

Exploratory Analysis of Corporate Social Responsibility Practices in Mexican Agricultural Companies

Katia Beatriz Villafán Vidales, Jorge Luis Alcaraz Vargas, José Odón García García
Universidad Michoacana de San Nicolás de Hidalgo, Morelia, México

The agricultural sector is one of the most important sectors in Mexico, due to its contribution to the GDP and the number of employees that it creates. Nevertheless, the social and environmental challenges are issues that the agricultural sector has to resolve in order to maintain its own sustainability. Corporate Social Responsibility (CSR) as a business strategy can contribute to the solutions of these problems. The number of Mexican enterprises implementing CSR has been increased during the last 10 years, specifically ESR distinctive. But why do companies want to obtain this distinctive? And which are the benefits to get it? The purpose of this paper is to explore CSR practices in Mexican agricultural companies, identifying the reasons and effects of the CSR distinctive acquirement, awarded by the *Centro Mexicano para la Filantropía, A.C.* In order to get the information, 12 Mexican agriculture companies (holders of the CSR distinctive) were surveyed from December 2010 to January 2011. Reasons for the CSR distinction acquirement of these companies are basically strategic, while the effects are all positives mainly in corporate image.

Keywords: Corporate Social Responsibility (CSR), Mexican agricultural companies, exploratory analysis

Introduction

Corporate social responsibility (CSR) is a study field that has been mainly studied by developed countries. The increase of CSR researches in universities, enterprises implementing CSR practices and public politics toward CSR issues, are some examples of the interest in this area in these countries. In order to produce a Nord-South effect, developed countries had tried to influence and promote CSR among developing countries (Müller & Kolk, 2009). Nevertheless, CSR in developing countries has arisen more as a business practice than as a discourse or questioning (Gendron, 2000). Mexico, like others developing countries, has also followed this pattern.

The number of Mexican enterprises implementing CSR has been increased during the last 10 years. The *Centro Mexicano para la Filantropía, A.C.* (CEMEFI) is the main institution that promotes CRS in Mexico and each year gives a distinction to the enterprises distinguished by its CSR performance. This institution has been

Katia Beatriz Villafán Vidales, Ph.D., Research Professor, Faculty of Economics, Universidad Michoacana de San Nicolás de Hidalgo.

Jorge Luis Alcaraz Vargas, Ph.D., Institute of Economics and Enterprise Research, Universidad Michoacana de San Nicolás de Hidalgo.

José Odón García García, Ph.D., Research Professor, Institute of Economics and Enterprise Research, Universidad Michoacana de San Nicolás de Hidalgo.

Correspondence concerning this article should be addressed to Katia Beatriz Villafán Vidales, Obrajeros de Nurio #90, Col. Vasco de Quiroga, C.P. 58230, Morelia, Michoacán, México. E-mail: kabeav_1@yahoo.com.mx.

awarded the *Distintivo de Empresa Socialmente Responsable* (ESR distinctive) since 2001 and the number of enterprises has been increased from 16 enterprises in 2001 to 400 enterprises in 2010.

In Mexican agricultural sector, the importance about CSR issues has emerged recently. Some reasons of this emergence have been the critics to multinational enterprises operating in developing countries (child labor, low salaries, and unworthy work conditions), the “boom” of quality and responsible consumption in developed countries, and the economical crisis of developing countries, etc. (Centro Latinoamericano para el Desarrollo Rural, 2005).

Even if there are not a lot of companies undertaking CSR practices in this sector, the CEMEFI estimates that in agricultural sector there were 30 enterprises that owned the ESR distinctive in 2010. But, why companies want to obtain the ESR distinctive? And which are the benefits to get it? The purpose of this research is to answer these questions by identifying the reasons and the effects of the ESR distinctive acquirement in Mexican agricultural companies.

The paper is presented in five sections. The first section describes the economic and social importance of the agricultural sector in Mexico. The second section is the literature review about cause and effects of CSR. The third section is the method and the forth section is the results. Finally conclusions and recommendations are presented in the fifth section.

