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# Participatory Corporate Social Responsibility with Public Policy Impact: The Case Study of the Holcim Foundation in Ecuador

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## Abstract

While we tend to think of Corporate Social Responsibility (CSR) as something that is driven by company strategy, in Ecuador a different dynamic has emerged in which the company and the community are engaged in a collaborative model of social impact creation. The case of Holcim Ecuador contributes to our understanding about CSR models using participatory approaches and CSR resulting in public policy change. Holcim Ecuador's Foundation uses Participatory Action Committees, which are working groups that include representatives of Holcim and community stakeholders where the company operates. The committees are intended not only to foster community consultation, but also provide a space for joint deliberation and shared dialogue which has resulted in the co-designing and co-implementing of corporate-community projects. The experience of Holcim Ecuador is a case in favor of a more inclusive, participatory approach to CSR.

## Introduction

While we tend to think of CSR as something that is driven by company strategy, in Ecuador a different dynamic has emerged in which the company and the community are engaged in a collaborative model of social impact creation. The approach of Holcim is noteworthy because it shows the value of the co-designing and co-implementing of corporate-community projects.

## The CSR program

The case of Holcim Ecuador contributes to our understanding about CSR models using participatory approaches and CSR resulting in public policy change. Holcim is a Swiss-based company that produces cement and concrete products. Holcim's CSR policy states that the corporation is: "committed to working with all involved groups based on respect and mutual trust to contribute to a better quality of life for [its] employees and their families, as well as the communities in which [its] plants are" (p. 32). In Ecuador, it has 10 plants with more than 1,300 employees.

Holcim Ecuador's Foundation uses Participatory Action Committees (hereafter referred to by their Spanish

acronym: CAP). CAPs are working groups that include representatives of Holcim and community stakeholders where the company operates. Currently there are 3 CAPs in Ecuador that represent 19 communities. The CAPs are formed and assisted by the Holcim Foundation, but led by

the communities.<sup>1</sup>

The CBA program allows youth who have been out of the education system for more than three years to **finish elementary school** (the 'basic cycle' in Ecuador) **in one year** in order to then enter high school.



Through the CAPs, Holcim Foundation conducts community training focused on leadership development and teambuilding.

The CAPs mainly seek to create spaces of dialogue. First, the CAPs give community stakeholders a space to communicate to Holcim. There are several examples of stakeholders using the CAPs to express concerns

about the operation of Holcim plants. For example, in one instance community stakeholders shared concerns about the amount of dust being too high near the plant. The Foundation invited the plant engineers to CAP meetings to hear about

<sup>1</sup> The information provided here is a result of discussions with the Director of Social Responsibility and the Holcim Foundation, representatives of nongovernmental organizations (NGOs), and published Holcim reports.

concerns. The engineers were able to adjust the timing of plant activities to reduce the dust at certain daily hours.

Second, the CAPs create a space to identify public problems in the communities and propose solutions. The Foundation expects CAPs to be a driver of community development and several projects have been designed and executed. An example of a specific program implemented in part with the

A 2012 study by the Quito-based IDE Business School found that more than half of companies in Ecuador now have programs related to social responsibility (51%), **80% of them have been introduced in just the last decade**, and 57% of those more recently in the past 5 years.

CAPs is the Accelerated Basic Cycle (Ciclo Básico Acelerado, hereafter referred to by their Spanish acronym: CBA). The CBA was a collaboration between Holcim Foundation, the nongovernmental organization (NGO) *Desarrollo y Autogestión* (DyA), and Ecuador's Ministry of Education which started in 2009. The CBA seeks re-insert youth (between the ages of 15-21) who have left the formal education system, often to enter the labor market. The CBA program allows youth who have been out of the education system for more than three years to finish elementary school (the 'basic cycle' in Ecuador) in one year in order to then enter high school. The first CBA program started in the city of Guayaquil in 2009 where the dropout rate is high. The program was replicated in 2010 in the south of the city of Quito and then the smaller city of Latacunga in 2011, all in areas where there are active Holcim plants and CAPs. In 2012, the CBA program was institutionalized into national public policy by Ecuador's Ministry of Education.

## Background

CSR as a management model that contributes to sustainable development is a relatively recent practice in Ecuador. It was not until the 1980s and 1990s that gradually more and more companies began to intervene and interact with communities, often implementing company policies which promoted CSR programs (Silva, 2000; Barragán, 2011). Several companies created their own foundations and social corporations (Veintimilla, 2006). One such case is National Cement, now Holcim Ecuador, which formed its own foundation in Ecuador.

