Corporate Social Responsibility in Spain

The text is composed of extracts taken from the working paper Corporate Social Responsibility in Spain: An overview written by Professor Domènech Melé, IESE Business School, with their approval.

Corporate social responsibility (CSR) is all about what companies do on a voluntary basis beyond complying with existing legislation and regulations. Innovation Norway’s overall expectation is that businesses should assume responsibility for how their actions affect people, society and the environment, and through innovation and responsible practices contribute to solving current social and environmental changes, by integrating social and environmental concerns into their day-to-day operations.

For successful companies it is no longer enough to have a company profile based on compliance and annual financial reporting. Today environmental awareness, together with the financial downturn has made room for a wide recognition that businesses need to change their behavior into becoming more sustainable. The recession may give opportunities for reinvention, giving possibilities for innovation and businesses to emerge in new and more sustainable shape. Voluntary actions are the basis for successful corporate social responsibility, and for innovative businesses, CSR can be a commercial opportunity where they can take part in developing CSR further.

The Norwegian Government has presented a white paper on Corporate Social Responsibility (CSR) in an attempt to develop a comprehensive government policy in this area. The key areas for action are defined as 1) defining social responsibility in the Government’s own activities, 2) conveying society’s expectations to Norwegian companies, and 3) developing and influencing the framework for CSR, nationally and internationally. The white paper is based on the premise that Norwegian companies should be among the best at practicing corporate social responsibility, thereby helping to strengthen the status of human rights, create decent working conditions, protect the environment and combat corruption.

Norwegian companies who are looking to establish themselves abroad should aim to export healthy Norwegian business practice and ethics. The Norwegian Government expects businesses to act in a responsible manner, as their activities will affect people, society and the environment. Through innovation and responsible practices, Norwegian companies can contribute to solving current social and environmental challenges.

Success in business and commitment to corporate social responsibility can go hand in hand. By implementing a sound corporate social responsibility, companies demonstrate that they take their responsibilities seriously. As a result, this can give a significant competitive advantage through attracting healthy attention, building business goodwill, as well as having positive effects on their financial results.
Spain

In Spain, as in many other European countries, there is a growing movement in favor of corporate social responsibility (CSR). Spanish companies consider corporate reputation, competitive advantage and industry trends to be the major driving forces of CSR. However, these factors are closely related to other cultural, social and political influences. Initiatives undertaken by the EU and international organizations have influenced companies’ decision to implement CSR.

Associations and forums that bring together the heads of leading corporations, business schools and other academic institutions, NGOs and the media are actively promoting CSR in Spain. Although the degree of implementation of CSR in Spain is still moderate, initiatives in this field from some of the country’s most respected companies augur promising developments in CSR in the near future.

Driving forces for CSR

Respect for individual rights and a certain sense of solidarity can foster CSR, but apart from this, other factors have stimulated an awareness of, and a willingness to implement, CSR in Spain.

One of them is the business ethics movement, which in Spain began in the mid 1980s and thrived in the 1990s, mainly in academia, but also in some companies. In spite of some troubles and ambiguities in the past, business ethics is currently making progress in Spain (Argandoña, 1999). A good number of Spanish companies, especially the largest among them, have introduced ethical business policies (Melé et al., 2000), and corporate ethical practices are spreading (Fontrodona et al., 2003).

Other driving forces for CSR come from Europe and the rest of the world. Since the end of the 1990s and the start of the new century, corporate social responsibilities have received fresh impetus, with the focus on globalization and its critics, and concern for a sustainable world.

The European Union is now promoting CSR in all member states, and Spain, up to a certain point, has come under this influence. In 2001, the commission of the European Communities published a “Green Paper” (discussion paper) to stimulate debate about the nature and content of CSR. This debate elicited about 250 responses from business, employer, federations, trade unions, NGOs and academics. Despite mutual differences, a strong consensus emerged from responders to the effect that CSR is a vital component of companies’ core business and a determinant of future competitiveness. Responders considered CSR a global issue and an integral part of world efforts toward sustainable
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Consequently, in 2002, the European Commission published a communication on CSR, encouraging companies, including small and medium-sized businesses, to voluntarily assume a level of CSR beyond their statutory obligations. In 2003, the European Union Council published a resolution on the social responsibility of business, urging member states to undertake initiatives in this field. In addition, some European governments, including France and the United Kingdom, have promulgated laws on matters such as sustainable development, CSR, ethical investments, social audits and social balance sheets.

Finally, sustainability and CSR in Spain have been influenced to some extent by the slight but increasing popularity of special CSR or sustainability indexes for listed companies, such as the Dow Jones Sustainability Indexes, which track the financial performance of the leading sustainability-driven companies worldwide, or the FTSE4Good Index Series, designed to measure the performance of companies that meet globally recognized corporate responsibility standards, and to facilitate investment in those companies.

