

## Civil society organizations and CSR: joining hands in Europe and Latin America

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Considering the enormous amount of essays, articles, books and special sections in newspapers dedicated to Corporate Social Responsibility (CSR), one can easily get the idea that the concept is as old as the nature of business itself. Regretfully, this impression is erroneous. Hardly 15 years have passed since CSR first became a serious issue for some pioneer companies.<sup>1</sup> Today it is hard to find a European multinational corporation that does not have at least a code of ethics or a statement about CSR policies and activities on its website. In this article I will try to elucidate how civil society organizations in Europe and Latin America have responded and continue to respond to the CSR phenomenon.

The CSR boom in the last decade of the twentieth century enriched corporate phraseology with many enigmatic terms, such as *triple bottom line*, *level playing field*, *sustainability reporting*, *trickle-down effect*, *socially responsible investing*, *community involvement*, *corporate citizenship* and scores of others. Companies started to publish social and environmental reports and paid consultants to provide them with advice on how to improve their environmental and social performance. Promptly, companies had to find their stakeholders and establish actual dialogues with these people.<sup>2</sup> Certification systems, quality stamps, labels, corporate codes of ethics and codes of conducts were developed at an impressive pace to distinguish between the good, the bad and the ugly. In most cases, however, these instruments could not be used for reliable comparisons among companies and only added to the opaqueness that conceals the emptiness of today's mainstream discourse on CSR.

Some time passed before NGOs and trade unions realized that they had an important role to play in the debate on CSR. For years, the sparse moments of contact between most NGOs and companies had been limited to disputes over social or environmental issues and to small-scale partnerships for the support of charities and philanthropic projects, while trade unions put all their efforts in collective bargaining and securing workers' rights. Although CSR appeared to be a marketing artifice, NGOs and trade unions could no longer ignore the theme when multinational companies began to establish full-fledged foundations and NGOs (the so-called BINGOs - business-initiated NGOs), thus creating ways to channel and receive funds for social and environmental projects. The fact that these companies were now actually competing with NGOs and trade unions over areas of expertise was perhaps the last straw

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<sup>1</sup> In 1988, The Body Shop launched its first international human rights campaign with Amnesty International. In 1989, Ben & Jerry's commissioned a "social auditor" to publish a "stakeholders report" to inform customers about the company's social standards. By coincidence, in the same year, the Exxon Valdez oil tanker spill caused an environmental catastrophe in Alaska. In the events following the accident, Exxon Mobil's suspicious and hostile handling of the world's media resulted in a public relations disaster for the firm. This striking episode, more than the noble gestures and actions of transparency of a small number of pioneer companies, signaled the start of a shift in the business world's perception of its place in the wider community.

<sup>2</sup> Stakeholders are generally described as individuals, groups, communities or organizations that affect or are affected by the operations of a company.

and motivated civil society organizations, especially those in the Global North, to take up the challenge and to exercise countervailing power against corporate predominance in the field of CSR. NGOs and trade unions had built up significant practical skill and knowledge on social and environmental issues over the last decades, and they were certainly not prepared to let companies take unilateral decisions on what specific problems should be addressed by CSR policies.

In the Netherlands, by 1997, several NGOs and trade unions were just getting acquainted with CSR, as a result of ongoing research projects, public campaigns and exchange of knowledge. Despite considerable differences regarding the conceptual and operational aspects of the theme, all these organizations agreed that the Dutch government should actively promote CSR amongst companies. To achieve this, the informal coalition of civil society organizations that had been formed previously wrote a formal letter in which it asked the Dutch government to take the following measures:

- Express clearly to which standards and guidelines companies are expected to adhere. The Netherlands had signed and ratified a great amount of conventions, declarations, guidelines and treaties concerning the social and environmental issues companies ought to address, yet most companies were not even aware of the existence of these charters.
- Promote the use of corporate codes of conduct that include existing standards on social and environmental issues (the conventions, declarations, guidelines and treaties signed and ratified by The Netherlands), as well as chapters or paragraphs on supply chain responsibility and independent monitoring.<sup>3</sup>
- Promote corporate environmental and social reporting. At the time, most companies only published environmental reports. Social aspects did not seem to be very relevant. The demand for corporate social reporting was boosted by some small but very active campaign organizations, such as the Clean Clothes Campaign - founded in The Netherlands in 1989 and now present in 12 European countries.<sup>4</sup>

