

**HOW DO MULTINATIONALS BUILD SOCIAL CAPITAL?  
EVIDENCE FROM MEXICO**

ESRC Centre for Business Research, University of Cambridge  
Working Paper No. 249

by

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December 2002

This Working Paper forms part of the CBR Research Programme on Corporate Governance, Contracts and Incentives.

**Abstract**

This paper looks at the self-reporting of social engagement by multinational firms in Mexico, mapping the configurations of declared engagement. Such social engagements are an important component of how these companies contribute to social capital in the communities within which they operate. We find high performance by some firms, with negligible performance by others. Strong performing sectors include pharmaceuticals & healthcare, other chemical products, and manufacturing. Two case studies - on Alcoa and Schlumberger - detailing different but successful approaches to social capital building are given.

**JEL Codes:** M14, Z13

**Keywords:** Social Capital; Corporate Social Responsibility; Business Ethics; Mexico; Multinational Companies.

**Acknowledgments**

The authors acknowledge the financial support of the ESRC's 'Ethics, Globalisation and Regulation' Project at the Centre for Business Research. The usual disclaimer applies.

Further information about the ESRC Centre for Business Research can be found on the World Wide Web at the following address: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk).

## 1. Introduction

This paper looks at the concept of social capital: the framework of reciprocal behaviours and engagements that facilitate or hamper different varieties of behaviour in social groups and individuals. It differs from the bulk of papers currently written about social capital in management literature, which either look inside the firm (where the concept of social capital is allied to the idea of knowledge management or employee motivation<sup>1</sup>) or at a firm's outside relations with other firms on a business basis (which is the domain of those who study strategic alliances and clusters<sup>2</sup>). This paper instead looks at the relationship between the firm and the *community* which surrounds it – specifically, how multinational corporations (MNCs) might build or are building social capital in their host countries.

In order to achieve this it calls upon two different strands of social capital scholarship. The first is the literature addressing civic engagement - through social networks and reciprocal behaviours - linked generally to stakeholder and community based approaches to management, and championed in a universal context by the likes of Robert Putnam.<sup>3</sup> The second is the development-based body of literature, for which Michael Woolcock<sup>4</sup> of the World Bank is among the eminent authors, which looks at the role of social capital as a means of fostering economic growth in developing nations.

Hess, Rogovsky and Dunfee's survey<sup>5</sup> has already begun to cover community engagement by US firms through corporate social initiatives in the US and abroad. These initiatives are the very stuff of social capital: they can foster new networks and inculcate reciprocal behaviours. This paper looks at – and attempts to measure – the social capital built by US firms in Mexico either directly (in the shape of their own community networks) and indirectly (through secondary networks which emerge from their projects) by looking at how 73 US multinational corporations with operations there have reported their engagements. It is based on the work of Jones *et al*,<sup>6</sup> which looked at how UK-listed firms reported activities in South Africa which could be described as 'building' social capital – that is, constructing networks and reciprocal behaviours (or trust norms).<sup>7</sup>

Hess *et al* develop the idea of a *moral marketplace* (suggested by an earlier paper by Dunfee<sup>8</sup>) in which “[m]oral desires expressed by stakeholders are embodied in capital, consumer and labor markets.”<sup>9</sup> An important question is the extent to which Dunfee's moral marketplace is international – are shareholders in one country impressed by social capital building in another?

Jones *et al* noticed that firms which were cross-listed in the London and Johannesburg stock exchanges tended to have higher scores.<sup>10</sup> Is it possible that investors still prefer their charity to begin at home, such that only investments in the headquartered country are reported?

It is important to stress that what is being measured is *social* capital. We do not directly aim to assess the benevolent but disinterested transfer of financial capital, or the growth of environmental capital by the adoption of a particular standard which reduces pollution. Rather, we seek to assess the commitment to a series of engagements and the quality of the process of co-operation that establishes standards and will ultimately assist in the development and maintenance of financial and environmental capital.

There have been various studies explicitly dealing with the concept of social capital in Mexico, although generally either at the civic and household level.<sup>11</sup> There has been almost no treatment in these studies of the relationship between state and national big business or multinational companies. Valdivia-Machuca points to the importance to the Mexican economy of informal networks which linked the state to emerging national firms.<sup>12</sup> His research covers the period 1936-1986, since which the signing of the North American Free Trade Agreement (NAFTA) in 1992 has seen US MNCs become an increasingly prominent player in the Mexican state. There have been no attempts to calibrate the engagement of these MNCs in Mexico.

The paper is organised with that aim in mind. Section 2 discusses the theory and measurement of social capital. Section 3 summarises the survey method employed and addresses the benefits and limitations of the methods used. Section 4 details the findings of reported engagements of the 73 firms analysed in this project. Section 5 provides case studies of a portfolio of actions and of an individual project undertaken by two of the higher-scoring of the different firms. Section 6 draws conclusions of the usefulness of the study and avenues for future research.

## **2. Social Capital: Theory and Measurement**

Social capital has been defined as ‘features of social organisation, such as trust, norms and networks, that can improve the efficiency of society by facilitating co-ordinated actions.’<sup>13</sup> As such it conveys the twin ideas of a productive input to economic activity (like physical capital) and of something that cannot be separated from the wider society within which it is embedded. It is a term that invites measurement, like physical capital, but like anything ‘social’ in nature

carries the likelihood that it will be both difficult and controversial to measure.

Social capital can be thought of as consisting of a number of separate but closely related elements: trust, norms and social networks<sup>14</sup> or simply, reciprocal behaviours (which include trustworthiness and norms of reciprocity) and social networks.<sup>15</sup> Thus social capital is built on a willingness to engage in activities such as supporting community projects (such as a local health project) or participating in initiatives which involve others in building a better community (such as a international initiative to improve the environment).

