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Coordination: Dr. Laura Spence

ETHICS IN SMALL AND MEDIUM-SIZED ENTERPRISES IN LATIN AMERICA

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Maria Cecilia Coutinho de Arruda
maria.cecilia.arruda@fgv.br

Lia Ines Bittelbrun
cene@fgvsp.br

Rosa MitsukoYamakami
cene@fgvsp.br

CENE-FGV-EAESP
Center of Studies for Ethics in Organizations
Fundacao Getulio Vargas
Escola de Administracao de Empresas de Sao Paulo
Avenida 9 de Julho, 2029 – 11º
01313-902 Sao Paulo, SP – Brazil
Tel./fax: 55-11-3281 7749

ETHICS IN SMALL AND MEDIUM-SIZED ENTERPRISES
IN LATIN AMERICA

Aiming at a global overview, ISBEE Global Research Projects were prepared in different regions. This paper focuses on perspectives of ethics in Latin American Small and Medium-Sized enterprises (SMEs). The authors' objective is to analyze how the Latin American SMEs can become ethical and socially responsible, despite all the difficulties that they face to succeed within moral standards.

Social work has been treated as a professional field since the 1940s. Concepts as charity and philanthropy had then since been used in business, as a way to support social needs that governments did not attend. The International Christian Union of Business Executives (UNIAPAC) inspired other non-governmental institutions to consider their initiatives and donations as social investments. In the 1980s, this concept

> … was characterized by a vision through which the business actions in social matters should not be assistance, but they should promote the development of communities in a broad sense, not only aiming at mere satisfaction of necessities. (Vives; Corral; Isusi, 2005, p. 16, our translation)

In the late 1990s, the concept of Corporate Social Responsibility (CSR) became more common, even with different meanings in some Latin American countries. The inter-relation of business, government and non-governmental organizations suggested a new concept: Social Responsibility of Organizations. More recently, with the concern about the global heating, the concept was broadened and sustainability was "launched" as the most important concern. The triple bottom line has then since been considered the main concern: Public and business policies have contemplated economic, social and environmental responsibilities. Fashion in large multinational corporations? Available data have shown that this serious attitude has not reached SMEs yet, at least in the same way. For these, economic survival still has to be priority. Their CSR is deeply understood as job creation, alleviating the unemployment disease caused mostly by unfair governmental policies.

Latin America is a diversified region. Geographically, North, Central, South America and Caribbean countries are gathered. Some figures help to understand the Region's situation. In 2005, the Gross Domestic Product (GDP) of Latin America and the Caribbean grew by 4.5%, and *per capita* GDP rose by 3.0%. Then since, most countries have presented a positive economic performance, perhaps in a slower, but always increasing path. For instance, in 2006, the Region registered its fourth consecutive year of growth, with GDP expanding by about 5.0%, and the *per capita* GDP by 3.5%. (ECLAC, 2007)

These countries live different realities, due to the Latin-European cultural influences, as well as to racial and economic issues. Such facts impact the size and characteristics of industries. While SME research has been deeply developed in Europe and North America, Latin America as a unit of analysis is new, still rare and scarce. Therefore, it is not easy to reach a consensus about the SME definition.

Although around 90% of Latin American firms are small, the availability of statistical data is limited, and precise information for business is costly. Given this, any research project related to Latin American enterprises, searching for information not directly oriented to business profits, requires a significant investment.

SMEs have increased in number, due to many reasons. International crisis, wars and globalization have impacted the employment level, mainly in multinational companies (MNC). As an example, the Micro, Small and Medium-Sized enterprises (MSMEs), had

22.1% of growth, in the period 2001-2004. This number includes formal and informal enterprises. (SEBRAE, 2006). Age, wage and marital status are concrete criteria for dismissals, in the downsizing process. Many professionals with expertise in specific areas decided to open their own businesses, often becoming suppliers of the same companies for which they previously worked. Nowadays, upper middle class citizens are responsible for about 10% of small and medium sized enterprises (SMEs). Created upon innovative ideas, product concepts or processes based on leader's expertise, the opportunities have been offered in market niches.

In reality, serious ethical issues can be seen in micro, meso and macro-levels. The SMEs are now finding ways to discuss such issues, as they receive support from international agencies, local government and specific stakeholders. Corporate Social Responsibility (CSR) has been mostly taken into consideration in large corporations in Latin America. The authors consider how the Region has naturally started applying it in small and medium-sized enterprises' strategies and practices. With regional integration, a network of organizations and associations of business leaders helped to become socially responsible through a variety of initiatives. This paper discusses the SMEs' social contribution for the regional economic development.

1. Defining Small and Medium Enterprises (SMEs)

SME's concept varies in different countries or regions. Aiming to promote the development of SMEs in Spanish and Portuguese speakers' countries, the Organizacion Latinoamericana de Micro y Pequenas Empresas – OLAMP (Latin American Organization of Micro and Small-Sized enterprises), an international non-profit organization was created and integrates more than 30 public and private institutions. It gathers nineteen nations (most of which in Latin America: Argentina, Brazil, Chile, Colombia, Dominican Republic, Ecuador, Guatemala, Mexico, Panama, Paraguay, Peru, Uruguay, Venezuela) and business associations (Confederacion Bolivariana de Venezuela de la Micro, Pequena y Mediana Empresa - CONFEDEMPRESA-MIPYME; Comision Empresaria MIPYMES MERCOSUR, Argentina; Confederacion Latinoamericana y del Caribe de la Pequena y Mediana Empresa – CLAMPI, Colombia). Table 1 shows OLAMP's contribution to research projects, defining parameters to measure the size of such enterprises. As a limitation, they do not take into account the micro-sized enterprises, which happen to be the most numerous in the Region.

Size	Workers	Value assets (Minimum wages)
Small-Size Enterprise	11 to 50	501-5,000
Medium-Size Enterprise	51 to 200	5,001 to 30,000

Table 1: Classification of Enterprises by number of employees and value assets
Source: OLAMP, 2004.

Researchers at the Comision Economica para America Latina y el Caribe – CEPAL (Economic Commission For Latin America And Caribbean – ECLAC) have gathered information from different sources and criteria to define micro, small and medium-sized enterprises (MSMSE) in the Region. Table 2 shows them.

	Argentina[1] (sales)	Bolivia[2] (employees)	Chile[3] (sales)	Colombia[4] (employees)	Costa Rica (employees)	El Salvador (employees)	Guatemala[5] (employees)	México[6] (employees)	Panamá[7] (gross income)	Venezuela[8] (employees)
Micro	Up to 0.5	Up to 10	Up to 2,400	Up to 10	Up to 10	Up to 4	Up to 10	Up to 30	Up to 150,000	Up to 10
Small	Up to 3	Up to 19	Up to 25,000	Up to 50	Up to 30	Up to 49	Up to 25	Up to 100	Up to 1,000,000	Up to 50
Medium	Up to 24	Up to 49	Up to 100,000	Up to 200	Up to 100	Up to 99	Up to 60	Up to 500	Up to 2,500,000	Up to 100
Large	Over 24	Over 49	Over 100,000	Over 200	Over 100	Over 99	Over 60	Over 500	Over 2,500,000	Over 100

1 Stated in million pesos. The definition applies to the manufacturing industry. For commerce: micro (up to a million), small (up to 6 million), medium-sized (up to 48 million), large (more than 48 million). For services: micro (up to 0.5 million), small (up to 1.8 million), medium-sized (up to 12 million), large (more than 12 million).