When business executives are asked what really drives CSR, they cite three main reasons: improving corporate reputation; obtaining a competitive advantage; and following industry trend. The demands of stakeholders are important too, but pressure from NGOs is still not very significant in Spain.

Many countries have a long tradition of Socially Responsible Investment (SRI), and this appears to be an important driving force for promoting CSR. That is not yet the case in Spain, as SRI started only recently and the amount of funds it attracts is low. According to experts, however, it is likely to increase in future years (IPES, 2002).

**Business associations and forums for CSR**

Some businesses, especially large corporations, are active players in implementing CSR through associations and forums. The latter generally receive technical support from academic or consulting organizations. One example is the Forum on Business and Sustainable Development launched by IESE Business School in 1999, having started work on sustainable development four years earlier. In 2002, with the cooperation of PricewaterhouseCoopers and Fundación Entorno, this forum, which involves CEOs of large Spanish companies, proposed a Code of Governance for Sustainable Business. It meets once a year to discuss topics related to corporate sustainability and sustainable development.

In 2002 four big Spanish companies (Telefónica, BBVA, Repsol-YPF and Grupo Agbra) launched the “Forum de Reputación Corporativa” (Corporate Reputation Forum). The purpose of this forum is to provide a meeting place to analyze and publicize trends, tools, and models of corporate reputation in management. It has an active website and publishes an annual report on corporate reputation. Subsequently, other large Spanish companies joined the forum, which has the technical support of the Instituto de Empresa, a business school based in Madrid.

That same year, a group of important Spanish companies, including Alstom, Amena BASF, BSH Electrodomésticos, Cemex España, Cepsa,
Holcim (Spain), Iberdrola, MRW, Port Aventura, RENFE, Siemens, Telefónica Moviles, Tetra Pak España, Unión FENOSA and Vodafone, established the Excellence in Sustainability Club with the aim of promoting sustainable growth in economic, social and environmental fields. It is intended to serve as a forum for stakeholder dialogue and to foster benchmarking in sustainable development.

Another important network for promoting CSR is the “Mesa Cuadrada” (Square Table), which is the Spanish chapter of the UN Global Compact, the well-known set of principles on human rights, labor rights and environmental issues proposed by United Nations’ Secretary-General Kofi Annan in 1999 and in operation since 2000. Mesa Cuadrada involves public institutions, academic institutions, companies, charities, large NGOs and foundations. All participants around the table have equal rights and obligations, and they contribute a membership fee that covers the annual budget.

Finally, the Spanish Association for Accounting and Business Administration (AECA), which brings together academics and practitioners, has recently created a commission of experts to work on CSR.

The role of non-governmental organizations and the media in promoting CSR

Several NGOs and mass media are contributing to foster implementation of CSR from different perspectives. Many have adopted the legal form of a foundation. Here we mention the most important of them.

In 1992 a group of professionals created the “Fundación Ecología y Desarrollo” (ECODES) (Ecology and Development Foundation) to promote sustainable development. Today it is the Spanish partner of the Sustainable Investment Research International Group (SiRi Group) and the Ethical Investment Research Service (EiRiS), whose main purpose is to evaluate CSR. ECODES performs a range of activities and publishes an annual report on CSR in Spain.

In 1995 another environmental organization was created: the “Fundación Entorno” (Environment Foundation), whose mission is to harmonize economic development with environmental protection and help companies to improve their commitment to the environment.

The “Fundación Empresa y Sociedad” (Business and Society Foundation) was created in 1995. Its main goal is to promote the involvement of Spanish companies in the community as a natural part of their strategy. Its efforts are aimed at improving business involvement in the community, with the appropriate strategy and proper communication of this strategy to society.

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In 1999, several companies and other partners created Forética, a non-profit organization that seeks to apply key concepts of quality management to corporate ethics management. Since 2002 Forética has offered a Corporate Ethical Management System (SGE).

The “Fundación Economistas sin Fronteras” (Economists Without Borders Foundation), an NGO serving the needy in developing and industrialized countries alike, is also active in promoting CSR.

The mass media also have an influence, at times a considerable influence, in promoting CSR by airing expert opinion, best corporate practices, rankings, tendencies, and so on, thus helping to educate managerial opinion and shape managerial agendas. In Spain, the media have paid increasing attention to CSR, mainly since 2001, when various international initiatives were made public and public...
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opinion became more sensitive to corporate scandals. Certain CSR-related topics are frequently mentioned in the business or general media, such as safety and health in the workplace, lay-offs and plant relocation, environmental issues, immigrant labor, labor disputes, fraud and financial and accounting scandals and corruption.

**Government initiatives**

Most people agree that CSR goes beyond compliance with the law, and yet compliance with the law already covers many requirements of social responsibilities for business. Spanish legislation, like that of most countries, covers many issues such as working conditions, contracts, health and safety, the disabled, dismissals, family issues, consumerism, environment, etc. that many people would consider implicit or minimum CSR.

