

Organizations and Social Responsibility

Katia Barbosa Macêdo
Universidade Católica de Goiás

Abstract

It is a theoretical text which intends to present and discuss the social responsibility in the organizations. It begins with the presentation of a small history of this responsibility which puts into context its beginning and development in the world and in Brazil until its insertion in the globalized world. Following that, the concepts and definitions correlated to charity and philanthropy are discussed as well as corporate citizenship, social marketing and enterprising social responsibility. After that, various approaches are discussed, including the types of social responsibility, the internal and the external, the objectives, the advantages and the steps to its implantation. The indicators of social responsibility are presented, including those of Borger, the Ethos Institute and Gife, among others. Later some reports of some research developed in Brazil by various research centers such as Ethos, Gife, IBASE, FIDES, PNDE, among others, are presented. Then the conclusions follow.

Key words Social responsibility, organizations, Brazil

Social responsibility and organizations in Brazil

Dr. Katia Barbosa Macedo
Universidade Católica de Goiás

Few studies in Brazil

The study of social responsibility in Brazil can be justified from two angles. On the one hand there has been an enormous increase in actions, debates, and groups dedicated to promoting the social area. On the other hand, there are few academic studies that approach the theme more profoundly.

Schommer (2000) states that in Brazil there are a lot of publications, debates, reports, awards and groups dedicated to the promotion of investment by the companies in the social area. Terms such as philanthropy, corporate citizenship, ethics and social responsibility in business, have become part of the Brazilian corporate discourse. There are those who defend the opinion that by paying taxes and obeying the laws, the companies have fulfilled their social function sufficiently and should dedicate themselves to the specific aims of their businesses. Others believe that the company is responsible for its surroundings, its chain of production, the community in which it works and with the environment as a whole, since it depends on them to survive.

In spite of this context, researchers such as Marçon (2001) and Borger (2001) point out the fact that the academic production that specifically deals with the theme has not kept up. According to them, although the appearance of organizations in the third sector indicate the formation of a variety of organizations whose aim is social service and from the dynamism and the range that they have taken on nowadays, they have received little attention from scholars as can be seen from the relative lack of academic studies on the subject, especially when referring to the area of administration.

It is argued that the intensity of the social action of these groups and the variety of types might be neglected by scholars. In particular, the analysis of the forms of functioning and the collective action of these organizations can constitute a source of rich learning in practice and in theoretical reflection in the area of administration of organizations, Andion, 1998,p.8.

World-wide context

For Fisher & others (1999), in the world-wide context, three parallel movements deserve attention. In the first place, the **crisis of the State** as a promoter of social welfare, opens gaps in the public social sector, such as health and education,

which shifts to depend on private initiative for its development and the consequent reduction of the state functions, the decrease in the size of the state, the balance of public accounts and the decrease of social spending. In second place is a huge process of **concentration of capital**, that occurs in a scene of a globalized economy and intense social mobilization on a world-wide level, a recent wave of mergers and acquisitions, the hegemony of the market and the rule of knowledge and information. In third place, the emerging changes were the **emergence of the third sector**, whose logic is different from that of the state and the market, with private administration, but public ends. The third section congregates organizations with the following characteristics: are not part of the governmental machine, do not distribute profits to stockholders or investors and do not have such a purpose, administrate themselves and have a high level of internal autonomy, and evolve a significant level of voluntary participation.

The conduct of the companies began to be observed by society, that demands from them respect for the environment and for the people, honesty in commercial relations and transparency in financial transactions. Currently the image of the company directly affects its market value.

Globalization, social exclusion, socially responsible companies, crisis in the States

For Borger (2001) liberalism is the economic doctrine based on the principle of private ownership and private initiative which gave rise to the system of free enterprise. In this system the individual is considered free to exercise any economic activity and use the means of production that are more efficient to attain a profit. Control was exercised by the laws of the market of free competition, that should function without the interference of the State. The State, according to this model, was considered inefficient and wasteful, and for this reason, should leave to the market and civilian society the responsibility for the development of the nation.

In the twentieth century, the economic model labeled neo-liberal brought the state to a profound identity crisis, having its role as well as its range discussed and questioned.

This context is explained by the fact of the revival of economic liberalism, where the State has a tiny, simplified role in order to face the dilemmas of the social issues raised. Therefore, it needs partnerships with the market and with civilian society in order to make possible a program which deals with social exclusion.

There has been a polarization between the State and the market, being that the State has begun to be seen as inefficient, ineffective and a provider of low quality service.

"Based on this polarization, the thesis of a minimum State has gained strength and a proposal for restructuring the State has been suggested, a neo-liberal pattern,

whose focal points are: cut public spending, contain credit, decrease taxation of companies, retake budgetary balance with the elimination of the public debt and reduction of the regulation of the companies," Farh (1998,p 52)

Drucker (1999) is one of the authors who agrees that the governments can not be responsible for the problems of the community, and that they should form partnerships with civilian society, represented by the third sector, which is made up of nonprofit community organizations. Therefore, the companies should be responsible for solutions for the problems of the community providing the material resources and the voluntary work of their collaborators.

In this environment and context, society shows its signs of discomfort and restlessness, and begins to discover the strength that collective action carries. The governments all over the world have detected this emerging reality and see in it the key to the cooperation that they need in order to abandon the framework of the neo-liberal capitalist model, see a more prosperous humane society which is less unequal, built not by the State, but by the whole society. It is a kind of division, and in some cases, a transference of responsibility.