2 Deputy Minister of Micro enterprises, Ministry of Labor, 2002.

3 In UFs. A UF is equivalent to approximately U$S 24. Definition by employment is as follows: micro (up to 4 workers), small (up to 49), medium-sized (up to 199), large (over 199).

4 Based on the new MSME Act. Further to this, there is the asset-volume definition (measured in minimum wages).

5 New classification defined by the Deputy Minister of Micro enterprises, Ministry of Economy. Published in the Diario de Centro América, in its edition of May 17th. 2001. Prior to this, the standard classification was: micro (up to 4 workers), small (up to 49), medium-sized (up to 199).

6 Definition applicable to the manufacturing industry. For commerce: micro (up to 5), small (up to 20), medium-sized (up to 100), large (more than 100). For services: micro (up to 20), small (up to 50), medium (up to 100), large (over 100).

7 Stated in dollars (or balboas). In Panama, the exchange rate with the US$ equals one balboa is in effect.

8 Only for industry businesses. New classification derived from the Decree Law referred to in previous paragraphs. The prior definition (on which enterprise-count was based) refers to micro enterprises (up to 4 workers), small (up to 20), medium-sized (up to 100; further divided into medium-low (21-50) and high (51-100)). A second definition based on annual sales classifies micro (up to 9,000 TU), small (up to 100,000 TU), medium-sized (up to 250,000 TU), large (over 250,000 TU). A TU (tax unit) is equivalent to approximately U$S 12. According to the new Law, in case of confusion the competent ministry authorities shall determine to which definition strata such industry belongs to, according to the methodology established by the Decree-Law regulations referred to in previous paragraphs.

SOURCE: "Business enabling environment" teams. FUNDES countries offices

Table 2: Definition of micro, small and medium-sized enterprises in Latin America
Source: FUNDES, 2002, p. 4.

In a rigorous approach, Angelelli, Moudry and Llisterri (2007) discuss the extreme difficulty to present a comprehensive definition of enterprise sizes in Latin America, due to differences in sectors and a wide diversity in markets and national economies. Aiming at a most homogeneous figure, their study indicates several indexes used by 18 Latin American Countries (LAC), as number of employees, sales, assets, and a combination of other criteria more competitive and collaborative units. Some of them appear in Table 3.

For the purpose of this paper, the authors understand that there are many similarities in LAC. As Central America and Caribbean have small economic and demographic participation in the Region (Peters; Waltring, 2003), they will always be included in the analysis, but not necessarily in the presented data.

Country	Criteria	Micro (in US$)	Small (in US$)	Medium (in US$)
Argentina[1]	Sales: Industry	900,000	540,000	43,200,000
	Sales: Retail Trade	1,800,000	10,800,000	86,400,000
	Sales: Services	450,000	3,240,000	21,600,000
	Sales: Agriculture	270,000	1,800,000	10,800,000
Bolivia[2]	Employment	10	20	
	Annual Sales	80,000	400,000	1,600,000
	Assets (activos productivos)	10,000	100,000	1,000,000
Brazil[3]	Employment - industry	19	99	499
	Employment-Services/Retail	9	49	99
	Sales	433,455	2,133,222	
Chile[4]	Sales (UF)	2,400	25,000	100,000
Colombia[5]	Employment	10	50	200
Costa Rica[6]	Points System	10	35	100
Dominican Republic[7]	Employment	10	50	100
	Annual Sales	60,000	1,200,000	5,000,000
Ecuador[8]	Employment	10		
El Salvador[9]	Employment	10	50	100
	Monthly Sales	5,714	57,143 [a]	380,952 [b]
Guatemala[10]	Employment	10	25	60
Honduras[11]	Employment	10	25	150
	Average Monthly Sales	3,125	9,375	154,000
	Average Monthly Assets	2,400	25,000	200,000
Mexico[12]	Employment: Industry	10	50	250
	Employment: Retail	10	30	100
	Employment: Services	10	50	100
Nicaragua[13]	Employment	5	20	100
Panama[14]	Employment	5	20	100
Paraguay[15]	Employment	5	20	50
	Annual Sales	70 million	271 million	1,355 million
	Assets	23 million	92 million	460 million
Peru[16]	Employment	10	50	199
	Annual Sales (UIT) [c]	150	850	
Uruguay[17]	Employment	4	19	99
	Annual Sales (net)	60,000	180,000	5,000,000
	Assets	20,000	50,000	350,000
Venezuela[18]	Employment	10	50	100
	Ventas Anuales	60,000	180,000	500,000

(a) Includes businesses with up to 10 workers but with monthly sales above $5,714 and less than $57,143. (b) Includes businesses with up to 50 workers but with monthly sales above $57,143 and less than $380,952 (c) Unidades Impositivas Tributarias (UIT).

Source: (1) Resolution 675/2002. INDEC (2) Multiministerial No. 202 del 24 de septiembre de 2004. Employment: Viceministerio de Micro Emrpresas (3) O Estatuto da Micro e Pequena Empresa, uma lei de 1999, alterado pelo Decreto 5028, de 31 de março de 2004. (4) Corporación de Fomento de la Producción (CORFO). (5) DANE- Departamento Administrativo Nacional de Estadistica. (6) DIGEPYME: Dirección General de Apoyo de la Pequeña y Mediana Empresa. (7) Fondomicro. Pequeñas y Medianas Empresas en la República Dominicana, 2001.(8) USAID. Microenterprises and Microfinance in Ecuador, 2005. (9) Comisión Nacional de las Micro y Pequeña Empresa. (10) La Micro y Pequeña Empresa en América Central: Realidad, Mitos y Reto. Jorge Arroyo y Michael Nebelung, 2002. (11) Comisión de la Micro, Pequeña y Mediana Empresa (CONAMIPYME). (12) La Secretaría de Economía - publicada en el Diario Oficial de la Federación. (13) Directorio Económico Urbano INEC/MIFIC/GTZ, 2000. (14) Ley 8 de 25 de mayo de 2000 y la Ley 33 de 25 junio de 2000. (15) Ley 606/95. (16) Ley N° 28015 de Promoción y Formalización de la PYME Empresa. (17) Decreto No. 54/92 del 07.02.1992 y Decreto Nro. 266/95 del 19/07/1995. (18) Fundes Venezuela.

Table 3: Enterprise definitions in Latin American countries.
Source: Angelelli; Moudry; Llisterri, 2007, p. 36.

Table 4 shows that the reality for Latin American as a whole is not different.

