QUICK ANALYSIS TOOL FOR CSR CASES

Introduction

This tool is not intended to serve as a corporate social responsibility (CSR) handbook. Rather, it is intended to serve as a partial collection of materials developed by INCAE CSR experts (including Ogliastri, Flores, and Pratt) to allow users quickly and easily identify cases featuring CSR characteristics.

The goal here is to provide managers with basic inputs to detect features leading to recognition of endeavors with the potential to become CSR projects, and to help them rearrange their corporate structures in line with CSR principles.

INCAE is known to have developed handbooks and tools dealing in deep with this topic, to further integrate CSR into company structure. This particular tool aims at serving as a preliminary filter to expand the topic.

CSR Definition

“Corporate social responsibility is a continuous commitment from companies to improve competitiveness while actively contributing to attain sustainable development of society through concrete, measurable action aimed at solving Costa Rica’s most pressing problems.”

The original note entitled “HERRAMIENTA DE ANÁLISIS EXPEDITO PARA CASOS DE CSR” was taken from Manual de Indicadores de Responsabilidad Social Empresarial, written by Juliano Flores and Andrea Prado, CLACDS-INCAE researchers, with Lawrence Pratt, Assistant Director of CLACDS, and INCAE Faculty member Francisco Leguizamón. The assistance in this research provided by Professor Enrique Ogliastri, SEKN Project Leader at INCAE, is gratefully acknowledged. July 2005.


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In summary, CSR stands for outstanding management of financial, natural, and human resources with an eye to attaining sustainable company development as well as an appropriate set of processes leading to a CSR model. All of this must be based on verifiable evidence to be submitted to both company investors and the public as a whole.

A. CSR Case Analysis

INCAE developed a model connecting macrosustainability to microresponse (company-level) response. From a macroeconomic standpoint, CSR is a key element of sustainable development. Without company commitment to the environment, the community, and increased capital, the CSR model is virtually empty.

![Diagram of MACROECONOMICS and MICROECONOMICS]

Source: INCAE Sustainability Management Program.SMP3.2006. Sustainability presentation by Dr. Sarah Cordero P.

The above pictures relate to sustainability development. Rather than just a matter of business philanthropy or eco-efficiency, it is a matter of good management bringing philanthropy and eco-efficiency together to result in profitability, effectiveness, responsibility, and justice in company operation. Labor standards are created with an eye to achieving continuous improvement, involving the company itself as well as its environment, including consumers, community, and the public as a whole. This synergy results in new wealth and value for all involved.  

In order to develop these partnerships, we must be able to recognize the incentives encouraging companies to participate and adopt the CSR model and to further explore its benefits. These include more demanding markets and consumers in relation to production processes and their impact on the environment, as well as the relation with associates in terms of quality and working environment.

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Companies must take competitors into account as increasingly large number of business firms are incorporating the CSR model into their own strategies with good results. Media and social networks are high-impact information channels in the way corporations are perceived. They serve as continuous spectators of company behavior and they report illegal processes as well as those beyond good practices impacting company environment as a whole.

Local legal frameworks and international eco-efficiency standards such as ISO 14001 illustrate how companies are encouraged to follow local guidelines for labor and environment and to adhere to new global standards of competitiveness.

The graph below illustrates company motives to adopt the CSR model.

Source: Revista Empresa, April-June 2005. ¿Cómo desarrollar un modelo de responsabilidad social empresarial? La experiencia del octágono en Costa Rica. Andrea Prado (CLACDS/INCAE), Enrique Ogliastri (INCAE Faculty member), Juliano Flores (CLACDS/INCAE), and Lawrence Pratt (INCAE).

These incentives lead us to ask how are these requirements arranged to create an orderly model of standards to be implemented, so that these motives result in a practical, applicable model. A simple means to do so is the CSR octagon developed by INCAE.
B. **CSR Analysis Based on the CSR Octagon**

CSR is a complex concept involving a large number of action areas. To handle it, a control system comprising eight different categories is proposed. Companies must be continuously monitored for the status of their strategic plans to develop a continuous improvement plan of company process (see octagon below.)