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<sup>3</sup> Supply chain responsibility: the social responsibility of a company should cover all of its suppliers, subcontractors, licensees, alliances and anyone serving the company, irrespective of the formal relationship, the nature of the product or service concerned, or the geographic location. The chain's definition and the delineation of the exact scope of a given chain should be determined on the basis of stakeholder participation. Companies should do everything within their power to enable, promote and implement CSR practices throughout their chain(s) of operation.

Independent monitoring and verification: The quality, use and credibility of a company's reports and the underlying management systems and processes are enhanced by independent verification. An independent process of verification is the key to effective implementation. This starts with internal monitoring by the company on CSR policy compliance (implementation, plans, goals and indicators). Corporations do so by setting up internal monitoring systems aligned with other actors in the supply chain. Compliance with CSR policies must also be verified independently. This verification should be carried out by organizations not linked to the companies in question, and should have the full trust of the stakeholders involved. Finally, the outcome of the verification procedure must be made public in a reliable manner.

<sup>4</sup> The Clean Clothes Campaign (CCC) is a coalition of trade unions, consumer organizations, researchers, human rights organizations, women's organizations and other organizations that aims to improve working conditions in the global garment industry. This European coalition is backed up by a global network of partners in countries where garments are produced. Cf. <[www.cleanclothes.org](http://www.cleanclothes.org)> (25 August 2004).

- Link social and environmental criteria to business incentives, i.e. trade missions, export credits and export guarantees. Include social and environmental criteria in government procurement procedures.
- Help and support companies - especially small and medium-sized producers - in developing countries to improve their social and environmental performance.
- Lower value-added tax (VAT) and other taxes on ecological and socially responsible products (e.g. fair trade products).

The Dutch government was initially reluctant to acknowledge that these concrete proposals represented very legitimate social demands and were not some kind of leftist fancy. A real breakthrough came in 2000, when the main advisory body to the Dutch government published an important report on CSR, in which it stated that CSR encompassed the core business of any company. However, according to the report, this did not mean that all manifestations of CSR should by definition be considered part of the core business of the company, but that concern for the social effects of the company's performance was part of it. Furthermore, the advisory body affirmed that reporting on CSR should remain voluntary and that CSR involved a change from external to internal control, so that there was less need to resort to the use of government regulation.<sup>5</sup>

Most civil society organizations considered this report to be a milestone, but did not entirely agree with its conclusions and recommendations. They felt that there was a need for governmental regulation with respect to CSR. In response to the advisory report, approximately 80 NGOs and trade unions published a manifesto called 'Principled Profits'. This document urged the Dutch government to act not only as a facilitator in the debate on CSR, but also as a legislator, regulator, market player and 'best practice' consumer.<sup>6</sup> The manifesto had a tremendous impact on Dutch legislators and gave rise to a network of civil society organizations: the Dutch CSR Platform.

Founded in 2002, the Dutch CSR Platform now consists of about 40 member organizations. The CSR Platform is a very heterogeneous network comprising:

- Small and large development agencies and organizations;
- The two largest trade union confederations in The Netherlands;
- Human rights NGOs;
- Environmental organizations;
- A NGO that represents sustainable investors;
- Consumer organizations (The largest consumer organization has about 600.000 individual members)<sup>7</sup>;
- Fair Trade organizations;
- Theme-based campaigning groups (e.g. garment and coffee industry).

<sup>5</sup> SER, *Advisory report on Corporate Social Responsibility: summary of conclusions* (Den Haag: Sociaal-Economische Raad, 2000), <[http://www.ser.nl/\\_upload/databank\\_engels/2000\\_11.pdf](http://www.ser.nl/_upload/databank_engels/2000_11.pdf)> (24 August 2004).

<sup>6</sup> *Manifesto Principled profits: Guidelines for responsible business behaviour*, 2001, <<http://www.indianet.nl/manifesto.html>> (24 August 2004).

<sup>7</sup> In August 2004, the total population of The Netherlands was approximately 16,2 million.