Country	Data Year	Micro	Small	Medium	SMEs	MSMEs *(totals)*		Large		Total
						Number	%	Number	%	
Argentina[1]	1998	1,911,170			276,704	2,187,874	99.9	3,067	0.1	2,190,941
Bolivia[2]	1995	500,000	1,007	326		501,333	99.9	234	0.1	501,567
Brazil[3]	2002	4,605,607	274,009	23,652		4,903,268	99.7	15,102	0.3	4,918,370
Chile[4]	2004	571,535	112,731	15,748		700,014	99.9	7,620	1.1	707,634
Colombia[5]	2000/1990	976,315			26,694	1,003,009	99.9	821	0.1	1,003,830
Costa Rica[6]	2000	58,620			14,898	73,518	98.2	1,348	1.8	74,866
Dom. Rep. [7]	1999/2000	344,845	8,480	1,850		355,175	99.6	1,500	0.4	356,675
Ecuador[8]	2001	1,043,440				1,043,440	100			1,043,440
El Salvador[9]	2004	247,735	15,777	1,402		264,914	99.6	941	0.4	265,855
Guatemala[10]	1998	135,000	29,024	9,675		173,699	98.6	2,438	1.4	176,137
Honduras[11]	2000	252,582	5,114	257		257,953	100		0.0	257,953
Mexico[12]	2003	2,853,291	118,085	27,073		2,998,449	99.8	6,708	0.2	3,005,157
Nicaragua[13]	1996	49,718	4,523	712		54,953	100		0.0	54,953
Panama[14]	1999	33,029	5,274	1,333		39,636	96.2	1,554	3.8	41,190
Paraguay[15]	2002	418,000			130,000	548,000	99	5,642	1.0	553,642
Peru[16]	2004	622,000	25,938	10,899		658,837	100			658,837
Uruguay[17]	2000	129,074	11,663	2,298		143,035	99.7	427	0.3	143,462
Venezuela[18]	1998/2000	2,898,280	8,701	2,613		2,909,594	100	776	0.0	2,910,370
Total		17,650,241	620,326	97,838	448,296	18,816,701	99.7	48,178	0.3%	18,864,879

Sources: (1) Argentina. INDEC - Encuesta de hogares, 1998. (2) Bolivia Estimated by the Centro de Estudios para el Desarrollo Laboral y Agrario (CEDLA). Larrazabal, H.: Microempresa vs. Pobreza, 1995. (3) Brazil Instituto Brasileiro de Geografia e Estatística (IBGE) - Statistics from the Cadastro Central de Empresas (CEMBRE)-IBGE. Data in Observatório Sebrae, "Boletim Estatístico de Micro e Pequenas Empresas," 1 Semestre 2005. (4) Chile Statistics from the Servicio de Impuestos Internos (SII). Data in Chile Emprende, "La Situación de la Micro y Pequeña Empresa en Chile." Gobierno de Chile. Diciembre 2005. (5) Colombia DANE- Departamento Administrativo Nacional de Estadística. For Micro: Encuesta Nacional de Microestablecimientos de Comercio, Servicios e Industria (2000). For SMEs and Large: Censo Economico Nacional (1990). (6) Costa Rica Data reported by FUNDES, "SME Indicators in the FUNDES Region." (7) Dominican Republic Micro and Small Enterprises: Encuesta Nacional de Micro y Pequeña Empresa en la República Dominicana, 1999. For large and medium enterprises: Estimación de Nogales y Asociados (2000). "Lineamientos para el Apoyo a la Microempresa en República Dominicana." Working Paper, IADB. (8) Ecuador Encuesta de Condiciones de Vida. Source Publication: USAID. Microenterprises and microfinance in Ecuador. March 2005. Only data for micro enterprises available. (9) El Salvador Dirección General de Estadística y Censos (DIGESTYC), "Encuesta de Seguimiento Sectorial," 2004. (10) Guatemala Instituto nacional de estadística - Economic Census, 1998. (11) Honduras CONAMIPY-ME/SIC. ROMYPE/GTZ. Diagnóstico de la micro, pequeña y mediana empresa, 2002. (12) Mexico Inegi – Instituto Nacional de Estadística Geografía e Informática. Economic Census, 2004. (13) Nicaragua Directorio Económico Urbano INEC/MIFIC/GTZ, 2000. (14) Panama Contraloría General de la República, directorio de establecimientos, 1999. (15) Paraguay BCP - Banco Central del Paraguay, UTEP – Unidad Técnica Ejecutora de Programas, 2002. (16) Peru Superintendencia Nacional de Administración Tributaria (SUNAT). Declaración de Renta, 2004. (16) Uruguay. Elaboración por el Observatorio Pymes de la División Empresas de Dinapyme. En base a datos extraídos de "Uruguay en Cifras 2004" del INE. (17) Venezuela For Microenterprises: Oficina Central de Informatica, Household Survey (1998). For Small, Medium, & Large Enterprises: Instituto Nacional de Estadistica (previously OCEI), 2000. Only includes Industrial firms.

Table 4: Number of firms by size, total number, and proportion to total.
Source: Angelelli; Moudry; Llisterri, 2007, p. 37.

Latin American and Caribbean countries went through economic and political reforms in the 1980s and 1990s: Liberalization of markets, privatization of several industries for which the public sector had been responsible, and price stabilization. New ways to develop the countries aimed at better social conditions. (ECLAC, 1994)

Many organizations are concerned about capacitating business leaders and professionals in SMEs. In Brazil, the Servico Brasileiro de Apoio as Micro e Pequenas Empresas – SEBRAE (Brazilian Service to Support Micro and Small-Sized Enterprises) has largely offered programs, meaning to develop managerial skills, technology information, education in accounting and economics, qualifying citizens to access the market. Other institutions aim at similar objectives throughout Latin America. Exchanging experiences has proved to be a good help to the leaders. According to the SEBRAE Observatory, micro and small-sized enterprises represent 98% of the private sector organizations in Brazil.

An interesting comparison to European data allows a perception of the micro-sized enterprises' important role in Latin America (Table 5).

Country / region	2004 GDP (in US$ billions)[1]	2004 Population (in millions)[2]	Number of MSMEs[3]	People per MSME
Brazil	599.8	179.1	4,903,268	37
Mexico	676.5	106.2	2,998,449	35
Venezuela	107.5	26.2	2,909,594	9
Argentina	151.9	37.9	2,187,874	17
Ecuador	29.9	13.4	1,043,440	13
Chile	93.7	16.0	700,014	23
Colombia	95.2	45.3	684,646	66
Peru	67.9	27.5	658,837	42
Paraguay	7.0	6.0	548,000	11
Bolivia	9.4	8.8	501,333	18
Dom. Rep.	19.4	8.8	355,175	25
El Salvador	15.8	6.7	264,914	25
Honduras	7.4	7.0	257,953	27
Guatemala	26.1	12.7	173,699	73
Uruguay	12.0	3.4	143,035	24
Costa Rica	18.5	4.2	73,518	57
Nicaragua	4.4	5.6	54,953	102
Panama	13.8	3.2	39,636	81
Region TOTAL	1,956.2	518.0	18,498,338	28
EUROPE 4/	12,213.0	460.0	23,000,000	20

Sources:(1) IMF World Economic Outlook - April 2005. (2) Population Reference Bureau World Population Data Sheet, 2004. (3) Table A1-2 Appendix 1. (4) GDP and Population: OECD in Figures - 2005 edition (for EU 15). European SMEs: OECD SME & Entrepreneurship Factbook – 2005.

Table 5: Number of micro enterprises by size of the economy and population.
Source: Angelelli; Moudry; Llisterri, 2007, p. 38.

Aiming at the future, the economic scenario seems optimistic for many Latin American countries, given their characteristic of raw material exporters. On the other hand, the wealth concentration has constantly increased in most nations in the Region. (SCHWARTZMAN, 2000)

Public policies seem not to be sufficiently strong to correct the extreme disparities found in countries as Brazil and Peru. This opens good opportunities for private initiatives through micro and small-sized enterprises that find niches in the market. They contribute for a better distribution of wealth, at the same time as they stimulate higher quality of education and other social services. (SAINZ; LA FUENTE, 2001). Thus, MSMEs play a very important role in the long-term development of Latin American countries.

