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**Corporate Social Responsibility and Local  
Development in Mexico**

**A comparison between conceptualization and implementation**

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## List of Acronyms

CSR	Corporate Social Responsibility
CEMEX	CEMEX, S.A.B. de C.V.
FEMSA	Fomento Económico Mexicano S.A.B. de C.V
MNC	Multinational Company
PH	Patrimonio Hoy
PE	Polígono Edison
SDG	Sustainable Development Goals
CEMEFI	Centro Mexicano para la Filantropía, A.C
MERCO	Monitor Empresarial de Reputación Corporativa

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## **Abstract**

The purpose of this research is to contrast the conceptualization that Mexican multinational companies, established in Nuevo León, Mexico, have about Corporate Social Responsibility and Local Development and how these interpretations are considered during the design and implementation process of their CSR strategies.

Multiple authors define CSR and Local Development as "umbrella terms" because of their changing definition, relying on their use and context. This research presents a CSR and Local Development theoretical framework that provides a guideline on relevant aspects to be considered when designing and implementing strategies focused on local development.

The research includes an overview of Corporate Social Responsibility in the Mexican context, specifically in Nuevo León, to highlight FEMSA and CEMEX's particularities as an analysis unit. The research is supported on a qualitative method based on the analysis of FEMSA and CEMEX Corporate Social Responsibility annual reports to identify the companies' profiles, CSR strategies, and their most relevant programs. This analysis points out the contrasts between the company's conceptualization of CSR and Local Development and how these concepts are applied as part of the design and implementation process.

## **Relevance to Development Studies**

The private sector is a controversial actor when it comes to development. It can be perceived as one of the most significant development enemies, whose main objective is to maximize economic profits, exploit natural resources, and modify social dynamics. This research aims to change this perspective by considering the Private Sector as a key actor for development, which is increasingly interested in contributing to social problems through an interdependent relationship with the Government and Civil Society.

## **Keywords**

Corporate Social Responsibility, Local Development, program design, MNCs, Sustainable Development Goals, Mexico.



# Chapter 1 Introduction

Many scholars criticize the private sector due to the damage that its daily operations generate in the environment and communities where it operates. Uwafiokun (2008, p.92) identified two different schools of thought in the debate about the private sector's role in local development. The first line of thought is formed by authors (Henderson and Institute of Economic Affairs, 2001; Friedman, 2007; Gilberthorpe and Banks, 2012; Pope and Wæraas, 2016) who consider the private sector one of the biggest development enemies due to its history of resource exploitation and interest in maximizing economic profits. They believe that corporations try to reinforce a dependent relationship with society, in which the local interests are subordinated to the companies' interests. On the other hand, the pro-economic development authors (Prieto-Carrón *et al.*, 2006; Blowfield, 2007; Husted and Allen, 2009; Knorrinda, 2010) claim that the private sector represents multiple benefits for local development, such as investment, employment, and knowledge transfer (Uwafiokun, 2008). They affirm that corporations are increasingly aware of their legal and moral responsibilities and their impact on the environment, human capital, and local development (Blowfield and Frynas, 2005).

Due to the availability of economic resources, technology, and skills, the private sector is the actor with most tools to contribute to local development (Moon, 2007). According to Chwistecka-Dudek (2016, p. 177), a company's economic success depends entirely on the acceptance level it has among society since they are the primary consumers and stakeholders. For this reason, in their daily operations, companies must find a way to achieve their economic objectives while generating benefits to society. The most effective way to achieve both objectives is through the implementation of CSR activities that contribute to local development.

The Private Sector, through CSR, finds an instrument that strengthens its relationship with its stakeholders. Enterprises compensate communities for using their resources, and they promote the inhabitants' development by providing new skills and knowledge while the company improves its reputation as a reliable partner (Pérez, 2007; Chwistecka-Dudek, 2016). Moreover, CSR strategies focused on Local Development can become a key development driver to communities where the Government fails to provide society with fundamental rights and services (Visser, 2006). Given the Government's impossibility to contribute to the resolution of social problems in some areas, the private sector has taken some government's responsibilities (Knorrinda and Helmsing, 2008) and has tried to contribute to the problem solution. The inclusion of CSR as part of the companies operation strategies has led to a paradigm shift where the private sector is not an isolated actor anymore and acts as a bridge between society and the government to boost economic development and face social challenges.

CSR implementation represents benefits for society and the company by promoting shared responsibilities, collective endeavours, and equality among actors; however, there is a high social scepticism when talking about CSR strategies. The critics often consider CSR practices as an immediate response to stakeholders' pressure to secure the license to operate and meet social expectations by improving their external image (Lock and Seele, 2016; de Jong and van der Meer, 2017). CSR activities are an effective way for some companies to divert attention from the damage caused by their operations; therefore, they can be considered Public Relations activities rather than local development strategies.

Another factor contributing to social scepticism is the inconsistency between words and deeds within communication practices (Elving *et al.*, 2015). To ensure that a CSR strategy can be successfully implemented by the company and benefit society, the design is critical. Congruence is essential between the problem to be tackled and the company's objectives to create better CSR programs. To this characteristic, de Jong and van der Meer (2017) called it "fit," suggesting that when the fit is higher, there is more willingness from the company and the stakeholders to implement the programs and obtain favourable results for both parts. Besides, the motives, objectives, alliances, evaluation, and monitoring are essential elements for designing effective CSR programs that promote local development.

The Mexican case is taken as an example to analyse how multinational companies implement CSR programs to contribute to local development. Mexico represents an emerging economy in which the Government has great difficulty solving the less developed areas' social problems. Therefore, the private sector is gaining strength in the economy and the country's social aspects, becoming an essential driver of development.

One of the biggest challenges about the relationship between Local Development and Corporate Social Responsibility is their changing definition according to who implements them and how they are addressed. Lezano (2010) affirms that the obstacle is not the lack of a consensual definition per se but the different uses that each corporation gives to the concept, which means that what it is crucial for company A is not necessarily crucial for company B. Due to both concepts' changing nature, it is hard to monitor CSR programs and their impact on local development in the regions where they are operated

Through the FEMSA and CEMEX CSR annual reports analysis, this research pretends to identify how Mexican Multinational Corporations (MNCs) conceptualize Local Development and how this conceptualization is integrated into CSR strategies focused on local development. The question that guides this research is: **How does CSR's conceptualization by Mexican multinational companies contrast with their local development programs' design?** The research is complemented by using the following sub-questions; it is intended to provide a broader understanding of the CSR role in each company and the expectations and criteria for the CSR program design.

- How do companies conceptualize Local Development, and what is their role in it according to their CSR reports?
- What are the criteria that companies use to design CSR programs focused on Local Development?

## 1.1 Research problem context

The implementation of CSR in developing countries like Mexico is directly interconnected with the socio-political context. Social security, employment, education, and poverty are the most recurring themes for Mexico's CSR programs. By contrast, in countries with more substantial social and economic structures, the programs are focus on fair trade, consumer protection, and green marketing (Visser, 2006, p.482). As we know them today, the first CSR policies in Mexico were implemented by national companies located in the north, the area with the country's highest economic development rate. Those first CSR policies focused on guaranteeing welfare and social security for employees were exclusive from the region since no other Mexican state had access to this kind of benefit (Castillo and Arriaga, 2013).

Over the years, with the Mexican economy's opening, these companies began to expand within the country, establishing their production plants and distribution centres in rural communities with strategic geographic locations, large pieces of land, and vast natural resources to be exploited. The arrival of large companies to rural communities represented an economic growth opportunity. However, this growth was based on a paternalistic model in which any improvement in the community relies entirely on the companies' donations and resources; therefore, community members did not acquire capacities or skills to develop outside's companies' protection (Weyzig, 2006). According to Muller and Kolk (2009), in Mexico, there is a strong tendency to base Community Development CSR activities on philanthropy, contrary to the environment and economic development issues, where there is a higher willingness to embrace international standards.

Through a new perspective about Corporate Social Responsibility initiatives, companies seek to leave behind the paternalistic model where they provide all the money and resources to the community and move to a scheme in which working together with civil society and the Government promotes economic and social independence to the community (Weyzig, 2006; Pérez, 2007).

In order to design CSR strategies focused on local development, it is necessary to leave behind concepts such as philanthropy and charity as they highlight the unequal relationship between society and the company by creating a welfare system. To achieve local development strategies, it is essential to start from an interdependent relationship in which society is seen as a stakeholder rather than a disadvantaged actor, and the private sector is a catalyst for development and not the public enemy (Saldaña, 2019, p. 84).

This research is based on the analysis of CSR practices implemented by two Mexican MNC: CEMEX and FEMSA. Both companies are part of the Top 100 Socially Responsible multinational companies operating in Mexico (MERCOS, 2019). CEMEX and FEMSA were selected as the unit of analysis for four main reasons:

- CEMEX and FEMSA are Mexican multinational companies.
- Both companies were founded for families from Nuevo León, and their headquarters are still in the state; hence they have a closer relationship with the social context.
- CEMEX and FEMSA were some of the first companies to carry out Corporate Social Responsibility activities in Nuevo León and Mexico.
- Both companies have had a significant impact on the state's economic and social life.

The choice of Mexico is based on multiple reasons. First, much of the available literature on CSR focuses on developed countries whose priorities are different from those of developing countries. Besides, following Logsdon, Thomas, and Iii (2006), Mexico is an example where the Government is a powerful actor in political matters but with a weak fulfillment of social expectations, which is why Mexican society relies on the private sector as responsible for promoting local development. Finally, in Mexico, the CSR is voluntary, and a large part of the programs are designed based on philanthropy; because families own large Mexican companies, therefore there is more pressure to perform with ethical behaviour to maintain a positive image and social recognition (Hernández-Calzada *et al.* 2017).

The analysis of the CSR practices of CEMEX and FEMSA provides a baseline to identify the different approaches that Mexican companies have to local development. Muller and Kolk (2009) affirm that when talking about CSR practices in countries like Mexico, the standards and criteria used to design and evaluate the CSR practices are as important as the type of activities implemented and the program performance. This research contributes to identifying the criteria and interests that Mexican companies have when adopting CSR practices in their operations.

## Chapter 2 Theoretical framework.

After a detailed review of the most prominent authors in the field, the challenge is to find definitions that encompass the different characteristics analysed in-depth throughout the investigation. In this theoretical framework, the main concepts related to Corporate Social Responsibility and the theories that support the importance of private sector participation as a driver of development are explained. Finally, CSR programs' design process and its relationship with CSR and Local Development conceptualizations are introduced.