The debate about the content and extension of Social Responsibility of the Companies in business was intense in the sense of going against the principles of profit. Questions were raised about the profitability of the socially responsible companies. For Wood (1996), the relationship between the social and the financial performance is ambiguous because there is no consolidated theory which clarifies as to how they should be related, there is no valid, understandable, measurement of social performance. Much research lacks seriousness, which leads to uncertainties concerning validity, trustworthiness and generalities of this research. Research and studies show that enterprising social responsibility is not a restriction to maximizing profits, but rather a variable of strategic businesslike value.

Borger (2001) states that the successful companies will more and more be forced to look intensively at the impact of their operations inside and outside of the walls of their institution and carefully verify the impact of their policies and actions upon their employees, clients, communities and society as a whole.

Small History

According to Borger (2001), the debate about social responsibility of the companies can be considered almost as old as the notions of company and business themselves and have taken on different aspects. In its beginning, the installation itself of a large company in a determined place was already considered to be an action which brought within itself the fulfillment of a social responsibility.

The union and labor movements of the twentieth century gained form and practically began to define working conditions. Other aspects of the influence of industrial activity began to be questioned, such as care about the environment in

which it works, the labor benefits that the company is willing to spontaneously provide for its workers in order to improve their quality of life and eventual support that the firm is willing to give to local projects in order to contribute to education, health, etc.

The question of responsibility became evident in 1919, from the trial in the American courts of the Henry Ford case, when he decided to not to distribute part of the dividends expected by the stockholders and rather invested in production capacity, raised salaries and established a reserve fund for the reduction expected in income due to the reduction in the price of cars. Ford lost the case because the Supreme Court of the state of Michigan considered that the corporations existed for the benefit of the stockholders, being that the profits should be used for the benefit of the stockholders. Ashley, 2000.

During the period of the Second World War, this idea began to be criticized. In 1953, the American courts established the law of corporate philanthropy, determining that a corporation could seek social development.

Borger states that the theoretic concept of social responsibility had its origin in the 1950s, when formal literature about social responsibility of the companies appeared in the United States and in Europe. The researchers' concern in that decade was with the excessive autonomy of the businesses and their power in society, without the necessary responsibility for the negative consequences of their activities. The first definitions were ambiguous and vague.

Bowen (apud Carroll, 1999) was the forerunner of social responsibility of the companies, whose studies have as their main idea that the businesses are vital centers of power and decision and that the actions of the corporations touch the lives of the citizens in many points. To him, the obligations of the businessmen should follow policies, decisions or yet desirable lines of action in terms of objectives and values of society. Therefore the companies should better understand their social impact and the social and ethical role to be evaluated by means of audits and incorporated into the administration of the business. Zadeck, Wood, 1996.

In the 1950s and 1960s there was an increased concern with social issues, and European writers such as Galbraith, Packard and Carson stood out by presenting social problems and possible solutions. In the United States, the companies were already worried about the environmental issue and about publicizing their activities in the social area.

In the 1970s, social responsibility of the companies was part of the public debate about social problems such as poverty, unemployment, race relations, development, economic growth, distribution of income and pollution. There was a vision of change in the social contract between the companies and society, and there arose several environmental movements. There was also concern about safety in industry, consumerism and governmental regulation.

From there, defenders of corporate social responsibility began to argue that, if philanthropy was a legitimate act of the corporation, then other acts which give priority to social objectives in relation to the financial returns of the stockholders would be equally legitimate, such as the abandonment of profitable lines of production, although destructive to the natural and social environment, (Hood, 1998, cited by Ashley in enanpad 2000).

But only in the 1990s was there major participation of authors in the question of social responsibility, for this decade presented a discussion about the ethical and moral questions of the company, which contributed significantly to the definition of the role of the companies. Among the new concepts, one might mention the idea that the action of the companies oriented toward corporate social responsibility does not imply that the corporate administration abandon its economic objectives and stop attending to the interests of their owners and stockholders. The administration of the companies is responsible for the effects of its operations and activities on society.

In Brazil

For Fernandes (1994,p.95), philanthropy is not a part of Latin American corporate culture. The charitable institutions live off of voluntary work and private donations and most of the time are coordinated by religious organizations. The entrepreneur class in Brazil, as a class and as isolated individuals, historically and culturally, did not feel responsible for issues resulting from the social.

The beginning of social responsibility in Brazil can be considered to have begun in 1960 with the creation of the Association of Christian Directors of Companies, recognizing that the company has a social function.

Particularly, since the 1980s, with generalization of the concept of citizenship, which values the individual not only for his moral conscience, but also as a legal entity, the private institution took on another dimension as a character in common space. Some actions can be mentioned to exemplify this.

In 1982 The American Chamber of Commerce of Sao Paulo introduced, the ECO award of corporate citizenship.

In 1983 Betinho introduced the National Campaign of Citizenship Action Against Hunger, Misery and in Favor of Life with the support of the National Thought of the Corporate Bases NTCB. This was the mark of the coming together of the businessmen with social actions.

In 1984, Nitrofertil was the first Brazilian company to publish its social balance.

In 1992, Banespa revealed all of its social actions.

In 1997 Betinho introduced a model of social balance in order to stimulate Brazilian companies to reveal the results of their social participation.

In 1998 the Ethos Institute of Companies and Social Responsibility was created, which serves as a bridge between businessmen and social causes.

When the support of Brazilian companies in favor of the communities is discussed, two basic forms are presented; on the one hand social working or paternalistic companies, where the support occurs in a detached, punctilious way, and the second form which are the citizen companies or pro-active, where the companies enlarge and complete their role of economic agent and transform themselves into social agents by making available to the community those same resources used in their businesses, to transform society and develop a feeling of the common good.