Agricultural Sector in Mexico

Agricultural activity is as old as humanity itself. Due to agricultural activity, it is possible to produce animal and human being feedings. In Mexico, climatic and geographical conditions are appropriated to produce agricultural products all the year in the whole country. Nevertheless, in some regions, agricultural activity has been the principal economic and social activity.

Between 1990 and 2009, the sown area in México has remained an average of 21 million hectares (ha), while harvested area has remained an average of 19 million ha (SAGARPA, 2010). Agricultural products that occupy the larger agricultural surface in the country are cereals (corn, pasture, sorghum, beans, wheat, sugar cane, etc.) and fruits (orange, mangoes, lemon, avocado, etc.). The equivalence of cereal surface is 46% of the total sown surface and the 81% of the total harvest surface. Fruits surface represents 3.6% of the total sown surface and 4% of the total harvest surface.

Agricultural sector in Mexico has a marked economic and social importance. In economic terms, it helps to the wealth creation. This sector contributes with 6% to the National Gross Domestic Product (GDP). Its contribution locates the agricultural sector in the sixth position after the manufacture sector and the services sector as the financial, personal services, transport, etc. (INEGI, 2010a). In social terms, according to the INEGI, agricultural sector in 2010 occupy 5,903,273 persons. This amount represents 13.27% of the country's employed population and 12.52% of the country's economically active population (INEGI, 2010b). Even if these percentages are low in a national context, in some regions, the agricultural sector is the principal employment source for its habitants.

Literature Review

CSR Concept

The concept of the CSR emerged in North America in 1950. It is a concept in constant evolution. Economics, sociology, and business are some of the disciplines that had influenced in the CSR concept

construction. As a result, nowadays, there are a huge diversity of CSR approaches and the classification of these approaches. One classification of CSR approaches is by ideological posture: defenders *vs.* opponents (Pasquero, 1995). Another classification is by geographical context: North America *vs.* European (Belem, 2007). A third classification is by thought schools: ethic moralist, contractual, and utilitarian (Gendron, 2000). Finally the classification by group of theories: instrumental theories, political theories, integrative theories, and ethic theories (Garriga & Melé, 2004). As a consequence, the number of definitions of CSR is as large as the amount of CSR approaches.

In order to operationalize CSR in this paper, the authors adopt and present two definitions of CSR. The first one is the more accepted worldwide definition and the second one is the more accepted Latin American definition. The World Business Council Sustainable Development (2000) defined the CSR as the continuing commitment by business to contribute to economic development while improving the quality of life of the labor and their families as well as the quality of life of the community and society at large.

On the other hand, a group of institutions that promote CSR in Latin America (AliaRSE, COPARMEX, CCE, CONCAMIN, USEM, CEMEFI, and another) define the CSR as the mindful and congruent engagement that the enterprise and the entrepreneur assume in order to accomplish entirely with the enterprise goals in the external and internal aspect, considering the stakeholders expectations (in the economic, social, human, and environmental areas) also demonstrating, respect for the ethics values, communities, and common good with social justice (CEMEFI, 2006).

Cause and Effects of CSR Practices

Since the origins of the CSR theory and approaches, many researchers have tried to explain the causes and effects of the CSR practices in enterprises.

According to the cause theory of CSR, most of the enterprises call into question why to be a socially responsible enterprise? De la Torre (2010) set that there were a lot of explanations to this question and they can be classified into two groups: economic and sociological explanations. In this research, the authors only focus on the economic explanations.

The first explanation is the Porter and Kramer's theory. According to the authors, the incorporation of the social dimension to the value chain changes the conventional economic vision and opens new frontiers to the competitive position of the company (Porter & Kramer, 2006).

A second explanation is the Cuervo's theory. According to the author, companies incorporate CSR for reasons that can determine the basic objective of maximizing its value: (1) the law and societal pressures accomplishment; (2) the market pressures for input products, as a form to avoid risk and as a change instrument in costumers' preferences; and (3) as a part of competitive strategy to generate intangible assets and create a competitive advantage (Cuervo, 2010).