### 2.1 Corporate Social Responsibility

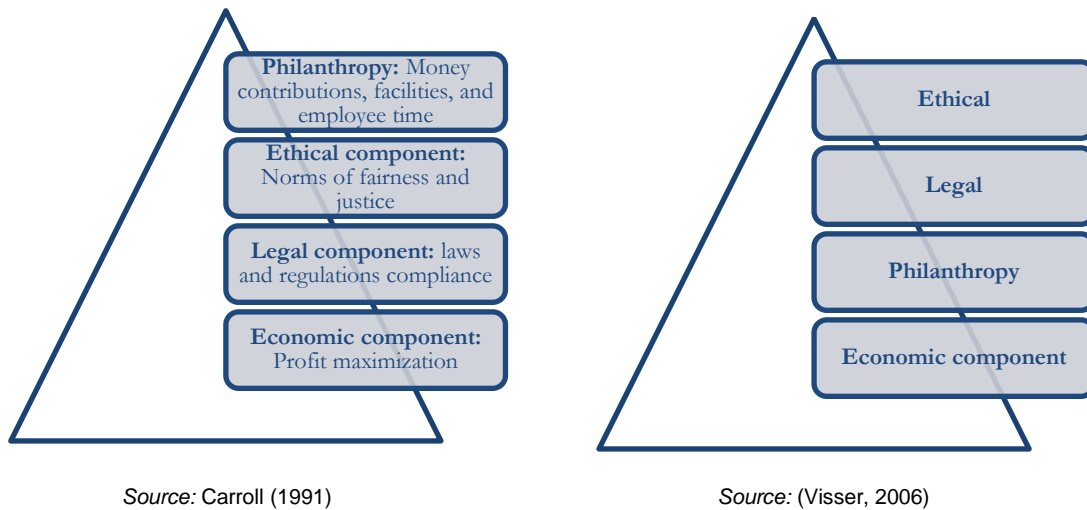
CSR definition is continuously changing; it depends on the interest, expectations, and local context (Eweje, 2006). This situation hinders the analysis since every company decides which problems want to tackle, how to do it, and how to measure the results (Porter and Kramer, 2011). The different definitions, the program's diversity, and the lack of accountability difficult the determination of how these practices impact local development, losing credibility and reinforcing the belief that the private sector contributes little to development. Hence the importance of understanding how each company conceptualizes CSR and what are the criteria that are considered for the program design.

For the means of this research, **Corporate Social Responsibility (CSR)** can be defined as a set of policies, strategies, and programs designed by corporations with the objective of balance their economic growth and social welfare by controlling or mitigating the environmental, economic, and social damage created by its daily operations, acting according to the law and guaranteeing the sustainable use of natural resources (Porter, 2006, p.2; Aguilera and Puerto, 2012).

Blowfield and Frynas (2005, p.503) identify CSR as an "umbrella" term because it requires various theories and practices to understand its function in a more comprehensive way. The CSR practices consider the companies' impact on society, the environment, legal compliance, and its relationship with its suppliers and customers. Given the broadness of the different existing definitions of Corporate Social Responsibility, it is easy to confuse it with other terms that have arisen from the need to explain the "new" role of the private sector in promoting local development. Some authors tend to explain CSR through three similar concepts: Corporate Philanthropy (CP), Shared Value (SV), and Corporate Citizenship (CC); however, all those concepts are different from CSR in terms of the benefits, obligations, and impact.

Carroll (1991) identified four components that must be considered to study corporation performance as socially responsible. The author represents those elements in a four-stage pyramid model in which each stage reflects a different component. In a new analysis of the model made by Carroll (2016), he emphasizes the importance of taking the model as a unit, in which all the responsibilities should be accomplished simultaneously. However, each component has a different level of commitment to society, "it could be said that the economic responsibility is "required" of business by society; the legal responsibility also is "required" of business by society; the ethical responsibility is "expected" of business by society, and the philanthropic responsibility is "expected/desired" of business by society" (Carroll, 2016, p. 4).

**Figure 1** Carroll's Pyramid and Visser's Pyramid



Many authors consider Carroll's model an ideal representation of CSR in countries with more significant economic development. Visser (2006) proposes that in developing countries, the importance of each component must be modified. Economic Responsibilities are still the most important because generating economic profits is part of the corporation's nature. The second level is occupied by the Philanthropic Responsibilities, where they become an "expected norm." This is the fastest way for corporations to impact the development of the communities where they operate. The Legal Responsibilities occupied the third level of the pyramid. Corporations have the responsibility to comply with local laws and norms. However, there is less pressure to do it due to the fragility of legal systems. Finally, Ethical Responsibilities are the least important, revealing little interest in good governance and citizenship issues.

## 2.2 Local Development

Another critical concept to be defined in this research is Local Development (LD). The definition of Local Development tends to be dominated by the economic perspective, with indicators such as growth, income, and employment. Nevertheless, for this research, new socio-political and economic approaches such as reducing social inequality, environmental Sustainability, and inclusive governance are taken into account to define "Development" (Pike, Rodríguez-Pose, and Tomaney, 2007, p.1255). Sen (1999, p. 3) confirms this approach by defining development based on social indicators rather than economic. He defines it as a state of freedom where people enjoy social and economic welfare and civil and political rights. For this research, Local Development will be defined as the social, economic, and political growth of a specific territory based on its inhabitants' capacities and skills and universal principles such as justice, equity, and solidarity (Coffey and Polèse, 1984; Sen, 1999; Pike, Rodríguez-Pose and Tomaney, 2007). Growth must be holistic and sustainable while promoting an interdependent relationship between local institutions.

CSR and Local development definitions are continually changing according to their stakeholders' needs and interests. The stakeholders are the actors sharing an interest in business operations. It is crucial to identify them, know their interest, and define their responsibilities (Carroll, 1991, p. 42) since they will determine CSR programs' actions implemented by the enterprises. According to Pike, Rodríguez-Pose, and Tomaney (2007), development must not be considered as an end, but as a process to achieve well-being for community members in the way that best suits its expectations, culture, and values. No place in the world has the same perception of well-being. Therefore, when designing and implementing a development program, this must be explicitly created for the place where it will be implemented.

According to Gómez and Helmsing (2008, p.2491), the Local economic regeneration theories are the ones that have more aspects in common with the definition of Local Development used in this research. These theories are based on the idea that to achieve community economic regeneration is necessary to promote local entrepreneurship, raise the local capacities, and promote an inclusive economic organization. The vast majority of CSR programs established in Mexico are based on the local economic regeneration theories where development is pictured as an integrated process with economic, social, and political outputs that allow communities to grow in parallel with the company's growth. Each member's interests, expectations, and abilities are considered to achieve comprehensive development with long-term results.

To Hamann (2003), the relationship must be based on trust, reflect tangible results, and its goal should be the improvement of the community's socio-economic conditions to minimize its dependency on the corporation. Each actor can contribute with its expertise and competences "for instance, the government may provide a regional planning framework and bulk infrastructure; local communities may supply labour and building materials, NGOs can provide expertise and external auditing" (Hamann, 2003, p.254).

The relationship between corporations and society is one of the most critical elements to be considered when designing and implementing a successful CSR strategy. The factors promoting an interdependent relationship between the community and the company are explained in the next section. The definitions and theories mentioned above of Corporate Social Responsibility and Local Development have made it clear that the existence of an interdependent relationship between various actors is required for them to be applicable. More about the importance of the relationship between corporations and society is discussed in the next section.

## 2.3 Corporation – Society Relationship

Hamann (2003, p.242) emphasizes how a good relationship with the community will represent a competitive advantage for the company, generating benefits such as access to financial resources, government permits, and national projection, resulting in a win-win scheme for both parties (Bruch and Walter, 2005). One of the objectives of the CSR is to strengthen the relationship between corporation and society; for that purpose, Garriga and Melé (2004) classified in four categories (instrumental, political, integrative, and ethical) the existing theories in the literature to illustrate the role of the corporation within society (2004, p.52). This theoretical classification helps to understand the company's position concerning the community, its level of commitment, and its jurisdiction to get involved in social problems. To design social responsibility programs focused on community development, it is essential to take an integrative approach. Corporations rely on society for growth; therefore, it should consider social demands.

For the relationship between corporation and community to work, it is ideal that both actors are perceived with the same weight and the level of influence in decision making. Community gives the corporation a social license to operate with the only condition that the operation and its CSR plans meet the community's demands and expectations (Moffat and Zhang, 2014). As mentioned above, involving communities in decision-making processes that directly affect their members will help reduce the risks of nonconformities, generating opposition in the form of protests or sabotage, affecting the company's operation and production, representing economic losses (Hamann, 2003, p.242).

Another critical factor for a successful relationship is the government's participation as an intermediary between the company and the community's economic and social objectives. In the Mexican economy, the Government has a strong interest in promoting private investment as part of national interests and may tend to put them before local interests. However, the perception of development can vary from the national to the local level. Therefore, local community participation must be considered for the government and the corporation (Hamann, 2003). In the next section, some alternatives are presented to design CSR programs and measure development.

## 2.4 CSR programs and design.

Companies execute CSR by adopting practices and implementing programs designed to provide social and environmental benefits. CSR programs' most recurring themes are social security, employment, education, and poverty (Visser, 2006).

Nowadays, more companies have decided to implement CSR practices as part of their daily operations; however, the programs' success is limited due to the lack of coordination between the different companies' departments. It is common for a company to have a department focused exclusively on designing and implementing CSR programs, which leaves out CEOs, employees, and stakeholders. Other factors that influence program implementation's failure are the community's little involvement in the design and the lack of clarity in the activities to be implemented; both factors make it difficult to obtain results.

For the design of CSR programs, there is no universal methodology. Authors like Were (2003), Maignan and Ferrell (2004), Bhattacharyya *et al.* (2008), Maon, Lindgreen, and Swaen (2009) have developed different methodologies serving as a reference for companies when designing and implementing their programs.



Taking as reference the Maon, Lindgreen, and Swaen (2009, p. 74- 75) comparison among the Were (2003) and Maignan and Ferrell (2004) methodologies and analysing the different methodologies proposed by these authors, a series of similarities were found. The following lines present a compilation of the aspects shared by the different authors.

