

## Corporate Social Responsibility:

### A brief review of the Chilean situation

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#### 1. The Context of CSR in Chile

Today, Corporate Social Responsibility (CSR) is fundamentally about the ethics of people, of organizations and institutions. Consequently, when we talk about Corporate Social Responsibility we are talking about what we are and what we do as human beings, and what the companies and organizations are and do as relevant actors of social life. This issue of “being” and “doing” invites us to become aware of the fact that any action leads to a reaction, and such awareness should blossom out into taking on responsibility for the after effects of our decisions, both in the short as well as in the long term. Hence, social responsibility involves taking experiences from the past, worrying about the present, and taking active part in building the future.

CSR or the relationship between businesses and society is one of this century’s most burning issues. It is not possible to think in social change favoring human development if the existing potentialities for businesses to contribute to this change are not taken into account.

The impact of globalization and the changes in corporate organizational approaches have resulted in an irregular adoption of CSR as a paradigm.

At present, we can see great heterogeneity in the Chilean private sector in terms of the development of CSR, and it is in the medium and big size enterprises where the exercise of CSR has developed to a greater extent. However, it is important to be aware of the fact that in Chile there are neither records of excellence nor any other information related to what the enterprises have developed with regards to CSR. Information has been limited to studies carried out by some institutions and activities undertaken by some enterprises.

It is worth highlighting that, in general, there is a tendency to relate CSR mostly to philanthropic and welfare activities, as donations granted by the enterprises. Consequently, there has been an increase in the number of Foundations created by enterprises. Such foundations have proved efficient in their work, particularly in the education field.

As for last years’ trends, it is possible to prove that CSR has introduced itself into the enterprises’ methods to make businesses, particularly in large enterprises where CSR has become a strategic factor and *"a mode of action of the enterprises, which basically corresponds to acting within an ethical framework"*<sup>1</sup>. Gradually, we begin to see the first measurements of CSR, and this proves that the issue is now a matter of concern. However, there is still a long way to go, especially in areas such as labor conditions, social security policies, training and employability.

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<sup>1</sup> Teixidó, Soledad in: Revista Capital, N° 224. March 21 to April 3, 2008, Page 83

In 2002, “Chilean enterprises are still lagging behind of what is happening in the developed countries, where Social Responsibility has effectively become the companies’ new cultural paradigm<sup>2</sup>”, which in its turn has generated new examples of systems and models to follow.

It is worth pointing out the existence of social demand for the enterprises to take part in projects at national scope which involve contributing to the eradication of poverty, environmental care, and cooperation with local or regional social sectors with which the enterprises relate.

Towards 2006, Corporate Social Responsibility already becomes “a movement, to which citizens, governments, enterprises and NGOs from all continents are daily joining; it arises as an unprecedented renovative instance due to the fact that it systematically embraces aspects such as the economy, employability, environmental care, equal opportunities, among many other issues”<sup>3</sup>.

Corporate Social Responsibility “faces a challenge related to the inclusion and to the generation of spaces where the diverse actors can express themselves<sup>4</sup>”. However, day by day new spaces for dialogue arise, involving the participation of enterprises, government and civil society.

CSR is immersed in a stage of formalization, that is to say, it is in the process of becoming part of the enterprises’ values, as well as of the enterprises’ strategic planning. Enterprises are implementing policies which are linked to their strategic guidelines within the framework of CSR.

It is also worth mentioning that PROhumana Foundation has contributed to the CSR context through the publication of a book named “Social Responsibility: Building Ethical Meanings for Development”. The book’s main objective is to provide a reference framework on ethics, which would make it possible to build dialogues on the basis of common perspectives favoring the strengthening and consolidation of a culture of citizens and businesses’ responsibility towards sustainable human development. For further information regarding this PROhumana Foundation book, please access the following link:

[http://www.prohumana.cl/index.php?option=com\\_content&task=blogcategory&id=46&Itemid=97](http://www.prohumana.cl/index.php?option=com_content&task=blogcategory&id=46&Itemid=97)

Finally, it is possible to conclude that there is neither a unique definition nor an absolute consensus over it. There are however some points of convergence which lead us to work from a common objective: CSR. What is clear is that CSR has come to stay in our country, and it will get incorporated progressively in people’s and enterprises’ DNA.