A 2012 study by the Quito-based IDE Business School found that more than half of companies in Ecuador now have

programs related to social responsibility (51 percent), 80 percent of them have been introduced in just the last decade, and 57 percent of those more recently in the past 5 years. The study observed that the issues most relevant in Ecuador's CSR are human rights (54 percent), labor practices (53 percent), product liability (50 percent), and the environment (44 percent; Torresano, 2012).

While the advancement of CSR has been slower in Ecuador in comparison to other countries in Latin America, it has evolved in practice through networks such as the Ecuadorian Consortium for Social Responsibility, CERES, or the Business Council for Sustainable Development of Ecuador, CEMDES. These networks have also learned from the practices of multinational companies in Ecuador which are influenced by CSR policies imposed from their principle headquarters.

In Ecuador, there are no direct tax incentives, such as those allowing tax deductions for companies. However special laws, such as the Organic Code of Production, Trade and Investment (COPCI), provide tax incentives for eco-efficient production by companies. Additionally, there are incentives outside of the tax code through national recognitions such as Green Point which is awarded by Ecuador's Ministry of Environment as well as the Eco-Efficiency and Environmental Merit Award which is granted at the sub-national level by the Municipality of Guayaquil (Ecuador's biggest urban center) in partnership with Business Council for Sustainable Development of Ecuador,

CEMDES<sup>2</sup>, and there is also a recognition established by the Metropolitan District of Quito's Ordinance No. 0084<sup>3</sup>.

Holcim's interests are (1) to have the social license to operate in Ecuadorian communities and (2) to generate minimal damage in the society, thereby **supporting community wellbeing**.



It is fair to say that there is a growing culture of CSR in Ecuador, which links management strategy with business sustainability. For example, for companies in the mining sector

and other extractive industries, CSR is used to improve environmental performance indicators and minimize negative social impacts of their operations (Dashwood, 2011).

## Value added for the company

Holcim Ecuador has an articulated CSR strategy. Its CSR policy contains thematic pillars under the tagline: "working in and

<sup>2</sup> In 2006 Holcim became awardee to this prize. For further information on the Award see <http://www.cemdes.org/iniciativas.php>.

<sup>3</sup> Metropolitan Ordinance of Social Responsibility is intended to foster Quito as a sustainable and responsible territory.

with the community.” The message and objective coming from Holcim’s Swiss-based headquarters is to adopt: “... a proactive CSR approach that permeates the whole organization - from the boardroom to the shop floor – [and] paves the way for business to respond” to demands for corporate transparency and the global call for the private sector to help to solve social and environmental problems which were articulated at the Johannesburg World Summit in 2002 (Holcim, n.d., p. 2).

For the implementation of the CBA program, DyA brought its experience and expertise



in **working with at-risk youth and on child labor issues as well as its high level of professionalism in the field of education.**

The CBA program and its application to the areas with CAPs allowed DyA to refine its pedagogy and develop methodologies in new contexts.

Holcim’s Foundation in Ecuador has autonomy with its programming but it remains very interconnected with its corporate sponsor, Holcim Ecuador. The Foundation’s board and staff are Holcim employees. The Foundation is in charge of Holcim’s social investment agenda, the implementation of CAPs, and other CSR programming. CAPs began in 2005 when the Holcim Foundation in Ecuador was created. Since its inception, the Foundation has a policy to work within a 3-kilometer radius around urban centers and a 5-kilometer radius in rural areas where its plants are located. It also leads visible, national CSR programs, including a youth engagement initiative in partnership with Junior Achievement and a corporate employee volunteering program called *Únete*.

CAPs are a mix between headquarters’ CSR and a local approach built in Ecuador. In Switzerland, Holcim uses the model of Community Advisory Panels which are made up of community stakeholders to conduct consultations about company management. The panels provide some level of participation for stakeholders, albeit limited in scope. With the creation of Holcim Ecuador’s CSR office and its Foundation in 2005, Holcim created its own CSR model and adapted Community Advisory Panels to the Latin American context and brought in community representatives.

