of participation in themes of social responsibility arise. For example, the Catholic University of Chile is part of the SEKN network, while the Catholic University of Valparaiso developed the initiative, Vincular. The network Construye País University is composed of thirteen universities that promote a proactive social approach in society.

3.4 The Consumers

The concept of Corporate Social Responsibility is widely known and its exercise demanded by numerous consumers across the world, especially those in developing countries. The phenomenon has reached Chile so that every day Chileans are more familiar with this concept and more Chileans increasingly value the practice of being socially responsible.

It is important to emphasize that the MORI 2005 study revealed how highly Chileans value CSR. In fact, the number of consumers who declared that a business sells more if it is socially

responsible has increased from 41% in 2002 to 55% in 2005.

Asked during studies, consumers maintain that CSR adoption in Chile is not generalized as yet as the national business sector has but a short-term utilitarian point of view that first needs to change for a sustainable approach to be attained. In this regard citizens expect the business sector to take care and commit to the development and improvement of society's quality of life. The businesses that adopt this plan do not only guarantee their sustainable success, but also foster greater competitiveness and a reduction in their organizational costs.

4. Next Steps for CSR

In the Chilean national context, the next steps for CSR adoption are focused basically in four important aspects: scaling up already existing experiences, the incorporation of CSR within SMEs, and getting CSR to be part of the national Agenda of Competitiveness.

4.1. Scaling up existing initiatives

In Chile there has been a notable development of the theme in conceptual terms—that CSR has gained prominence as a subject for most important business organizations. Thus, there now exist institutions focused on the development of the subject. Advances in the inclusion and development of CSR projects in SMEs have been noted. The challenge now lies in scaling up, based on what has already been achieved.

Most of the companies that promote or are identified with CSR still approach the subject from the point of view of community investment, marketing with a cause, or the achievement of technical-productivity, quality control guidelines.

There is also an increase in the number of businesses that incorporate ISO regulations and certifications in their management. Nevertheless, CSR initiatives do not, thus far, constitute many companies the initiatives of several companies, thereby implying a big challenge for those who wish to call themselves “socially responsible”.

These challenges can be translated into powerful future opportunities when CSR will have formed part of their management systems, but which such will require considerable and continuing change efforts.

4.2 CSR into the competitiveness agenda

A challenge in the years to come entails improving the link between CSR and the competitiveness agenda. The conditions prevailing in Chile for the development of CSR are encouraging, but it remains imperative for the CSR agenda to be formally aligned with the mainstream competitiveness strategy.

There exists a significant opportunity to really incorporate CSR in the normal way of conducting business. Clear business case is needed for both public and private sectors. Pilot initiatives have been mentioned, but an explicit public policy oriented to promote CSR is nonexistent.

There might also be an opportunity to formally establish a political position. Currently, CSR is not clearly represented in government. It appears that CSR is better established within business organizations. Chile's institutional framework does not consider CSR part of one specific ministry, but based on how well accepted CSR is today. The incentives of doing CSR may soon emerge.

4.3 CSR and SMEs

A long road lies ahead where the relationship of small and medium enterprises with CSR is concerned. However, that a foundation has already been put up implies that further achievements which will enable an equally competitive market economy for businesses of all sizes and sectors is not too far away.

In that sense, one of the tasks for the near future is to ensure that SMEs also become managers of socially responsible businesses. The challenge lies in defining the strategies that SMEs will have to develop in line with socially responsible policies.

The myth that only large businesses can be socially responsible is disappearing. Small and

medium enterprises from the manufacturing, fruit-growing and winegrowing industries are formally adopting Corporate Social Responsibility into their business strategies.⁶

Large businesses are increasingly demanding the observance of CSR standards among their supply chains, which consist mainly of SMEs. These SMEs have grown increasingly aware that in order to remain competitive and to be integrated into the most dynamic sectors of the economy, they have to show that they are dependable commercial associates aligned with their clients' needs.⁷

Some industrial sectors like the fruit exporters, such as the Eurep GAP, have internally adopted the variables of CSR required by their markets, as part of their own management. As a result, fruit exports are qualified to respond to these demands. The same thing is happening in other sectors of the economy, such as wine-growing, marine and forestry.

4.4 Awareness raising and capacity building

Many awareness raising and capacity building activities are taking place in Chile. Universities, NGOs, business associations are organizing workshops, events, conferences, etc. Increasingly cases are being documented, and CSR is being incorporated into MBA and other academic programs more regularly.

Such efforts should be sustained over time. They must accompany the development of CSR. Still there is need not only to better integrate CSR into the business community mainstream agenda, but also to raise awareness among many other stakeholders, whose role in the advancement of the field should be identified.

Much more capacity building has to take place. Many executives declare their frustration over the lack of practical tools and training to help them do their job better. Vincular has a formal certificate program on CSR. On the other hand,

there are other academic institutions are offering basic courses, which are limited in terms of coverage.

At this point, universities are expected to integrate CSR into more career programs. While this trend has already been noted in some MBA programs, it is predicted that in the next few years, the trend will be entrenched in the standard curriculum of any MBA student, and beyond that, of almost all careers as well.

⁶ Throughout a Project implemented by VINCULAR and funded by IADB and CORFO and with participation from the main Businesses sectors.

⁷ Eva Ramos, Corporate Social Responsibility Director at Ecology and Development Foundation (Spain).