## **2. The Concept of CSR in Chile**

With the advent of the globalization era, enterprises are beginning to assume a new responsibility, leaving behind their past role merely restricted to the economic sphere, and becoming corporate citizens. Thus, moving forward towards sustainable development becomes a necessity, and unlike in the past, sustainable development involves not only economic profitability but also social and environmental performance. We should become

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<sup>2</sup> UNDP and PROhumana Foundation, “Analysis of MORI survey on: Corporate Social Responsibility”. 2002, Page 6

<sup>3</sup> PROhumana Foundation, “Brief analysis of CSR: A strategy for multisectorial alliances”. April 2006, Page 1

<sup>4</sup> PROhumana Foundation, “Social Responsibility in Chile: An overview from workers’ perspectives”. 2006, Page 4

aware that the acts and decisions undertaken by the enterprises are correlated with the environment and with the different publics of interest to whom the organizations relate.

Although at present in Chile the concept of CSR continues to be vague, it is possible to observe that the concept gets gradually more incorporated into the businesses' work, and not only as a concept but also as a practice. Such progress has been detected by analysing the roundtables (methodology used to generate dialogue among peers) that PROhumana Foundation carried out in 2000 and 2006. The roundtables aimed at: creating spaces for dialogue to get to know the opinions of the various sectors in Chile about CSR, reflecting on CSR promotion, and finding out businesses' leaders understanding of the concept. After the first roundtables, new roundtables were organized in 2006 to assess the evolution of the concept, as well as CSR's condition and implementation in Chile.

The 2000 roundtables that were carried out by PROhumana Foundation in coordination with the United Nations Development Program (UNDP) convened business representatives and leaders, and representatives from Chilean legislative and executive powers as well as from Non-Government Organizations.

The main results related to the evolution of the CSR concept in Chile and the viewpoints of the most influential leaders of opinion are presented below.

#### Roundtables year 2000<sup>5</sup>:

The main conclusions focused both on the concept as well as on the situation of CSR.

#### The CSR Concept:

With reference to the question on what they understand by Corporate Social Responsibility, participants provided different viewpoints, perceptions and ideas which can be found below:

With regards to the business world's understanding of the CSR concept:

- CSR can be defined according to several dimensions (economic, social, political, cultural and environmental dimensions), and several spheres of action; it can also be defined based on the businesses' relationships as well as on the actors involved.
- CSR has been understood first in terms of the satisfaction provided by goods and services delivered by the enterprise to the consumers, and secondly, as a tool of the entrepreneurial activity.
- CSR has been related to the enterprises' concern for the environment and to the identification of the needs of the community neighboring the entrepreneurial project.

Six years later, in 2006, PROhumana Foundation organized a new set of roundtables in collaboration with the Chilean Confederation for Production and Commerce (CPC) – the most influential guild organization of Chilean business community. The roundtables' main objective was to hold debates on CSR in Chile, on its evolution, and on the difficulties and opportunities presented by CSR.

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<sup>5</sup> UNDP and PROhumana Foundation, "Corporate Social Responsibility in Chile". Working Tables' Report. 2000, Page 44.

This time the main conclusions were:

Roundtables year 2006<sup>6</sup>:

This was an opportunity to identify the existing discourses around CSR after six years of its installation in Chile.