Concepts and Definitions

The context of the transformations associated with the crisis of the State and its deficiency in meeting the social demands cause growth, in various organizational forms, local initiatives that have tried to create new types of solidarity in the community environment. This new social space is called the third sector. These organizations mobilize themselves for missions such as preservation of the environment, protection of human rights, social assistance, defense of minorities, etc. As well as articulating society in the defense of its rights before the State for the supervision of public and private organizations, and for the inclusion of the communities which are socially on the edges of society. The work carried out by these organizations appeals to the creativity and to the voluntary dimension of the individuals.

For Alves and Wood (1999), Froes (1999), Marcon (2001) and Fernandes (1997) the expression third sector came from the idea that human activity is divided into three sectors:

- 1- The first sector (state), represented by the State, has the role of establishing public policies that meet the real needs of the population, in that public agents execute acts of a public nature;
- 2- The second (market) is represented by the market mechanism, generally it is the biggest sector in any country and the private interests stand out above any other larger or public interest;
- 3- The third sector is the institutional space which houses actions of a private character, associated and voluntary which are aimed at the production of collective consumer goods, without there being any type of private appropriation of the economic surplus that is made in this process. In order to characterize this set of complex and diversified organizations which are growing in society, there are appearing various denominations, such as non-governmental organizations, joint economy, nonprofit, third sector, alternative movement, voluntary organizations etc, which are used in quite different contexts and with various meanings, causing confusion about what is still little known.

According to some authors, among them Thompson (1997), Salomon, GIFE (1997), and Froes (1999) the third sector organizations have some characteristics in common. They are:

- Develop charitable, religious, social, cultural, academic, and philanthropic activities, trying to meet the demands and carry out the actions for the social objective for which they were created;
- They are nonprofit and starting from the private sector follow the purpose of public interest;
- Are not part of the governmental machine;
- They administer themselves and enjoy a high level of internal autonomy, decentralizing actions;
- They encompass a significant level of participation of volunteers and of the community;
- Implantation of social programs and projects that are self-sustaining.

According to Korten (1997), there have been three generations of non-governmental organizations. Generation one had the objective of aid and welfare in emergency situations; generation two was established on the theory that sustainable improvement on the level of the poor depended on the increase of their capacity to find their own needs, with their own resources, and generation three was created as part of the sustaining systems of development.

Currently the third sector has some challenges; the challenge of legitimacy, of efficiency, of sustainability and of collaboration. In order to overcome them, it should seek its professional formation, maturity.

Social Responsibility

In 1998, in Holland, The World Business Council for Sustained Development (WBCSD) presented the basis of the concept of corporate social responsibility *"corporate social responsibility is the permanent commitment of the businessmen to adopt ethical behavior and contribute to economic development, simultaneously improving the quality of life of their employees of their families, of the local community and of society as a whole."* Almeida, (1999)

Several authors agree with aspects of the concept of social responsibility, among them Dambrosio and Melo (1998), Grajew (2000), Morales, Orchis and Yung (2001), Kanitz (2000) and Rizzi (2001) can be mentioned. To them, social corporate responsibility is a relationship that is ethical and in which the company is socially responsible in all of its actions, policies, practices, and relationships. This means that social responsibility of the company in relation to the community, to its employees, suppliers, environment, government, public administration, consumers, market, stockholders, is a philosophy of administration of the companies. Therefore, it can be

understood as an ethic of social responsibility and the capacity to evaluate consequences for society of acts and decisions that we take aiming at objectives and goals proper to our organizations.

Different Approaches

According to Froes (1999) There have arisen two trends related with social responsibility. The first trend is French in origin and favors the well-being of the employees and their dependents, in their participation in the administration of the company and their satisfaction at work. The second trend is American in origin and defends a wider approach with the main focus of the company on the development of the community where it operates; the creation of jobs and income, the preservation of the environment, the investment in technology as well as support for technological development. This trend also focuses on the aspects of the internal social environment. In the Brazilian case the second trend prevails, of American inspiration.

To Borger (2001) three theoretical lines stand out in the literature; the concept of **public responsibility** proposed by Preston and Post (1975), a structural view of **social responsibility** of Carroll (1979) and the concept of **Corporate Responsiveness**, represented by the work of Ackerman (1995) and Sethi(1979).

1-Preston and Post propose the term public responsibility because they understand that social responsibility is a function of the administration of the organizations in the context of public life, therefore, social action always will be justifiable for the public benefit. The contribution of their work was to recognize that business and the society are interpenetrating systems.

2- Carroll (1979) proposed a model called a pyramid of social corporate responsibility which is part of most of the arguments in the debate of SRC in only one model. The structure of four dimensions defines social responsibility as economic, legal, ethical and philanthropic responsibilities which arise from the expectations of society.

3- Ackerman (1973), Ackerman and Bauer (1976) state that social responsiveness is the adaptation of corporate behavior to social necessities. Sethi (1975) defines SRC in two dimensions in relation to the behavior of the corporations, that would be the behavior of the companies in answer to the market forces and the legal restrictions as social obligations. He developed a model for classifying corporate behavior into three types: defensive and reactive organizations, socially responsible organizations and organizations that are pro-active and responsive. The concept abandons the ideological debate of SRC becoming a question of survival of the company. Criticism of the models of responsiveness concentrate on the fact that they try to respond to a changing environment in order to survive and not in order to improve the world; the results are to give greater emphasis to the corporate political

actions in public questions (Wood 1994). Besides these three models, Borger presents some more.

4-Wartick and Crochan (1985) further the model and incorporate challenges and concerns in the relationship between business and society in some principles, which are: principles of corporate social, economic, ethical legal, and discretionary responsibility; processes of responsiveness, reactive, defensive, accommodating and interactive. Based on these authors, Wood proposes a model of evaluation of the social performance that deals with the principles of SRC: the principle of legitimacy on the institutional level formulated by Keith Davis, the principle of public responsibility on the organizational level and the principle of prudence on the individual level.