2. Role of SME’s in society

Social workers were recognized as professionals in the 1930s. Some private and public schools provided high level of education to prepare the social workers. The giving a fish started to turn into teaching how to fish. In most Latin American countries, this was a governmental initiative. The culture of not only giving away was slowly impregnating the community, so that, besides social workers, other citizens started to dedicate many hours to social projects, either as volunteers or as professionals of all careers: teachers, medical doctors, dentists, lawyers, just to mention some. It is clear that solidarity is a common Latin Americans’ characteristic.

Latin American SMEs seem to be seriously concerned with the North-South inequalities. Regional social problems seem to become more accentuated. The globalization process has not helped to reduce them as much as expected.

There is a large spectrum of meanings around the business ethics (BE) and corporate social responsibility (CSR) concepts. Because of the strong wealth discrepancies existent in most Latin American countries, philanthropy, charity, social assistance and grants have been terms often used in the media, in business, in churches and in communities. These concepts are not clear in the business arena.

In the 1950s, the internationalization of multinational corporations (MNCs) raised ethical concerns. Facing cultural shocks, the MNCs elaborated codes of ethics or codes of conduct to assure that their core values were seriously preserved in the subsidiaries throughout the world. Social and economic constraints could create opportunities for less ethical procedures. The focus was on individual values and ethics. Despite this concern from the headquarters, social problems were clear and concrete in Latin America.
With good intention, most people tried to solve short-term problems. Professionalism was needed to organize programs and actions in order to effectively find permanent solutions.

In the 2000s, the Brazilian CSR movement apparently influences other Latin American countries in an intense way. The challenge is to be persistent and hopeful. For many reasons, Latin Americans seem to have lost self-esteem. A SME's leader may have as first task to help the employees, and citizens in general, to recuperate the trust in themselves and the sense that it is worthwhile struggling for a better economy. Representing around 90% of the economy (in number of firms), the contribution of SMEs is with only about 5% of the GNP, which is a paradox. A partnership large-small-sized enterprise has to effectively occur, concerning CSR. This effort requires organization and articulation, so that the programs become more focused and effective.

CSR starts to be seen not as a matter of financial resources invested in social projects, but as a philosophy that determines the relationship of SMEs with all stakeholders. It is positive to see how Latin American SMEs open opportunities for older workers – meaning over 35 years of age, as an example – while large companies fire, more than hire them.

Women seem still be discriminated concerning wages, compared to men. SMEs have shown to be the alternative for many women that started their own businesses. Frequently they become the most important – if not the only – financial support to the family.

CSR activities in Latin America

By 1990, Latin American business leaders started to mention corporate social responsibility, meaning philanthropy, corporate citizenship, social investment or donation, just to summarize some of the many different denominations for the CSR concept. The Academy was not included – or invited to participate – in such a discussion. The terms were not clearly defined in the business field, generating strong bias around the theoretical rigor. This fact has raised not only semantic issues, but eventually wrong practical applications of the concept. Many non-governmental organizations (NGOs) are legally created, but do not fulfill their objectives. This recalls the importance of having ethics in the basis of the CSR concept. The current situation is that ideas are more important than concepts. For instance, while codes of ethics were the most important CSR tools in the late 1990s, social balance sheet, social investment, socio-environment, sustainable development and, now, reputation have become the key words of the area, with no clear definition. Despite an effort of academics, mostly in South America and Mexico, there is a need for deeper studies in CSR.

In Latin America, as in many other regions, business ethics has not been considered a crucial topic or a priority for business leaders, mostly in large corporations. Nevertheless, significant amounts of resources have been dedicated to huge social projects, which show the generosity of top managers in many companies. Considering the fiscal benefits that governments offer to the large profitable organizations, more educated citizens often show some skepticism concerning CSR. Expensive social reports have been written, showing their professionalism, but at the same time their subtle, tenuous or clear marketing intention.

Because of the proximity of owners or investors, Latin American MSNEs usually do not create codes of ethics. Occasionally, when they stand as MNCs' subsidiaries, they follow the company code of ethics or conduct. (AGATIELLO, 2003). Compliance remains contestable, due to their "flexible" culture (as the Brazilian *jeitinho*: Always find a way, no matter what and how you do it).

It is typical of Latin American SMEs to understand and participate in social, cultural and political initiatives, indicating commitment towards the local needs. Family businesses are seen as ethical and philanthropic, which does not call so much attention as often happens with large corporations. (UNIDO s/d). The amount of resources dedicated to philanthropy is scarce, given the economic limitations of the enterprises' size.

Aiming at the Global Compact principles of good corporate citizenship, the United Nations Industrial Development Organization (UNIDO) developed the Operational Guide for SMEs, emphasizing the significant impact of CSR in the countries or regions. Actually, many Latin American MSMEs seem not to be particularly interested in this manual, as they feel closely committed with the institutions that care about the social problems around them, mostly related to poverty alleviation. Donations, more than investment, are the way they choose to show their CSR concern.

The UNIDO's expression "silent CSR" seems absolutely appropriate for MSMEs' leaders in Latin America. The legislation does not allow them to be more generous with their financial support, as they truly struggle for survival. Those legally established try to be as socially and environmentally responsible as possible, in their operations and in their supplying activities. This does not mean that they are not aware of all the CSR movement in the country. They just have to be prudent, as changes in regulation make them unstable.

In Latin America, the CSR movement became more active in the late 1990s, when the market required more ethics and transparency in business. SMEs could not be out of this concern, as the opportunities for initiatives were appearing.

Large corporations started to hire professionals dedicated exclusively to CSR. They analyze proposals, organize internal programs, and manage the concern with the community. Business schools, as well as all careers in universities, together with volunteer programs, have dealt with CSR. A Latin American network started to be established, as consequence of a culture of responsibility by the social good. In this context, Latin American SMEs joined the network, although their participation had to be quite different from that of the large corporations. Teaching Enterpreneurship has been a good opportunity to bring up the role of SMEs in society and their effective potential contribution.

Hundreds of institutions have differently dealt with CSR, social investment or philanthropic activities, emphasizing topics as informality, poverty alleviation, corruption, interaction with stakeholders, social and environmental responsibility, sustainable development, volunteer work, solidarity and gender, among others. Only aspects that the authors considered relevant for MSMEs are discussed in this paper.

Informality

Informality in Latin America is a reality that usually is not totally reflected in most statistical data provided by governmental agencies. Nevertheless, they have a significant impact in the economy of the Region. Some figures help to understand their importance:

· 56% of Latin American urban workers are employed in the informal sector;

· Informal self-employed workers account for 24% of urban jobs, while informal salaried workers make up about 30%;

· Young people hold more than half of the jobs in the informal wage sector;

· In Brazil, 76% of micro-sized enterprises lack a license to operate and 94% do not pay taxes;

· In Nicaragua, less than 7% of micro-sized enterprises have more than two employees after three years of operation.(WORLD BANK, 2008)

Perry et al. (2007) study the phenomena with two approaches: *exit*, for many reasons, as lack of jobs and cost restraints to access the format market; and *exclusion*, motivated by cost-benefit advantages as easier possibilities of tax evasion, flexibility to create jobs with no commitment to provide welfare plans, as health and life insurance, and pensions to reduce the worker risk. The authors consider informal workers as independent and informal salaried. Independent would mean experienced self-employed or micro entrepreneurs that voluntary chose the informality, for its flexibility and autonomy. The informal salaried, mostly young, would be workers that prefer a formal or independent job.