Just as there are multiple theoretical aspects of social capital there are many different ways in which it might be measured. Putnam's *Bowling Alone: The Collapse and Revival of American Community* suggests an extensive range of measures in the context of American society. In order to demonstrate the correlation between social capital and quality of life measures in the 50 US states he suggests a comprehensive measure of social capital consisting of 14 different elements. These include mean number of group memberships, mean number of times did volunteer work in last year, mean number of times entertained at home last year and percentage agreeing that 'Most people are honest.'<sup>16</sup>

Some of Putnam's measures reflect direct measures of trust, norms and social networks but others are indirect. This leads to the observation that measuring social capital is *subjective* and *partial*. For a given piece of analysis of social capital, excluded measures may show different trends and may be left out on the basis of judgement rather than objective reasoning. A good example of this in Putnam's work is his ambivalence towards including the huge growth in internet discussion groups as a indicator of the shifting membership of social networks. Putnam is reluctant to set this evidence as negating his general finding of decline based on formal membership of 'traditional' social networks such as bowling leagues.<sup>17</sup>

Any work that seeks to measure social capital suffers from these potential criticisms. However this does not detract from the fact that measures of social capital, such as Putnam's, are highly suggestive of interesting underlying relationships at the same time as being wide open to criticism.

Measuring the contribution of firms to social capital suffers from similar problems. In this paper we focus on a narrow range of measures, dictated partially by data availability. We are focussed on measures of social capital drawn from the literature on social capital (as Jones *et al*, 2001 relates).<sup>18</sup> This is

to neglect the huge contribution that firms make to society via the wages and taxes they pay and the local services they buy. No doubt many of the companies that show up poorly on our measures of social capital would point to their mere presence in Mexico as contributing hugely more to social welfare than the additional contribution represented by the measures we highlight. However this does not negate the fact that measures we highlight are worthy of study.

Our work suffers from an additional criticism that arises from the source of the information that we draw on. Our observations on firms contributions to social capital are largely taken from 'self reported' sources from the companies themselves (particularly their websites). This is problematic because firms may report on and actually select their engagements in social capital on the basis of what they think their stakeholders (especially shareholders and customers) want them to do. For Roberts, this results in 'Narcissus' like behaviour<sup>19</sup> in which firms behaviour reflects the values of their stakeholders and not the unconstrained choices of managers.

This does not detract from our analysis. The engagements we measure may still be an accurate record of how firms are contributing to social capital in Mexico but it may be the 'fault' of external stakeholder pressure that engagements or non-engagements take the form they do. This suggests that the route to changing behaviour is not simply to convince managers (or even shareholders) to do something different but to convince all relevant stakeholders to broaden their social concern for the impact of the companies they are involved with. The observation that several of the largest US multinationals in Mexico are heavily involved in social capital building activities in the US but do relatively little outside the US may thus reflect the US bias among stakeholders rather than management indifference. In Dunfee *et al*'s terms the 'moral market place' may not reflect the multinational nature of the firm's production facilities but the dominant US nature of its shareholders and customers.<sup>20</sup>

### **3. Methodology**

#### ***Dataset***

All US-headquartered companies in the Waterlow Directory of Multinationals (1998) which listed an operation in Mexico were identified, and then scrutinized to find credible evidence of a significant presence in Mexico (taken to be an operation with more than 250 employees).<sup>21</sup> This generated a list of 73 firms. Following this, the survey went on to record all pertinent external responsibility which the company described on its own website in a two week period in the summer of 2002.<sup>22</sup>

### **Method**

The survey used the measures outlined in Jones *et al* (2001), i.e. engagement mapping to chart the spatial networks of the various firms, and questions to assess commitment to fostering reciprocal behaviours.

Engagement maps provide a visual guide to the partners, geographic level and extent of commitments (see Table 3.1) undertaken by a firm, and the issues on which the engagements are focused (see Table 3.2).

**Table 3.1.** *Varieties of Geographic Level, Partners, and Scoring system for Extent of Commitment*

<b><i>Regional Level</i></b>	<b><i>Partners</i></b>	<b><i>Abbreviation</i></b>	<b><i>Extent of Commitment</i></b>
Transnational	International Organisation (e.g. UN/World Bank)	Int. Org	Endorsement (indicating support for a program without specific details) = 1 Point
	NGO (e.g. Red Cross)	NGO	
	Academia	Acad	
	MNCs	Firm	Active non-committee membership = 3 Points
National	National Government	Gov	Active committee membership = 4 Points
	National NGO	NGO	
	National Institution (e.g. a Museum)	Instit	Resource Donation = 1 additional point
	National Firm	Firm	
Local	Local Government	Local Gov	Endorsement = 1 Point
	Local Institution (e.g. Schools, hospitals)	Local Instit	Resource Loan = 3 Points
	Local Firm	Local Firm	
	Individual	Individ	Resource Donation = 4 Points

**Table 3.2.** *Key varieties of Issues addressed by the projects in which the MNC is engaged*

<i>Project Issue</i>	<i>Abbreviation</i>	<i>Aims to...</i>
Education	Edcn	Develop an intellectual capability
Youth	Yth	Foster social skills in the young
Health	Hlth	Increase health (including health education)
Environment	Env	Improve environmental conditions
Development /Employment	Dvpt	Develop the economy as a whole (or generate employment at the local level).
Ethics/Crime	Eth	Establish a code of conduct for project participants, (or reduce crime at the local level)
Arts	Arts	Patronise the arts
Other	Oth	Any other aim.

Engagement maps are best explained by example, and one is provided below.