After six years, there is still some confusion with regards to the concept, to CSR management, and to the likelihood that CSR were used as a tool to improve the enterprises' image. The debate focused on:

1. CSR as a concept:
  - Identifying distinctly the limits of CSR.
  - CSR versus Philanthropy: Questions regarding whether CSR includes or incorporates philanthropic actions, or whether it is restricted to community practices.
2. CSR as a management tool:
  - CSR is defined as a concept dealing with the way businesses are managed rather than with the way businesses act upon with respect to profits.
  - It is necessary to make a distinction between those enterprises that have incorporated CSR in their management and those enterprises that carry out occasional actions.
  - Emphasis should be placed on the fact that a socially responsible enterprise cannot have an inconsistent behaviour in the management of its business.
3. CSR versus image clean up:
  - Attention has been drawn to the idea that public opinion and consumers should be able to draw a distinction between those enterprises that are trying to clean up their image and those which have adopted CSR as a management concept.
  - External and validated entities are required to determine and point out which enterprises are carrying out CSR consistently and which ones are using it as a marketing strategy.

These two roundtables carried out by PROhumana Foundation show the diverse views on CSR in Chile and the main discourses from Chilean leaders of opinion.

In 2000, emphasis was placed on the idea that CSR was linked only to charity, paternalism or damage reparation on the part of the enterprise which had caused damage to the community, as well as on the lack of a strategic view of CSR. In 2006 such strategic view is already in place and the debates focus around CSR management<sup>7</sup>.

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<sup>6</sup> PROhumana Foundation, "Roundtables on Corporate Social Responsibility: business leaders analyse CSR six years later in Chile". 2007, Page 7.

<sup>7</sup> PROhumana Foundation, "Roundtables on Corporate Social Responsibility: business leaders analyse CSR six years later in Chile". 2007, Page 27.

*“In 2000 the analysis was centered on the emergente of new social actors in Chile”. In 2006, the analysis refers to the new role of the enterprise and to the relationships established by enterprises with a weakened State”<sup>8</sup>.*

During 2006 a strategic vision develops with respect to how context influence CSR practice. This vision states that there should be consistency between the discourse and the practice, and that the latter should be strongly and emphatically exercised.

### 3. Comparative table of CSR<sup>9</sup>

The following table makes a comparison between the roundtables held in 2000 and 2006. The table presents the main differences in terms of dimensions, spheres of action, and actors involved in CSR.

Relevant aspects of the CSR concept	Year 2000	Year 2006
Dimensions	<ul style="list-style-type: none"> <li>• Economic</li> <li>• Social</li> <li>• Political</li> <li>• Cultural</li> <li>• Environmental</li> </ul>	<ul style="list-style-type: none"> <li>• Economic</li> <li>• Social</li> <li>• Environmental</li> </ul>
Spheres of action	<ul style="list-style-type: none"> <li>• Internal</li> <li>• External</li> </ul>	Various spheres of action which are related to the identified publics of interest.
Actors involved	<ul style="list-style-type: none"> <li>• Community</li> <li>• Chain of the business</li> <li>• Relationships with the State</li> </ul>	At least the following actors have been identified: <ul style="list-style-type: none"> <li>• Internal public</li> <li>• Community</li> <li>• Supplier</li> <li>• Shareholder</li> <li>• Clients</li> <li>• Public opinion</li> <li>• Government and controllers</li> </ul>

On the other hand, PROhumana Foundation carries out a CSR Ranking “The Most Socially Responsible Enterprises in Chile”. This is the first and unique initiative of this kind in our country, which in 2005, 2006 and 2007 made it possible to publicly reward a group of enterprises for their management of CSR.

This initiative assesses CSR in all its dimensions, taking into account the enterprises’ economic, social and environmental performance.

The survey to workers related to the CSR Ranking “The Most Socially Responsible Enterprises in Chile”, which was conducted in 2007 by PROhumana Foundation, is a

<sup>8</sup> PROhumana Foundation, “Roundtables on Corporate Social Responsibility: business leaders analyse CSR six years later in Chile”. 2007, Page 27.

<sup>9</sup> PROhumana Foundation, “Roundtables on Corporate Social Responsibility: business leaders analyse CSR six years later in Chile”. 2007, Page 27.

structured and self-conducted survey administered to a random sample of workers with a confidence interval of 5% with respect to the total universe of employees hired by each candidate enterprise. During 2007, the total sample of workers with a 95% confidence interval was 12,811, belonging to 51 enterprises.