As informal MSMEs become successful, it is often imperative that they entry the formal market. In the same study Perry et al. present some figures of an IFC survey held in Bolivia, Peru, Brazil, Honduras and Nicaragua indicating the advantages for this formalization: compliance with the law (47%); avoidance of paying fines (20%); increase the number of clients (14%); avoidance to paying bribes (9%); better access to credit (8%); better compliance with the contracts (2%).

In fact, the informality creates a gap between the micro- and the large-sized enterprises:

> Another complexity lies in the so-called “missing middle”, this intermediary sector which is missing in the statistics and based on the observation that the distribution of employment in a country is generally bi-modal: Many jobs are created by the micro-enterprises of the informal sector, many jobs are created by large firms and in the middle, small and medium enterprises are missing, giving room to the interpretation of an absence of transition from informal to formal. As a matter of fact, growth in micro-enterprises can take the form of a multiplication of small establishments, which are subsidiaries of the main firm but are captured as autonomous in the statistical surveys. These small establishments have the advantage to remain hidden or not too visible and not to need any change in the type of management of the workforce… Of course the missing middle is of particular interest because these enterprises are precisely at the margin, trying to push the borders of informality further. (PERRY et al., 2007, p. 2)

In some Latin American countries the governments are creating mechanisms to discourage the informality of MSMEs: SARE Program in Mexico (less bureaucracy for registration) and Brazilian SIMPLES Program (tax reduction).

The ethical perspective of such a reality is complex. On one hand, informal enterprises cause unfair competition, as their prizes become more attractive to customers. In the long run, they negatively impact the economy as a whole. Also, an extremely large number of entrepreneurs and employees, citizens after all, live in the illegality. Very important is the fact that these workers, mainly the young generation, may get used to not struggling to find a formal and stable job, and therefore do not contribute to build an economically and morally sustainable society. On the other hand, the reality of low *per capita* income drives workers to any source of job that can guarantee their survival. This vicious circle can only be broken by strong and courageous public policies that should be implemented by ethical governmental agents committed with social justice. The low level of education has made Latin American citizens to elect representatives that often do not take ethics and social responsibility into consideration neglecting the democratic principles of their Constitutions. For instance, in

Brazil the government offers so many different kinds of financial support (subsidies) for the poorest segment of the population (including here the unemployed citizens), that there is no incentive for these people to look for a job. As a consequence, the economic development suffers a negative impact. (OECD, 2008)

Poverty alleviation and job creation

Mostly after 1950, the awareness of serious social issues motivated citizens, businesses and non-for-profit organizations to cooperate with the governments in the task of eradicating problems as poverty, child labor, slavery, and unemployment, among others. The United Nations Millennium Development Goals have encouraged many initiatives.

Through decades, governments allowed many companies and citizens to deduct the payment of income taxes, if they proved to have contributed to philanthropic projects. Several not-for-profit institutions were "adopted" by businesses, or found in them partners to help them to achieve their goals.

In the last decade, large private companies preferred to create their own foundations or associations. Some of these initiatives were originated upon needs that the business itself required. For instance, educational institutions prepared teenagers for their first job. In some cases, government, not-for-profit organizations and businesses invested in joint projects to develop abilities in young students, preparing them to assume technical positions in all sorts of firms (Table 6).

Recently, leading business schools in Latin America have developed a CSR program sponsored by the AVINA Foundation, having the Harvard Business School as a partner. Their goal is to support social entrepreneurship, aiming basically to reduce poverty.

The SMEs have been significantly responsible for the generation of job positions. The large size companies, aiming to increase the productivity required by the globalization, have continuously looked for innovative processes, tending to robotize their plants with the dismissal of innumerous employees. Nevertheless, instead of supporting the SME, the governments of most Latin American countries seem to underestimate them or to postpone solutions for the problems they face.

The Brazilian Lei Geral das Micro e Pequenas Empresas (Lei Complementar n. 123, Dec. 14, 2006 – General Law for Micro and Small-Sized Enterprises), legislation concerning micro and small-sized enterprises, was recently updated with the intention of generating job positions, improving the wealth distribution, promoting social inclusion and offering incentive to innovation, among other benefits. A significant tax reduction was established for SMEs with annual total revenue below US$ 1,150,000. Some areas could have even more benefits. It is expected that other Latin American countries also start to offer better legal conditions for SMEs.

Despite their small number of workers per establishment, in the last years more jobs have been created in the micro and small-sized enterprises than in medium and large-sized organizations. This is one of the important findings of the Relacao Anual de Informacoes Sociais (Rais – Annual Report on Social Information), prepared by the Brazilian government. According to this Report, in the period of 1995 to 2000, small-sized business with less than 100 employees created 96% of new jobs in Brazil. Similar figures seem to express the reality in other Latin American countries.

Table 5: Selected CSOs Promoting CSR in Latin America (continued on page 13)			
Country	Name	Type	Funders
Argentina	IDEA - Instituto por el Desarrollo Empresarial de la Argentina	Academic	Self-sustaining
Argentina	Foro Ecuménico Social	Religious	Private Sector
Argentina	Alianzas	Academic	Avina Foundation
Argentina	El Centro Para La Responsabilidad Social	B/INGO	Private Foundation
Argentina	Instituto Argentina de Responsabilidad Social Empresaria (IARSE)	B/INGO	W.K. Kellogg Foundation; Avina Foundation; PNUD; Private Sector
Argentina	Grupo de Fundaciones Argentina	Foundation Network	W.K Kellogg Foundation; Various Argentine Corporate Foundations
Brazil	Instituto Ethos	B/INGO	Private Sector
Brazil	Grupo de Institutos Fundações e Empresas (GIFE)	B/INGO	Avina Foundation; Ford Foundation
Chile	Acción Empresarial	B/INGO	Private Sector
Chile	Forum EMPRESA	B/INGO Network	Hewlett Foundation; W.K. Kellog Foundation; Ford Foundation; Private Sector
Chile	Plaza Nueva - Fundación PROHumana	NGO	Avina Foundation; Ford Foundation; W.K. Kellog Foundation; UNDP; UN Volunteers
Chile	Vincular, National Catholic University of Valparaiso	Academic – Private Sector	IDB (Multilateral Investment Fund); Government of Chile
Colombia	Iniciativa en Emprendimientos Sociales,	Academic	Harvard University; Avina Foundation Universidad de Los Andes
Dominican Republic	Alianza ONG	NGO	Inter-American Foundation; Consejo Nacional de Empresa Privada (CONEP); IDB

Table 5: Selected CSOs Promoting CSR in Latin America (continued from page 12)			
Country	Name	Type	Funders
Ecuador	Fundación Esquel	Foundation	Private Sector
El Salvador	FUNDEMAS - Fundación Empresarial para la Acción Social	B/INGO	W.K Kellogg Foundation; UNCTAD; IDB (Multilateral Investment Fund); CEFIEM (Centro de Filantropía Empresarial - El Salvador);
Guatemala	Centro para la Acción de la Responsabilidad Social Empresarial en Guatemala (CentraRSE)	B/INGO	Private Sector
Honduras	Foundation for Corporate Social Responsibility of Honduras (FUNDAHRSE)	B/INGO	Private Sector
Mexico	CEMEFI - Centro Mexicano para la Filantropia	Foundation Network	Private Foundations
Mexico	Union Social de Empresarios de Mexico (USEM)	B/INGO	Private Sector
Mexico	Red Puentes RSE	NGO	NOVIB (Dutch Development Agency); Ford Foundation
Panama	Centro Empresarial de Inversión Social (CEDIS)	B/INGO	W.K. Kellogg Foundation
Peru	Perú 2021	B/INGO	Private Sector Regional-OAS IACD - Inter-American Agency for Cooperation and Development Multilateral Multilateral
Uruguay	Desarrollo de la Responsabilidad Social Empresarial	B/INGO	Private Sector
Venezuela	United Nations Venezuela	Multilateral	Multilateral

Source: compiled by author.