**Table 3.3.** *A sample Engagement Map*

	Issue									
		Edcn	Yth	Hlth	Env	Dvpt	Ethic	Arts	Other	Total
<b>Transnational</b>	Int. Org									
	NGO	5								5
	Acad									
	MNC									
	<b>Total</b>	<b>5</b>								<b>5</b>
<b>National</b>		Edcn	Yth	Hlth	Env	Dvpt	Ethic	Arts	Other	Total
	Gov									
	NGO				3	3				6
	Instit									
	Firm				3	3				6
<b>Total</b>				<b>6</b>	<b>3</b>				<b>12</b>	
<b>Local</b>		Edcn	Yth	Hlth	Env	Dvpt	Ethic	Arts	Other	Total
	Local Gov.									
	Local Instit	4								4
	Local Firm									
	Individual									
<b>Total</b>	<b>4</b>								<b>4</b>	



In this engagement map the firm in question might share active committee membership in an international educational project with an international non-governmental organisation such as Save the Children. At the national level, it might have active non-committee membership in a venture that involves a national NGO and a national firms which develops both the environment and the economy at once. At the local level, the firm might donate time or resources to the building or rebuilding of a local school.

**Table 3.4. Reciprocal Behaviour Measures**

<b>1. Method of Social Reporting</b>				
Score	0	1	2	3
Basis for Score	Nothing	HTML-based	PDF <i>annual</i> report	PDF <i>separate</i> report

<b>2. Ease of Access</b>				
Score	0	1	2	3
Basis for Score	No information	Information difficult to find	Information relatively easy to find	Information directly linked to homepage

	Yes	No
<b>3. Does the Firm have Explicit Social Values?</b>	1	0
<b>4. Does the Company have a Foundation?</b>	1	0
<b>5. Is There a Clear Guide on Funding Application?</b>	1	0
<b>6. Is external responsibility information provided in Spanish?</b>	1	0

The reciprocal behaviour questions assess those practices which can underpin and ratify commitment to those engagements listed in the network maps (or potentially elsewhere). They are summarised in Table 3.4. In addition to the questions posed by Jones et al (2001), we add the following: “Is external responsibility information provided in Spanish?” Accountability is in itself an important overarching reciprocal behaviour, and the provision of information to various stakeholders in a firm or its engagement should ideally have the means to access that information with ease: “Like physical capital and human capital, but unlike financial capital, social capital needs maintenance. Social bonds

have to be periodically renewed *and reconfirmed* or else they lose efficacy .”[emphasis added].<sup>23</sup> Or, as Teubner suggests, engagement “is defined neither by formal membership nor reciprocal exchange but by a specific presumption of trust which is based on...repeated interaction and *on observation by a third party*.”<sup>24</sup> [emphasis added] Reporting social capital-building itself builds social capital, and this positive feedback loop is to be encouraged.

In the interests of internal comparability within the survey, and external comparability with the work of Jones *et al* <sup>25</sup> the 73 firms were broken into smaller groups, based on the Standard Industry Codes (SIC) and the North American Industry Classification System (NAICS).

#### **4. Results**

The survey offers an interesting set of results. What becomes immediately apparent is that whilst many firms (34) report engagements in Mexico, more do not. This is not to say that these firms are not engaged in communities; many are quite explicit in their support for projects in the US, but do not list anything in Mexico. This often accounts for the disparities that emerge between the reciprocal behaviour scores of the firm and their engagement in Mexico.

An absence or paucity of information concerning engagement is attributable to one of two causes. The first is that firms are simply not engaged in Mexico. The second, and more controversial, is that they do have engagements but do not choose to list them for some reason. There are several possible reasons for this. Jones *et al* mention possible constraints of expediency and audience.<sup>26</sup> If either of these were a factor, it might be possible to suggest that the moral marketplace has a geographical bias. That is to say, the firms involved choose not to list their engagements in Mexico and to emphasise their engagements in the US if that is where the bulk of shareholders are: further evidence of “narcissistic” behaviour.<sup>27</sup>

There are striking parallels with Jones *et al*, in that it is firms involved in labour-intensive industrial work and healthcare-related work which perform most strongly. There are numerous potential reasons for this, and not necessarily the same in each sector or for each firm. There are arguably three key factors which encourage the disclosure of engagement: the greater size of the workforce; the need to relocate whole families and provide the means to do so (which appears to be of less significance in the case of Mexico than in South Africa); and finally the desire to defend corporate reputations which are

frequently under attack in these sectors, perhaps a result of the conditioning influence of the moral marketplace.

There are interesting patterns of engagements as regards the nature of a project and the parties with whom there is engagement, as shown in the aggregated table of all engagements on the part of firms (Table 4.1).

**Table 4.1.** *Total of all engagements for all 73 firms*

	Issue									
	Edcn	Yth	Hlth	Env	Dvpt	Ethic	Arts	Other	Total	
<b>Transnational</b>	Int. Org	5		1	2				8	
	NGO	5		10	22	12	4	4	57	
	Acad				8				8	
	Firms				7	4	1		12	
	<b>Total</b>	10		11	39	16	5		4	85
<b>National</b>		Edcn	Yth	Hlth	Env	Dvpt	Ethic	Arts	Other	Total
	Gov	24	6	5	24	3			2	64
	NGO	5	18	23	15	6			6	73
	Instit	2	22		5			4	6	39
	Firms	5				5				10
	<b>Total</b>	36	46	28	44	14		4	14	186
<b>Local</b>		Edcn	Yth	Hlth	Env	Dvpt	Ethic	Arts	Other	Total
	Local Gov.	4	3	6	8				4	25
	Local Institution	68	25	32	29	4		8	16	182
	Local Firms	5			2	4			4	15
	Individual	4	12	7	4	4		3	11	45
	<b>Total</b>	81	40	45	43	12		11	35	287

The bulk of collaboration at the International level is undertaken between MNCs and NGOs, predominantly addressing environmental and developmental issues. At the National level, Education and youth, health and the environment are the key areas of focus. The chosen collaborator appears to vary according to the nature of the project and probably therefore the extent of leverage that a particular organisation can have. Naturally, education and environmental issues are addressed largely in cooperation with government (although NGOs are prominent in environmental issues); youth movements favour collaboration with a combination of national NGOs and national-level institutions; and health initiatives work largely with NGOs. At the Local level, local institutions are very definitely the grass-roots partners of choice, and education the dominant issue, with youth, health and the environment following, although inevitably there is a far greater number of projects which simply defy definition at this

level (painting a fire-station, for example, in the case of Alcoa). The tables for firms, (with institutional level aggregated) are listed below.