A third explanation is the Husted and Allen theory. These authors establish that companies adopt a CSR practice for many reasons. Nevertheless, they can be classified into two groups: strategic and institutional. On the one hand, companies that adopt CSR practices due to strategic reasons examine different issues regardless of market pressures. Also they respond to them according to the responsibility demands and integration of global NGO's, governments, and local market structure. On the other hand, companies that adopt CSR due to institutional reasons obey to three different pressures: the state coercion, the effects of the organizational field on the company's politics and structure, and the internal creation of politics and practices among organization (Husted & Allen, 2006).

Mexican researches in CSR theory are scarce. Some authors consider that CSR theory in Mexico is not new (Logsdon, Thomas, & Van Buren, 2006). While others establish that CSR theory is in an emergent phase (Weyzig, 2007). Husted and Allen (2006) made a research in 111 multinational companies of the Mexican automotive sector. They found that the reasons to adopt a CSR in these companies are mainly institutional. Nevertheless, future researches are needed in order to support the coercive and normative process in CSR practices adoption.

In the CSR effects theory, actually there are a lot of theoretical papers on management literature. The main conclusions of the CSR effects in these are: (1) CSR contributes directly to the company's reputation and allows legitimacy to its operations; (2) CSR can alter the competitive environment contributing to increased the market cost entry and for competitors helping to raise their labor regulation, environmental or health standards; (3) CSR send quality signals to job offers, which can increase the number of qualified employees; (4) CSR has a positive role in the consumers' buying process because it can be perceived as an important product attribute; and (5) CSR is a tool to manage risk that helps to reduce cost and improve efficiency, particularly in the environmental area (Gond, 2008).

Empiric studies in this field focus mainly on the effects of CSR in financial and economic performance. The first research in this relationship was made by Editor Moskowitz in 1972 and Stanley Vance in 1975. These authors both found opposite relationships, one positive and the other negative. Thirty years later, the numbers of researches and researchers that try to explain this relationship have been increased enormously. Griffin and Mahon (1997) found 51 studies, Roman, Hayibor, and Agle (1999) found 52 studies, Margolis and Walsh (2003) found 127 studies, Gómez (2006) found 140 studies and Gond (2008) found 160 theoretical and empiric studies.

Findings of the five authors reveal different conclusions that can be classified in three groups: negative relationship, neutral relationship, and positive relationship. However the most number of studies (83) conclude that CSR has a positive effect on economic and finance performance (Griffin & Mahon, 1997; Margolis & Walsh, 2003; Gómez, 2006). In the Mexican context, Rodríguez *et al.*, (2010) made a research about the effect of the CSR in the financial performance in 12 Mexican companies. The findings were that the CSR has a positive effect on the financial performance.

In order to contrast the CSR theory in the agricultural sector in Mexico, the authors present the method applied in this research in the next section.

Method

The purpose of this research is to explore causes and effects of CSR practices in Mexican agricultural companies. Therefore, the nature of this research is explorative and descriptive. In order to recollect the companies' information a five-section questionnaire (open and close questions) was designed. The first section includes the general information of the company. The second section is related with the CSR lines and its hierarchical importance. The third section is about the process to obtain the CSR distinctive. The fourth and fifth sections are about the causes and effects to obtain the CSR distinctive.

The 30 Mexican agricultural companies-holders of the CSR distinctive 2010 were chosen as the universe of study due to the economical and social importance of the sector. These companies represent the 7% of the total number of Mexican companies holders of the CSR distinctive awarded by the *Centro Mexicano para la Filantropía*, A.C. (CEMEFI, 2010). The universe was reduced to 25 enterprises due to the lack of contact information of 5 enterprises.

The 25 enterprises were contacted by telephone and e-mail from December 2010 to January 2011. As a result, only 12 enterprises (48% of the total) were surveyed during this period. In fact, this number is a high parameter in Mexican survey research (Müller & Kolk, 2009; Husted & Allen, 2006; Robins, Tallman, and Fladmie-Limdquist, 2002). Questioners were applied to the managers of CSR area, which facilitated the data recollection as long as transparency is an important issue in ethic aspect for CSR.