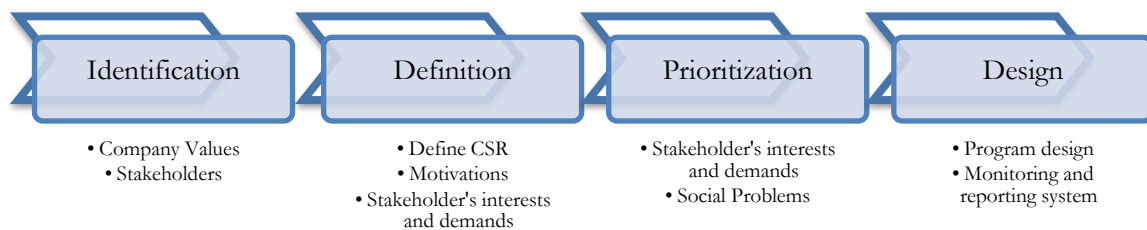
The methodologies for CSR programs' design can be classified into four different stages: Identification, Definition, Prioritization, and Design. During the first stage, it is necessary to identify the values that characterize the company as well as its primary stakeholders since these will be the guiding principles of the strategy. Besides, as already mentioned, if CSR programs are causally related to the company's values, stakeholders, and operations, there is a higher probability of their implementation, and their continuation will be successful.

Once the company values and the primary stakeholders have been identified, it is necessary to map and evaluate its interests and demands. According to Bhattacharyya *et al.* (2008), enterprises that consider their stakeholders' interests tend to reflect a better CSR performance. It is also important to define the motivations that lead the company to implement CSR practices as part of its business strategy. Reséndez (2008) identifies three types of criteria that should be considered to evaluate CSR programs' adoption: legitimation, marketing, or business philosophy.

In the third stage comes the stakeholders' interests and the social problem prioritization to which it is intended to contribute to their solution. Prioritized activities should reflect the company's structure. Although all interests and demands are important, the company does not have the capacity and resources to satisfy all the stakeholders' needs and expectations.

The last stage is where all the information collected so far is taken, and the design of CSR activities begins. The program design considers a system for monitoring and reporting results. It is advisable to create systems for measuring results adapted to the programs' needs in financial and non-financial terms. Monitoring the programs is key to their success. In many cases, companies comply with implementing the program and present the results obtained in the long term; however, the program's real challenges appear after its implementation. In the specific case of CSR programs focused on local development, accompanying the community in the processes after implementing the program will allow the company to evaluate the program's operation more objectively and make the pertinent changes to see positive results in the long term.

**Figure 2** CSR design process



*Source:* Were (2003), Maignan and Ferrell (2004), Bhattacharyya *et al.* (2008), Maon, Lindgreen and Swaen (2009)

Regarding the essential characteristics that a strategic CSR program must contain, Hamann (2003, p.244) and Rangan, Chase, and Karim (2015) identify at least some elements in the program design process to complement the design methodologies. Concerning the objectives, the program should be related to international standards and tendencies, such as the Universal Declaration of Human Rights or the Sustainable Development Goals. It must be perfectly aligned with the identity, objectives, and values of the company. If this condition

is met, there is a significant commitment on the company's side to execute and monitor the programs (Rangan, Chase and Karim, 2015; Cabrera, 2016).

Besides, not all the company's programs need to be focused on attacking the same problems. It is correct to diversify if the themes are related and can mutually reinforce each other. It is recommended to include a multidisciplinary approach and be coordinated by a specific person or department to guarantee a broader scope. As mentioned before, the design of the company's programs and policies should reflect its values and objectives; that way, it can guarantee a permanent compromise between the company and the community (Cabrera, 2016).

In this stage, the difference between the conceptualization of CSR and Local Development tends to emerge. In the design and implementation of CSR programs, companies' main criticisms are the lack of consistency between their intentions and actions. Christensen, Morsing and Thyssen (2013) consider that these differences can serve as a stimulus for improvement since they have an aspirational character for the company.

## 2.5 Analytical framework

This research is based on three pillars: Corporate Social Responsibility, Local Development, and the CSR program design. Understanding the conception that companies have about CSR and Local Development allows us to contrast how both concepts are considered during the design program.

Regarding Social Responsibility, the definition that governs this research is based on Porter (2006) and Aguilera and Puerto's (2012) ideas. They define CSR as activities that promote the company's economic growth while positively impacting society, making it clear that both actions are not mutually exclusive.

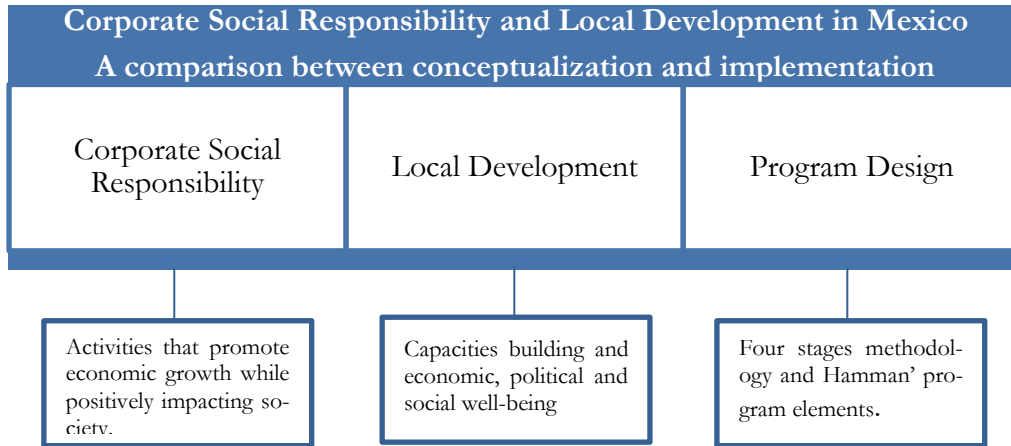
The definition of Local Development used is governed by the capacities building and economic, political and social well-being, a result of the interdependent relationship that exists between the company and the community (Pike, Rodríguez-Pose and Tomaney, 2007)(Sen, 1999)(Coffey and Polèse, 1984). Both concepts have definitions that change according to the context in which they are developed. This is one of the main lines of research. It is intended to determine how FEMSA and CEMEX understand these concepts (Blowfield and Frynas, 2005). To continue to determine CSR's definition, the Carroll Pyramid model (1991), everything is considered to establish the different CSR components: economic, legal, ethical, and philanthropic. However, since this model is based on countries that do not share the same characteristics as Mexico, it is convenient to work with the adaptation that Visser (2006) made from Carroll's model (1991) for developing countries.

The corporation's relationship with society (community) is the most critical relationship to achieve positive results. This relationship must be based on equality and respect. Following Hamann (2003), the community should be taken into account during the decision-making process. If this condition is met is more likely to satisfy the community needs. By analysing the relationship between companies and communities, it is possible to determine how the company perceives itself concerning the community.

For the design stage of FEMSA and CEMEX's CSR programs, two theoretical frameworks will be considered. In the first place, the four stages for the design of the programs that have in common Were (2003), Maignan and Ferrell (2004), Bhattacharyya *et al.* (2008), and Maon, Lindgreen and Swaen (2009). This framework compares the four design stages proposed in theory and the stages published in the CSR reports published by the company.

For the second framework, the essential elements proposed by Rangan et al. (2015) and Hamann (2003) are considered a reference to compare the processes that both companies use to design their strategies.

**Figure 3 Analytical Framework**



Source: Elaborated by the author

Finally, this analysis provides sufficient information to compare the company's perceptions of CSR and Local Development and how they decide to translate these perceptions into their programs' design.

## Chapter 3 Methodology and data collection

The methodology used in this research is based on a Multiple Case Study. To Lewis-Beck, Bryman, and Futing Liao (2004), this technique allows the same phenomenon observation from different perspectives. Through this technique, it was possible to determine the aspects that both companies share as well as the different main action lines when designing their CSR programs. This research technique is ideal for analyzing FEMSA and CEMEX cases as they are not an entirely representative sample from all components of the private sector (Bartlett and Vavrus, 2017).

Due to the main concepts' changing nature, the research was conducted with a qualitative methodology based on secondary data analysis. The different CSR reports that companies have published annually were reviewed to analyse each company's programs and initiatives. These reports provided information about the main action lines, duration, and objectives of the programs, communities where they have been implemented, and the main results. Besides, the reports allow acknowledging which criteria have been used to measure each program's impact. Furthermore, the review of multiple articles and papers about CSR in Mexico and the two companies' reports helped to obtain a different perspective about the programs. Finally, the different Mexican and international standards that seek to regulate CSR activities were reviewed.

All the CSR reports were examined with a content analysis method. About this technique, Díaz argues that "the qualitative content analysis is not only intended to search for certain contents within a corpus but to find the meaning that these contents possess within the context" (2018, p. 125). For content analysis, it is possible to identify 3 phases (Díaz, 2018, p. 127):

- **Theoretical phase:** During this phase, the information is organized for a document's superficial analysis.
- **Descriptive-analytical phase:** In this phase, a description of the information collected is made, and the documents' analysis begins.
- **Interpretive phase:** In the last stage, the analysis and interpretation of the information are made from indicators and theories.

The analysis of the CSR reports of FEMSA and CEMEX was carried out following the three previous phases, which were supported by using two instruments:

### a. **Business profiles:**

Through the profiles, it was possible to determine the context in which each company operates in terms of main business, values, motivations, CSR issues, and sustainability strategy. The information for this instrument was obtained directly from the web pages of each company. It was used to understand how each business identifies itself as a driver of development.

### b. **Most relevant CSR programs**

Both companies have a broad range of CSR initiatives; however, an analysis of the most relevant program focused on each company's local development is presented for this instrument. The criteria for the selection of these programs are presented in the following sections.

### 3.1 Data collection

The decision to work with Mexican MNCs is based on their broader experience in implementing and reporting CSR activities. In Mexico, like in many other Latin-American countries, SMEs represent the most significant part of the local economy. However, they tend to have low survival rates and face many profitability obstacles, leading them to believe that CSR is exclusive for large corporations, discouraging them from adopting CSR as part of their business structure (Zolano, Enicnas, and Durán, 2016). MNCs tend to publish information about their CSR performance within their web pages to keep their stakeholders informed about their activities and improve communication with society (Bouten *et al.*, 2011). The information is public and can be accessed through the companies' web sites as proof of credibility and to promote public trust (Lock and Seele, 2016).

Due to the information available, the CEMEX and FEMSA CSR annual reports are the primary data source for this research. In CEMEX's case, the first available report corresponds to 2002, while for FEMSA, the first report was issued in 2004. Both companies' websites are available in Spanish and English; however, for FEMSA, the information changes according to the language. The English version's information explains with fewer detailed parts of the content, while for CEMEX, the content is the same regardless of the language. Therefore, this research is based on the analysis of the documents issued in the Spanish language.