According to Lima (2001), there are, in the study of corporate social responsibility, two currents that oppose each other: for some, the purpose of the company is profit and nothing more, and acting this way it is just fulfilling its social function; for others, social responsibility goes beyond profit; an enterprise not being an end in itself.

Many terms are associated with the social investment of the companies, different ones being used. **Philanthropy**, which means love for man and humanity, presupposes altruistic, selfless action also related to charity. Another term is **corporate citizenship** which may be understood as a relationship of rights and obligations among companies and their ambit of relationships and as active participation of the companies in the life of their cities and communities, participating in the decisions and actions relative to the public space in which they are inserted. The idea of social responsibility of the companies presupposes that the corporate activity involves commitment to the productive chain of the company; clients, employees and suppliers as well as the community, environment and society. This concept presupposes ethical actions. Concepts derived from marketing arise due to the fact that the company, while elaborating its **marketing** strategies, should concern itself not only with the profits and with the wishes of the consumers, but also with the public interest. Marketing tools may also be used to promote changes in behavior and attitudes with an impact on the social, or in campaigns that associate the name of a company with a cause or a social organization recognized by the public. According to Schommer (2000), Fernandes(1997), Kotler (1994), in Brazil, it is not possible to identify an agreeable term or affirm that one concept or another has come to prevail, which reflects the initial state or hybridism of the models. **Corporate citizenship** and **social responsibility of companies** are the terms most used.

Charity and Philanthropy

Charity, characterized by paternalistic or punctilious actions, such as donations to charity organizations or support for sporadic and seasonal campaigns are not sufficient to supply the social demands. In addition to this, they represent costs for the company, while they do not generate results for it and maintain a growing social demand. Therefore, charity, separated from social responsibility, on the contrary creates a dependency of the community on the company.

Philanthropy is when the company distributes a part of its excess profit to occasional beggars. It happens eventually. It is a help. Yet in social responsibility, strategies are thought out to guide the actions of the company in harmony with the social needs, so that the company guarantees beyond the profits and the satisfaction of its clients, the well-being of society. This involvement should be long lasting, if constituted into a commitment. Morales and others (2001) and Soeiro (2001) agree that the differential factor between charity and social responsibility is exactly the commitment.

Corporate Citizenship

For Carroll (1998,1999), Ashley (2000), there are four sides to corporate citizenship: economic, legal, ethical and philanthropic. Therefore, good citizen companies should be profitable, obey the laws, have ethical behavior and repay society in the form of philanthropy. Now for Maignan (1999) and Fritzen (2001), there are distinctions; for while, corporate social performance would investigate moral, administrative and sociological issues, corporate citizenship acts on the restricted level of activities developed by the organization to responsibly meet the social, concrete demands.

We conclude that in order for the concept of corporate citizenship not to have its practice limited to specific projects, it needs to be developed in a larger scope, permeating all of the organization, incorporating the corporate social performance and having as a background, sustainable development. Now the concept of corporate social responsibility requires for its theoretical construction and practical application, its incorporation to the strategic orientation of the company reflected in ethical challenges for the different dimensions of the business.

Social marketing

Kotler (1994) differentiates between social marketing and associate marketing. Social marketing is defined as "the project, implantation and control of programs which try to increase the acceptance of an idea, cause or social practice among a target group". It is different from associate marketing, which is "a principle of conscious marketing that sustains that a company should make marketing decisions

considering the wishes of the client, the demands of the company, the long term interests of the client, and the long term interests of society".

According to Froes (1999), the practice of corporate philanthropy is characterized by the donation of products manufactured by the company itself, or of large sums of money for charity organizations. Some companies use this practice as a marketing act in order to promote their products and brands when they are distributed to schools, hospitals, universities etc.

The main modalities of social marketing are: philanthropy marketing, social campaign marketing, marketing of sponsorship of social projects, marketing of a relationship based on social actions and social promotion of a product and a brand.

1-Philanthropy marketing are programs of donations that: promote the image of the businessman as a great benefactor and someone given a great sensibility for social problems; publicize and reinforce the image of the donating company as a charitable organization with a philanthropic spirit; seek the support of the government, the preference of the consumer, the respect of the clients and the admiration of their employees and the support of the community; are not directed toward the marketing of the companies and lessen the social stereotype of the company that obtains final profit.

2- Marketing of the social campaigns has as its characteristics; have a strong emotional appeal; contribute to a serious movement that quickly obtains adhesion of companies, the government and civil society; generally with the support of the media, especially TV; guarantee great returns in publicity for the companies that participate in the campaigns; increase the value of the product, whose package acquires more value for the consumer; mobilizes its own employees, serving as a powerful instrument of endomarketing, and constructs a nice image of the company for the consumer.

3-Marketing of sponsorship of social projects, are companies that sponsor projects of other organizations or their own social projects, and that seek returns on their image and sales. They use social marketing as a way of promoting the trade-mark, the product and sales; they valorize the actions of their project as an instrument for making clients faithful, getting new clients, access to the market, improvement of the relationship with the suppliers, distributors and representatives and the opening of new channels of sales and distribution; they try to maximize the publicity returns and increase the value of the trade-mark; they evaluate the results of each program and project, for they administer the institute and the foundation, as a center of costs and results. In brief, in the sponsorship of projects, the company seeks to raise and develop its business, making use of the potential of social marketing.

4-Marketing of relationship is social marketing used by the companies that use their own people and sales representatives and distributors in order to orient their clients, as users of social services, and that give emphasis to the relationship with the

clients and partners; use the power of sales and representatives with people who provide social services; emphasis on the question of services of the type such as counseling , medical and educational orientation, faithfulness of clients , promotion of the product and of the trade-mark.