Results

Companies' Profile

Location, firm age, and firm size were the three aspects considered to describe the companies studied. The surveyed companies are located in the states of Sinaloa (five companies), Veracruz (three companies), Distrito Federal (two companies), Tamaulipas and Michoacán (a company each one). The average firm age is 21 years. The younger one is three years, while the older one is 53 years old. Finally in terms of the firm size, the average is 1,100 employees. The smallest has 21 employees and the biggest has 3,400 employees.

Principal CSR Lines

The principal CSR lines for all the Mexican agricultural surveyed companies were life quality, ethics, community relationship, and environment. Furthermore, two more CSR lines were considered by some companies as important ones: value chain and responsible consumption (see Table 1).

Table 1

Principal CSR Lines in Mexican Agricultural Companies

| CSR line | Number of companies | percentage |
|-------------------------|---------------------|------------|
| Life quality | 12 | 100% |
| Ethics | 12 | 100% |
| Community relationships | 12 | 100% |
| Environment | 12 | 100% |
| Value chain | 5 | 30% |
| Responsible consumption | 3 | 10% |

Note. Source: Own elaboration.

The importance of the CSR lines in each enterprise was different. Nevertheless, the authors found interesting results for each line: Life quality was the first priority CSR line for five companies, the second priority for four companies and the third for one company. Ethics was the first priority for seven companies, the second for three companies, the third for one company and the fourth for another one.

Community relationship was the first priority for three companies, the second priority for two companies, the third for three companies, the fourth for another three companies and finally the fifth for one company. Environment was the first CSR priority line for three companies, the second for one company, the third for three companies, the fourth for four companies and the fifth for one more company.

As the authors showed in the last chart, chain value was a CSR line only for four companies. The priority of this CSR line was the fourth for one company, fifth one for two companies and sixth priority for another one. Also, responsible consumption was a CSR line for three companies, of which was the fourth priority for one company, the fifth for one company and the sixth for two more companies.

The CSR Distinctive

It is important to point out that all the Mexican agricultural companies surveyed have the CSR distinctive

given by the CEMEFI. The year they participated and obtained this acknowledgment varied in each enterprise. However, the common point was that all the companies surveyed engaged in CSR practices even before to obtain the distinctive.

A first analysis was the relationship between the firm age and the CSR engagement age (see Figure 1). In the chart, the authors observe that the oldest company began to engage in CSR at the second half of the nineties, as well as eight more companies that formalize the CSR engagement at the same time during this period, which is congruent with the formal initiation of the CSR in Mexico. As a result, no relationship was found in these two variables.

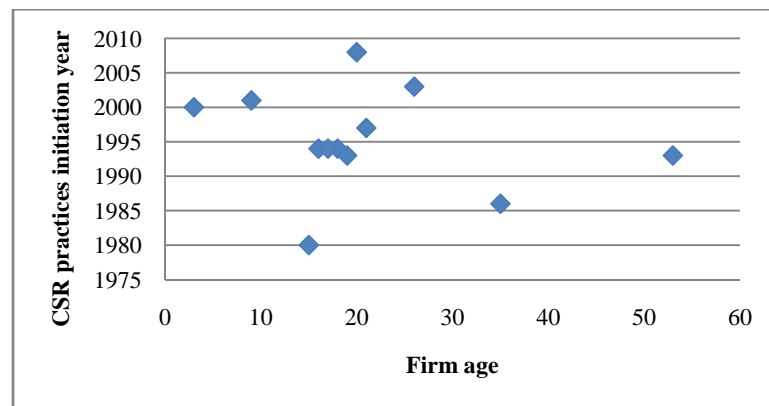


Figure 1. Relationship between the firm age and the CSR initiation practices year. Source: Own elaboration.

Companies were not faced with problems to obtain CSR distinctive, it means that the first time they applied, they obtained the acknowledgment. So, it can infer that for Mexican agricultural companies that engaged with CSR practices were easier and faster to obtain the CSR distinctive than those that did not engage in it. In fact, in the opinion of some CSR managers, the distinctive was a “next step” to institutionalize the practices they were doing during some period of time.