**Table 4.2.** *Network engagement scores, by sector (Institutional dimension aggregated for brevity)*

Pharmaceuticals & Healthcare	Issue									Regional Level		
	Edcn	Yth	Hlth	Env	Dvpt	Ethic	Arts	Oth	Total	T	N	L
Abbott Labs												
AHP/Wyeth												
Baxter												
International	2	12	8					4	26		10	16
Becton Dickinson & Company			9						9		5	4
Bristol Myers Squibb			3	2	10				15	5	7	3
Eli Lilly							3		3		3	
Merck			14						14	1	13	
Pfizer												
Pharmacia Corp												
<b>Total</b>	<b>2</b>	<b>12</b>	<b>34</b>	<b>2</b>	<b>10</b>		<b>3</b>	<b>4</b>	<b>67</b>	<b>6</b>	<b>38</b>	<b>23</b>
Mean	0.2	1.3	3.8	0.2	1.1		0.3	0.4	7.4	0.7	4.2	2.6
st Dev	0.7	4	5.3	0.7	3.3		1	1.3	9.3	1.7	4.9	5.3
max	2	12	14	2	10		3	4	26	5	13	16
min												

Other Chemicals	Issue									Regional Level		
	Edcn	Yth	Hlth	Envn	Dvpt	Eths	Arts	Oth	Total	T	N	L
Avon Products			5						5		5	
Colgate												
Palmolive												
Dow												
Du Pont				1					1			1
Eastman		4		4				4	12			12
FMC												
Goodyear												
Johnson & Johnson	4	10	11	6	4	4		2	41	17	8	16
PPG												
Praxair												
Procter & Gamble	24	12		6	1			2	45		41	4
<b>Total</b>	<b>28</b>	<b>26</b>	<b>16</b>	<b>17</b>	<b>5</b>	<b>4</b>		<b>8</b>	<b>104</b>	<b>17</b>	<b>54</b>	<b>33</b>
Mean	2.5	2.4	1.5	1.5	0.5	0.4		0.7	9.5	1.5	4.9	3
st Dev	7.2	4.5	3.5	2.5	1.2	1.2		1.3	17	5.1	12.3	5.6
max	24	12	11	6	4	4		4	45	17	41	16
min												

Food & Retail	Issue									Regional Level		
	Edcn	Yth	Hlth	Env	Dvpt	Ethic	Arts	Oth	Total	T	N	L
Campbells	20								20			20
Coca Cola									4			
Conagra									6		5	1
Gap			4									
Kellogg			5		1							
McDonalds												
Pepsico			1						4		5	
Philip Morris									4		9	
Walmart			5									
<b>Total</b>	<b>20</b>	<b>10</b>	<b>5</b>	<b>1</b>				<b>8</b>	<b>44</b>		<b>19</b>	<b>21</b>
<b>Mean</b>	2.2	1.1	0.6	0.1				0.9	<b>4.9</b>		2.1	2.3
st Dev	6.7	2	1.7	0.3				1.8	<b>6.5</b>		3.4	6.6
max	20	5	5	1				4	<b>20</b>		9	20
min												

Industrial machinery and equipment	Issue									Regional Level		
	Edcn	Yth	Hlth	Envn	Dvpt	Eths	Arts	Oth	Total	T	N	L
Caterpillar				1	4				5	4	1	
Cummins				8					8			8
Deere & Co												
Dell												
Emerson Electric												
Hewlett Packard												
IBM	4	4		1		1	4		14	2	8	4
Ingersoll-Rand												
ITT				12					12	12		
Raytheon												
RR Donnelly												
<b>Total</b>	<b>4</b>	<b>4</b>		<b>22</b>	<b>4</b>	<b>1</b>	<b>4</b>		<b>39</b>	<b>18</b>	<b>9</b>	<b>12</b>
<b>Mean</b>	0.4	0.4		2	0.4	0.1	0.4		<b>3.5</b>	1.6	0.8	1.1
st Dev	1.2	1.2		4.1	1.2	0.3	1.2		<b>5.4</b>	3.7	2.4	2.6
max	4	4		12	4	1	4		<b>14</b>	12	8	8
min												

Electrical and electronic equipment & services	Issue									Regional Level		
	Edcn	Yth	Hlth	Envn	Dvpt	Eths	Arts	Oth	Total	T	N	L
3Com												
Cooper Industries				5					5		5	
Corning												
Eaton	4								4			4
EDS							3		3			3
GE	4	8	4	9					25		9	16
Lucent												
Motorola												
Texas Instruments												
United Technologies	1			7				2	10	9		1
Verizon	3	8			4				15			15
<b>Total</b>	<b>12</b>	<b>16</b>	<b>4</b>	<b>21</b>	<b>4</b>		<b>3</b>	<b>2</b>	<b>62</b>	<b>9</b>	<b>14</b>	<b>39</b>
<b>Mean</b>	1.1	1.5	0.4	1.9	0.4		0.3	0.2	5.6	0.8	1.3	3.5
st Dev	1.7	3.2	1.2	3.4	1.2		0.9	0.6	8.1	2.7	3	6.1
max	4	8	4	9	4		3	2	25	9	9	16
min												