Holcim Ecuador created CAPs (Participatory Action Committees), and they are intended not only to foster community consultation, but also provide a space for joint deliberation and shared dialogue. Early on in the development of CAPs, each plant working in Ecuador mapped its local

community stakeholders. Once the stakeholders were identified the formation of the CAPs was a slow process. At first, the community stakeholders who were invited to join the CAPs were hesitant as they did not know what to expect from the process.

However, for Holcim, CAPs are important as the company seeks to meet its business and social objectives. Holcim’s interests are (1) to have the social license to operate in Ecuadorian communities and (2) to generate minimal damage in the society, thereby supporting community wellbeing. With these goals in mind, Holcim seeks to share its “know how” with its stakeholders and to design a process through which it can identify community problems and engineer solutions.

In order to decide whether the CAPs model is appropriate in the communities where Holcim has plants, the Foundation has defined several decision criteria. CAPs are implemented (1) if there is a high level of poverty in the area of a plant and basic needs of the community are lacking; (2) if the level of impact Holcim has in the area is high; and (3) if the plant is a strategic priority for the company in terms of profitability. For example, the cities of Guayaquil and Latacunga, where there are active CAPs, have plants that account for approximately 60-70 percent of Holcim’s income in Ecuador according the Foundation’s Director. This clearly makes them a strategic business priority for the company.

## Community and nonprofit engagement

Holcim partners with several community stakeholders and NGOs within its CSR programming. CAPs are a critical part of Holcim’s CSR approach, which seeks to involve communities, grassroots organizations and other stakeholders. CAPs are comprised of representatives from local organizations and individual community members. Holcim Foundation adapts the CAPs model to the dynamics of the specific communities. While there are 3 CAPs currently functioning in 2016, two additional CAPs have continued on their own after Holcim plants have closed. In addition, one CAP has obtained formal legal status, as this helped it to generate locally donated in-kind resources for community projects.

In addition, Holcim works closely with professional NGOs. At the heart of the CBA education program is the Foundation’s partnership with *Desarrollo y Autogestión* (DyA). DyA is an NGO that since 1986 has worked on social projects related to education and inclusion, the prevention of child labor, and public health issues. For the implementation of the CBA program, DyA brought its experience and expertise in working with at-risk youth and on child labor issues as well as its high level of professionalism in the field of education. The CBA program and its application to the areas with CAPs allowed DyA to refine its pedagogy and develop methodologies in new contexts. The Holcim Foundation also brought value to DyA.

While the Foundation's CSR model does not explicitly aim to have a public policy impact, this is central to DyA's work in Ecuador. Therefore to support this objective, the Foundation attended meetings in collaboration with DyA with the public sector to show its support and to give DyA and the CBA program more credibility.

## Results

Each CAP is able to prioritize the perceived public problems in the communities. Every five years there is a planning process for the CAPs to set the community priorities. In the interim, CAPs meet often to plan and implement programming. In the more urban city of Guayaquil, community stakeholders identified education as the area on which they wanted to focus. They wanted better quality education and students to remain in school through high school graduation. This became the impetus for the partnership with DyA and the Ministry of Education in the CBA program which was then also implemented in the urban CAP in South Quito. In the more rural area of Latacunga, the community stakeholders identified environmental concerns and agriculture. As the CAP in Latacunga implemented projects, the community also started to address education issues and engage in the CBA program in 2011 which had started in Guayaquil in 2009 and then South Quito in 2010.

The Foundation is focused on social impact. Through the CAPs, it has identified value in the CAPs as they build trust among Holcim and community stakeholders and within the community itself. This was a difficult process according to the Director of the Holcim Foundation. One reason trust could be built was that the CAPs were facilitated by the Foundation, not the Holcim Corporation itself. The Director reports that the CAPs have fostered community inclusion. She explains: "In these rural areas, the communities have felt forgotten, women have felt forgotten, youth have felt forgotten. Government in particular had not been active there and did not reach these communities."

The Foundation has learned several lessons with the CAPs. The Foundation recognizes that when starting to work with the community stakeholders through the CAPs, a more robust analysis of community stakeholders and the profiles of community organizations has value. According to Holcim Foundation's Director, the Foundation did not do enough initially to understand who should be represented on the CAPs. Another lesson from working with the communities has involved integrating the management of the local plants into the CAPs from the beginning. Initially, management was not directly involved and when there were complaints or concerns by community stakeholders, plant management needed to be present to enter the dialogue.