CEMEX has available annual reports from 2002 to 2019 in both languages. Until 2015, CEMEX had two reports each year: one about the company's global performance and another specifically focus on Sustainability. From 2016 to 2019, it merged the reports into a single issue. On the other hand, FEMSA's second report in 2007 is integrated by 2005, 2006, and 2007. From 2008 onwards, the enterprise committed to issuing a global report annually, except between 2014 and 2016, where different reports were issued for the Coca Cola FEMSA, FEMSA Logistics, and FEMSA Commerce unit. Regarding the language of FEMSA's reports, all issues are available in Spanish, while in English, they are only available from 2017 to 2019.

## 3.2 Scope and limitations

Due to time and space constraints, the research scope is limited to the report section's analysis focused on the communities' programs leaving the ecological impact and the relationship with employees.

This research has multiple limitations—first, those related to the data collection process. The Private Sector in Mexico has a strong culture of confidentiality regarding its CSR activities for fear of being the object of external criticism; due to this, much of the information about its programs and results are confidential. (Meyskens and Paul, 2010).

The interviews' arrangement was carried out from the first stages of the design by contacting the companies' CSR departments. In FEMSA, the FEMSA Foundation, CSR of FEMSA COMMERCE (OXXO), and the CSR department were also contacted. Initially, both companies were interested in participating in the interviews; however, the interest decreased when specifying the time and date. The personnel did not reply anymore, or the interviewees did not show up on the day and time specified.

Apart from the foregoing, this research was conducted in a very unusual scenario, the pandemic caused by the COVID-19 outbreak preventing the author from conducting this research in Mexico and having face-to-face meetings with the people of both companies. This situation harmed the data collection process. The lack of collaboration between both companies' staff made the triangulation of information difficult.

Because of the impossibility of executing the interviews, the author decided to change the research design and work directly with secondary data, which is freely accessible within both companies' websites. Nonetheless, much of the information regarding the design and evaluation of the programs are confidential, and the free access information is different for each company, which difficult the comparison.

Finally, the limitation about the sample of this research is related to the sample size. For this document, the two companies selected are considered pioneers in implementing CSR practices in Mexico. Still, it is essential to clarify that they do not represent most of the country's private sector.

## Chapter 4 CSR in Mexico.

In Mexico, the private sector is gaining strength, and the Government has major difficulty facing social problems affecting the less developed areas of the country. CSR has become one of the leading local development tools generating high expectations among society (Logsdon, Thomas, and Iii, 2006; Visser, 2006).

Mexican enterprises, especially those located in the north of the country, consider CSR a critical element for competitiveness, project a good reputation, and strengthen the relationship with its stakeholders. Méndez, Rodríguez, and Cortez (2019) found a positive relationship between the company's size and its interest in implementing CSR activities; that means, the larger the company is, the greater interest and pressure from stakeholders to implement CSR practices to improve competitiveness.

The most recurring themes in CSR programs in national corporations are preserving the environment, the employees' quality of life, the relationship between society and business, and the integration of SMEs into supply chains (Salgado and Hernández, 2007). Corporations' CSR annual reports demonstrate an increasing interest in contributing to the SDGs, particularly health and well-being, quality education, gender equality, responsible consumption and production, sustainable cities and communities, and climate action (United Nations, 2015).

In Mexico, corporations do not have a legal obligation to comply with CSR practices per se. However, enterprises tend to be considered citizens, and they must comply with many laws and norms that regulate environmental issues, workers' protection, and the efficient use of resources. Notwithstanding the preceding, the Mexican regulatory system tends to overlook the law compliance for big corporations (Utting, 2000); for that reason, enterprises tend to consider law compliance as voluntary.

As Visser (2006) mentions in his analysis of Carroll's model, in countries like Mexico, legal and ethical obligations are not as relevant as economic and philanthropic components. It is common for Mexican companies to conceptualize philanthropic activities and law compliance as CSR, contrary to what happens in more developed countries. Mexican CSR programs are based on their expertise and products to improve the social problems that the shareholders are interested in (Pérez, 2007). Regarding CSR programs' execution, 43.9% of the companies realized social programs together with other organizations, 31.7% acted independently, and 18.6% made donations (Castillo, 2015).

In the country, the Mexican Centre for Philanthropy (CEMEFI), along with the Alliance for Corporate Social Responsibility, are the leading organizations responsible for monitoring the corporations' programs. They created the insignia ESR (Socially Responsible Company, for its acronym in Spanish). The ESR distinction is given to enterprises that comply with four action lines: ethics and corporate governance, the social dimension of work, commitment with the community, and preservation of the environment. Currently, 1600 enterprises have the distinctive, all of them in different categories (CEMEFI, 2014, p. 6). CEMEFI has its definition for CSR in Mexico

"the conscious and consistent commitment to fully comply with the purpose of the company, both internally and externally, considering the economic, social and environmental expectations of all its participants, showing respect for the people, the ethical values, the community, and the environment, thus contributing to the construction of the common good" (CEMEFI, 2014, p. 4).

Amezaga *et al.* (2017) interviewed people in the business established in Mexico's northern region to learn about their interest in CSR practices using Carroll's (1991) classification on social responsibility. The results show that the Mexican businessmen from the north of the country agree with the order of importance of Carroll's classification: economic, legal, ethical responsibilities, and finally, philanthropic responsibilities; however, through the implemented programs, it is possible to identify a more remarkable similarity with Visser's classification (2006).

Business practices in the northern part of Mexico are remarkably different from the rest of the country. The north is the area with the most significant business history and the highest industrialization; this is why this research is based exclusively on CSR practices from Nuevo León's private sector, where its participation has a crucial role in the state. The next section provides a brief introduction to Nuevo León and its business culture, which shows the region's relevance.

## 4.1 Nuevo León, Mexico.

Nuevo León is a state located in the northeast of Mexico; it has a population of 5,119,504 inhabitants, equivalent to 4.3% of the Mexican population. (Gobierno del Estado de Nuevo León, 2016, p. 70). The state capital is Monterrey, and it is considered the second city with the highest economic and social development in the country, right after Mexico City (AMIC, 2018).

Map 1 Nuevo León



Source: (Google Maps, 2020)

In economic terms, the state contributes 7.4% of the national GDP, being the third state with the highest GDP after Mexico City and the State of Mexico. The most important economic activity is the industry, especially the manufacturing sector, focused on the automotive, metallurgy, and manufacturing branches (Gobierno del Estado de Nuevo León, 2016, p.70).



The private sector in Nuevo León is one of the primary sources of employment; however, there is a high rate of informal jobs (36.29%) within this sector. One of the local Government's priorities is to promote labour formalization within companies to guarantee citizens' purchasing power and reduce the social inequality gap (Gobierno del Estado de Nuevo León, 2016, p. 71).

The development model implemented by Nuevo León is based on human capital, innovation, and technological development. It considers the triple helix model as a guide. The triple helix model is built on the interdependent relationship between the Government, the Private Sector, and the Academic Institutions. (Gobierno del Estado de Nuevo León, 2016, p.76)

Nuevo León is a state full of contrasts; 87.4% of the population is concentrated in Monterrey's Metropolitan Area (AMM). The AMM inhabitants register the highest well-being indices in the state. Many economic activities are concentrated in this region (Gobierno del Estado de Nuevo León, 2016, p.88), leaving regions outside the AMM with few development opportunities. As part of the local development strategy, the Government, together with the private sector, intends to promote investment in those regions to improve productivity and economic competitiveness.

In Nuevo León, it is possible to identify the interdependent relationship between the Government, civil society, and the private sector. Nevertheless, years ago, government participation in economic development issues was notably weak compared to the private sector. Nuevo León's businesspeople had strong participation within the state's politics, productive sectors, and social leadership (Villarreal, 2019). In the next section, the author refers to business history and the relevance of the state's private sector.

## 4.2 Business Culture in Nuevo León

The private sector in Nuevo León is one of the most important actors in the state's political, economic, and social life, so it is considered the primary promoter of development throughout the state's history. Nuevo León is located in the north of the country, the area with the largest territorial extension in the country and located on the border with the United States, facilitating regional industrialization (Cerutti, Ortega, and Palacios, 2000).

Many companies founded in Nuevo León took advantage of the geographic location and maintained operations in both countries. The stability of the US market gave companies a higher capacity to withstand the constant Mexican economic crises. Another essential characteristic of the geographic location is that being far from the Mexican capital, the businessmen of Nuevo León had more freedom to act away from the central government control (Garcia Justicia, 2019). Nuevo León is considered a neoliberal state, in which the private sector has more freedom to act and little government pressure (Gonzalez and Arriaga, 2013).

The "independence" of the central Government represented multiple advantages and significant challenges for the private sector. The Government's lack of capacity to resolve the social problems that affected the state led the private sector to take part in the responsibility. Businesspeople developed a closer relationship with the population, generating social cohesion, which translates into greater confidence in the private sector than government organizations (Garcia Justicia, 2019).

Another characteristic of the private sector in Nuevo León is that it is made up mainly of families. Garcia Justicia (2019) identifies these families as the "business elite" who have been in charge of large Mexican corporations since the Industrial Revolution in the United States and have survived several revolutions and economic crises in Mexico. A large part of

the population attributes business survival to the strong responsibility that businesspeople acquired with society.

According to Garcia Justicia (2019), the private sector has contributed to creating social cohesion through practices that improve the employees' quality of life and the environment in which they operate. Among these practices, the micro-financing for housing and access to medical services stand out, which originated the creation of two Mexican governmental institutions: The Institute of the National Housing Fund for Workers (INFONAVIT) and the Mexican Institute of Social Security (IMSS).

Monterrey is an example of the private sector's relevance to local development. Nevertheless, there are significant disadvantages related to the private sector's influence on the region's political and social lives. In the first place, the private sector's idea oversees local development and takes the Government's responsibility to fulfil their social obligations. Likewise, the private sector's dependent relationship can lead society to continue under a paternalistic social responsibility model where the private sector must provide well-being. (Weyzig, 2006). Finally, power and resources are concentrated in the hands of the "business elite"; therefore, only a limited group of people have access to power inherited from members of the same families generation after generation (Garcia Justicia, 2019).

Monterrey is a pioneer in the implementation of CSR practices; this section presented a compilation of the geographical and social aspects that were combined so that Nuevo León companies are today a point of reference in the country for the adoption of CSR practices within business agendas. Nuevo León's businesspeople have managed to maintain a relationship of trust and reciprocity with society. A large part of this is due to CSR programs' implementation focused on improving the communities' quality of life surrounding the companies' operations.

## Chapter 5 The enterprises and their conceptualizations

The first part of this chapter is dedicated to the companies chosen as a case study for this research. The main business, values, motivations, CSR issues, and sustainability strategy are presented through each company's profiles. These elements contribute to the section dedicated to the conceptualization that both companies have on CSR and Local Development and their role as drivers of development.