Manufacturing	Issue									Regional Level		
	Edcn	Yth	Hlth	Envn	Dvpt	Eths	Arts	Oth	Total	T	N	L
3M		5							5		5	
Alcoa	12	11	20	25	3		4	20	95	8	5	82
Crown Cork & Seal												
Eastman Kodak	5								5			5
Fluor												
Ford	15		5	32	7		1		60	26	29	5
Fortune Brands												
General Motors	9			4				3	16		5	11
Georgia Pacific												
Gillette												
Nike					5			4	9		5	4
Parker – Hannifin												
Phelps Dodge		2							2		2	
<b>Total</b>	<b>41</b>	<b>18</b>	<b>25</b>	<b>61</b>	<b>15</b>		<b>5</b>	<b>27</b>	<b>192</b>	<b>34</b>	<b>51</b>	<b>107</b>
<b>Mean</b>	3.2	1.4	1.9	4.7	1.2		0.4	2.1	14.8	2.6	3.9	8.2
st Dev	5.4	3.2	5.6	10.7	2.3		1.1	5.5	29.1	7.4	7.9	22
max	15	11	20	32	7		4	20	95	26	29	82
min		5							5		5	

Highly Diversified & Miscellaneous	Issue									Regional Level		
	Edcn	Yth	Hlth	Env	Dvlpt	Ethic	Arts	Oth	Total	T	N	L
American Airways				2					2	1	1	
Disney												
Fedex												
Marriott												
Schlumberger	20							4	24			24
Tyco												
UniSys												
United Airways					4				4			4
Weyerhaeuser												
<b>Total</b>	<b>20</b>			<b>2</b>	<b>4</b>			<b>4</b>	<b>30</b>	<b>1</b>	<b>1</b>	<b>28</b>
<b>Mean</b>	2.2			0.2	0.4			0.4	3.3	0.1	0.1	3.1
st Dev	6.7			0.7	1.3			1.3	7.9	0.3	0.3	7.9
max	20			2	4			4	24	1	1	24
min												

**Table 4.3. Reciprocal Behaviour Scores by Sector**

Pharmaceutical & Healthcare	Explicit Values	CSR Info Availability	Ease of access	Foundation	Funding Guide	Spanish?	Total <sup>28</sup>
Abbott	1	3	1	1	2	0	4.7
Baxter							
International	1	3	1	1	3	1	6
Becton							
Dickinson	1	2	1	1	3	1	5.7
Bristol Myers							
Squibb	1		1	1	2	1	5.7
Eli Lilly	1	1	1	1	2	0	4
Merck	1	1	1	1	3	1	5.3
Pfizer	1	1	1	1	2	0	4
Pharmacia	1	1	1	1	3	0	4.3
AHP/Wyeth	1	1	1	1	1	0	3.7
<b>Total</b>	<b>9</b>	<b>16</b>	<b>9</b>	<b>9</b>	<b>21</b>	<b>4</b>	<b>43</b>
<b>Mean</b>	1	1.8	1	1	2.3	0.4	4.8

<b>Food &amp; Retail</b>	Explicit Values	CSR Info Availability	Ease of access	Foundation	Funding Guide	Spanish?	<b>Total</b>
Campbells	1	3	1	1	2	1	<b>5.7</b>
Coca Cola	1	1	1	1	2	0	<b>4</b>
Conagra	1	3	1	1	3	0	<b>5</b>
Gap	1	3	1	1	3	0	<b>5</b>
Kellogg	1	1	1	1	2	0	<b>4</b>
McDonalds	1	1	1	0	2	1	<b>4</b>
Pepsico	1	1	1	1	2	0	<b>4</b>
Philip Morris	1	3	1	1	3	0	<b>5</b>
Walmart	1	1	1	1	2	0	<b>4</b>
<b>Total</b>	<b>9</b>	<b>17</b>	<b>9</b>	<b>8</b>	<b>21</b>	<b>2</b>	<b>41</b>
Mean	1	1.9	1	0.9	2.3	0.2	<b>4.5</b>

<b>Other Chemicals</b>	Explicit Values	CSR Info Availability	Ease of access	Foundation	Funding Guide	Spanish?	<b>Total</b>
Avon	1	3	1	1	2	1	<b>5.7</b>
Colgate							
Palmolive	1	3	1	1	2	0	<b>4.7</b>
Dow	1	1	1	1	3	1	<b>5.3</b>
Du Pont	1	1	1	1	2	0	<b>4</b>
Eastman	1	3	0	0	3	0	<b>3</b>
FMC	1	1	0	0	3	0	<b>2.3</b>
Goodyear	1	1	1	1	2	0	<b>4</b>
J&J	1	1	1	1	2	1	<b>5</b>
PPG	1	3	1	1	2	1	<b>5.7</b>
Praxair	1	0	1	1	0	0	<b>3</b>
Procter & Gamble	1	1	1	1	3	1	<b>5.3</b>
<b>Total</b>	<b>11</b>	<b>18</b>	<b>9</b>	<b>9</b>	<b>24</b>	<b>5</b>	<b>48</b>
Mean	1	1.6	0.8	0.8	2.2	0.5	<b>4.4</b>



<b>Industrial machinery and equipment</b>	Explicit Values	CSR Info Availability	Ease of access	Foundation	Funding Guide	Spanish?	<b>Total</b>
Caterpillar	1	3	1	1	3	0	<b>5</b>
Cummins	1	3	1	1	2	0	<b>4.7</b>
Deere & Co	1	3	1	1	2	0	<b>4.7</b>
Dell	1	1	1	1	3	0	<b>4.3</b>
Emerson	1	3	1	1	3	0	<b>5</b>
Hewlett Packard	1	1	0	0	3	0	<b>2.3</b>
IBM	1	3	1	1	3	0	<b>5</b>
Ingersoll-Rand	1	1	1	1	2	0	<b>4</b>
ITT	1	1	1	1	3	0	<b>4.3</b>
Raytheon	1	1	1	0	3	0	<b>3.3</b>
RR Donnelley	1	3	1	1	3	0	<b>5</b>
<b>Total</b>	<b>11</b>	<b>23</b>	<b>10</b>	<b>9</b>	<b>30</b>	<b>0</b>	<b>47.7</b>
Mean	1	2.1	0.9	0.8	2.7	0	<b>4.3</b>