Table 6: Civil Society Organizations (CSO) promoting CSR in Latin America.
Source: Haslam, 2004, p. 12-3.

Nowadays, Brazilian entrepreneurs face a serious challenge: The fear of hiring. Some of the reasons are: the very high amount of social taxes, which reach over 103% of the worker's wage; a significant bureaucracy meaning financial costs, attention, time and anger; a relative insecurity concerning the excessively protector behavior enforced by the labor laws and justice; the fear of fiscal actions by the Labor Ministry, which often allow simultaneous action and judgment; a joint responsibility concerning third parties; sues by moral damage when workers feel unfairness; a judge's power to block a banking account in a labor litigation; the volume and complexity of legal obligations.

> For instance, despite the size or industry, a Brazilian entrepreneur has to follow:
> - 46 constitutional requirements;
> - 922 articles of the Consolidacao do Trabalho (CLT – Labor consolidation of laws and rules);
> - 200 specific laws and rules;
> - 79 conventions of the Organizacao Internacional do Trabalho (OIT – International Labor Organization);
> - More than 120 ministerial rules;
> - More than 30 regulation norms, with more than 2 thousand requirements of safety and labor medicine;
> - More than 60 rules of labor fiscal actions;
> - More than 300 decisions of the Tribunal Superior do Trabalho (TST - Labor Supreme Court) and obligations generated in union agreements, besides a large number of contradictions of the Brazilian courts. (PENHA, 2007, p. B2)

More information was intentionally offered here about Brazil, as this country seems to have played a leading role in the CSR movement in Latin America. There is an expectation that similar measures and procedures will occur or already occurs in the rest of the Region.

Corruption

The fact that MSMEs employ the largest number of workers in Latin American countries is a CSR concern. As the MSMEs invest in their employees, they will become more conscious of their political role in society.

CSR in Latin America will contribute to the economy, as formal jobs can replace the current informality. As governments reduce taxes for MSMEs, business leaders will avoid fraud and other unethical conducts, and will find conditions to employ more human and financial resources, increasing their contribution to society as a whole.

> Multinational corporations have a vested interest in monitoring their ethical performance in the countries in which they operate. In Latin America, as in other underdeveloped regions of the world, corrupt practices by transnational corporations have played a major role in supporting incompetent politicians in public offices. As a result, unsound economic policies have endured and poor governance has impaired the establishment of market competition. Corporations have suffered by losing business opportunities to unscrupulous competitors ... In short, living in a globalized world means that the consequences of inappropriate corporate ethics standards easily can generate chain reactions. Thus, corrupt corporate practices may trigger risks against a variety of actors, including multinational corporations and their staffs. (SCHIAPPA-PIETRA, 1998).

The concept of hospitality, loyalty and friendliness is often used as synonym of corruption, meaning short-term gains as gift-giving, bribery, use of public resources for one's personal benefit (i.e., recent scandal of Brazilian corporate credit cards handled by governmental leaders). Although most citizens notice the ethical problems, their concern is not quite reflected in the elections.

Aiming to support SMEs, Itacarambi (2007), understands that the quality of an organization culture can become an attribute of competitiveness, the same way as administrative-financial variables, price, excellence of products and services. He comments on how the society as whole starts to evaluate intangible criteria, as transparency in governance, compliance and ethical values. Business citizenship is perceived according to: The level of participation of the enterprises in the problem solving process; the commitment and effectiveness of the enterprise in balancing public and private benefits of its activities, measured by its economic, social and environmental results.

Interaction with external stakeholders

Whenever ethics is not clearly the basis for corporate social responsibility (CSR), any inconsistence perceived by consumers, suppliers, clients or any stakeholder has negatively impacted the results. As consequence, there is a loss of trust and reputation with a denigrating image. Even financially, it is not easy to recuperate the stakeholders' disappointment.

Once this is true, the organization urgently needs a CSR program. In this situation, the stakeholders have special interest in offering their contribution. For investors or owners, consistence and transparency become a tool for business and for the common good. Top managers and workers easily verbalize this philosophy. Actually, what can be observed is that it is still difficult to transform ideas into actions.

> The "CSR System" … theorizes the key relationships and influences on the development of the CSR culture in the region. It defines the major actors working to promote CSR in the hemisphere as multilateral organizations, governments, private firms, private foreign foundations, educational institutions, and civil society organizations. (KLIKSBERG, 2003)

In what relates to the government, tax evasion and informality seem to be necessary for MSMEs to survive or succeed in some Brazilian economic sectors. In order to reach higher ethical standards, a better relationship between MSMEs and the government is mandatory. A fair labor legislation and lower taxation would contribute for MSMEs' higher road, in terms of business ethics.

Considering the relationship of MSMEs with its stakeholders, or the several parts specifically interested in the organization, special attention has been driven to strategic partners and the government, due to the large number of MSMEs operating in the informality.

3. Ethics within SME's

It is understood that the core of CSR has to be personal ethics. "Be good to do good" has shown to be the root for a real CSR. In general, all individuals in a company are equally responsible for the good performance, but the means to reach the business goals are not always the most ethical. Leaders have the responsibility to offer ethical examples, to make sure that an effective ethical climate is a result of individual efforts. CSR starts inside the firms. Good products, fair salaries, punctual payments, respect towards the workers, suppliers, clients and competitors, among other factors, may assure that CSR is a serious concern in a company.

> The segment of small businesses is one of the main pillars of sustaining the national economy, either for the number of enterprises and geographic distribution, or for their capacity of generating jobs. Even if recognized by its social and economic importance, the sector finds serious obstacles for its growth, sustainability and competitiveness. (GIANNI, 2007).

As in any other sized enterprises in Latin America, many ethical problems are easily found in MSMEs: Unfairly dealing with employees, inappropriate use of company resources, and fraud, among others.

Being ethical and successful has become a challenge for MSMEs. Labor legislation seems to be the most negative burden for entrepreneurs. While it is crucial to guarantee a minimum respect for the rights of workers, the legislation appears to bee excessively protector. In Brazil, labor conflicts usually benefit the worker.

The corporate social responsibility (CSR) discussion has focused on individual firm case studies, best practices, and philosophical and moral support to encourage the adoption of codes of ethics. While it became usual for large companies, it is not so common for MSMEs in Latin America. Several organizations have tried to support them in creating their codes. Given the limited number of employees, a written code has often been perceived as useless, as the mission and the principles of owners or investors are clear to all. Once the MSMEs operate as subsidiaries of MNCs, they are required to follow the headquarters' ethical policies.

