

Corporate Social Responsibility in Cuba¹
La Responsabilidad Social Empresarial en Cuba

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ABSTRACT: The article discusses and analyzes the expression of Corporate Social Responsibility in Cuba and how the concept has evolved in the business sector in recent years. It also discusses the importance and the possibilities for the new model of Cuban socialism of incorporating Business Sustainability in competitive business strategies of all autonomous economic actors. It shows how the conscious and decentralized adoption provides an opportunity to promote the country's solidarity economy, foreign direct investment and responsible local development.

KEYWORDS: social responsibility, companies, Cuba.

RESUMEN: El artículo aborda y analiza la expresión de la Responsabilidad Social Empresarial en Cuba durante los últimos años y cómo se ha desarrollado el término en el ámbito empresarial. Se realiza un análisis de la importancia y las posibilidades que tiene para el nuevo socialismo cubano la incorporación de la Sostenibilidad Empresarial en las estrategias competitivas de negocio de todos los actores económicos autónomos. Muestra cómo la adopción consciente y descentralizada constituye una oportunidad para fomentar en el país la economía solidaria, la inversión extranjera directa responsable y el desarrollo local.

PALABRAS CLAVE: responsabilidad social, empresas, Cuba

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The terms “Corporate Social Responsibility” (CSR), “Corporate Citizenship”, “Sustainable Business” (SB) and “Socially Responsible Enterprises” (SRE), are little known in Cuba, beyond limited academic circles and, in general, are seen as foreign, not appropriate to the national context.

CSR as a set of discretionary social and environmental activities above and beyond those required by law, is deemed to fundamentally have relevance in the context of business enterprises in capitalist countries. CSR, Corporate Citizenship and the newer, Sustainable Business (SB), are most common in developed countries. In Latin America it is SRE, which applies not only to large companies (more than 500 employees), but also small and medium-sized (SMEs) enterprises –private as well as public– cooperatives and solidary enterprises. (IARSE, 2010) (Sagebien & Lindsay, 2011)

This paper looks at the evolution of the concepts of corporate and enterprise social responsibility up to the current business sustainability and the debate on its contribution to sustainable development. It asserts that SRE has been implicit in practice in Cuban socialism and analyzes its expression in three periods: 1970-1990 – Soviet-style socialism; 1990-2010 - Crisis and economic recovery; and from 2010 to the present – Re-launching the Cuban Socialist Model. Then it explores the challenges to conserve the gains achieved in SRE and the opportunities for the Cuban society and ecosystem to incorporate a re-dimensioned and explicit SRE in the process of updating the economic social model. It concludes with the affirmation that the nation is not making the most of the opportunities that SRE and SB could mean for sustainable development. To adopt it consciously and in a decentralized manner constitutes an opportunity to promote a solidarity economy, responsible foreign direct investment and local development in the country.

The evolution of CSR

The concept of CSR has gone through various stages. In its initial phase of Business Philanthropy the company envisioned it as giving donations and contributions to institutions and community groups. This was followed by strategic investments of the company in community institutions and groups, worthy causes, impact evaluation, etc.: investments with a social return. In adopting Corporate Citizenship the firm sees itself as an active member of the community. Finally, CSR becomes a vision of responsible and corporate citizenship integrated into the business strategy, beyond the obligations of the law. (Villalobos Grzybowicz, Junio 2011)

Lately, in most scenarios the term CSR has given way to Sustainable Business. The name change is doubtless in part due to the rise of a conservative corporate climate that eschews the word “social” next to “corporate” while finding “sustainability” more palatable, insofar as it suggests the environmental component, while the “social” is embedded but not explicit.