<b>Manufacturing</b>	Explicit Values	CSR Info Availability	Ease of access	Foundation	Funding Guide	Spanish?	<b>Total</b>
3M	1	1	1	1	2	1	<b>5</b>
Alcoa	1	3	1	1	3	0	<b>5</b>
Crown Cork & Seal	1	1	0	0	1	0	<b>1.7</b>
Eastman Kodak	1	1	1	1	2	0	<b>4</b>
Fluor	1	1	1	1	2	0	<b>4</b>
Ford	1	3	1	1	3	1	<b>6</b>
Fortune Brands	1	0	0	0	0	0	<b>1</b>
General Motors	1	1	1	1	3	1	<b>5.3</b>
Georgia Pacific	1	3	1	1	3	0	<b>5</b>
Gillette	1	3	1	1	3	0	<b>5</b>
Nike	1	3	1	1	3	1	<b>6</b>
Parker Hannifin	1	1	1	1	2	1	<b>5</b>
Phelps Dodge	1	3	1	1	3	0	<b>5</b>
<b>Total</b>	<b>13</b>	<b>24</b>	<b>11</b>	<b>11</b>	<b>30</b>	<b>5</b>	<b>58</b>
Mean	1	1.8	0.8	0.8	2.3	0.4	<b>4.5</b>

<b>Electrical and electronic equipment &amp; services</b>	Explicit Values	CSR Info Availability	Ease of access	Foundation	Funding Guide	Spanish?	<b>Total</b>
3Com	1	1	2	0	2	0	<b>4</b>
Cooper Industries	1	3	1	1	2	0	<b>4.7</b>
Corning	1	1	1	1	2	0	<b>4</b>
Eaton	1	1	1	1	2	0	<b>4</b>
EDS	1	1	1	0	2	0	<b>3</b>
GE	1	1	1	1	3	1	<b>5.3</b>
Lucent	1	1	0	0	3	0	<b>2.3</b>
Motorola	1	3	1	1	3	0	<b>5</b>
Texas Instruments	1	3	1	1	3	0	<b>5</b>
United Technologies	1	1	0	0	2	1	<b>3</b>
Verizon	1	2	1	1	3	1	<b>5.7</b>
<b>Total</b>	<b>11</b>	<b>18</b>	<b>10</b>	<b>7</b>	<b>27</b>	<b>3</b>	<b>46</b>
Mean	1	1.6	0.9	0.6	2.5	0.3	<b>4.2</b>

<b>Highly Diversified &amp; Miscellaneous</b>	Explicit Values	CSR Info Availability	Ease of access	Foundation	Funding Guide	Spanish?	<b>Total</b>
American Airways	0	0	1	1	0	0	<b>2</b>
Disney	1	1	1	0	3	0	<b>3.3</b>
Fedex	1	1	1	1	2	0	<b>4</b>
Marriot	1	1	1	1	2	0	<b>4</b>
Schlumberger	1	3	1	1	3	0	<b>5</b>
United Airways	1	1	1	1	3	0	<b>4.3</b>
UniSys	1	1	0	0	1	0	<b>1.7</b>
Weyerhaeuser	1	3	1	1	3	0	<b>5</b>
<b>Total</b>	<b>7</b>	<b>11</b>	<b>7</b>	<b>6</b>	<b>17</b>	<b>0</b>	<b>29.3</b>
Mean	0.9	1.4	0.9	0.8	2.1	0	<b>3.7</b>

## 5. Case Studies

Two different case studies are detailed here. One looks at the overall portfolio of Alcoa - a firm with a very wide variety of different engagements (and the largest engagement score in the survey), which constitute a whole suite of combinations between different groups and looking at different issues. The other looks at a specific project undertaken by Schlumberger which, whilst very much focused on one particular domain at the grassroots level, is applied in various countries other than Mexico.

The strategies of the two different firms in regards to the community are different, but there are laudable aspects in each. Alcoa's strategy is very much a grassroots level in that it appears to promote projects as and when they appear, and lists any and every engagement in the communities it comes into contact with. Schlumberger's method is more coordinated from the top, but as the case studies reveal, there are many positive practices undertaken by each.

### *Case One: Alcoa*

#### **Firm Background**

The Alcoa Group is headquartered in Pittsburgh, Pennsylvania. It has five different core business activities, including alumina and chemicals, primary metals, flat rolled products and engineered products. The company has 129,000 employees in 38 countries.<sup>29</sup>

Alcoa began operations in Mexico some 20 years ago, and has operating groups there: AFL Automotive, which alone has in excess of 31,000 employees in six cities; Alcoa Fujikura (a telecommunications group); and Alcoa CSI de Mexico, which deals in packaging and consumer goods markets.

#### **Engagement**

Alcoa has developed a wide array of engagements at the transnational, national and local levels, with the greatest of its focus coming at the local level. At the international level, it is involved in an environmental initiative known as the Student Conservation Association (SCA), which aims to send students from Mexico and Brazil to US national parks to offer them hands-on learning experience of environmental management for approximately three months. This fits within a suite of transnational exchange initiatives for environmental workers and scientists at various different stages of their careers which sometimes involve scholars from Mexico. The Alcoa Foundation also offers a

grant towards the World Wildlife Fund's Russell E. Train Education for Nature Program, which teaches proven and potential conservation leaders in Latin America.

At the national level Alcoa lists one engagement: a project to provide clothing to 3,700 kindergarten pupils. At the local level, Alcoa is involved in a plethora of programs which encompass a wide variety of issues and engage a large swathe of differential societal groups and organisations. In its three annual reports from 1999 to 2001 it lists several different engagements.

The bulk of its engagements are focused on four main issues, education, youth, health and the environment. They assisted in the construction of a Juárez-based education centre on property donated by the state, and also contributed further funds towards the renovation of a school. They supported two different youth ventures, one a nutritional program in Coahuila under which low-income children receive milk at reduced prices, the other a series of renovation projects for the Fundacion Don Bosco Ciudad de los Niños in Ensenada, Mexico.