The following table presents the answers to the question: “A set of propositions is presented below related to the CSR concept; please place a mark in those statements which in your opinion better define CSR<sup>10</sup>”, which was included in the survey to workers of the 2007 CSR ranking.

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<sup>10</sup> Results of the 2007 CSR Ranking, “The Most Socially Responsible Enterprises in Chile”. [www.prohumana.cl](http://www.prohumana.cl)  
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	Total Sample	Sex		Age				Educational Level					Length of Service			
		Woman	Man	Up to 30 years old	30-45 years old	45-60 years old	More than 60 years old	Primary	Secondary	Technical	Higher Educ.	Graduate Educ.	0-2 years	2-5 years	5-10 years	More than 10 years
<b>Contribution of the enterprise to the development of the community where it is located</b>	73.80%	31.60%	68.40%	22.10%	51.30%	24.00%	2.60%	2.20%	15.70%	25.10%	49.40%	7.60%	22.40%	20.40%	19.90%	37.30%
<b>To avoid establishing relationships with the government and civil society</b>	14.10%	31.30%	68.70%	29.20%	43.40%	24.50%	3.00%	7.10%	28.40%	29.60%	31.30%	3.60%	26.40%	23.20%	19.10%	31.30%
<b>To take care of ethics</b>	69.10%	33.10%	66.90%	23.20%	50.00%	24.10%	2.70%	2.50%	18.40%	26.40%	46.30%	6.40%	23.00%	20.50%	19.80%	36.70%
<b>Creation of jobs</b>	64.80%	33.20%	66.80%	24.70%	50.40%	22.30%	2.60%	3.00%	21.30%	28.10%	42.50%	5.10%	23.90%	21.30%	19.60%	35.20%
<b>Prices that maximize economic profits over social and environmental concerns</b>	16.20%	33.90%	66.10%	32.30%	43.30%	21.60%	2.70%	6.80%	31.10%	30.10%	29.60%	2.40%	27.90%	24.00%	20.30%	27.90%
<b>Adequate salaries for its employees</b>	66.30%	33.00%	67.00%	23.60%	50.10%	23.70%	2.60%	2.90%	18.80%	26.20%	45.90%	6.20%	23.20%	20.50%	19.90%	36.40%
<b>Repair the damage to the environment when necessary</b>	56.40%	30.80%	69.20%	22.80%	48.20%	26.00%	3.00%	3.10%	18.90%	26.20%	45.60%	6.30%	23.00%	20.20%	18.90%	37.90%
<b>To respect people's rights</b>	78.30%	32.70%	67.30%	23.40%	50.50%	23.60%	2.50%	2.80%	18.40%	26.30%	46.10%	6.40%	23.20%	20.50%	19.80%	36.50%
<b>An enterprise that cares about its workers</b>	75.20%	33.00%	67.00%	22.80%	50.80%	23.80%	2.60%	2.60%	18.00%	26.00%	46.90%	6.50%	23.20%	20.30%	19.60%	36.90%
<b>To deliver good quality products and services</b>	69.80%	33.10%	66.90%	23.00%	49.80%	24.40%	2.80%	2.80%	20.20%	27.60%	43.50%	5.90%	22.70%	20.20%	19.70%	37.30%
<b>To establish good relationships with clients and suppliers</b>	64.30%	32.00%	68.00%	22.90%	49.30%	25.00%	2.80%	2.70%	19.10%	26.60%	45.30%	6.20%	22.60%	20.30%	19.50%	37.60%
<b>An enterprise that is concerned with caring and protecting the environment</b>	63.40%	30.80%	69.20%	20.60%	51.50%	25.30%	2.60%	1.40%	13.90%	25.00%	52.10%	7.60%	21.10%	20.10%	19.60%	39.20%
<b>To achieve reliable and transparent financial outputs</b>	55.50%	33.40%	66.60%	23.00%	48.80%	25.30%	2.90%	2.40%	19.20%	27.50%	44.40%	6.40%	23.20%	19.90%	19.30%	37.60%
<b>An enterprise that contributes to the social development of everybody</b>	75.50%	32.80%	67.20%	23.00%	51.10%	23.40%	2.50%	2.50%	17.30%	25.80%	47.40%	7.00%	23.10%	20.20%	19.80%	36.90%
<b>An enterprise that regularly contributes to a charity organization</b>	45.80%	34.70%	65.30%	25.50%	48.70%	23.20%	2.60%	3.50%	22.30%	29.70%	40.40%	4.00%	24.20%	21.20%	19.80%	34.80%