5-The marketing of social promotion of the product and the trademark, or marketing of a cause, consists of the licensing of the name or logotype of a nonprofit organization or of a social campaign of the government for a company in exchange for a percentage of the earnings, attract value to the trade-mark or the product through the incorporation of the social, reinforce the concept and the position of the mark and the product, confer upon the trade-mark and the product the status of socially responsible as well as conferring social attributes upon the product.

Corporate social responsibility

Corporate social responsibility means a permanent commitment of the businessmen to adopt ethical behavior and contribute to economic development, improving, simultaneously the quality of life of their employees and their families, the local community and society as a whole.

According to Ashley (2000), the concept of corporate social responsibility subdivides into some lines of knowledge, among them are: corporate social responsibility, corporate social responsiveness, corporate social rectitude, corporate social performance, social performance of the stakeholders, social auditing and social innovation.

The concept of corporate social responsibility, with a strong normative connotation and surrounded by philosophical debates about the duty of the corporations in promoting social development has begun to be accompanied , in the 1970s, by the term corporate social responsiveness, and with this concept there arose the need to construct theoretical tools that could be tested and applied to the business world. The questions began to be about how and to what degree the corporation can answer for its social obligations, these already being considered a duty of the corporation. (Frederic,1994, cited by Ashley in enanpad 2000)

Wood (1991) developed a model of corporate social performance as being a configuration of an organization in terms of principles of corporate social responsibility, processes of corporate social responsiveness and corporate social results. The principles are expressed on three levels, being the institutional, organizational and individual. The processes are the environmental diagnosis, the question of the relationship with the stakeholders and the administration of social questions. The social results are the policies, programs and social impacts of the company.

Authors such as Froes (1999), Ashley (2000) and Wood (1991) state that the concept of corporate social responsibility began, in the 1990s, to be more and more a

part of the normative aspect and that has been consolidated as an intrinsically interdisciplinary, multidimensional concept associated with a systemic approach, focused on the relationship between stakeholders associated directly and indirectly with the business of the company. Therefore, for its incorporation, the concept requires the strategic orientation of the company, reflected in the ethical challenges for the economic, environmental and social dimensions of the business.

To support the development of the community and preserve the environment are not sufficient to attribute to a company the condition of socially responsible. It is necessary to invest in the well-being of their employees and dependents in an atmosphere of healthy work, as well as promote transparent communication, give a return to the stockholders, insure synergy among their partners and guarantee the satisfaction of their clients and/or consumers.

Types – Internal and external social responsibility

For Froes (1999), internal social responsibility focuses on the inside public in the company, its employees and their dependents. Its objective is to motivate them toward a fine performance, create an agreeable work atmosphere and contribute to their well-being. With this the company earns their dedication, effort and loyalty and the gains in productivity are enormous. Now, the external social responsibility has as its focus the community closest to the company or place where it is located. Acting in both dimensions, the company exercises its corporate citizenship and acquires its status as citizen- company.

The actions of internal administration of the internal social responsibility include programs of hiring, selection, training and maintenance of personnel carried out by the company in benefit of its employees, as well as the other programs of benefits directed toward participation in the results and taking care of the dependents. P. 86

Exercising the external social responsibility corresponds to the development of corporate social action that benefits the community. These actions can be carried out through the donation of products, equipment and materials in general, transference of resources through a system of partnerships, providing voluntary services for the community by employees of the company, investing resources in activities of preservation of the environment, creating jobs, sponsoring social projects of the government and direct investments in social projects created by the company itself. P.88 Froes (1999)

Objectives for implanting social responsibility

According to Pagliano (1999), the practice of social responsibility has as its objectives:

- Protect and strengthen the image of the trade-mark, favoring the image of the company;
- Competitive differential in the globalized market;
- Differentiation from the competitors;
- Positive view of the company;
- Generating spontaneous media ;
- Formation of its future markets;
- Faithfulness of the clients;
- Safety of the physical structure and the employees;
- Protection against negative action by the consumers;
- Attract and maintain talents;
- Reduced control;
- Attract investors;
- Fiscal deduction;

In research carried out by the Institute of Economic Research in 1998 the data showed that the motives that led the companies to decide to participate in any type of action of social responsibility together with the community were,. 90% because it improves the institutional image of the company, 74% because they think that it increases their relations with the community, 19% believe it improves profits, and 34% perceive that there is an improvement in internal motivation, which increases productivity. The research was entitled “Strategies of companies in Brazil : social action and volunteers” carried out by the center of studies in administration of the third sector at the University of São Paulo.

Advantages

Several authors such as Grajew (1999), Martinelli (1999), Ashley(2000), Froes (1999), Morales and others (2001) agree that administration with social responsibility can bring innumerable benefits for the organization, among which they point out: increased worth of the institutional image and the trade-mark ; greater loyalty of all the publics, including the consumer; development of more conscientiousness and socially responsible leadership; improvement of the organizational climate and the satisfaction and motivation originating in the increased self-esteem , recognition and pride in participating in social projects; greater capacity to recruit and maintain talents; flexibility and capacity to adapt, besides the long-term survival of the company; ease in access to capital and financing; positive influence in the chain of production; and the social return in itself, that would be the development of the

community; that the community grant greater importance to the organization that took a position socially.

According to Froes (1999) the risks of a lack or loss of social responsibility contemplate the loss of credibility. Internally, the first effects are a deterioration of the organizational climate, a general lack of motivation, the appearance of conflicts, threat of strikes and obstructions, escape of talents, low productivity and increase in work related accidents, as well as high rates of absences and lateness. For the lack of external social responsibility, you might have accusations of social injustice , consumer boycott, loss of clients, complaints of the suppliers and dealers, drops in sales, extra expenses with environmental problems, law suits, risks of invasions and even the risk of bankruptcy.