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between the ages of 15 and 21 completed the CBA program, finishing elementary school in order to continue on to complete their high school degrees.

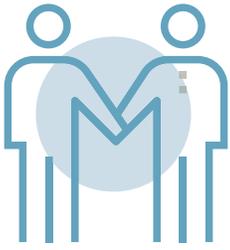
Results of the CBA program were enhanced by Holcim's active participation. The Foundation was able to provide resources—both financial and human—based on the program's needs as it was implemented. Through regular planning meetings, adjustments to programming and indicators were made. For example, during the CBA's initial implementation it became evident that participating youth needed counseling. The Foundation was able to provide resources for the inclusion of a professional counselor to meet these programmatic needs. It was also able to link its corporate volunteer program, *Únete*, to the CBA program. Volunteers participated by providing tutoring and giving talks that included their own testimonies about staying in school.

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There have been also unexpected results and outcomes. In 2012, the CBA program was adopted into national public policy by the Ministry of Education. And while the Foundation did not aim at this result, the participating NGO was pleased with this outcome. The Director of Holcim Foundation explained that "NGOs tend to dream bigger" than the Foundation has. This is the case with the CBA program as the program has now been adopted by the government and is being replicated nationwide. The Foundation supported this process as it unfolded, even if it was outcome was ultimately unintended.

## The Innovation

The Holcim Foundation model is to some degree consistent with CSR in Latin America, as CSR models in the region are known to use participatory approaches. First, it is important to note that philanthropy generally in Latin America has not been entirely a common practice (Sullivan, 2014). The Catholic Church has taken on much of the charity work related to poverty and other social problems, crowding out other actors. In Ecuador and in the region more generally, there have



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traditionally been few tax incentives to encourage individual nor corporate philanthropy (Sullivan, 2014; see also ICD, 2014). At the individual level, “wealthy Latin Americans have had little interest in philanthropic giving aimed at solving social problems” (Sullivan, 2014). However, in the last two decades, scholars have noted a shift in the understanding of and the role of philanthropy in the region, noting “new forms of corporate and elite philanthropy” (Sanborn, 2002). These shifts have favored an emerging framework of CSR in Latin America more so than individual forms of philanthropy. In fact, some have rebranded CSR in the region as “corporate social engagement” as the model increasingly uses participatory, bottom-up approaches like Ecuador’s Holcim Foundation (Salamon, 2010).

While, Ecuador has not received as much attention for its CSR innovations compared to other countries such as Brazil, Colombia and Mexico, the country now has 10 years of experience with Holcim’s participatory CSR model. Holcim Ecuador’s CSR experiences have become a reference for Latin America and globally within Holcim. Several Holcim country offices in the Latin America have adopted CAPs based on Ecuador’s experience, including Mexico, Colombia, and Costa Rica. In addition, now in Holcim Corporation’s policy, CAPs are recommended as a means in which to implement CSR programming.

Why have the CAPs proven successful? For Foundation Holcim, CSR is not just about making grants or building the bottom line. The Foundation is actively participating as a co-designed and co-implementer of projects and programming, working alongside the CAPs.

How did the CBA program emerge as a successful program with innovative and replicable outcomes? First, the CBA program built on Holcim Ecuador’s participatory CSR approach of the CAPs, and benefited from the trust and relationships that had been fomented since 2005. Second, the CBA was a program that tied together the expertise of the private, public and nongovernmental sectors (Holcim, the Ministry of Education and DyA) from the very beginning. Third, Holcim supported the objectives of its partners, in particular, DyA’s drive to create a

program that could be replicated in diverse areas and at the national level. Indeed, the partnership with Holcim allowed DyA to test its program that it had been developing since 2006 in the urban and rural contexts where CAPs were active. These attributes of the CSA program allowed the program to be adopted by the Ministry of Education and brought to national scale under the Ministry’s National Pilot Plan of Flexible Basic Education that targets youth and adult populations from vulnerable groups who have been excluded from Ecuador’s education system.

In the end, the experience of Holcim Ecuador is a case in favor of a more inclusive, participatory approach to CSR. By allowing the voices of the community into the conversation, Holcim achieved results that many companies with more traditional, inward focused CSR programs can only envy. While it may seem risky to ask the community for its perspective and not be able to fully control the answer that emerges, this openness may well be a critical part of designing and implementing effective CSR initiatives.

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