#### **4. CSR for Chilean citizens**

With a view to detecting citizens' level of knowledge about Social Responsibility, their demands, and how they evaluate its general accomplishment, in 2007 PROhumana Foundation, supported by Ford Foundation and Kellogg Foundation, has conducted the second opinion poll "Chileans give their opinion: Are we Socially Responsible?" This survey aimed at identifying and evaluating Chilean citizens' opinion and perception of SR, particularly within government divisions, civil society organizations, enterprises and the media. Citizens' behaviour and actions with respect to the subject were also assessed. In general terms, this survey's objective was to get to know what Chileans understood by social responsibility and in which aspects of SR they took part.

The universe population to which this survey refers is made up of adults aged 18 years and over living in urban zones of the country's 13 regions, corresponding to 86% of Chile's total population. Finally, a three-stage random sampling procedure was adopted (Block, Household and Interviewee), which consisted in 1,319 people aged 18 years old and over, from the SE strata ABC1, C2, C3 and D, who were interviewed in person in their respective houses.

In general terms, this survey's objective was to get to know what Chileans understood by social responsibility and in which aspects of SR they took part.

The main results obtained with respect to citizens' opinion about their knowledge and perceptions of SR are:

56% of respondents mention that they had never heard about Social Responsibility before. This reveals that in general there is great unawareness of the concept. When analyzing this answer by socioeconomic stratum, we can see that there is greater unawareness in the lowest socioeconomic strata, while there is a greater knowledge about the concept in the ABC1 stratum.

In general terms, it can be clearly noticed that there is an association of the concept with the responsibility each person has with respect to the other. Among the answers, 49% of the respondents go for the following alternatives: SR is the responsibility a person has with respect to all the other people, it is helping people and the community, it is the responsibility one should have towards the family, and towards taking care of the environment, and in general, of the environment where a person lives.

When faced with the closed question: "In which of the following areas or spheres of action should CSR be focused?" 92% of respondents mention: poverty (40%); education (28%); the environment (15%) and health (9%).

In the case of the closed question: "Which of the following concepts or ideas are closer to your idea of Social Responsibility?" respondents could opt for two alternatives. 32% of the answers opted for the alternative "solving pending social problems". Mentioned in second and third place were: respecting people's rights, and being responsible towards the family (27% and 26% of the answers respectively).

Consequently, it is possible to point out that citizens' requirements with respect to SR are that SR should focus on individuals, citizens and the community – as stated by 78% of the interviewees – leaving in second place the workers, consumers and suppliers.

It seems essential to highlight that "CSR does not refer to the particular way of acting of each enterprise: it is rather a form to make businesses of a given enterprise, but bearing in mind the other publics of interest that interact with the particular enterprise's own business"<sup>11</sup>.

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<sup>11</sup> Teixidó, Soledad in: Revista Qué Pasa, December 2007.

It is necessary to count on an informed and participatory citizenship, particularly in CSR subjects, since citizens can actively participate as steady and close supervisors in the real implementations of the various actions.

As we were able to notice, there is a lack of knowledge about CSR in Chilean citizenship, particularly with respect to practices and implementation. This is why the biggest challenge and the biggest need is that civil society be aware of and takes part in this new process and in the implementation of this new world paradigm.