Also in 2002, the CSR Platform drafted the *CSR Frame of Reference*. In this elaborate document, the Platform explained what it expected from companies in terms of CSR. The Frame of Reference defines CSR as “process in which corporations take responsibility for the social, ecological and economic consequences of their actions - throughout their product and service delivery chains - making themselves accountable, and engaging in a dialogue with all those involved.” The Frame of Reference refers to the following issues: human rights, labor, environment, consumer protection, health and the fight against corruption.<sup>8</sup> Today, government officials, politicians and employer organizations consider the CSR Platform as a legitimate stakeholder and sparring partner. Frequently, the Ministries of Foreign Affairs and Economic Affairs consult CSR Platform representatives about issues related to CSR.

For the organizations that participate in the CSR Platform, joining efforts in a network structure has proven to be very successful. This is an interesting fact, since most multinational enterprises use a similar strategy - they join forces through horizontal and vertical integration. The main difference between these types of networks is that corporate networks usually aim to augment competitive advantages and profits, whereas relationships within civil society networks are based on a common mission. Therefore, one could argue that civil society networks are more sustainable than corporate networks.

There is a global tendency to form regional, national and international networks on CSR-related issues. Business organizations have taken the lead in this process by setting up affluent networks such as CSR Europe and Empresa (a coalition of business organizations that promotes CSR throughout the Americas). However, civil society organizations are following swiftly. Examples of this trend are the recent CSR Observatory in Spain - the Spanish counterpart of the Dutch CSR Platform - and OECD Watch, an international network of civil society organizations that aims to facilitate NGO activities on the OECD Guidelines for Multinational Enterprises.<sup>9</sup>

A quite unique initiative is Red Puentes (the name literally means *Bridges Network*). This transatlantic network was founded in 2002, after a workshop in Mexico that was attended by NGO representatives from Argentina, Brazil, Chile, Mexico and The Netherlands. On this occasion, all participants agreed that the socio-economic environment in which CSR had been developed in Europe and the United States differed considerably from the Latin-American context. As a consequence, CSR in Latin America would need a distinct approach and its own set of appropriate methodologies and tools. Without reinventing the wheel, Latin American civil society organizations would have to adapt the concept of CSR and make it compatible with their objectives. This meant that CSR somehow had to contribute to sustainable development and the eradication of social injustice. Otherwise, the aspiration for CSR to become an important issue for civil society organizations in Latin America would be nonsensical.

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<sup>8</sup> Coalition of Dutch CSOs & Trade Unions actively promoting CSR, *CSR Frame of Reference* (Amsterdam: 2003), <<http://www.mvo-platform.nl/mvotekst/CSR%20frame%20of%20reference.pdf>> (30 August 2004).

<sup>9</sup> The OECD Guidelines are recommendations addressed by governments to multinational enterprises operating in or from adhering countries. They provide non-binding principles and standards for responsible business conduct in a variety of areas including employment and industrial relations, human rights, environment, information disclosure, competition, taxation, and science and technology. The Guidelines are currently supported by the 30 countries that participate in the OECD and eight non-member countries (Argentina, Brazil, Chile, Estonia, Israel, Latvia, Lithuania and Slovenia).

A first step was to form a network of NGOs and trade union organizations in Latin America and The Netherlands – the network was started up with financial support from by the Dutch Oxfam (Novib) – to exchange information and discuss CSR. With additional funding from the Dutch Government, in 2003 Red Puentes set out to accomplish the following goals:

- Achieve greater influence and participation of civil society organizations from Latin America in CSR initiatives and projects, and in the processes of generating a culture of social responsible practices in local and multinational companies;
- Establish relationships for cooperation between civil society organizations in the Global South and the Global North;
- Foster the creation and exchange of specific knowledge, experience, and tools for CSR in Latin-American countries;
- Support civil society organizations in their CSR campaigns, lobbying, initiatives and processes.
- Implement processes for collaborating with multinational corporations in the application of the OECD Guidelines and other CSR tools and monitoring practices.