**CSR Octagon Categories**

<table>
<thead>
<tr>
<th>Measurement</th>
<th>Improvement Plan</th>
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<tbody>
<tr>
<td>Economic sustainability</td>
<td>Transparence, values, and anticorruption practices</td>
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<tr>
<td>Organizational strengthening</td>
<td>Associates</td>
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<tr>
<td>Environment</td>
<td>Consumers</td>
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<tr>
<td>Community</td>
<td>Suppliers</td>
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<td></td>
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<tr>
<td><strong>CSR Reports and Management Systems</strong></td>
<td><strong>External Certification</strong></td>
</tr>
</tbody>
</table>

**Source:** Revista Empresa, April-June 2005. ¿Cómo desarrollar un modelo de responsabilidad social empresarial? La experiencia del octágono en Costa Rica. Andrea Prado (CLACDS/INCAE), Enrique Ogliastri (INCAE Faculty member), Juliano Flores (CLACDS/INCAE), and Lawrence Pratt (INCAE).

The octagon includes a reporting system to certify that practices actually reflect socially responsible policies, as credibility is required both by investors and the community where the company operates, and to legitimate company strategy.

All eight categories have substantial meaning and relate to each other so that their synergy becomes a significant element in the operation of the CSR model. The *Manual de indicadores de responsabilidad social empresarial* explains each category in further detail. This handbook was developed by CLACDS-INCAE researchers Juliano Flores and Andrea Prado, together with CLACDS Assistant Director Lawrence Pratt and INCAE Faculty members Francisco Leguizamón and Enrique Ogliastri.
Transparency, Values, and Anti-Corruption Practices

Companies ethics and values codes serve as the bases for their missions and visions as they explain company position in relation to stakeholders. Rather than simple statements, company values and principles must serve as practical behavior codes guiding action from stockholders and associates at every level. Also, they must help avoid situations involving preferential treatment by public officers or private employees resulting from bribes or other corruption practices, and they must include specific control procedures. To attain these goals, company responsibility is of the essence.

Socially-responsible companies must strive to attain mutually beneficial relationships with suppliers, governments, investors, labor unions, and other stakeholders. To do so they require effective means to convey company information, as well as accessible discussion mechanisms ensuring transparent, continuous, and effective communication both inside and outside the firm.

Associates

Company success depends critically on human resource quality and commitment as well as on working conditions. Ensuring occupational health and security of associates, promoting equal opportunities, allowing free worker association, encouraging career development and participatory management, and guaranteeing fair rewards, among other measures, are among the key means to support the development of an optimal organizational culture to attain full satisfaction of all company associates.

Consumers

Customers are the reason for the existence of companies. In this light, company responsibility involves providing customers with goods and services providing consumer value as well as supplying clear, precise information about product and service features. In addition, goods and services must meet health and security standards. Customer inquiries and claims must be dealt with in a timely fashion, and fair competition must be ensured by abstaining from unfair trade practices with negative impacts on consumers.

Suppliers

Contributing to supplier development—chiefly micro and small enterprises—through technical assistance, training, and transfer of knowledge and technology, as well as by implementing selection criteria in choosing suppliers who take CSR into consideration, is an element of corporate responsibility contributing to enhance competitive status. From a micro and small enterprise standpoint, the adoption of CRS principles and standards is becoming, in a large number of cases, a way for companies to sell their goods to multinational corporations demanding the adoption of business practices for sustainability and social responsibility as requirements for business to business transactions.

Community

Company responsibility in relation to the community is shown through adherence to local standards and customs and support in improving the quality of life of community members through donations, volunteering programs, and participation in development projects together with local organizations in order to attain sustainable development for the communities where the firms operate.
Environment
Company responsibility in relation to the environment and the planet as a whole starts with a commitment with environmental causes, shown through concrete action in evaluating the environmental impact of production activities, accepting responsibility for products’ life cycles, partnering in environmental initiatives, and promoting the use of environmental-friendly initiatives, as well as environmental education.

Organizational strengthening
The private sector must help improve the macroeconomic and political context of Latin American countries characterized by a poor public sector and weak public agencies. Companies must help strengthen public agencies through transparent payment of taxes, participation in joint projects with the government, support of public policy development, and by ensuring company neutrality and political transparence.

Economic sustainability
The key goal of business firms is attaining economic profitability. Once this basic requirement to ensure company sustainability over time is met, resources can be allocated to social and environmental programs. Companies must aim at creating value for stockholders by obtaining sound results while improving employees and communities quality of life and protecting the environment. With this goal in mind, corporate responsibility includes considering strategic planning, following up economic and financial performance, managing risk and crisis, developing, transferring, and disseminating science and technology, and reinvesting profits.

C. Conclusion

The information above provides readers with background information regarding the CSR mode, and enables them to conduct simple analyses to identify the eight points for cases/projects with enough potential to develop the CSR model. At the same time, it provides minimum guidelines to implement the key elements of a CSR system at company level.

References