Stages for implantation

For Martinell (1997) Benedicto (1997), Montana and Charnov (1998). Schommer (2000) and Ashley (2000) there are three main stages that intercalate in a continuum and bring different implications in the idea about social responsibility;

- 1- The company that is just a **business**, whose center of interest is to maximize the profit at any cost; the administration of the company should concentrate on the efficient use of resources in order to maximize the profits in the short term; a traditional concept of maximum concern with the economic function and a minimum concern with social responsibility. In the approach to the social obligation, the company complies with the laws and does not take on any volunteer effort.

- 2- The company as a **social organization**, because it is formed by groups of people, in an interdependent relationship with it and a balance of interests. The objectives to maximize the profits over the long-term, this way balancing the interest of the stockholders, employees, consumers, communities etc. contributing to the appearance of a new concept of interchange of the economic and non-economic roles. In the approach of social responsibility, the company has economic and social responsibilities, that consist of dealing with the current social problems but only until the point in which the economic welfare of the company is not affected in a negative way. Act ethically in its productive activities and make social investments, developing programs of corporate volunteers, adopting initiatives of social marketing, supporting initiatives of community development.

- 3- The **corporate-citizen**, that contributes to the improvement of the social environment in which it lives, operating under a strategic conception and an ethical comprehension. Social-economic administration has as its objective to concretely seek to improve the quality of life or the well-being of society. It is concerned with a more radical concept that favors social responsibility, leaving the economic function in second place. In the approach of social sensibility the company needs to anticipate the future social problems and to reserve organizational resources in order to deal with them, by contributing to the debate about public policies and collaborating with the development of fiscal, educational, productive, environmental and other policies .

The process of transforming the company into a corporate-citizen includes various stages of transformation, and encompasses all the areas of the company, suggesting modifications from the point of view philosophical and organizational ideology, to the strategic and tactical vision, and still the procedures for implantation, evaluation and adjustment to the new conception of organizational culture. Borger (2001) proposes some steps to be followed in order to bring about the transformation of organizational reality. They are:

- 1- Talking about vision and mission, create a declaration of mission or vision , share your declaration, integrate the mission with the vision, reexamine and revise the declaration periodically;
- 2- Talking about ethics, identify and articulate clear ethical values, use ethical values in order to find solutions to dilemmas, educate your employees about ethics, create an atmosphere of work where questions can be discussed and incorporate ethics to evaluations of performance;
- 3- Talking about audits and rendering of accounts, obtain feedback about your first evaluations and share it;
- 4- Talking about the environment, establish policy and operations that include environmental principles, establish a policy of ecological purchases, motivate the employees. Try to minimize residue, prevent pollution, use electric resources and water efficiently, create a system of recycling, use ecologically correct techniques of construction, work in partnership with suppliers and clients;
- 5- Talking about the practice at work, create and distribute a guide for the employee, encourage new ideas and commentaries, establish a directive against sexual harassment, provide training programs, establish a fair rule for conducting complaints, create an atmosphere favorable to the discussion of the subject. Delegate power, encourage individual initiative, create a program of participation in the profits, avoid firings, communicate your

intentions, identify other alternatives, reduce the personnel with dignity, do not neglect those who were not fired, promote equilibrium between work and family, orient the managers by making them responsible, offering help to solve their problems, make partnerships with other local companies in order to offer services, promote health and well-being, offer flexible health plans, eliminate smoking in the work place, encourage the participation of employees in programs of aid to people with vices.

- 6- In relation to the global community, make involvement with the community a priority in its administration, invest in the community, consider recruitment in needy communities, identify and install itself in needy communities. About volunteer work, stimulate volunteer work, compensate the employees for it, authorize the lending of managers and executives for projects, mobilize suppliers and clients, make partnerships with other companies. About philanthropy, make donations of your products or services, support local events, offer support to and partnership with local schools, and still support the local commerce.
- 7- In relation to the market, be sure that all the commercial references made to the products and/or services of the company are specific, correct and fair. Promote the use of your product with security and responsibility. Prohibit the use of anti-ethical commercial techniques, avoid toxic publicity, seek out marketing opportunities that embrace noble causes.
- 8- About human rights, consider them, know where the products of your company are manufactured, identify relevant items about human rights, adopt a code of conduct, communicate your expectations to suppliers, solicit from suppliers formal pledges, use all of the opportunities to monitor the following of all the established rules, work in an atmosphere of collaboration in order to promote changes.

If the company begins to adopt these suggestions, it begins the process of transformation of its internal culture toward becoming a corporat-citizen.

Indicators of social responsibility

Since there isn't yet agreement about just one concept of social responsibility, there aren't indicators to measure it either. Nevertheless, there are already some proposals, which will be presented in the following, with the objective of permitting a future discussion, and perhaps an integration.

Borger (2001) states that the main presupposition of corporate social responsibility is that any relationship that the company has with any other group will be dynamic as will be the social, political, economic and legal atmosphere wherever

it exists. The principal implication of this presupposition is that social responsibility is a constant process of monitoring the surroundings and the relationships.