In the health-related domain, they report donating resources to three hospitals in Saltillo Juarez and Apodaca, as well as providing a shelter for transplant patients and family members in Torreon and resources for a day care centre. At the environmental level, the firm was involved in the construction of a park in Piedras Negras, and the development of a community-wide initiative which gave rise to the Asociación Vida de Acuña A.C., bringing together cultural, social and sporting activities in the town.

The company another part of the company website suggests that the firm is still involved in these ventures, listing that recently twenty-one AFL Automotive associates joined about 100 other members of the community in cleaning up the aforementioned park in Acuña. As well as this, twenty AFL Automotive employees conducted general grounds maintenance and tree planting at the Universidad Tecnologica del Norte in Piedras Negras, and ten associates did general maintenance and painted a fire station in there.

There are several other engagements, including support for victims of a flood in Piedras Negras, the purchase of emergency equipment in Torreon, and the provision of resources to an old people's home in Ensenada and to a rape crisis centre in Juarez, and the renovation of a shelter for homeless people in Acuña on property donated by the state.

## **Reciprocal Behaviours**

In the context of our survey, Alcoa is only one criterion short of a full score for reciprocal behaviours, namely the provision of information about its engagements and values in Spanish. Other than this, the firm goes to the greatest lengths to detail its community projects in special reports which are published in PDF format, and which are easily accessible from the firm's home page.

## **Summary**

Alcoa have distinguished themselves within Mexico for their excellence in developing community initiatives. The high number of workers Alcoa has in Mexico should not be taken as the sole reason for their engagement. There are firms with similarly sized workforces who do not list as many engagements as they do (*viz* GE<sup>30</sup> and Wal-Mart<sup>31</sup>). To be praised in particular are the large summary sheets of projects undertaken by 'Alcoans' either through the firm, its foundation or through individual initiative. This simple declaration, and the ability to trace the development of projects over a course of years, marks Alcoa out as a high-performing builder of social capital in Mexico.

## ***Case Two: Schlumberger – The SEED Connectivity Grant Program***

### **Firm Background**

Schlumberger is a global technology services company with corporate offices in New York, Paris and The Hague. Schlumberger has more than 80,000 employees, representing 140 nationalities, working in nearly 100 countries. The company consists of two business segments: Schlumberger Oilfield Services, which includes Schlumberger Network Solutions, and SchlumbergerSema.

### **The SEED Program.**

Schlumberger's community engagements come under the broad bracket of its 'SEED' (Schlumberger Excellence in Educational Development) non-profit community development program. Whilst the programme itself is international and appears to form a cogent strategy on the part of Schlumberger to address social issues, it is run very much at a grassroots level, which explains why the company's network engagement scores are exclusively in the local domain.

The key projects all revolve around a similar theme – the provision of computers and Internet access to those who can not afford it themselves for education and training purposes. There are five such projects listed in Mexico, according to the Schlumberger site. Three are in Reynosa (a town of 750,000

nine miles south of the Mexico-US Border), and two of these are hosted at different Centers for Industrial and Services Technological Studies (upper-secondary level schools) in the city.

A similar program is also run in Ciudad del Carmen, where a primary school is used at weekends to allow students access to computers. This programme also encourages students at the local business school to participate as volunteer teachers, and also fosters links with government organizations such as the National Ministry of Education (*la Secretaría de Educación Pública* or SEP) and the Campeche region's Ministry of Education (*la Secretaría de Educación en Campeche* or SACUD). The final program in Mexico is run in Villahermosa in Tabasco, and is an initiative to offer the school's computer facility to three nearby schools.

The SEED program is highly interesting, and most definitely conducive to the building of social capital for a number of reasons. Firstly, it naturally provides a concrete scheme which allows Schlumberger to detail an explicit commitment to the community. The long-term nature of these projects (all of which are scheduled to run for more than two years) indicates commitment. Schlumberger stipulates that the recipients of its funding also create a public statement of intent and update reports every six months which it will publish on its website. The framework and structure apparent within these reports helps to foster strong reciprocal behaviors.

The programs also show a very strong leaning towards networking – all of the different projects have themselves spawned collaborative networks which are themselves social-capital building. The potentiality of access to the Internet as a means of fostering human or intellectual capital is therefore supplemented by positive social networking.

## **6. Conclusion**

Many US firms could play a greater part in social capital building in the communities in which they are involved. Even in the face of a recession, where it appears that individuals are less willing to offer resources to anything unrelated to core competencies, it is worth noting that the firms that survive are typically those who look at social capital in its proper nature and context.

It is important to see social capital building as being multi-dimensional. It is not purely intra-firm behaviour. Nor should it pertain only to the development of

inter-firm networking or the fostering of links with friends in high places for the benefit of the firm. There are many issues that can be addressed, and many willing partners from a far richer array than might be imagined.

For MNCs social capital extends beyond engagement and reciprocal behaviours to include another highly important dimension – that of the relationship and accountability to the stakeholder community at large (or worldwide). This cannot be ignored in the firm's attempts to raise social capital within a whole array of moral markets.

As a final note of caution, it may appear that in times of recession the influence of the moral marketplace may decline, as markets instead reward those who strip non-essential expenditure and focus on core competence. But is this really the case? In principle, this report should have contained 75 firms. Both Enron and WorldCom were initially included in the pilot to this survey, but were dropped as their financial difficulties mounted. Neither listed any engagements and both scored extremely poorly in reciprocal behaviour scores.