The second analysis was between the CSR engagement age and the CSR initiation practices year. As said previously, CEMEFI is the institution that gives the CSR distinctive since 2001. So, companies were separated in two groups: (1) companies operating before 2000; and (2) companies operating after 2000 (see Figure 2).

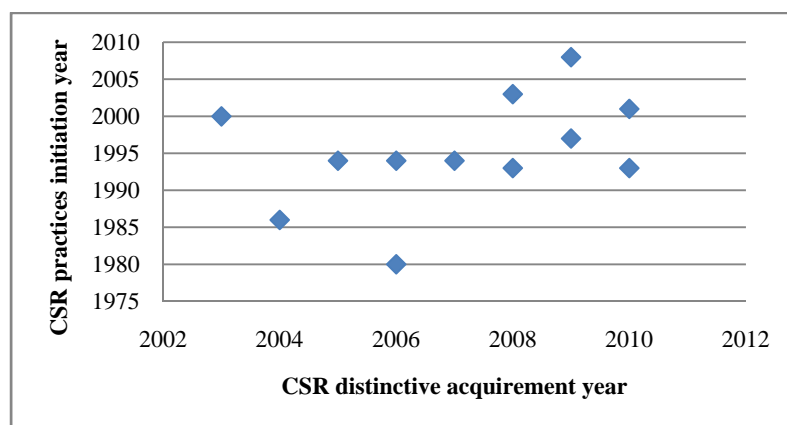


Figure 2. Relationship between the CSR initiation practices year and the CSR distinctive acquirement year.

Source: Own elaboration.

No particular behavior was found in this relationship, so it can infer that companies obtain CSR distinctive for a particular reason and not only for a trend. However, more analysis with more companies is needed in order to reach general findings.

Cause and Effects of CSR Distinctive

Mexican agricultural companies have particular reasons to obtain a CSR distinctive. These reasons are internal decision (11 companies), shareholder interest (eight companies), national and international requirements/exigencies (seven companies), public image improvement (five companies), local needs (two companies), clients' pressures (one company) and ONG pressures (one company) (see Table 2).

Table 2

Causes of CSR Distinctive Acquisition

| Cause/reason | Number of companies | Percentage |
|--|---------------------|------------|
| Shareholders interest | 8 | 80% |
| National and international requirements/exigencies | 7 | 70% |
| Internal decision | 11 | 90% |
| Providers' pressure | 0 | 0% |
| Public image improvement | 5 | 50% |
| Clients' pressures | 1 | 10% |
| Local needs | 2 | 20% |
| ONG pressures | 1 | 10% |

Note. Source: Own elaboration.

Reasons were classified into two groups: strategic and institutional according to the Husted and Allen (2006). In the first group are the shareholders interest, internal decision, public perception, and local needs reasons. While in the second group are the national and international requirements, supplier pressures, consumers' pressures and ONG/government pressures. As a result, 27 strategic reasons were founded, whereas institutional reasons were only nine (see Figure 3).

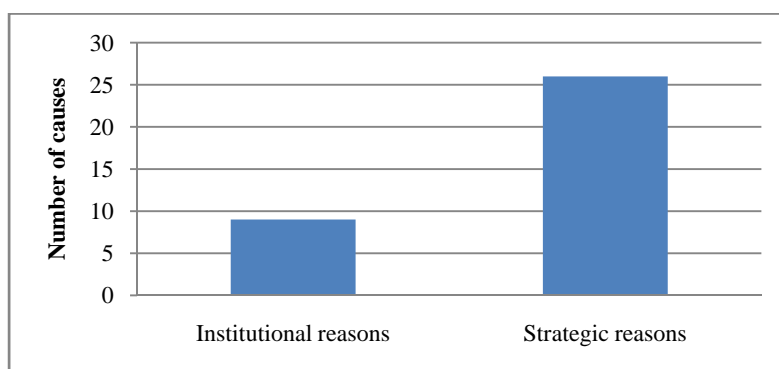


Figure 3. CSR causes classification. Source: Own elaboration based on Husted and Allen (2006) classification.