### 5.1 FEMSA: Actions creating value.

FEMSA is a company with different subsidiaries in the branches of small-format store chain (OXXO), pharmacies (YZA), fuels (OXXO gas), beverages (COCA-COLA), and it is a shareholder of Heineken Mexico. FEMSA was founded in 1890 in Monterrey, Nuevo León, with the creation of the Cuauhtémoc Moctezuma Brewery, which is currently part of Heineken Mexico. From the business units, FEMSA owns 100% of OXXO (OXXO and OXXO gas), while for the rest of the units, it is just a shareholder<sup>1</sup>.

The company operates in 13 American countries, employs over 300 000 employees, and has an estimated 360 million consumers (FEMSA, 2019). FEMSA's mission as a company is to create economic, social, and environmental value for its stakeholders, employees, and community through cost reduction, environmental protection, and local communities (Sánchez, 2015; FEMSA, 2019b).

FEMSA is a family-owned company; for years, the company's presidency was in charge of Eugenio Garza Sada, son of one of the founders of Cerveceria Cuauhtémoc. Based on his personal and family values, he created the "Cuauhtémoc Ideology," a set of values that guides employees' behaviour within the company to guarantee a good relationship with stakeholders and society. The values mentioned in the ideology focus on people's treatment, the relationship with work, and leadership, such as respect, honesty, modesty, and tolerance (FEMSA, 2018).

The company's CSR strategy focuses on people working for the company, the inhabitants of the communities where they operate, and its participation in promoting public policies<sup>2</sup>. As mentioned previously, the constant creation of economic and social value is the company's main objective, and from there derives the slogan "Actions creating value."

### FEMSA's CSR Strategy

FEMSA defines the Social Responsibility as "the integral commitment they have with everything that surrounds them, starting with their collaborators and their families, the communities where they operate and with the preservation of the environment." (Femsa, 2007, p.2).

According to the published reports, this strategy is aligned with the FEMSA's objectives and general business strategy. Likewise, each business unit has the autonomy to design its programs according to its objectives and budgets.

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<sup>1</sup> FEMSA Sustainability report 2010

<sup>2</sup> FEMSA Sustainability Report 2004

FEMSA’s CSR activities have three focus points: **Ethics and Values, People, Community, and Planet**, while its CSR model is based on three main axes: **Community, People, and Planet**. The first one encompasses all the actions executed within the institution and its stakeholders to improve the social environment, while the second and third are focus on the company’s daily operations (FEMSA, 2019c).

**Figure 4** FEMSA’s CSR Strategy



Source: (FEMSA, 2019c)

Through the implementation of CSR programs and initiatives, FEMSA’s Community Axis intends to contribute to the Sustainable Development Goals. FEMSA global CSR programs are designed and implemented by the company in general; however, each business unit can design and implement programs that fit better with its specific objectives. The information selected for the preparation of sustainability reports and the content published on the company's website is the responsibility of FEMSA's Corporate Sustainability and Energy Department.(FEMSA, 2019a).

**Table 1** FEMSA’s CSR Programs

<b>Themes</b>	Education, Youth empowerment, Healthy lifestyle, Art and Culture, Quality of life, Vulnerable population, Citizenship, and Entrepreneurship
<b>SDGs</b>	No poverty, Zero hunger, Good health and well-being, Quality Education, Gender Equality, Clean Water and Sanitation, Decent work and economic growth, Industry Innovation and Infrastructure, Reduced Inequalities, Sustainable Cities and Communities, Responsible Consumption and production, Climate action, Live below water and life on land. (FEMSA, 2019f).
<b>International standards.</b>	Global Reporting Initiative (GRI)
<b>Verification</b>	KPMG Mexico and E&Y Mexico

Source: Elaborated by the author

## **FEMSA's Local Development's most relevant program.**

The Polígono Edison (PE) program is implemented by the company OXXO and is part of FEMSA Commerce's Social Responsibility strategy. The project arises because of the high rates of violence generated by criminal groups in Nuevo León. Polígono Edison focuses on eight adjacent neighbourhoods to the OXXO corporate offices in Monterrey, Nuevo León, with risk factors such as crime, low educational level, and patrimonial poverty (Portilla, 2016).

The program aims to generate and strengthen the neighbours' collective capacities and the alliance creation with the public, private and civil sectors to diminish the neighbourhood's vulnerability against the criminal groups (FEMSA Comercio, 2013). On the other hand, the program seeks to improve the relationship between the company and neighbours to contribute to its license to operate (Portilla, 2016). Polígono Edison contributes to improving the inhabitants' quality of life and creating social cohesion (trust, belonging, and participation).

Polígono Edison includes a series of activities focused on improving the eight neighbourhoods' physical and social infrastructure. The activities contemplated within the program consist of 5 main axes: citizen activation, environmental culture, human development, education, and quality of life. The axes have various activities, among which the following stand out:

- Creation of neighbourhood committees, citizenship workshops, and volunteer activities.
- Reforestation of parks and squares and environmental education.
- Job fairs, workshops for self-employment, and support for entrepreneurship.
- Schools improvement, youth scholarships, adult education.
- Maintenance and improvement of public areas in the area and access to health services.

For the program design, the inhabitants of the eight neighbourhoods included in the Polígono were involved. Surveys and investigations were carried out to define the program's priority areas and the inhabitants' needs. The initiatives seek some community members' initial participation, but the long-term goal is that 100% are involved in the implementation. The program design is based on six main phases (Portilla, 2016):

- Awareness among the community about the project.
- Community training on human development.
- Identification of relevant actors within the community.
- Creation and promotion of community leaders.
- Development of practical activities.
- Project implementation and ownership.

The main limitation of this program is the high dependency on external factors such as the Government and civil organizations. In the same way, by not having immediate results, the neighbours' interest is decreasing; therefore, there is limited community participation. (OXXO, 2018). Polígono Edison is a program whose objectives are not aligned with the company's business strategy; however, it reinforces the character of FEMSA Corporate Citizen. It seeks to contribute to the people's well-being around its offices as a first step towards achieving local development.

## 5.2 CEMEX: Building a better future

CEMEX is a company dedicated to producing and commercializing construction materials, among which cement and ready-mix concrete stand out. The company was founded in 1906 in Monterrey, Nuevo León. CEMEX operates in America, the Caribbean, Europe, Africa, the Middle East, and Asia generating annual sales of US\$13.1 billion and employs 40,000 employees around the world (CEMEX, 2019a). The company has several distinctions by international organizations in charge of recognizing the best sustainability practices in environmental, social, and economic terms.

The company values relay customer satisfaction and seek excellence in CEMEX activities executed globally, CEMEX (CEMEX Mexico, 2019). Regarding company regulations, the values are focused on free competition, anti-bribery tools, and money laundering, and efficient operations stand out (CEMEX, 2019b).

### CEMEX CSR strategy

CEMEX defines Social Responsibility as job creation and capacity building within the communities since they have a more significant long-term impact and promote community development<sup>3</sup>.

Due to the business nature, both the social responsibility strategy and many of its reports focus on minimizing environmental impacts. Through their Social Responsibility strategies, CEMEX seeks to secure its license to operate, generate positive experiences with stakeholders, create added value to strengthen the brand.

Since the beginning, the strategy was focused on the environment, safety, and employees' well-being; later on, communities and governance's commitment were integrated. The Social Responsibility strategy has evolved while it is aligned with business strategies in general. More than a Social Responsibility strategy, CEMEX has a Value Creation Model in which Sustainability is one of its strategic pillars. Communities are part of the stakeholders, so they are one of the company's primary beneficiaries.

Figure 5 CEMEX's CSR Strategy



Source: (CEMEX, 2020c)

<sup>3</sup> CEMEX Sustainability Report 2011.

As mentioned above, CEMEX recognizes that its product can have a tremendous negative environmental impact on communities. However, they also consider it as a development tool. According to the company, concrete can be used to build homes and to improve the local infrastructure; for that reason, they seek to make their products accessible to all the public<sup>4</sup>. Most of the company's programs and strategies for Mexico and Latin America are focused on the construction industry and are based on cement.

**Table 2** CEMEX's CSR Programs

<b>Themes</b>	Vulnerable population, Education, Culture, Employment, Infrastructure, Entrepreneurship, and Environment.
<b>SDGs</b>	Decent employment and economic growth, innovation and infrastructure development, climate change mitigation, environmental and ecosystem conservation, and the advancement of sustainable cities and communities <sup>5</sup> .
<b>International standards.</b>	Global Reporting Initiative (GRI) UN Global Compact
<b>Verification</b>	KPMG Mexico A panel of External Advisors.

Source: Elaborated by the author

### **CEMEX's Local Development's most relevant program.**

The Patrimonio Hoy program was born after the 1994 economic crisis in which the construction sector was severely affected. During the crisis, sales to companies in the formal construction sector fell approximately 60%, while sales to the informal sector and the self-construction market fell only 10%. In Mexico, approximately 50% of the houses are built by the same owners; that is why one of CEMEX's commercial objectives is to make its prices very accessible for the public, representing their most significant customer (William Davidson Institute, 2012; p.3).

Patrimonio Hoy arises as a solution to the problems that people with low incomes face when they try to access financing to build their homes, such as lack of credit reports and high-interest rates (IDB, 2011). The scheme comprises financing plans, materials, and support from CEMEX to construct homes (CEMEX, 2020). Currently, the program is implemented in Baja California, Chiapas, Estado de México, Guanajuato, Hidalgo, Jalisco, Michoacán, Nuevo León, Oaxaca, Puebla, Tabasco, Tamaulipas, Querétaro, y Tamaulipas.

Patrimonio Hoy consists of making fixed payments of approximately 270 MXN (11 USD) per week for a year. The amount is divided between direct contributions to the savings fund for the construction material purchase and the program membership payment. There are two forms of participation: **Easy Heritage** and **Quick Heritage**, where the only difference is the number of delivery of materials; Easy Heritage makes two deliveries of material, one in week 12 and the other in week 36, while Quick Heritage makes only one delivery in week 18 (CEMEX, 2020a).

All modalities offer personalized advice from engineers and architects, payment plan on a weekly schedule, delivery of the material at home, and loyalty program for members with the best payment history.

<sup>4</sup> CEMEX Sustainability Report 2016

<sup>5</sup> CEMEX Sustainability Report 2019

For the design of this program, CEMEX hired an external consultant. In the first phase of the design, the objective was to get to know and understand the population dynamics in terms of financial practices, goods and services, community activities, and building methods and identify their primary needs. From this observation, the results reflected that the population had a strong interest and needed to build a house with better building materials. There was no culture of savings, and their construction processes were inefficient in economic and safety terms. Together, those factors difficult the construction projects' consolidation (William Davidson Institute, 2012, p. 6).