## Notes

- <sup>1</sup> D. Cohen and L. Prusak, *In Good Company: How Social Capital Makes Organizations Work*, (Boston, MA: Harvard Business School Press, 2001); L. Prusak and D. Cohen, "How to Invest in Social Capital," *Harvard Business Review*, 79/6(2001):86-93.
- <sup>2</sup> W. Tsai and S. Ghoshal, "Social Capital and Value Creation: The Role of Interfirm Networks." *Academy of Management Journal*, 41(1998): 464-477; B.R. Koka, J. E. Prescott, "Strategic Alliances as Social Capital: A Multidimensional View," *Strategic Management Journal*, 23 (2002): 795-816; R. Gulati, N. Nohria and A. Zaheer, "Strategic Networks" *Strategic Management Journal*, 21/3(2000): 203-215.
- <sup>3</sup> R. Putnam, *Bowling Alone: The Collapse and Revival of American Community*, (New York, Simon and Schuster, 2000)
- <sup>4</sup> M. Woolcock, "Social Capital and Economic Development: Toward a Theoretical Synthesis and Policy Framework," *Theory and Society*, 27/1 (1998): 151-208; M. Woolcock. "Social Capital in Theory and Practice: Where Do We Stand?" Paper prepared for the 21st Annual Conference on Economic Issues, Department of Economics, Middlebury College, VT (2000).
- <sup>5</sup> D. Hess, N. Rogovsky and T.W. Dunfee, "The Next Wave or Corporate Community Involvement: Corporate Social Initiatives," *California Management Review*, 44/2 (Winter 2002): 110-125.
- <sup>6</sup> I.W. Jones, C.M. Nyland and M.G. Pollitt, "How do Multinationals Build Social Capital? Evidence from South Africa," (Centre for Business Research, University of Cambridge Working Paper #220, Dec. 2001)
- <sup>7</sup> Naturally, social capital can also hamper economic life, depending on its nature.
- <sup>8</sup> T.W. Dunfee, "The Marketplace of Morality: First Steps Toward a Theory of Moral Choice," *Business Ethics Quarterly*, 8/1 (January 1998): 127-146
- <sup>9</sup> Hess *et al*, "The Next Wave," p.114.
- <sup>10</sup> Jones *et al*., "South Africa," pp.25-26.
- <sup>11</sup> G. Truex, "'Barrio' as a Metaphor for Zapotec Social Structure," *Ethnology*, 35/3 (Summer 1996): 203-213; J. Moguel, E. Velazquez "Urban Social Organizing and Ecological Struggles in Durango, Mexico" in *Grassroots Environmental Action. People's Participation in Sustainable Development*, ed. D. Ghai and J. Vivian (London: Routledge for UNRISD), 161-188; J.A. Fox, "How does Civil Society Thicken? The Political Construction of Social Capital in Rural Mexico," In *State-Society Synergy: Government and Social Capital in Development*, P.



Evans, ed. (University of California International and Area Studies Digital Collection, Research Series #94, 1997); J. Dayton-Johnson. "Rules and Cooperation on the Local Commons: Theory with Evidence from Mexico." (Doctoral Dissertation, University of California, Berkeley, 1998).

- <sup>12</sup> A Valdivia-Machuca "State and Business Groups in Mexico: The Role of Informal Institutions in the Process of Industrialisation", (Doctoral Dissertation, University of Cambridge, 2002).
- <sup>13</sup> R. Putnam, *Making Democracy Work – Civic Traditions in Modern Italy* (Princeton: Princeton University Press, 1993), p.167.
- <sup>14</sup> *Ibid.*
- <sup>15</sup> Jones *et al*, 2001, "South Africa," pp.4-5.
- <sup>16</sup> Putnam, *Bowling Alone*, p.291.
- <sup>17</sup> *Ibid*, pp. 174-180.
- <sup>18</sup> Jones *et al*, 2001, "South Africa".
- <sup>19</sup> J. Roberts, "Corporate Governance and the Ethics of Narcissus", *Business Ethics Quarterly*, 11/1(2001): 109-128.
- <sup>20</sup> Dunfee *et al*, "Marketplace of Morality".
- <sup>21</sup> These statistics are rarely listed on either the US homepage or the Mexican page, although this occurred in some instances. Where there was no evidence, the companies in question were called either at their US, Latin American or Mexican offices to inquire as to whether or not they had more than 250 employees. In the few instances where this failed to produce an answer, sensible estimations of surpassing this number were made employee numbers, based on – for example – the existence of factories) were used.
- <sup>22</sup> 8<sup>th</sup> July to 22<sup>nd</sup> July 2002.
- <sup>23</sup> P.S. Adler and S-W Koon, "Social Capital: Prospects for a New Concept." *Academy of Management Review* 2002, 27/1: 17-40, at 22.
- <sup>24</sup> G. Teubner (2000). "Hybrid Laws: Constitutionalizing Private Governance Networks" draft copy available at << [www.uni-frankfurt.de/fb01/teubner/hybrid.pdf](http://www.uni-frankfurt.de/fb01/teubner/hybrid.pdf)>>; forthcoming in R.A. Kagan, M. Krygier, & K. Winston (eds.) (2002). *Legality and Community: On the Intellectual Legacy of Philip Selznick* (Lanham, MD: Rowman & Littlefield, 2002)
- <sup>25</sup> Jones *et al.* , "South Africa".
- <sup>26</sup> *ibid*, pp.20-21.
- <sup>27</sup> Roberts, "Narcissus."
- <sup>28</sup> The total takes all maximal values for each criterion to be equal to 1, dividing the scores in "CSR Info Availability" and "ease of Access" by 3.

<sup>29</sup> [http://www.alcoa.com/global/en/about\\_alcoa/overview.asp](http://www.alcoa.com/global/en/about_alcoa/overview.asp)

<sup>30</sup> GE states that it has 37000 employees. GE Mexico Fact Sheet, Available at <http://www.ge.com/community/mexico/downloads/GEMexicoFactsheet.pdf>

<sup>31</sup> Wal-Mart lists 84,607 employees in Mexico. Wal-Mart Mexico Annual Report 2001, p.16