## 5. CSR Definition

Some definitions of CSR from Chilean organizations, enterprises and trade associations are included below.

PROhumana Foundation: a non-profit, non partisan and independent private foundation working for over 10 years in the area of Corporate Social Responsibility and Citizenship.

*“Corporate Social Responsibility is the contribution towards sustainable human development, through the commitment and trust of the businesses towards their employees and their families, towards the society at large, and the local community, in the pursuit of improving the social capital and the quality of life of all the community.”*<sup>12</sup>

Acción RSE (CSR Action): a non-profit organization set up by the Chilean business sector which has been working for 8 years. Acción RSE promotes and disseminates businesses’ good practices and helps different sectors to incorporate CSR actions.

*“CSR refers to a vision embraced by businesses which involves respect for ethical values, for the people, for the communities and for the environment.”*<sup>13</sup>

Vincular: the Pontifical Catholic University of Valparaíso created VINCULAR – Responsabilidad Social Empresarial, an organization focused on CSR development and management.

*“CSR is related to a change of paradigm in the traditional way of doing businesses, which is known as Corporate Social Responsibility (CSR). This business approach is based on a complete set of policies, practices and programs focused on respect for ethics, for the workers, for the communities and for the environment, with a view to contributing to sustainable economic development”*<sup>14</sup>

CMPC: is a pioneering stock corporation in Chile in the area of paper and cellulose manufacturing. The Holding is made up of the following enterprises: Forestal Mininco, CMPC Celulosa, CMPC Papeles, CMPC Tissue and CMPC Productos de Papel.

*“Social responsibility is a voluntary and proactive commitment taken on by the company to carry out its work within an ethical framework which takes into account good practices in all its activities in the different spheres: chain of businesses, workers, community, and environment”*<sup>15</sup>

SOFOFA (Sociedad de Fomento Fabril-Society for the Promotion of Manufacturing): a non-profit federation which brings together enterprises and trade unions that are closely related to the Chilean industrial sector.

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<sup>12</sup> [www.prohumana.cl](http://www.prohumana.cl)

<sup>13</sup> [www.accionrse.cl](http://www.accionrse.cl)

<sup>14</sup> [www.vincular.org](http://www.vincular.org)

<sup>15</sup> [www.cmpc.cl](http://www.cmpc.cl)

*“A cornerstone of sustainable development, which articulates economic and social progress and environmental concerns.”<sup>16</sup>*

Chilean Chamber of Construction (Cámara Chilena de la Construcción - CCHC): trade association gathering constructors and representing the sector’s interests before the government and the community.

*“A Social Network consisting of 20 institutions representing the areas of health, education, training, sports and culture, among others. This is the manifestation of Corporate Social Responsibility of the construction sector towards the community at large.”<sup>17</sup>*

Through this document we have tried to give an account of how CSR has positioned itself in Chile. In general terms, it is possible to observe that it has been a gradual process, through which the concept and practice of CSR has evolved both at citizens’ as well as at business’ level to get to a point where it has been implemented in different entrepreneurial fields. At present, CSR is no longer an obligation within the enterprises’ ethical division, but an unavoidable requirement enabling businesses to meet the needs of increasingly demanding clients and consumers who request enterprises to fulfill their role as good “corporate citizens”. Thus, citizens become supervisors of CSR accomplishment.

On the other hand, in addition to the external requirements arising from citizenship, many enterprises have experienced the benefits of incorporating socially responsible policies and practices. As a result of this, CSR initiatives are growing by the day.

Finally, we can conclude that CSR has definitely positioned itself in Chile and that it is growing sharply, so that new actions, practices and implementations will help improve the quality of life in our country. We still face a big challenge though; CSR cannot be confined to a moment or to a juncture, it is a process which needs to be anchored in the enterprise’s structure and as such, it implies a long term vision.

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<sup>16</sup> [www.sofofa.cl](http://www.sofofa.cl)

<sup>17</sup> [www.cchc.cl](http://www.cchc.cl)