### 5.3 Conceptualization of CSR

FEMSA and CEMEX conceptualize social responsibility as a commitment, in which both companies consider themselves the main responsible for Local Development. As mentioned in the Mexican context section, both companies, since their creation, have tried to fill the gaps that the federal government could not. The close relationship that the private sector developed with society in Nuevo León encouraged businesspeople to ensure social welfare in the state. Currently, both companies maintain their moral commitment to civil society. However, through their CSR programs, they seek to promote a more active participation of civil society and the government in resolving social programs that affect communities and thus finally create a co-responsibility with other actors while promoting capacities' building.

**Table 3** CSR definitions

FEMSA	CEMEX
<p>“The integral commitment they have with everything that surrounds them, starting with their collaborators and their families, the communities where they operate, and with the preservation of the environment.” (Femsa, 2007, p.2).</p>	<p>The commitment with the communities to generate employment and skills(CEMEX, 2011, p. 5).</p>

Source: Elaborated by the author

In Table 3, it is possible to compare both definitions. FEMSA's definition of CSR is much broader than CEMEX's definition. FEMSA refers to a commitment with its employees and the inhabitants of the communities in which it operates but does not refer to any specific activity, which gives the company more freedom when planning its programs and strategies, avoiding overcommitment. On CEMEX's side, its CSR strategy aims to generate employment and skills development.

Both companies identify their CSR activities as part of the sustainability strategy. The World Commission on Environment and Development defines Sustainability as the actions that meet the present's needs without compromising those from the future (Ebner and Baumgartner, 2006, p.2). The most significant difference between the two concepts lies in the fact that while CSR is focused on social and economic terms, Sustainability also includes environmental aspects. FEMSA's CSR activities evolve in 2010 from an exclusive social perspective to a more sustainable focus. By contrast, since the beginning, CEMEX refers to its strategy as part of a sustainable plan. The difference among perspective is based on the business nature; FEMSA is an enterprise focus on the service industry; therefore, it is not causally related to the environment. In the CEMEX case, to create cement is necessary to generate a negative impact on the environment.



Furthermore, about the CSR embeddedness level, FEMSA has implemented CSR strategies that seek to impact society positively. Today, the company intends social responsibility to be present in each stage of its daily operation. On the other hand, CEMEX's case is more complicated since its first CSR manifestations focused exclusively on environmental issues, leaving behind a comprehensive implementation that includes social aspects and its workers. According to Reséndez (2008), CSR's low integration into the company's discourse can question the CSR's enterprise commitment.

Back to CSR, based on Carroll's pyramid (1991), it is possible to determine the main CSR components. FEMSA and CEMEX's programs comply with the elements of Carroll's pyramid (1991). Still, the order of importance is more attached to Visser's (2006) proposal, which places philanthropy above the legal and ethical components. In countries like Mexico, where the private sector has taken a more active role in solving social problems a philanthropic behaviour is expected by society, contrary to law enforcement, as the legal system tends to be weak and does not represent an obligation itself.

FEMSA and CEMEX programs focused on topics such as education (scholarships funds and school supplies' donations), youth empowerment (internships, workshops, and training programs), healthy lifestyle (sports tournaments), art and culture (museum contributions), support for vulnerable populations (money donations), and quality of life (restoration of public spaces). Most of the activities are based on philanthropy. However, it must be mentioned that neither company recognizes its activities as philanthropic for multiple reasons. CSR is a relatively recent practice in Mexico, so it is common for both terms to be used interchangeably. On the other hand, companies have few guidelines in designing strategic CSR programs (Visser, 2006). Hence, philanthropy represents a safe path through which they contribute to the community without generating expectations or commitments that could affect the company's reputation in the long term (Bruch and Walter, 2005).

Philanthropy is the fastest way companies have to improve the communities they operate (Visser, 2006, p. 490) since a "failed" society represents an unfavorable business environment. Bruch and Walter (2005, p. 49) call these actions "win-win opportunities" as they benefit the company and the community simultaneously. FEMSA, in its 2012 report,<sup>6</sup> recognizes community strength as a critical factor for the success of its operations.

Polígono Edison and Patrimonio Hoy were selected as the analysis unit since they require the most community involvement for their execution; therefore, they are not 100% philanthropic. In FEMSA, the social problems that these programs aim to solve are a lack of social cohesion, high crime rates, and low quality of life in some communities. In CEMEX's case, they intend to contribute to social problems related to lack of housing, employment, and infrastructure.

CEMEX's programs are a clear example of how CSR activities can be directly aligned with their objectives and interests. Patrimonio Hoy, Piso Firme, or Construmex have a higher degree of centrality since they are priority programs for the company and can be transformed into profits by focusing on cementing and contributing to the construction industry (Salazar *et al.*, 2011). On the other hand, FEMSA's strategy has a dimension of voluntarism based on philanthropic activities, which seek to exceed the minimum legal standards and those established by society. (Burke and Logsdon, 1996). Programs such as Redondeo OXXO or Polígono Edison are not causally related to the company's objectives since they try to contribute to issues of public infrastructure and vulnerable populations' support.

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<sup>6</sup> FEMSA Sustainability Report 2012

The programs implemented by both companies tend to have a high level of acceptance within the communities where they are implemented because they study the communities' needs and expectations. More information on the subject is provided in the program design chapter. In the following section, the conceptualization that companies have about local development is analyzed.

## 5.4 Conceptualization of Local Development

The Local Development definition adopted in this research is based on capacity building and an interdependent relationship among actors. Community development is one pillar of FEMSA's sustainability strategy, and throughout its history, it has evolved to adapt to internal changes in the company. FEMSA links Community Development with the creation of economic and social value<sup>7</sup>. A stable community results in a better place to do business; that is, FEMSA has a more significant opportunity to develop businesses with greater benefits by strengthening the communities. In CEMEX, the company seeks to generate value and contribute to economic growth by building more resilient and inclusive communities and reducing environmental impact (CEMEX, 2019d). The company shows interest in generating a positive influence within the communities where they operate through Sustainability, well-being, and quality of life.

**Table 4** Local development definitions

FEMSA	CEMEX
Creation of economic and social value (FEMSA, 2007).	Contribution to economic growth by building more resilient and inclusive communities and reducing environmental impact (CEMEX, 2019d).

Source: Elaborated by the author

Both conceptualizations are based on economic and social value. Once again, FEMSA's definition is overly broad without specifying the company's understanding of "economic and social value." In CEMEX, development is linked to resilience capacity, inclusiveness, and diminish the possible environmental impact.

It is possible to identify a higher contrast between what companies conceptualize and how they design their programs regarding Local Development. Both definitions seek to generate value (whatever this means) and promote capacity building to allow communities to act independently of the company; however, by having philanthropic programs, it is less feasible for the community to develop capacities by itself.

Regarding the roles of both companies play in the local development process, it is possible to identify another great contrast. In general, both companies perceive themselves as promoters of local development in the communities where they have a presence; however, the difference relies on how they perceive their responsibility in promoting development. FEMSA perceives itself as the actor responsible for creating economic and social value, which explains the stronger tendency to implement philanthropic programs; as mentioned above, these activities generate a faster impact. Consequently, results are visible immediately after implementation achieving short-term improvement. In the vast majority of CSR reports, the company refers to its commitment to society, being the only one responsible for

<sup>7</sup> FEMSA Sustainability Report 2007

promoting development. Polígono Edison is the program that involves the most with the community since they require its participation to generate social cohesion through public spaces' dignity. Nevertheless, when implementing the program, the company is responsible for providing all the tools. Still, once the company decides to stop accompanying the community, the program failed (García de la Torre, Raufflet and Portales, 2011; Jiménez, 2018).

CEMEX bases its conceptualization of Local Development on a “contribution”; they are not solely responsible for promoting development. For the execution of its programs such as Patrimonio Hoy or Construmex, society's involvement is critical to be able to execute the programs since they promote self-efficiency. With its programs, CEMEX builds capacities for community members while contributing to the business. Most of CEMEX goals are focused on the long term. Besides, due to business nature, the programs also seek to impact road safety, natural resources, and infrastructure improvements<sup>8</sup>. CEMEX works with the communities before, during, and after the project implementation through the Community Advisory Councils, Community Centers, and neighborhood councils.

Regarding community involvement, Hamann (2003) and Saldaña (2019) mention the importance of participation in the decision-making process. In this stage, the community's relationship must be based on equality, respect, and trust. Both companies consider the community as one of their primary stakeholders and affirm that the treatment is equal. However, through their approaches, it is possible to notice some differences. In the case of FEMSA for the design of community development programs, the initiative of "community nexus" was launched, consisting of interviews, meetings, and exchange of ideas with community members to obtain inputs that would directly contribute to design programs according to the community needs<sup>9</sup>. In its reports, the company recognizes the importance of coordinating with the different actors within society to design strategies that better fit with the communities' expectations. In the CEMEX case, almost every production plant has a Community Engagement Plans and Community Councils to follow up on the residents' specific needs and concerns (CEMEX, 2019c). In addition to Community Engagement Plans, CEMEX has Community Investment Pillars focused on education for employability, infrastructure, innovation and entrepreneurship, and health and safety. Finally, for the company's goals in terms of community relationships, in 2030, the company aims to achieve 100% of the communities (CEMEX, 2019e).

Through these approaches, it is possible to observe that in FEMSA, the relationship between these two actors is based on a dynamic of “listening and being listened,” where the main concerns are shared through dialogue and will serve as input to design the strategies. In the case of CEMEX, the dynamics are very similar. However, the community generates inputs and actively participates in the program implementation and improvement processes. This is reflected in the program duration, in the case of CEMEX Patrimonio Hoy, it has remained active since 1998, while Polígono Edison, although it is a program that, due to the nature of its objectives, was designed to have a shorter duration, its success decreased right after its implementation (Jiménez, 2018). The following section analyzes how each company perceives itself within the process of creating local development.

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<sup>8</sup> CEMEX Sustainability Report 2005

<sup>9</sup> FEMSA Sustainability Report 2009

## 5.5 Enterprises role within local development

The private sector must seek economic profits and share the responsibility to generate a common good within society. Following Hofmeister (2007), most Latin American business groups tend to highlight the economic and social inequality in the region. They are characterized by showing some resistance to local development; however, the Private sector's case in Nuevo León represents a paradigm shift.