According to the BSR Business for Social Responsibility model of Sustainable Business Integration, the first stage is when the company complies with existing laws, norms and regulations including its fiscal commitments. In the second stage the company has defined its SB strategy and is actively reporting and working on key issues. This enhances its organizational value and the company is able to innovate in sustainability while generating business value in an ever-changing market. In a higher phase, the company is purpose-driven, doing the right thing because it is ethical and moral and because it is good for business, not the other way around. (BSR, 2015)

Sustainable businesses are managed according to the Triple Bottom Line –financial, social and environmental– with clear goals and indicators of results at each level, reporting to all stakeholders. This provides levels of information and knowledge that allows institutions and governments to better plan for development.

What benefits can CSR give the company? An active SB strategy can contribute to key business driving forces such as:

- Attract and retain a capable work force and enhance its productivity
- Improve the reputation of the company and its brands
- Provide access to investment capital
- Achieve greater operational efficiency
- Mitigate risks
- Penetrate new markets
- Preserve natural resources and reduce environmental costs
- Obtain a Social License to operate.

CSR will generate greater profitability in the short and long runs and position the company on a path toward sustainable growth. CSR is an investment that looks toward the present and the future of the company.

Does CSR contribute to sustainable development? Sustainable development is one that balances economic growth with social progress and environmental value, one that satisfies the needs of the present without compromising the ability of future generations to meet their own needs (ICLEI & IDRC, 1996)

Arguments in favor include that CSR maximizes spillover effects of foreign direct investment (FDI); addresses governance gaps; may decrease the financial/regulatory burden of the state; and is a key component in the creation of supply chains that lead to inclusive markets. The strongest argument is that CSR gives the company a social license to operate and strengthens its brand. Yet CSR is frequently judged negatively by the Left, as a capitalist marketing and image repair strategy of the multinationals – “greenwashing” – that ignores the structural dimensions of poverty and inequality, whose impact is primarily negative for the development and sovereignty of nations. (Sagebien & Whellams, 2011)

According to Peña Castellanos (2011), while CSR may not be an alternative to the global model of accumulation, and solving its accompanying social, economic and environmental externalities is far beyond the its scope, “CSR can nevertheless be of great help to businesses in political and social contexts where the value of human beings surpasses any other criteria of efficiency and profit.” (Peña Castellanos, 2011, p. 6)

Nevertheless, with its evolution toward “Sustainable Business”, today the concept and practice have been adopted by the majority of the leading corporations, business and industrial associations, governments and multinational agencies of the developed world.²

SRE in Cuba

² See: [Business for Social Responsibility \(BSR\)](#), [Mining Association of Canada](#), [Global Reporting Initiative \(GRI\)](#), [Unión Europea](#) and UN [Principios Rectores de las Naciones Unidas sobre las Empresas y los Derechos Humanos](#).

In Cuba many academics and politicians consider that the “socialist economy” implies and exceeds capitalist SRE, insofar as it is a collective, cumulative macro-level effort beyond the firm itself. To reflect the commitment of the socialist enterprises and cooperatives to its workers and society, Cuba has employed other terms and concepts over time, such as: care of the workers, collective spirit, voluntary labor, solidarity, social investment and community support.

Until now, Cuba has not considered explicit Sustainable Business strategies and metrics as having a place in the business model for its enterprises, be they State-owned, cooperative or private. Nevertheless, it can be argued that SRE has been implicit in every stage of Cuban socialism.

History and context

For the purposes of this paper we contend that the Cuban economy has experienced three major phases since the onset of the Revolution, a periodization that is based on the structure of enterprises and their interaction with the various social stakeholders. Let us analyze how SRE has been manifested in each.

1970-1990 –Soviet-style Socialism

The Cuban Revolution constituted the most profound social and economic transformation in the history of the nation. The zeal of its leaders in carrying out this transformation in the context of severe threats to national security, and under strong influence of the Soviet Union after 1970, led to an economic model dominated by the State, with a large public and State-owned enterprise (SOE) sector.

The model was highly centralized, based on central planning and resource allocation, and top-down decision making. While there was abundance of resources as a product of beneficial exchange agreements with the Socialist bloc, the model allowed for moderate rates of economic growth, albeit with disequilibria and inefficiencies, and a significant improvement in the living standards of the population under principles of equity and social justice.