Large corporations have made efforts to encourage their direct suppliers, and through them the whole supply chain, to take ethics and CSR into account in their decision-making and in their relationship with all stakeholders.

4. Ethics and sustainability

Here we will probe the extent to which ethical considerations are a factor when thinking about organizational sustainability. Are ethical risks a real consideration in decision-making? It is interesting to see not only how ethics impacts on sustainability, but how sustainability impacts on ethics. In other words, to what extent does companies' financial security impact on their ethical behavior.

While many SMEs have been created, others have soon gone into bankruptcy. Often SMEs' owners are unable to position themselves in the market, even if they offer good products, services or ideas. They frequently start their business as a micro-sized enterprise and become successful. Based upon the initial positive results, their goal is to make the firm a SME. In order to survive, some of these business leaders go into informality or illegal withhold practices. Others are not prepared to manage the business. The inefficiency may lead to fraud, intentional tax evasion, bribery and unemployment. Qualified employees are replaced by less competent workers, as lower wages imply a cost reduction. Aiming to compete with large corporations, the Latin American SMEs would need to rely on appropriate legislation to protect them: Taxes compatible with their conditions; agility to assure patents in their innovation processes; piracy control; and support against predatory competition.

SMEs' better business

Survival and sustainability have been major concerns. The SEBRAE Report (2004) on SMEs' mortality indicated that 49,9% close their activities before two years of existence; 56,4% before three years; and 59,9% before four years. .

In order to obtain gains of scale and to reach better conditions to negotiate, SMEs have organized associations that allow them to buy from large suppliers and exchange managerial experiences. This initiative has increased the SME's competitiveness. This called Associativismo has attracted many SMEs in Latin America.

Following the principles and methods of the Business for Social Responsibility (BSR), the Instituto Ethos deals with Corporate Social Responsibility (CSR) in Brazil. Instituto Ethos and SEBRAE (2003) edited a step-by-step CSR manual for SMEs, defining seven guidelines:

- Adopt values work with transparence;
- Appraise employees and workers;
- Always do more for the environment;
- Involve partners and suppliers;
- Protect clients and consumers;
- Promote your community;
- Have a commitment with the common good.

According to this manual, a socially responsible SME becomes more competitive. Prices are not the only factor to be considered. Nowadays, it is extremely important to care about the relationship with all the stakeholders, meaning the several groups related to the enterprise.

Products that do not degrade the environment attract new consumers and clients, generating business opportunities and strong institutional image. The access to credit opens possibilities of growth to SME, if CSR criteria are included in the managerial models.

Consumers are more concerned about quality and social issues, demanding better products, services and information.

The CSR programs have been monitored. The SA 8000, created by Social Accountability International (SAI), is an international certification that can help the SMEs. In a broad definition, the SA 8000 measures the relationship of top managers with employees and the community, as well as how the environment is treated. Considering the number of enterprises certificated by SAI, Brazil is the 4th country in the ranking of 33 countries (100 companies), Argentina is the 18^{th}, Bolivia the 22^{nd} and Costa Rica the 29^{th}.

Apparently most companies certified by SAI are large-sized. The trends are that the stakeholders will require from all firms a socially responsible behavior. The SA 8000 will strengthen the relationship with the community, in a concrete commitment with the sustainable development, better competitiveness and stronger corporate image.

A recent Brazilian survey elaborated by the Confederacao Nacional da Industria (CNI – National Confederation of Manufacturing Companies) indicates that in 2003, 68.5% of the SMEs had some sort of environmental control. In 2006, 73.5% of them already had some program in this area. As a matter of survival, 92.9% of pharmaceutical enterprises show environmental care, as well as 92.3% of chemical manufacturing businesses, 91.3 % of the leather industry and 90.9% of paper industry. According to this survey, rules and legislation encourage the enterprises to adopt environmental controls. In 60% of the businesses, the leaders understand that the environmental protection improves the institutional image, while 17% notice a cost reduction. (CNI, 2006). Every enterprise reports to different levels of Health and Environmental governmental agencies, depending on the city, state or national regulation for specific industries.

In order to remain competitive, the SMEs have to adopt some environmental controls as they provide goods and services for large companies. In this sense, the large corporations require several conditions to keep SMEs in their list of suppliers.

Governmental agencies usually react with moroseness in offering licenses to new operations. Corruption is also a limitation in this aspect. If environmental protection is not concrete, SMEs have to pay fines. If they improve their technology, meaning to preserve the environment, the licenses are not easily obtained.

Cases of sustainability in Latin American SMEs

Flores del Sur is a SME that follows a social enterprise model. It is located in Canete, Chile, a region of where 41% of the population are under the poverty line, and 15% are living in extreme poverty. Founded in 2000, it provides employment for women responsible for the their family budget. In order to sell flowers, they develop technical and entrepreneurial skills with the support of Pachamama (Chilean NGO), government funds, national and international investments and donations. The workers earn fair salaries and benefits, have a safe and healthy working environment, and participate in key decisions of the business. As a result, they become active and respected members of their families and communities. It was expected that the business became sustainable by 2004. (Alter, 2003)

Procter & Gamble (P&G), the large North-American corporation, had not quite understood how to deal with poor segments of consumers in Venezuela. After a marketing research project, a special distribution strategy was implemented. Detergents, shampoos and diapers were sold in customized packages of products, depending on the consumer's needs. The distribution was different the usual: Beauty salons, daycare centers, itinerant laundry services defined the bulks, which implied lower costs. P&G provided the community with ways to access products, and became involved in training hair stylists, assured employability and boosted sales of its products. (Peinado-Vara, 2005).

Cepicafe is an association of small coffee-producer organizations in the Piura Mountains, in Peru. Through the fair trade strategy, growers paid their fees and assured higher process for their coffee, establishing more direct and equitable links with wholesalers, retailers, and consumers. As an association, Cepicafe acted as intermediate, responding to competition with high quality coffee grains, overcoming difficulties presented by middlemen and obtaining direct access to local and international markets. As a contribution, Cepicafe provided its members with education, developing technical and administrative abilities to increase their productivity and quality, while reducing ecological impacts. As consequence of better business, families experienced better housing, clothing, shoes, improved diets, and had access to medicine. (Alter, 2003)

These cases indicate the importance that entrepreneurs come to understand their business mission, making their MSMEs generate profits with social and environmental responsibility. The awareness of these practices has impact in the economic development of the region, as the success attracts new investors.

The effort of national and international NGOs, special Funds and private capital to support social enterprises has meant a contribution to reduce informality in Latin America and the Caribbean. New jobs have been created, protection against health problems has increased and elderly people have been more assisted. (Perry et al., 2007)

5. Current and new developments

Given that the concepts are not clear, what becomes more concrete and appealing to business leaders is to create or adopt CSR indicators, or to show interest in the Global Report Initiative (GRI), and the Millennium Development Goals. Conferences, seminars and workshops are frequently organized to increase sensitivity to the main issues. Unfortunately, the results seem not to be proportional, or actions appear to be mostly marketing oriented.