Some government actions in the field of corporate governance are worth mentioning. At the end of the 1900s, the Spanish Government commissioned a special team of experts led by Prof. Manuel Olivencia to prepare a report on an ethical code for boards of directors. Published in December 1998, the so-called Olivencia Report included 23 specific recommendations for good practice in corporate governance. The rules were voluntary, but companies were told that they should inform the market whether they accepted or rejected them. It was hoped that the market would reward companies that adopted the Olivencia Code, and penalize those that did not. In practice there is no evidence that this has happened.

In July 2002, the Spanish Government set up another special commission, chaired by the businessman Enrique Aldama, to prepare a report to promote transparency among the duties and responsibilities of directors and proposed changes to the law to improve recommendations were included in a new law on transparency. This was a further step toward building a sense of social responsibility in boards of directors, although limited to a few specific issues.

At the same time, the Spanish government endorsed the OECD Guidelines for Multinational Enterprises. The Guidelines, made by the governments of the 30 country members of the OECD as well as Argentina, Brazil and Chile, are intended to promote responsible behavior by multinational companies, a favorable climate for international investment, and positive contributions by multinational companies to the economy, society and the environment. For the Guidelines to be effective, the National Contact Points are crucial. They are responsible for encouraging observance of the Guidelines in a national context and for ensuring that they are well-known and understood by the national business community and other interested parties. Companies adhere to the OECD Guidelines on a voluntary basis and are then expected to apply them in every country in which they operate. The job of the National Contact Point (NCP) is to gather information on national experiences with the Guidelines, handle enquiries, discuss matters related to the guidelines, and assist in solving problems that may arise in this connection and generally help to implement the Guidelines. In Spain, the National Contact Point is the General Secretary for International Trade at the Ministry of Economy. However, as far as anyone can tell, this National Contact Point is
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To summarize, the Spanish Government has taken very few measures to foster CSR, preferring to leave the initiative exclusively to business. Some NGOs expect more government action, while companies insist that CSR should be voluntary. What many Spanish companies (31.3% in Forética survey, Forética, 2002, p. 43) would like is a general EU framework on CSR, but not compulsory duties or government intervention.

Current situation and trends on CSR in Spanish companies

Many Spanish companies have introduced CSR-related practices. A considerable number of companies include CSR-related initiatives in their corporate mission and/or values statement, or make a public commitment to CSR, although some do not give stakeholder value maximization as their main or exclusive mission. It can be deduced, however that even these latter companies accept a degree of CSR, at least as a constraint, because a vast majority declare a commitment to respecting the natural environment and adhering to a code of ethics. In addition, practically all the companies have a code of good practice for corporate governance, which is encouraged by current legislation.

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Some companies have implemented methods for managing CSR and/or improving corporate reputation. Many of them have created specific departments or managerial positions for dealing with their issues.

Among companies in Spain with a relatively outstanding implementation of CSR one could mention: BBVA in banking; Endesa, Iderdrola, Unión Fenosa and Gas Natural in energy; Inditex and Mango in apparel and fashion; NH hotels in tourism; Novartis in pharmaceuticals; Telefónica, Vodafone and Siemens in telecom; Corporación Mondragón, BSH Electrodomésticos and Tetra Pak in manufacturing; and MRW in logistics, among others.
Conclusions

Spanish companies consider corporate reputation, competitive advantage and current industry trends to be the major driving forces for CSR. However, these factors are closely related to certain cultural, social and political influences, described above.

CSR has also been fostered by certain EU initiatives, such as the Green Papers and subsequent measures by the European Commission, and the work of international organizations, particularly the United Nations with its Global Compact. Associations and forums that bring together the top managers of major corporations, leading business schools and other academic institutions, NGOs and the media are also actively promoting CSR in Spain.

Although the degree of implementation of CSR is still moderate, large and highly respected business corporations are now more sensitive to CSR initiatives and are implementing them effectively. This suggests that promising new developments and implementations of CSR are to be expected in Spain in the near future.

References


Photos

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Street in San Sebastian: Kristin Orset
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Plaza Españ: Kristin Orset
Zumaia: Kristin Orset

Global initiatives on corporate social responsibility

Driving forces in promoting corporate social responsibility issues are global initiatives such as

- The United Nations Global Compact http://www.unglobalcompact.org
- ISO 26000 - Social Responsibility - from the International Organization for Standardization (ISO), a voluntary guidance on social responsibility, intended to be a worldwide standard aimed at both public and private organizations. The standard is being developed to be consistent with other relevant declarations and conventions from the United Nations and the International Labor Organization (ILO), and is expected to be published by autumn 2010. http://isotc.iso.org/livelink/livelink/fetch/2000/2122/830949/3934883/3935096/home.html?nodeid=4451259&vernum=0,
- Transparency International http://www.transparency.org/