The *raison d'être* of the economy was to satisfy the material needs of the society and buttress the transformation process, not to generate profit. Therefore, social responsibility of SOEs was intrinsic to the socialist model, backed by legislation that embraced environmental protection, rights of workers, racial and gender equality, the incorporation of women into school and work and the exclusion of children from the labor force.

Thus, Cuban post-revolutionary society had already achieved many of the CSR goals of companies that operate in developing countries.

The corporate purpose of both the SOEs and the agricultural cooperatives included assuming many of the needs of the communities where they were established. The agricultural enterprises and cooperatives, such as the sugar mills, were in many cases indistinguishable from their communities. They provided health, education, water, energy, transportation and recreation services and the corresponding infrastructures. Many enterprises supplied subsidized goods and services to their employees and their families, including transportation, housing, water, sewer and energy.

According to the BSR Sustainable Business Integration Model, it could be argued that the Cuban SOEs and cooperatives in this period reached the second level, that of Compliance with existing regulations, but did not go beyond to develop an integrated strategy driven by SRE objectives.

1990-2010 – Economic crisis and recuperation

With the collapse of the Socialist bloc and the ensuing economic crisis, the quantity and quality of social services that distinguished Cuban socialism declined, despite the political will to maintain basic services and protect the most vulnerable segments of the population even in the worst times.

The fall of the purchasing power of salaries and the prominence of other sources of income not related to work for the State generated deep inequalities hitherto unknown. For many enterprises short of raw materials, energy and markets for their products, the alternative was to assign their workers to food production, relocate them in other activities or declare them “available”³. Productive investment, not to mention social and environmental, collapsed bringing about collateral infrastructure depreciation.

In this juncture, even under a strong State and a centralized management model, SOEs and cooperatives, particularly in urban areas, had to assume the gap in public services. Hard-currency earning enterprises had to insure certain key sectors or products, such as energy, food and health. SRE was perceived, once again, as a task assigned from above, disconnected from business sustainability.

Internally these tasks generated business expenses that in many cases were not covered by additional revenues, which caused losses and diversion of resources. For example, a meatpacker located near a shantytown received the political mission to build housing and repair urban infrastructure in the neighborhood, mobilizing its workers along with residents, with resources that had to be largely bankrolled by the enterprise. The unquestionable social benefit obtained did nevertheless not contribute to the sustainability of the enterprise.

This explains why in the current context, as the SOE enjoys increasing operational autonomy and must insure above all its profitability, SRE is not adopted as a voluntary strategy by the enterprise nor incorporated in its business plan. Nevertheless, this company overlooks the fact that by incorporating SRE in its strategic planning, monitoring and general operations, it could reap significant economic, social and marketing benefits, as many of its counterparts in other countries have demonstrated.

2010-Present – Re-launching the Socialist Model

The approval of the *Guidelines for the economic and social policies of the Party and the Revolution* (2011) re-launched Cuban socialism on new bases. These include:

- Recognize and promote the development of non-State formulas of property and management, and different actors in the economy;
- The principal role goes to the Socialist State enterprise (SOE), strong, well organized and strictly responsible for the control of its material and financial resources;
- Cooperatives based on the free association of its workers, and maintain contractual relations with other cooperatives, enterprises, budgeted units and private workers. They determine the income of their workers and the distribution of profits to their members, and pay the established taxes and contributions to the State.

³ Laid off at full or partial salary, until he/she can be reinstated, relocated in another position or finds a new job on his/her own.

⁴ Organización Superior de Dirección Empresarial (OSDE), or Enhanced Organization of Business Management, a sort of head office of State corporate groups.