For the Ethos Institute, and also Fritzen (1999), Neto and Froes (1999) the values and ethical principles form a base for the culture of a company, orienting its conduct and grounding its social mission. Social action should seek to bring benefits to society, propitiate professional fulfillment for the employees, promote benefits for the partners and for the environment and bring returns for the investors. Among the indicators of social responsibility are:

- 1-Self regulation of conduct, with ethical commitments and roots in the organizational culture
- 2- Transparent relationships with society, with dialogue with the interested parties(stakeholders), relationships with the competition and social equilibrium;
- 3- Relationships with the public aiming to invest in personal and professional development of its employees, as well as the improvement of working conditions and the relationships with the employees, and also trying to pay attention to respect for the local culture. The relationship should include dialogue and participation, relationships with the unions, participant administration, participation in the results and rewards, respect for the individual with a commitment to the future of the children and appreciation of diversity, respect for the worker with varied behavior confronted with firings, commitment to the professional development and the capacity to be employed, health care, safety and working conditions and preparation for retirement.
- 4- In relation to the environment it should include an administration of environmental impact, minimizing the entrances and exits of material from the company, responsibility for the life cycle of the products and services, responsibility for the future generations with a commitment to the company with an environmental cause and environmental education;
- 5- With the suppliers, standards for their selection should exclude child labor in the chain of production, relationships with outsourced workers, support for the development of suppliers;
- 6- With the clients and consumers, have a policy of marketing and communication, give excellent service, know and divulge potential damage of the products and services.
- 7- In relation to the community, there should be a relationship of management of the impact of the company together with the community, relations with the organizations active in the community;

- 8- Philanthropy and social investments, mechanisms of support of social projects, strategies for action in the social area, voluntary work, recognition and support for the volunteer work of the employees;
- 9- In relation to the government and society, have political transparency concerning contributions to political campaigns and place itself against corruption and bribes, as well as seek a socially positive leadership and influence by means of participation in governmental social projects.

According to Froes (1999) the chain of value of social action is the set of activities carried out by the company, in the ambit of a program or social project that generates benefits for the community. The social project is made up of a cast of various social activities: sporting, cultural, ecological, medical-dental assistance, work training and professional qualification. The levels of aggregation of social value may be high, medium, low or no level at all.

In a study carried out by GIFE in 1996, the results pointed out that approximately 70% of the institutions and companies associated with it invest part or all of their resources in education, 35% in culture, 15% in health, 15% in community development, 12.5% in research and social assistance and 5% in agriculture and environment. Marino,(1998)

The companies with a high level of aggregation of social value are the so called corporate-citizens. Their projects contemplate activities that generate profit and jobs, social work and education, and present a cost/benefit ratio highly favorable in such services. The companies of middle level of aggregation of social value incorporate only one or two of these activities into their social projects, and the cost/benefit ratio in such activities does not reach a satisfactory result. With the companies of low level of aggregation of social value, there may occur two distinct situations; one unfavorable cost/benefit ratio in such activities, which means an inefficient and ineffectual social management, or the inexistence of such aggregation activities of value in the scope of their projects.

For some other authors and institutions that work with social responsibility, there is as an indicator the social balance, which is the instrument of evaluation of the performance of the company in the field of corporate citizenship, for it shows all of the social actions developed by the company in that period.

Social balance is the set of expenditures made by the company, required or not by law, that positively affect the quality of life of the people of the group connected to the companies and to society in general. The logical scheme is based on the following declarations:

“If the company increases its social spending, improves its social performance, its rates on the social balance and exercises corporate citizenship. The social action of the company is directed toward an improvement of the quality of life of its employees, their dependents and members of the community. The total of the social expenditures should increase proportionally to the growth of the gross income of the company and its operational profit”. Froes (1999,p.134)

Another international indicator that is appearing, according to Borger (2001), are the norms BS8000 and the SA 80900, that certify respectively, the companies that give adequate guarantees for the safety and health of the worker and those that respect human and workers rights.

The SA8000 norm was developed with a base in the principles of the Universal Declaration of Human Rights, of the UN and the various pacts of the International Labor Organization – ILO. Its main indicators of evaluation of the social performance of the companies are the following; child labor, constraint at work, health and safety, liberty of association and right of collective negotiation, discrimination, disciplinary practices, workload, fair compensation and administration of its application. The process of social certification has as its objective the evaluation of three distinct areas: The productive process, the relationship with the community and the relationship with the employees and their dependents.

The certification of environmental quality ISO14000, exists in Brazil since 1996, and until July 2000, 149 companies had already received certification.

It is important to emphasize that the fact that a company is certified does not mean that it is 100% in agreement with the legislation, but rather that it is aware of the problems and has a set of measures to solve them and is adopting a system of environmental management as a form of preventing the problems.

The situation in Brazil: reports of research

Organizations that support social responsibility and social balance

1-IBASE – founded in 1981, is a non-governmental nonpartisan non-profit organization with no religious ties, recognized as a federal, state, and municipal public utility, being an autonomous organization, committed to the defense of human rights and its objective is to make social responsibility a commitment of everyone.

2-Ethos Institute, founded in 1998, focuses its action on the issues connected to the corporate activity itself and defines itself as an association of companies which seek sustainable economic success over the long term trying to adopt

socially responsible behavior, its view is more connected to corporate strategy passing through the benefit to society.

3- GIFE- A group of institutes, foundations and companies, constituted in 1995, has concerned itself with investments of resources that can guarantee returns and/or substantial results. It places itself as a group composed of institutions, foundations and companies that operate in the third sector in Brazil, making private resources available for public ends. GIFE has as a mission to perfect and diffuse the concepts and practices for the use of private resources for the development of the common good, representing the segment resulting from corporate activity in the third sector, seeks to express the responsibility and consequent participation of private initiative in the reorganization of public space, trying to improve the living conditions of the Brazilian citizen through effective and permanent action.

4- FIDES- Foundation Institute of social and corporate development

5- PNDE- National thought from the corporate bases, created in 1987, is a non-governmental Brazilian organization, formed by businessmen who fight for a deepening of democracy in the various levels of the nation, develop partnerships with various sectors in order to develop social projects.

6.-ADVB – Association of the directors of sales and marketing of Brazil

7- IPEA – Institute of applied economic research

These organs develop some research in order to gather data about the social responsibility of the companies in Brazil. Now, they will present the results of some of them with the objective of showing how the state of the art is coming in the country.