These goals could not be achieved without applying a conceptual framework. For that reason, the 22 Red Puentes member organizations agreed to develop a common civic agenda, based on the contents of four international documents: (1) the OECD Guidelines for Multinational Enterprises, (2) the Conventions of the International Labor Organization (ILO), (3) the UN Human Rights Norms for Businesses and (4) The European Union’s Green Paper on CSR.

It is still too early to evaluate results, but one can certainly say the Red Puentes network has facilitated the access to information on CSR and increased the expertise of its member organizations. This knowledge has led to a more critical attitude towards companies that promote themselves as being socially responsible, but in fact do little or nothing more than financing community projects and using these projects in their marketing campaigns. The main focus of Red Puentes’ activities is gradually shifting from setting up cooperative dialogues among NGOs, trade unions and companies to verifying whether these companies actually practise what they preach in their codes of conduct and corporate CSR policies. In order to monitor multinational companies with operations in Latin America, it has proven to be essential to undertake multilateral research.

A good example of this kind of research is the project *Company Monitor*, commissioned by Dutch trade union confederation FNV and carried out by Red Puentes member organizations Observatório Social (Brazil), SOMO (The Netherlands) and other research organizations. This research project was set up in 2000 to facilitate monitoring of the performance by Dutch multinationals in the area of CSR in six different countries. The results of the project were published and presented during an international conference in 2003. The researchers involved in the project found that the four investigated companies organized their marketing and CSR-related policies on a centralised basis, but that they could or would not prescribe a uniform social policy. Policies regarding unions, collective bargaining and wages were left to the local management. Furthermore, the researchers concluded that the multinationals

included the survey often paid too little to give their employees a decent living, even though wages were higher than the statutory minimum.<sup>10</sup>

Several Red Puentes member organizations are now embarking upon new research projects, benefiting from the expertise and information of other organizations in or outside the network. These research projects are undertaken to acquire and diffuse factual knowledge on CSR, and to confront companies with the impact of their activities. In this regard, the connection with the Dutch CSR Platform has been very significant for Red Puentes. Although these networks operate in distinct socio-economic contexts, priorities often coincide. For example, Red Puentes is currently focusing on the dissemination of the OECD Guidelines for Multinational Enterprises in Argentina and Brazil, with the support of some organizations of the Dutch CSR Platform. The Mexican chapter of Red Puentes is studying the structure and the functioning of the Dutch CSR Platform and intends to form a CSR Platform of Mexican civil society organizations. Considering the experiences of both networks, three elements seem to be essential to the effectiveness of civil society's response to the CSR phenomenon:

1. Formation of regional, national and international theme-based networks;
2. Worldwide exchange of information and expertise on CSR and other CSR-related themes;
3. Combination and fine-tuning of research activities and campaigns related to CSR.

It is important, however, to bare in mind that synergy can lead to a reduction of diversity. Therefore, in order to be different from most corporate networks, a civil society network has to secure the ideological, political and cultural independence of its member organizations without jeopardizing the network's common mission. Naomi Klein, in her book *No Logo*, eloquently says: "And what else is a monopoly, after all, but synergy taken to the extreme?"<sup>11</sup>

Synergy is fine, but no civil society network should have the ambition to monopolize the debate on CSR. This would be a setback for many stakeholders.

Amsterdam, September 2004

*This article originally appeared in Spanish and Portuguese in a Working Paper of the International Training Centre of the ILO as:*

Bart Slob, "Las organizaciones de la sociedad civil y la RSE: trazando puentes entre Europa y América Latina", *La responsabilidad social de las empresas y su contribución al desarrollo local*, Delnet Working Paper 30 (2004), p. 15 - 20.

Bart Slob, "As organizações da sociedade civil e a RSE: construindo pontes entre a Europa e a América Latina", *A responsabilidade social das empresas e a sua contribuição ao desenvolvimento local*, Delnet Working Paper 30 (2004), p. 15 - 20.

<sup>10</sup> FNV Mondiaal, *FNV Company Monitor: how socially responsible are Dutch companies in their global operations?* (Amsterdam: FNV Mediabureau, 2003), <<http://www.fnv.nl/download.do/id/100002346/>> (6 September 2004).

<sup>11</sup> Naomi Klein, *No Logo* (London: Flamingo, 2000), 161.