Vives et al. (2005) point out reasons for SMEs to support external and internal CSR activities. Less intervention of governments in social areas and a parallel increase of the private sector in these fields; progressive globalization of markets, which enables more demanding customers, in what concerns conscious consumption, are external activities. On the other hand, internal activities are related to ethical and religious considerations, building good reputation and image, creating better ethical organizational climate, dealing with stakeholders' pressures, and expected economic benefits.

Despite this classification of CSR activities (internal and external), few large corporations seem to develop internal programs in Latin America. MNCs bring their codes of ethics, which seldom are appropriately discussed with employees in the subsidiaries. Therefore, SMEs usually do not create ethics or CSR policies, assuming that the owners or investors are physically close to employees and their values are tacitly communicated and perpetuated.

In the year 1998, academicians concerned with ethics in business and in economics created the Asociacion Latinoamericana de Etica, Negocios y Economia (ALENE - Latin American Business Ethics Network), aiming to do research, teach and publish papers or books on Corporate Ethics and Social Responsibility. Then since, ALENE promoted eight large meetings, gathering teachers, researchers, students, professionals and governmental agents interested in Business Ethics (BE) and CSR. Several publications have come out and serve as support to new academic projects. In the business field, executive education and consultancy have helped companies to develop their CSR policies and programs.

As a contribution to Latin America, the Escola de Administracao de Empresas de Sao Paulo da Fundacao Getulio Vargas (FGV-EAESP), a Brazilian business school in Sao Paulo, hosted the II World Congress of the International Society of Business, Economics, and Ethics (ISBEE) in the year 2000. Two of the most frequent topics discussed in the conference were BE and CSR. Latin American SME business leaders present their experiences in the area, suggesting that their projects could easily be replicated by executives concerned with BE and CSR.

Many Latin American CSR initiatives are described, by country, in a Portal named Ciberamerica. Some of the institutions that promote forums, consulting, and training in CSR are:

- *Argentina***:** IARSE; Alianzas; Fundacion del Tucuman
- *Bolivia:* Fundacion Care
- *Brazil:* Instituto Ethos; Instituto ADVB de Responsabilidade Social; Pacto Global Brasil; Fundacao Instituto de Desenvolvimento Empresarial e Social (FIDES); SEBRAE; IBASE
- *Colombia:* Centro Colombiano de Responsabilidad Social Empresarial; Centro Empresarial Colombiano para el Desarrollo Sostenible; Dividendo por Colombia
- *Costa Rica:* Centro Internacional para el Desarrollo Humano
- *Chile:* Acción Responsabilidad Social Empresarial; Forum Empresa; Construye Pais; Vincular
- *Ecuador:* Fundacion Esquel
- *Guatemala:* Centrarse
- *Honduras:* Fundacion Hondureña de la Responsabilidad Social
- *Mexico:* Centro Mexicano de Filantropia (CEMEFI); Alianza para la Responsabilidad Social Empresarial (ALIARSE); Responsabilidad Social
- *Panama:* Centro Empresarial de Inversion Social
- *Paraguay:* Responsabilidad Social Empresarial (ADEC; CIRD; AVINA; PNUD)
- *Peru:* Peru 21; Red de Responsabilidad Social
- *El Salvador:* Fundacion Empresarial para el Desarrollo Social

- *Uruguay:* Centro Interamericano de Investigacion y Documentacion sobre Formacion Profesional
- *Venezuela:* Programa Vocacion Comunitaria (Cantv); Alianza Social.

Vives et al. (2005) carried out a survey about eight Latin American and Caribbean SMEs' future perspectives to invest in internal, external and environmental activities of CSR in the period 2005-2008. Internal responsibility was related to socially and environmentally responsible attitudes towards health and well being of workers, training and participation in the business, equal opportunities, work-family relationship, and some corporate governance practices (independent audits, CSR in suppliers, internal control of corruption practices). External responsibility was understood as support for social and cultural community activities, as well as community development and other issues. Environmental responsibility embraced activities related to the decrease of the environmental impact of their operations, reduction of waste and consumption of natural resources, and recycling, among others.

Although the authors developed the three responsibilities in the survey, only the results of the external are summarized in Table 7. The reason for this is that the citizens' perception relies on external CSR activities, not as much as on internal or environmental.

Active SMEs in external CSR (%)	Perspectives
55.4	Remain as it is
34.8	Increase support
8.9	No clear idea
1.0	Reduce support

Table 7: Latin American SMEs' perspectives of external CSR activities.
Source: Vives et al. 2005, p. 81 (our translation).

Latin American and Caribbean countries have received support from the Inter-American Development Bank (IADB), to increase their competitiveness. Certainly many SMEs were benefited. Non-governmental organizations and networks have promoted programs, training, and awards to CSR projects, emphasizing topics as sustainable development, poverty, environment, volunteer work, and solidarity.

Final Considerations

MSMEs in Latin America have a special role aiming at low-income consumers. In order to achieve this goal, either serving middle or final customers, they have to develop a sustainable and solid CRS network, including social organizations and local governments.

Most Latin American countries legislators seem not to be so supportive to the SMEs' development as necessary. The recent Brazilian law, for instance, means a significant step forward in strengthening the importance of SMEs, but did not solve the most serious problems. Anyway, it may serve as benchmarking to the Region. Hopefully other initiatives become true.

More than ever, Latin American universities have included *Entrepreneurship* classes in their programs. A new generation of professionals can improve the SMEs' level of quality and results. The countries' economy as a whole will benefit from this.

The persons who understand about their business, but not necessarily rely on adequate knowledge or tools to successfully run their enterprises, have managed SMEs. In Brazil, SEBRAE is considered an important initiative to reduce this gap. Only in Sao Paulo, 30 thousand current or potential SMEs' leaders receive orientation, individually or in groups, every year. This support is offered through classes, workshops, talks, consultancy, and the website.

Other institutions also cooperate with SMEs. For instance, students of undergraduate programs in nine Brazilian leading schools of business, international trade, economics and accounting offer consultancy to micro, small and medium-sized entrepreneurs. Despite the lack of trust they face, by the simple reason of still being students, many projects have shown to be useful and feasible for the entrepreneurs. Their projects, mostly concerning consultancy and support to launch products, have supervision of a faculty member. The Empresa Junior, at the Fundacao Getulio Vargas in Sao Paulo, Brazil, was the pioneer in the universities throughout Latin America, starting these activities in 1988.

The Endeavor Institute helps the entrepreneurs to identify their main obstacles, the most significant difficulties, and the way to overcome them: How to elaborate contracts, how to increase businesses, and how to maintain the success. In Latin America, the Endeavor Institute is working in Argentina, Brazil, Chile, Mexico and Uruguay.

The current emphasis in CSR activities can be perceived as a benefit that the private sector offers to society. Nevertheless, it is common to see that this attitude, called *citizen-business*, may hide or foster omission on the government side. By not fulfilling their responsibilities, governmental agents often use public resources, mainly those indicated in the stated budget, for less ethical purposes. Corruption may be one of the consequences of such an omission. In this sense, the CSR concept should eventually be reconsidered, as an inversion of roles and responsibilities may provoke a social disorder, and a lack of social justice. Businesses should not be *penalized* twice. Taxes are not reduced as CSR activities are developed by profitable enterprises. This perspective clarifies why large corporations like to show their CSR budget figures, meaning an investment in marketing, while SMEs are encouraged to do so, to assure that they will be good suppliers.

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