

Introduction

Stories of corporate entities around the world, public and private, that have shown to be irresponsible, reckless or unethical in recent years are legion. According to Forbes, there has been a serious loss of trust and confidence in business that global or local companies cannot afford to ignore. At the same time there are more and more public concerns about health and environmental issues. These concerns has stimulated interest in how companies should behave and are also reflected in the decisions that people make about which companies they want to work for or do business with.

It is clear that more and more stakeholders, including shareholders (which for a great part are the employees), are demanding greater accountability from company managers on issues other than simply the maximization of profit and the return of shareholder's value to investors.

There is a view that business performance may be enhanced by the creation of initiatives (government or private) and the fostering of stakeholder pressures designed to build a 'social responsibility' ethic into a company's 'culture'. One happy consequence of this is that these sorts of initiatives may bring about greater overall business performance and thus a better return for shareholders. Broadly, this has been described as the movement towards *corporate social responsibility* or 'CSR'.

CSR is more than just donating money or getting involved in community causes

Broadly speaking, the concept of CSR requires companies not only to abide by the law, to be good corporate citizens and to abide by government and professional compliance codes and requirements, but to do more – to display an elevated level of quality in all that they do. It requires cultivation of an organizational corporate culture, a vigilant and constant awareness of the possibility of wrongdoing, a personal ethic of care, and an assumption of individual responsibility for the consequences of one's actions. This includes an organizational commitment to ensure that companies not only *conform* with the law and regulatory obligations, but *perform* to a higher standard than that which is required by law.

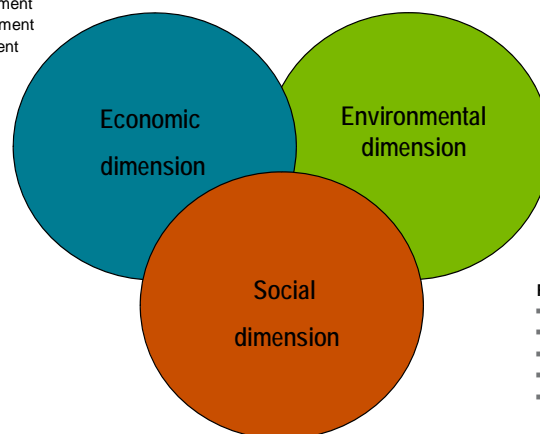
While CSR may appear to be a relatively 'new' buzzword, the principles of responsible business behavior are as old as business itself. What is new is that companies increasingly recognize best practices and they are trying to measure, improve and report publicly about their business behavior. Essentially, CSR embodies two emergent concepts - value creation and triple bottom line (often abbreviated to TBL or 3BL). The TBL is a phrase credited to John Elkington, author and founder of the consultancy firm SustainAbility. He contends that for a business corporation to prosper over the long term, it must continuously meet society's needs for goods and services without destroying natural or social capital. The triple bottom line reporting approach acknowledges financial, environmental and social responsibilities of the companies to the wider society.

Maintenance of high and stable levels of economic growth and employment

- Strategic and financial planning
- Corporate governance, accountancy
- Risk and reputation management
- Innovation & quality management
- Asset valuation & management

Effective Protection of the environment & prudent use of natural resources

- Environmental management and reporting
- Efficient use of resources
- Efficient facilities
- Supply chain, life cycle, wastes
- Tracking



Recognising the needs of society

- Employee satisfaction
- Social, health and safety standards
- Suppliers working conditions
- Real needs of customers
- Ethics, Fair trade, Remediating previous unsustainable activities

“The Triple Bottom Line”

CSR has both external and internal reach:

External CSR promotes the pursuit of positive impacts on society (including economic) and the natural environment from corporate activities and operations. It encourages reporting on social and environmental impacts. It promotes accountability and transparency through the reporting process it institutionalizes, which enhances democracy, and promotes social development.

Internal CSR focuses inside the organization: what can be done internally to improve the well-being of workforce, their lives and productivity as well as its impact on profitability at the bottom line.

From several studies around the world it has been shown that when the CSR strategy is aligned with the company's core business it can lead to a wide range of bottom-line benefits, such as increased employee motivation and retention, higher productivity, reduced absenteeism and more efficient environmental-friendly production techniques among many others.

External and internal CSR are closely linked. Many of the drivers in CSR are related to whether the organization can and will be profitable, and there is a cost to social challenges: if there is unemployment, low levels of education and high crime rates, there will be an economic cost to business in having to invest more on security, deal with lower attendance, and punctuality. There is a direct relation between social challenges and economic success.