The effects of the CSR distinctive acquisition can be classified into both positive and negative effects. As positive effects, all the companies have improved their public image. Ten companies have improved their external relationships and eight companies have improved their internal relationships, mainly between employees or collaborators. Also, shareholders have increased their investments in five companies and two companies have increased the number of shareholders. Finally, the profits raise was another positive effect for two more companies.

Negative effects were minimal. Nevertheless, two companies argued that CSR distinctive acquirement caused an increase of management cost and for another company operation cost. It is logical and possible that management and operation cost are increased due to the CSR distinctive acquirement. Nevertheless, these costs can be justified by the greater CSR positive benefits (see Table 3).

Table 3

Effects of CSR Distinctive Acquirement

| Effects | Number of companies | Percentage |
|--------------------------------------|---------------------|------------|
| Internal relationships improvement | 8 | 80% |
| External relationship improvement | 10 | 90% |
| Public image improvement | 12 | 100% |
| Increase of shareholders number | 2 | 20% |
| Increase of shareholders' investment | 5 | 40% |
| Profits raise | 2 | 20% |
| Increase of management cost | 2 | 20% |
| Increase of operation cost | 1 | 10% |

Note. Source: Own elaboration.

Conclusions and Recommendations

- The main CSR lines in Mexican agricultural companies are life quality, ethics, community relationship, and environment.
- The priority of each CSR differs in all companies, issue that has been omitted by CEMEFI. The authors recommend considering the priorities for the CSR performance evaluation in Mexican agricultural firms.
- The firm age is not necessarily associated with the date of the CSR distinctive acquirement. A majority of these companies began to engage in CSR practices since the 90s, what is related with the introduction period of CSR concept in Latin America.
- No company had obstacles to get the CSR distinctive. The authors can infer a positive relationship between the previously CSR practices and the CSR distinctive acquirement. Further research in this area could be interesting.
- The reasons to obtain CSR distinctive to Mexican agricultural companies were classified into two groups: strategic and institutional. Strategic reasons were the majority, standing out the internal decision and the shareholders interest.
- The effects to obtain the CSR distinctive to Mexican agricultural companies were classified into two effects: positive and negatives effects. Positive effects as public image improvement, and internal and external relationships were the main.

References

- Belem, G. (2007). CSR between the social actors and stakeholders. *Research paper on the international workshop advancing CSR theory: An intercontinental dialogue* (La RSE entre acteurs sociaux et parties prenantes. Cahier de recherche sur l'atelier international Faire avancer la théorie de la RSE: un dialogue intercontinental) CRSDD (11).
- CEMEFI (2006). CSR concept. *CSR Fundamentals* (El concepto de Responsabilidad Social Empresarial. *Fundamentos de RSE*). Retrieved from <http://www.cemefi.org/spanish/content/view/632/19/>
- CEMEFI (2010). *Companies with ESR distinctive 2010* (Unpublished) (*Empresas con Distintivo ESR 2010. Documento inédito*).