FEMSA and CEMEX are a reference point for business culture in Nuevo León. Since its foundation, both companies have played an important role in local development. Hernández-Calzada *et al.* (2017) attribute this to the fact that both companies are family-owned. According to the authors, family businesses tend to be active within society, which is the case for both companies. These companies are linked to a family and its reputation; therefore, there is more pressure to perform with ethical behaviour. Family businesses tend to invest more in CSR issues based on family values to ensure their permanence over the years.

To Reséndez (2008, p. 39), another critical factor for understanding the role companies such as FEMSA and CEMEX have in local development is religion. Both families recognize themselves as Catholic; however, because many family members were sent to study at American institutions such as the Massachusetts Institute of Technology, they adopted the Protestant religious values that recognize the importance of work and frugality. These values contribute to improving the region's collective solidarity and is a differentiator between family businesses from the rest of the country.

The approaches that both companies have towards the community are remarkably different. FEMSA implements programs and initiatives to determine the community's interests, needs, and aspirations. The company sees itself as responsible for promoting the communities' social well-being. Its CSR programs have different action lines that are not always related to each other or its core business. On the other hand, CEMEX seeks to be part of the community, too; however, its approach is different. CEMEX has a compensatory relationship with society. In its reports, the company refers to the ecological damage that its activities have on the environment, so most of its activities seek to compensate for the community's damage by its daily operation.

For both companies, the CSR programs are entirely voluntary; however, there are high expectations from the stakeholders regarding the business commitment to contribute to the communities' well-being. Suppose companies do not behave ethically and show little interest in generating a positive impact on society. This can affect the company's economic performance and lose its credibility with the population.

The first contact between companies and society is through their employees and their families<sup>10</sup>. However, both companies have a strong influence on multiple aspects of the economic and social life of Nuevo León. FEMSA and CEMEX, through corporate alliances, have created key institutions for the region's development, ranging from education to entertainment. The most outstanding institutions are the Instituto Tecnológico y de Estudios Superiores de Monterrey (Tec de Monterrey), the number 1 private school in the country, and the number 155 according to the QS Global World Ranking Programs (2020). Both companies promote the Zambrano Hellió Medical Center's creation to research cancer and heart diseases in the health sector. Additionally, they own the CEMEX- Tec de Monterrey Center to promote the sustainable development of communities and the two soccer teams with the largest number of followers in the region.

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<sup>10</sup> FEMSA Sustainability Report 2007

FEMSA and CEMEX have become multinational companies, but they still perceive themselves as part of the community's internal structure. They maintain the commitment to contribute to the well-being and local development. This constant commitment over the years contributes to social cohesion, resulting in local development (García Justicia, 2019, p. 203).

This chapter made it possible to contrast FEMSA and CEMEX's conceptualizations on Corporate Social Responsibility and Local Development. In general, significant differences can be identified between the conceptualizations and how these two companies use the concepts of their CSR strategies. The two most significant differences lie in the capacity building and the community's relationship. On the capacity side, both companies affirm that they intend to strengthen the community's capacity in the long term through their CSR activities focused on local development. However, what they are carrying out are philanthropic activities. Although they can generate a positive impact in the short term, it is difficult for them to increase capacities and genuinely contribute to the communities' local development in the long term.

The second most significant difference lies in the community's relationship; according to the companies, both have an equal relationship with the communities where they operate by considering their opinions when designing a program. After analyzing their discourses, it is possible to determine that, in most cases, companies perceive themselves as the primary providers of development while the community is in constant need to be "helped" (Saldaña, 2019). To change this perspective, the communities' real empowerment is necessary to create joint responsibility among the actors to contribute to local development promotion.

Throughout this research, reference has been made to the changing nature of CSR and Local Development concepts. Both definitions change according to the context in which they are applied, so there is no single or correct way to define them. The existing discrepancies between each company's conceptualization and application do not mean that the companies' efforts are being wasted. Nonetheless, it is necessary to rethink some of these discrepancies to improve the strategies' design and significantly impact local development.

## Chapter 6 CSR program's design.

Without a doubt, the programs' design is one of the most critical stages of the companies' CSR programs. This chapter is divided into two sections; the first part identifies the types of CSR programs implemented by each company as well as their essential elements, according to Hamann (2003) and Rangan, Chase, and Karim (2015). The second part considers the different design methodologies found in the literature and compared it with each design process.

This chapter presents the different motivations that companies have to incorporate CSR into their agendas, the criteria considered for the design, and the expectations that companies have about these programs. Finally, through this analysis, it is possible to identify how CSR and Local Development concepts are integrated into the design stage of each company's strategies.

### 6.1 Type of Program

Most of the CSR programs implemented by FEMSA and CEMEX are philanthropic programs. Referring to the Bruch and Walter (2005, p.50) classification on philanthropy, the two programs selected as the analysis unit represent a different kind of approach to philanthropy. Most of the CSR programs implemented by both companies have a philanthropic base because they use the company resources to voluntarily support social causes (Porter, 2006). Some examples are the Redondeo OXXO, a program where customers can donate pennies from their purchases. The money raised is donated to nursing homes and low-income families (OXXO, 2002), or the donation of construction materials to rebuild destroyed homes after a natural disaster<sup>11</sup>.

Polígono Edison from FEMSA represents a program with a market orientation known as peripheral philanthropy (Bruch and Walter, 2005). The market orientation is based on the company's growing need to satisfy stakeholders' needs and expectations. In this case, the Polígono Edison program was designed to improve neighboring communities' living conditions due to the high rates of violence generated by criminal groups in Nuevo León, contributing to improving the company's relationship with its neighbors.

Regarding the classification of peripheral philanthropy, the program's main objective is not related to the company's; however, they manage to improve their reputation and clients' attraction. The company is responsible for providing all the economic resources to improve public spaces and alliances with NGOs to carry out the training. At the same time, the area's inhabitants receive the program's benefits even when they are not part of the program implementation process. As mentioned in the Materiality Analysis, the design of this type of strategy is not executed considering the needs of the target audience, resulting in programs with little credibility or superficial intentions.

CEMEX program is what Burke and Logsdon (1996) identify as strategic CSR because they contribute to achieving company goals. Regarding the classification of Bruch and Walter (2005), Patrimonio hoy it is an example of a Competence Orientation program since they use the company's expertise to have aligned objectives and a more significant commitment to the program implementation. Patrimonio Hoy seeks to differentiate itself from the company's philanthropy activities through this initiative. It intends to contribute to the

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<sup>11</sup> CEMEX Sustainability Report 2006

development of the population with low income while generating profits. This program requires a high level of commitment from the people involved; otherwise, the program cannot be executed.

It is possible to identify a contrast between how the company conceives its programs and the final design regarding the program type. As mentioned in the CSR conceptualization section, neither of the two companies identifies their programs as philanthropic, FEMSA in their reports, mentions that their objective is value creation. In contrast, CEMEX explicitly mentions that their programs are intended to create capabilities<sup>12</sup> and integrate CSR principles in a transversal way in all its activities (CEMEX, 2020b).

Regarding the integration of CSR programs within the company's structure, in the case of FEMSA, there is greater integration of sustainability and social responsibility. The company refers to its commitment to Social Responsibility in each strategy implemented. In CEMEX, while it is true that Sustainability is a fundamental part of the company's mission and vision, the emphasis is minor, giving the impression that while in FEMSA, the activities revolve around Sustainability, in the case of CEMEX, it is only one pillar of the structure.

In FEMSA, the CSR activities are designed, oversees, and implemented by the FEMSA Sustainability Team, which in turn is divided into a **Corporate team and a Business Units**. Therefore, in this case, the Sustainability Team's general coordination of FEMSA's CSR activities is carried out. Still, each business unit can design and implement its programs (FEMSA, 2019c).

For CEMEX, the sustainability strategy is overseen for several internal departments, to be implemented in a transversal way in the company's activities. The Executive Vice President of Planning and Finance of the company is responsible for coordinating the Sustainability strategy and the Vice President of Energy and Sustainability<sup>13</sup>. In addition to this, there is a committee made up of 12 members: nine members of our management team, the Senior Vice President of Energy and Sustainability, the Senior Vice President of Technology and Security, and the Corporate Director of Sustainability. The Sustainability Committee meets four times a year to evaluate the strategies implemented<sup>14</sup>.

About the program content, FEMSA has general social responsibility programs and each of its business units independently. The program's themes are much broader than the themes of CEMEX. In its case, CEMEX has a wide variety of programs that are fully aligned with the company mission and vision. By being a company specialized in creating and commercializing construction materials, they have programs focused on improving communities' infrastructure, such as roads and highways and reconstruction of areas affected by natural disasters.

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<sup>12</sup> CEMEX Sustainability Report 2005

<sup>13</sup> CEMEX Sustainability Report 2009

<sup>14</sup> CEMEX Sustainability Report 2011

## 6.2 Program's key elements

Hamann (2003) claims that the programs should be integrated for principles and international standards such as the Universal Declaration of Human Rights or the Sustainable Development Goals. It is essential to have measurable indicators selected by the corporation board and its primary stakeholders and a transparent reporting system to monitor the program performance. They must be compatible with its objectives, values, and identity (Cabrera, 2016). Rangan, Chase, and Karim (2015) propose that to achieve a larger scope, the relationship with stakeholders is essential when designing social responsibility practices. Through it, they intend to meet expectations and responsibilities. Considering the information available in both companies' CSR reports in table 5, the elements within both companies' strategies can be compared.

**Table 5** Program's key elements

Elements	FEMSA	CEMEX
Principles and international standards.	✓	✓
Measurable indicators.	✗	✓
Transparent reporting system	✓	✓
Objectives compatibility	✗	✓

Source: Elaborated by the author

Regarding the principles and international standards, both companies comply with the requirements. Their programs seek to contribute to the SDGs, and their ultimate goal is the well-being of the inhabitants of the communities where they operate. The measurable indicators and the transparent reporting system, in the case of FEMSA, the programs are focused on improving aspects of the communities' life that should be measured qualitatively. In its reports, the company only declares that the evaluations have been carried out under the company's internal criteria, but there is no further information in this regard. By contrast, CEMEX reports its results based on quantitative data; therefore, it is easier to track results; besides, CEMEX reports annual progress for all its indicators. Finally, the objectives compatibility, the fit at CEMEX, is higher than the fit at FEMSA. CEMEX programs are much more aligned with the company's objectives and the conceptualization of CSR and Local Development.

The elements proposed by Hamann (2003) are taken into account as a guide; however, there is no specific way to carry out the programs. According to the elements proposed by Hamman (2003), CEMEX seems to be the company with the best design and performance of its programs, although this may be related to the nature of the industry, which has negative repercussions on the environment and the social dynamics of the community, there is higher internal and external pressure to have more control over their CSR activities to protect the credibility and license to operate of the company.