From this perspective, CSR is different from philanthropy and it is more than just donating small sums of money to various organizations or getting involved in community causes, which do not generate any business return; it is also engaging stakeholders in their concerns, driving principled behavior through strong corporate values, and using the corporate influence to ensure a sustainable world.

CSR activity in Latin America and the Caribbean

In June 2004 Estrella Peinado-Vara, a consultant in the private enterprise and financial markets department at the Inter-American Development Bank (IDB), conducted a study on behalf of the IDB titled "Corporate Social Responsibility in Latin America and the Caribbean." At that time her report found that:

- CSR activity looked relatively weak and unevenly distributed in Latin America and the Caribbean, with very few companies adopting a formal CSR agenda that ensures healthy working conditions and livable communities.

- CSR can be considered a growing movement, still in its infancy, and in many cases is still viewed as corporate philanthropy.
- Although there were signs of increasing interest in CSR, there was still much to do in promoting real implementation of CSR programs and in disseminating the social and economic benefits of CSR practices.

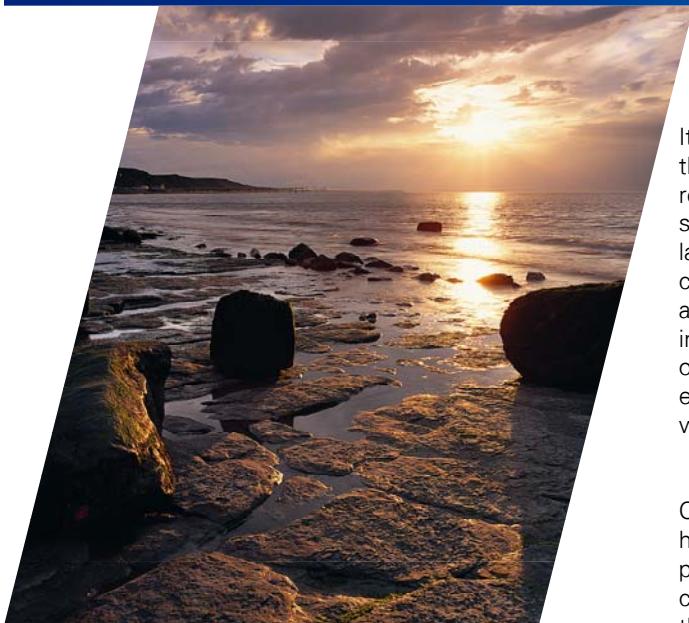
Since the publication of this report, some Caribbean-based companies have become more active in CSR projects, making efforts to incorporate CSR concepts into their mission, vision and policies. According to the UNDP CSR Caribbean Conference 2009 Report, international trends in CSR have taken a very long time to enter the business agenda in this region. The CSR experiences in Latin-America and the Caribbean still lags behind in comparison to the US and Western-European experiences.

Conclusion

Although there is increasing interest in CSR in the Caribbean, there is still much work to be done to establish valuable programs and practices.

Our years of experience in Advisory Services have enabled us to recognize a certain structure in the complex issues and challenges our clients face. These issues and challenges can be divided into three main areas being – Growth, Performance and Governance. These are the key elements that need to be nurtured constantly. Every C-level executive will acknowledge that growth is necessary to create value, governance is necessary to preserve value and performance is a must to maximize value. Achieving the goals linked to each of these elements involve a transformation.





It can be concluded that for the vast majority philanthropy is the dominant approach to CSR and the capacity of the region's corporate sector limits the impact of CSR as a strategy for achieving sustainable development. It is also the lack of resources and competing priorities as leading challenges that companies feel they need before they are able to fully embrace and invest in sustainable CSR initiatives. Embedding CSR issues into the strategy and operations of companies is considered to be the most effective approach in addressing the challenges associated with CSR practice in Latin America and the Caribbean region.

Companies need to focus not just on making money but on how they do it and why they are in business in the first place. CSR is a strategic issue because it requires companies to examine why they are in business and what they need to do to stay in business.

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Author

Gionarlo Pietersz is Senior Manager at KPMG Advisory Services B.V. in Curaçao (part of KPMG in the Dutch Caribbean and part of the offshore (TOG) KPMG Caribbean network).

Gio studied Information Technology in the Hague (The Netherlands). He has over 12 years of experience in Human Resources Management and the use of Information Technology. At KPMG, he forms part of the Performance & Technology team.

KPMG in the Dutch Caribbean & Suriname Gionarlo Pietersz

Senior Manager Performance & Technology,
KPMG Advisory Services B.V.
Curaçao, Dutch Caribbean
+599-9 7325 100
pietersz.gionarlo@kpmg.an
www.kpmg.com/dutchcaribbean