- Expand the practice of self-employment and its use as one more alternative for employment that will contribute to increasing the supply of goods and services.
- Reduce the number of budgeted units to the minimum required, under the premise of efficiency in the use of human, material and financial resources. (Partido Comunista de Cuba, Junio 2011)

After this the public contribution of the SOEs and cooperatives is limited in most cases to the production of certain goods and services that they must supply to State enterprises and budgeted units, at agreed-upon prices, and are free to sell the remainder in other (non-State) markets at unrestricted prices. Few SOEs have consciously assumed SRE. Some agricultural cooperatives have adopted the Cooperative Social Balance or incorporated social or environmental objectives in their by-laws, not the case in the new industry and service (non-agricultural) cooperatives.

Some private entrepreneurs have spontaneously undertaken social development initiatives and projects (Vila, 2013) and even constituted social enterprises. A social enterprise is a for-profit company operating in the market that pursues social objectives and a property model that is inclusive and participatory. (Franchini, 2015)

In the absence of research to inform on the social responsibility of sole proprietors, it is difficult to generalize, but observations suggest that the majority of private workers are dedicated to generating income and consider the State to be responsible for social welfare while theirs is only individual and family responsibility.

Challenges

The risk that Cuba runs at this stage is losing the SRE gains that were achieved in the past with the socialist enterprise, and that already eroded during the economic crisis due to lack of resources. The new SOE, with greater autonomy, may simply adopt US economist Milton Friedman's proposition that "The business of business is business"; that its responsibility is limited to generating wealth and profits for its shareholders, in this case the corporate group or OSDE⁴ to which it belongs, or the State in general.

If in the new Cuban socialism we are unable to incorporate SRE in the business strategies and plans of all autonomous economic actors, we may see an irreconcilable divorce between an exclusively profit-oriented economy and a State that continues to carry all the public service weight with only the tool of income redistribution to achieve it. This can be particularly prejudicial to the communities where those companies are located.

This integration can only be achieved if that the State as well as the enterprises, cooperatives and solidary businesses are aware of the potential benefits of these policies, to the business itself – its profitability, corporate image, access to markets – and to the economy in general, by promoting a solidary economy, local development and the positive externalities associated with responsible foreign direct investment.

Ironically, it has been suggested that in Cuba it is also preferable to use the term "Sustainable Business" as opposed to SRE. This is because "social responsibility" is commonly attributed to the State rather than to enterprises or entrepreneurs, while "sustainability" would also be more palatable for the same reason: it suggests the environmental component, while the "social" is imbedded but not explicit.

Opportunities

What benefits can SRE bring to the Cuban society and ecosystem? An economy where the different players, public, cooperative and private, consciously and voluntarily assume SB as an integrated part of their strategy, protects and privileges the consumers, contributes to the health, security and welfare of society, to resilient ecosystems, to the rational use of natural resources and biodiversity.

Sustainable businesses, in turn, encourage the participation of their workers and demonstrate a commitment to their community that helps resolve conflicts and provide solutions to local problems with local resources. When added to the promotion of local supply chains, they contribute to local development and the incorporation of the region and country to global value chains, through key investments in environmental protection, efficient use of resources and empowering and training workers.

Social and Solidarity Economy (SSE) refers to companies and organizations that produce goods, services and knowledge while pursuing economic and social goals and promoting solidarity and inclusion. (CIFOIT, 2013) For Cuba, SSE is potentially the intersection of three spheres: the public economy or budgeted system, the state enterprise economy and the popular economy, which encompasses the domestic family economy as well as the popular market economy. Only in Cuba is it possible to develop a (macro) economy that is in its essence social and solidary, comprises of a mix of economic actors – state-owned enterprises, cooperatives, private workers—that adopt as part of their (micro) economic activities of production, distribution and consumption of goods and services, the principles of responsibility toward society and the environment. (Betancourt, July 2015)

Business Social Responsibility (BSR) viewed as a Sustainable Business strategy can transformed into a tool capable of generating economic inclusion and integration of excluded sectors. In the words of Kofi Annan, former Secretary General of the United Nations:

“It is the absence of widely disseminated economic activity, not its presence, which condemns a large part of humanity to suffering. In fact, what is Utopian is the notion that poverty can be overcome without the active participation of business.” (IARSE y CIDEAL, 2007, pág. 14)

Thus BSR can promote and enhance SSE by incorporating other dimensions of BSR such as ethics (including compliance with the firm’s legal and fiscal responsibilities), environmental management, insertion in local value chains, consumer protection and commitment to the community and its workers.