In a study carried out by IPEA, entitled “Companies and philanthropy in Brazil: a study about the ECO award” the following conclusions arose: the teams of technicians responsible for the elaboration and implementation of the social projects intermixed themselves with the departments of marketing, personnel, not having great specialization and not very clear objectives in relation to the investments practiced; preference of action together with the internal public (employees), in projects connected directly or indirectly to the productive activities of the company; in the projects destined to the external public, there was preference for the regions surrounding the locale of the company.

In a study carried out in 1999 by the Volunteer Program of the council of the United Community, Center of Integration Company-School, and Center of Studies in Administration of the Third Sector –SEATS-USP, reported that: the industry give priority to social action in health and education, while the commerce, in addition to

these highlights areas less noticed such as art and culture, sports and defense of rights, therefore is investing in the areas that are closer to their consumer public. The results of the action of the companies by the origin of their capital was this way: The public companies did not invest frequently, but when they did their areas of interest are art and culture, science and technology and the defense of rights. The multinational companies work in the fundamental areas such as health and education. Now the private companies with national capital stayed in the intermediate position of the areas of action of the public and multinational companies. Today the largest form of social investment of the national and multinational companies are donations, in money, material or equipment. Research of Johns Hopkins University and are part of the model of the third sector adopted by the International Society for research about the Third Sector. They may add others such as housing, food and nutrition, sanitation, safety, work and company and income, agrarian reform, social welfare that in Brazil take on great relevance. In Brazil, community services that grow the most are education, health, social welfare, culture and recreation. In the study from Hopkins the following rates of growth were detected for workers employed in various segments: education 29% of the total, health 20%, social services 18% and culture and recreation 15%.

In 1999 the IPEA carried out the Social Action on the Companies Study, with a sample of 1750 companies, small and large, in the southeast of Brazil. This study showed that the great motor of corporate social action is philanthropy, more than 80% of the businessmen of small and large companies carry out social action for humanitarian reasons, while 61% or the directors of large companies carry them out with the intention of helping the communities that inhabit the company's neighboring areas. It is interesting to observe that, according to the IPEA, only 12% of the companies stated that they carried out documented evaluations of the social activities that they promoted.

The IPEA 2000 carried out the study Social Action of the companies, and discovered that cultural, social and religious factors influence the action of the companies in the social area. The big companies, especially the commercial ones were those that invested more in activities and social projects, being the community the dominate target public of the invested resources. The activities of social assistance are the most carried out by the businessmen p.107

A study carried out by the Foundation SEADE from Sao Paulo, showed the most common irregularities of social irresponsibilities: the non-payment of the FGTS 17% of the registered infraction, lack of registration in the work card, with 15.82% of the registered infractions, irregularities in the obedience of vacations and other neglected obligations, 11.71% and overtime with 11.05%, and even other legal benefits neglected by the companies were the object of 30.99% of the registered

infractions, published by the newspaper Valor, special supplement Company and Community, on December 14, 2000, p.F4.

Borger (2001) in her doctoral thesis, gathered some indicators of SRC for his multi-case study. They are:

- 1.-Leadership and commitment to the SRC, principles of the mission, vision and values of the company, existence of the SRC Function, involvement of the top administration, participation in professional and social organizations and associations;
- 2-Policies and strategies of SRC, inclusion and formalization of SRC in the general strategy of the company, procedures and administrative practices;
- 3- Evaluation of social performance, qualifying and learning, communication and information;
- 4-Projects and social investments, projects oriented for social action, investments in SRC and the formation and allocation of the resources.
- 5- Corporate dynamics – organizational climate, technological performance, operational performance, economic, financial, commercial, environmental, institutional reputation and image, context in which the company operates.

He still used as variables, the activity of the company, size of the company, consumer market, competition, institutional – political context. As conclusions for the study, Borger states that:

-The sector of activity is a variable that affects the behavior of the companies, for the nature of the activities determines the operational characteristics and influence the conditions of the market of the companies.

- The size of the companies is a factor that determines the organizational development of the companies and the dimension of the impacts of the corporate activity on the regional economy, the environment and the social standards of behavior of the community;
- The degree of competition affects the performance of the companies;
- The insertion of quality on the corporate administration is an important factor for the administration of social responsibility and in a certain way, was for these companies the stimulus for the incorporation of SRC in its administration, and from this point the fan begins to open up for the reflection on the environmental and social questions and incorporate them into the administration of the companies. The administration of quality showed the companies the importance of the relationship with the clients for their long range profitability and the team spirit of the staff of employees is essential for improving the quality.
- - The involvement of the top administration is a condition for the development of SRC in the companies.

- -The inclusion of SRC in the organizational structure and the processes of decision making in the company provide the necessary resources.
- -The processes of communication are fundamental for the publicizing and dissemination of the practices of SRC in the companies.
- -The action oriented toward SRC positively affects the organizational climate of the companies, motivating the employees, stimulating their participation, raising the morale and the prestige.
- -The participation in social, corporate, professional and technical organizations capacitates the corporate leadership to change the institutional atmosphere, improve the reputation of the company and positions the administration of the company in the leadership of SRC.

In conclusion, what we perceive is that social responsibility is an up-to-date theme, controversial, much discussed and that should generate many academic papers and social projects concurrently, although nowadays the companies cannot have a closed view anymore, ignoring the miserable situation and such large social distortions as those in a country like Brazil. As a result of this growing movement, all of the involved can win, for theoretically it is possible to advance in the discussions about the importance of the organizations to contribute to the sustainable development of the community where they are found; win the community, the consumer, the internal and external client, and the suppliers who also directly or indirectly begin to assume postures that defend human rights and the environment.

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