- Centro Latinoamericano para el Desarrollo Rural (2005). CRS and fairtrade in agricultural sector (Responsabilidad Social Empresarial y Comercio Justo en el Sector Agropecuario). *Interchange Review*, 5, 54. Retrieved from http://www.rimisp.org/boletin_intercambios/index_boletin.php?id_boletin=69
- Cuervo, G. A. (2010). CSR, corporate governance and stakeholders. *CSR: A global reflection* (La Responsabilidad Social Corporativa, gobierno de la empresa y stakeholders. *Responsabilidad Social. Una reflexión global sobre la RSE*). Spain: Prentice- Hall.
- De la Torre, I. (2010). The public commitment to corporate social responsibility. *CSR: A global reflection* (El compromiso público de la Responsabilidad Social Corporativa. *Responsabilidad Social. Una reflexión global sobre la RSE*). Spain: Prentice- Hall.
- Garriga, E., & Melé, D. (2004). Corporate social responsibility: Mapping the territory. *Journal of Business Ethics*, 53, 51-71.
- Gendron, C. (2000). Questioning Ethics and Social Enterprise in the management literature (Le questionnement éthique et social de l'Enterprise dans la littérature managerial). Cahiers du CRISES. Québec: Collection Working Papers Etudes Theoriques. No. ET0004.
- Gómez, F. (2006). Corporate social responsibility and financial performance: Thirty five years of empiric research in search of a Consensus. *XIV national congress of ethics, economics and management* (Responsabilidad social corporativa y performance financiero: Treinta y cinco años de investigación empírica en busca de un consenso. *XIV Congreso Nacional de Ética, economía y Dirección*). Retrieved from http://www.eben-spain.org/docs/Papeles/XIV/GOMEZ_FRANCISCO.pdf
- Gond, J. P. (2008). *Coporate Social Responsibility (La Responsabilité Sociale de l'entreprise)*. Paris: Presses Universitaires de France.
- Griffin, J. J., & Mahon, J. F. (1997). The corporate social performance and corporate financial performance debate. *Business & Society*, 36, 1.
- Husted, B., & Allen, D. (2006). Corporate social responsibility in the multinational enterprise: Strategic and institutional approaches. *Journal of International Business Studies*, 37, 838-849.
- INEGI (2010a). *National Accout System of Mexico (Sistemas de Cuentas Nacionales de México)*. Retrieved from <http://www.inegi.org.mx/default.aspx>
- INEGI (2010b). *Occupacy and employment national survey (Encuesta nacional de ocupación y empleo)*. Retrieved from http://interdsap.stps.gob.mx:150/302_0058enoe.asp
- Logsdon, J., Thomas, D., & Van Buren, H. (2006). CSR in large Mexican firms. *The journal of Corporate Citizenship*, 21, 51-60.
- Margolis, J. D., & Walsh, J. P. (2003). Misery loves companies: Rethinking social initiatives by business. *Administrative Science Quarterly*, 48, 268-305.
- Müller A., & Kolk, A. (2009). CSR performance in emerging markets evidence from Mexico. *Journal of Business Ethics*, 85, 325-337.
- Pasquero, J. (1995). The socio-political environment of the enterprise. The organizations' management: A systematic, conceptual and strategic approach (L'environnement sociopolitique de l'Enterprise. La gestion des organisations: une approche systémique, conceptuelle et stratégique). Montréal: Mc Graw-Hill.
- Robins, J. A., Tallman, S., & Fladmoe-Lindquist, K. (2002). Autonomy and dependence of international cooperative ventures: An exploration of the strategic performance of US ventures in Mexico. *Strategic Management Journal*, 23(10), 881-901.
- Rodríguez, G., Cortez, A., & Abreu, J. (2010). Finantial performance vs social performance in Mexico: Applied case to Mexican stock exchange listed companies. XV International Congress of Accounting, Management and Information Technology Proceedings (Desempeño financiero vs desempeño social en México: caso aplicado a empresas que cotizan en la BMV. Memorias del XV Congreso Internacional de Contaduría, Administración e Informática). Mexico: UNAM.
- Roman, R., Hayibor, S., & Agle, B. R. (1999). The relationship between social and financial performance. *Business & Society*, 38 (1), 109-125.
- Porter, M., & Kramer, M. (2006). Strategy and society: The link between competitive advantage and corporate social responsibility. *Hardvard Business Review*, 84(12), 76-92.
- SAGARPA (2010). Agribusiness information system (Sistema de información agroalimentaria de consulta). Retrieved from http://www.siap.gob.mx/index.php?option=com_content&view=article&id=181&Itemid=426
- Weyzig, F. (2007). Corporate social responsibility in Mexico. How changes in the behavior of multinational enterprises contribute to economic development. *Accountancy Business and the Public Interest*, 6(1), 1-157.
- World Business Council Sustainable Development. (2000). Corporate social responsibility: Making good business sense. Switzerland: WBCSD.