The role of the State now becomes one of facilitator, promoter and trainer, while at the same time establishing the legal, normative and institutional frameworks, and general strategies for all society. Complying with existing legislation, including fiscal responsibilities, and updating this as a function of socio-economic development, steers the economic actors toward a more advanced stage in the integration of SRE into their strategies.

As to foreign direct investment (FDI), it is worth noting the Cuba’s principal foreign partners currently boast public and visible Sustainable Business Strategies, among them: Sherritt International Corporation, Odebrecht, Pernod Ricard, PDVSA, Nestlé and Meliá Hotels International. Some foreign investors have carried out independent Business Philanthropy activities in Cuba, e.g., Sherritt contributes to physical and health infrastructure, and transportation. Yet it is noteworthy that none of the joint ventures created between them and Cuban SOEs address SB or CSR.

The Regulations of the Foreign Investment Law N° 118 (República de Cuba,, 2014) make no mention to social responsibility or business sustainability. Article 10.1 it reads that:

To establish an international economic association the parts negotiate each aspect of the intended investment, including its technical-financial feasibility, capital shares or contributions corresponding to each, management and administration, and legal documents for its formalization.

It does not ask for Sustainability Strategies on the part of the foreign partner or the association. Art. 17.1 stipulates that “Businesses in operation present to the Ministry of Foreign Trade and Investment ... copy of their Financial Statement and General Balance”. No mention is made of Social or Environmental Balance.

Conclusions

In summary, the country is not taking advantage of the contributions that BSR and SB could make to sustainable development.

CSR could expand the benefits of foreign investment to communities and natural ecosystems, and foster integration in global value chains. This holds for both current partners as well as the new ones arriving on the basis of the new Foreign Investment Law. For example, Sherritt could assist in local enterprise formation through sourcing and enterprise development like many mining companies do worldwide. PDVSA has programs aimed at encouraging SME growth in Venezuela through strategic purchasing and Meliá Hotels has various economic development and sustainability programs worldwide. (Sagebien & Betancourt, 2014)

Rapid contributions to the state’s food security/import substitution agenda can be made through CSR strategies. The purchase power of the tourism sector could be better harnessed for local development. Policies in effect that promote direct purchases of fresh produce from agricultural cooperatives by tourism hotels and restaurants are a step in the right direction, but many other local products and services, including professional, could be provided. Budgeted units such as schools and hospitals, which in many communities constitute the largest employers and income generators, could give priority to locally-supplied goods and services instead of depending on national supply structures with a much larger environmental footprint that barely contribute to local development.

The legal and regulatory framework for foreign investment, as well as the long-awaited laws of enterprises and associations, should make explicit the requirement of business social responsibility, through sustainable business strategies and the use of the Social and Environmental Balance with clear goals and results indicators at each level, and accountability to all stakeholders. That would provide levels of information and knowledge that would allow institutions and governments to better plan for development.

CSR is an investment that looks toward the present and the future of the company. It will redound in greater profitability in the short and long runs and position the company on a path toward sustainable growth.

The country could greatly profit from a more modern and informed vision of these concepts and practices widely accepted and applied in the global business environment. This would bring benefits that can contribute to the modernization of the Cuban socialist model.

The key to constructing a truly social and solidary economy in Cuba is to consciously assume Enterprise Social/Environmental Responsibility, from the macroeconomic model up to the behavior of all its actors, creating the public policies that can make this happen. It is a question of crafting an “entrepreneurial citizenship” capable of contributing to the “Prosperous and Sustainable Socialism” that we are committed to building. (Betancourt, July 2015)

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