## 6.3 CSR design process

For the analysis of the design stage, the framework mentioned above was taken as a guide, which brings together the common points between various methodologies proposed in the literature related to CSR programs' design (Were, 2003; Maignan and Ferrell, 2004; Bhattacharyya *et al.*, 2008; Maon, Lindgreen, and Swaen, 2009).

**Figure 6** Design stages



Source: Made by the author

Both companies make public the process they use to design their CSR strategies focused on community development. These strategies are based on the execution of Materiality Analysis with three main stages: identification, prioritization, validation. There is a comparison between the different stages of both companies' design processes in the following lines.

### Identification

The first stage of design is the identification of the central values and stakeholders of the company. According to Rangan, Chase, and Karim (2015), this first step is essential to determine the programs' direction. It has already been said that those aligned with the company's values and objectives tend to be more successful because their execution is much more natural. In both companies, information about their values and stakeholders is mentioned in their reports and websites. However, the weight that each one gives to the values is different. In the case of FEMSA, values are part of all reports. They are based on human dignity and the best way to treat people inside and outside the company. Simultaneously, CEMEX values can only be found within the website and are focused on the business strategy, that is, customers, product quality, and treatment of employees.

For both companies, their values guide their operation. The two companies recognize the importance of CSR programs aligned with the company's goals and values. The main difference is that FEMSA's guiding principle is social welfare, while CEMEX's case is more focused on the efficiency of its business operations.

On the stakeholder side, both companies have their employees and communities as priority stakeholders. Throughout the reports, companies express their commitment to generating social and economic well-being in the companies where they operate since this means a mutual benefit. The companies comply with the first step of the methodology; both FEMSA and CEMEX recognize that maintaining a good relationship with the communities represents a competitive advantage (Hamann, 2003). The following section goes into more detail about how the company's values and stakeholders define CSR activities.

## Definition

This stage aims to define the stakeholders' interests, needs, and motivations in terms of CSR. According to the companies' materiality analyses, this stage is merged with the identification stage; however, based on the framework used for this analysis, it is convenient to consider it as a different stage.

FEMSA carries out a methodology called Risk Care and Community Relationship Model (MARRCO) for the strategy design. MARRCO is a methodology used to promote the relationship between the company and the communities by identifying the community needs, resources, priorities, analysis, and planning the community relationship's risks, opportunities, and implications (FEMSA, 2019e).

CEMEX recognizes a strong dependency on natural resources to achieve its business objectives, which can harm the communities. Hence, they promote dialogue with the communities through Community Relations Plans. They get to know the inhabitants' concerns. Local alliances are made with community leaders, Government, and employees to ensure that strategies and programs are adapted to the community's specific needs where they will be implemented<sup>15</sup>.

Both methodologies implemented by the companies were created to identify the needs and interests of the community. Up to this point in the process, there is congruence between what companies consider when deciding to start designing a CSR program and the aspects that the methodologies proposed in the literature consider relevant.

## Prioritization

The stakeholder interest prioritization is executed through the Materiality Analysis. The analysis is based on surveys and interviews carried out inside and outside the company and different performance indicators to contrast its interests with stakeholders' interests. Each company has a different way of assigning weight to each interest and prioritize.

At this stage, the contrasts begin between the design conceptualization and what the company executes. During the report's analysis, most of the discourses suggest that CSR and local development are top priority topics within the companies' agendas; however, the materiality analyses reflect a different reality.

In FEMSA, there are nineteen central issues, while for CEMEX, there are twenty-one (FEMSA, 2019d) (CEMEX, 2017). For both companies, their contribution to the development of the communities ranks 15th for FEMSA and 10th for CEMEX, showing that although the development of the communities where they operate is indeed important for the companies, it does not imply a high priority topic for their daily operations. The first places are occupied by interests related to economic contribution or their employee's well-being. This prioritization shows some contrasts within both companies' discourse and confirms what is proposed by Carroll (1991) and Visser (2006) on the relevance of the private sector's economic components. This contributes to the efforts focused on the program design. The programs based on philanthropy are a quick and effective solution to satisfy stakeholders' needs, as is the case of FEMSA.

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<sup>15</sup> CEMEX Sustainability Report 2006

## Design

Once the companies' values and the stakeholders' interests have been defined, it is time to begin with, the design. This phase aims to create a program aligned with its objectives while contributes effectively to local development. For the program design, the community plays a fundamental role. In FEMSA, through the MARRCO methodology, establishes a relationship with the community that allows it to identify its main interests. However, there is no reference within the reports or the website that evidences the community's active participation in the program design (FEMSA, 2019e). By contrast, in CEMEX's case, the company involves the community before, during, and after the program implementation through the Relationship Plans.

Community participation must go beyond the identification of their primary interests and expectations. For the successful execution of CSR programs, it is necessary to seek society's active involvement. This reduces the probability of designing a program with philanthropic bases by focusing on capacity building in the long term.

As analyzed in the previous sections, FEMSA only interacts with the communities to identify their needs before the program execution, which generates little community commitment to the program. In Polígono Edison, the program is designed to involve the entire community, but there is little response from the inhabitants. Those who decided to join the program improve the physical structure; however, the benefits are for the entire community, which eventually disincentivizes those involved. CEMEX's case is different since, due to its design, the community's involvement is vital for Patrimonio Hoy to be executed. The participants must commit to developing capacities and abilities to have access to the benefits of the program.

On the other hand, the program design should be sustainable in the long term; through their execution, the company can obtain multiple benefits, representing an incentive to maintain the programs (Bruch and Walter, 2005). Since most FEMSA's programs are based on philanthropy, many of the benefits they receive are reflected in its good reputation and its employees' and customers' loyalty. In CEMEX, its programs promote its product consumption; this constitutes a small company profit, which, according to the reports, is reinvested in the same programs to reach new communities.

Finally, the program evaluation stage is critical to measuring the program's performance, analysing what is being done correctly, and improving it. For this research, the information related to the programs' evaluation was minimal since companies do not make public the criteria used to measure their programs' performance. Therefore, this section is based solely on the information available within the company's reports CSR.

According to Bruch and Walter (2005), to guarantee effective monitoring and evaluation of CSR programs, the objectives and goals that the program intends to achieve must be defined from the design stage. FEMSA has an annual report focused exclusively on the sustainability strategy; thus, the published information is related to the social impact. It shows the number of people or communities that have been positively impacted by the programs. On the CEMEX side, since the CSR activities are designed to show results in the long run, the reports specify the progress achieved up to the publication. Likewise, if there is no progress or the program has been restructured, all the information is mention in the reports. The data was obtained from various sources such as internal management systems, annual performance databases, and employee surveys (CEMEX, 2020c) and is issued by the Corporate Communications and Public Affairs department.

This chapter exposed the processes that companies take into consideration when they decide to design their CSR programs. Through the contrast between the proposed methodology and the content reflected in the company's annual reports, it was possible to show the main differences between the conceptualization that companies have before the design of their programs and the aspects that finally form part of the design. Due to the lack of a single methodology for the design of CSR programs, the comparisons set out in the previous lines can serve as a reference to generate new instruments that guide the design of much more comprehensive programs focused on long-term capacity development.

## Chapter 7 Conclusions

In this research, it has been possible to identify, through the analysis of their CSR reports, the conceptions that the companies FEMSA and CEMEX have about Corporate Social Responsibility and Local Development, and the role that these conceptualizations play in the design process. There is still little knowledge about CSR and its implications in the country, posing a great challenge for companies implementing these practices.

The case of Nuevo León is an example of the transition that the private sector has experienced as a development driver. This sector has gained ground in society thanks to a model in which it is responsible for society's needs due to the government's impossibility to fulfill its functions. The first CSR activities implemented by these companies were focused on their employees and their families' well-being. They had the objective of promoting loyalty towards the company and improving their work performance. However, the results positively impacted society, which motivated enterprises to design strategies focused on communities.

Regarding the role that companies play within the development process, it is difficult for both companies to discard their responsibility towards society as providers of well-being and development. Companies' conceptualization about CSR continues to be linked to their commitment made in the first years after its foundation. Within the CSR programs implemented by both companies, the paternalistic model continues to play an important role. The expectations that society has about companies' CSR activities are much higher than the government's expectations. Companies continue to be considered by society in Nuevo León as responsible for providing the conditions of well-being.

The above resulted in what Garcia Justicia (2019) calls an overestimation of the private sector, making it responsible for the region's development. This scheme is not sustainable for the private sector. Hence in recent years, it has been committed to raise awareness about the importance of establishing an interdependent relationship with the government and society to promote capacity building and local development as a joint task.

The most significant discrepancy of this research is found in the conceptualization of CSR and Local Development and companies' actions. FEMSA and CEMEX define CSR as a series of activities and policies to mitigate the negative impact that these companies can have on society in the long term. At the same time, Local Development is conceived as creating value and capacities to improve the quality of life within communities. However, what both companies carry out are philanthropic activities despite not expressing it explicitly in their reports. Although these activities can immediately generate a positive impact, the results are not sustainable in the long term since they continue to promote dependence on external actors.

For the CSR opponents, these discrepancies can be considered failures in the design or the companies' implementation as they do not achieve the expected objectives and show inconsistencies. Given the lack of specific CSR programs' guidelines, it is challenging to evaluate the companies' efforts. Christensen, Morsing, and Thyssen (2013; 373) proposal about CSR programs as aspirational tools play an essential role here. Discrepancies between conceptualization and implementation can push companies to improve their CSR programs, as long as their real intention and efforts to achieve those goals are legitimate.

Considering the above, the discrepancies do not necessarily represent a negative aspect but rather an opportunity to work in more comprehensive programs that include a much more egalitarian relationship with the community.

The implementation of CSR practices focused on local development in Mexico still has multiple challenges. The relationship between the community and the company remains a relationship based on inequality. The company is seen as the provider of aid and development, and the community needs to be helped. On the other hand, the strong culture of confidentiality regarding CSR information and evaluation (Meyskens and Paul, 2010), the lack of public criteria for measuring and evaluating results makes it difficult to improve the programs continuously.

It is evident that in Mexico, there is increasing interest from the companies' side for the adoption of CSR practices that are more comprehensive and focused on promote capacity building. It is possible to appreciate the evolution that their programs have had over the years for both companies. They have gone from externally executed programs to making CSR a key element in their business strategies, achieving credibility; therefore, the Private sector in Nuevo León reaches high credibility and acceptance levels.

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