Corporate Social Responsibility Cuban style

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Abstract

This chapter draws upon data collected over several research trips to Cuba undertaken between 2013 and 2017, that evidences how the concept of Corporate Social Responsibility (CSR) is understood there. Firstly, some background on Cuba is provided, describing the island nation’s economic journey from the status of a free enterprise oriented US ‘neo-colony’ in the first half of the 20th century, through several decades of strong Soviet inspired state control after the 1959 revolution, before gradually adopting what has been termed a ‘market socialist’ model since Raúl Castro formally took over from Fidel Castro as President in 2007. The chapter then presents a snapshot of the fledgling state of CSR in Cuba as understood and practised in newly licensed private small and medium-sized enterprises and state-business partnerships. The kinds of practices that are seen as belonging under the CSR umbrella are compared. The chapter acknowledges the unique political and economic conditions in Cuba and the problems that arise in applying concepts, measures and definitions which have been formulated in the context of Western economies. The chapter therefore provides an insight into how CSR is constructed in a country that has adopted cultural norms of solidarity and collectivist ethics. This is contrasted with the way the concept is understood and operationalized in liberal capitalist countries with paradigmatically ‘neoliberal’ and individualist values, where the norm of self-interest prevails in economic discourse. Finally, we argue that this case study of CSR in a highly regulated economy offers a valuable input to the on-going debate over the merits and demerits of strong state regulation in terms of achieving socially and environmentally responsible business practices.

Introduction

The way in which the concept of corporate social responsibility (CSR) is understood and practised, and the role it plays in society differs greatly according to the institutional context (Kostova & Roth, 2002; Muthuri & Gilbert, 2011; Tan & Wang, 2011). This is particularly the case when comparing CSR in capitalist economies where CSR is conceived more as a form of voluntary self-regulation, to CSR in socialist economies where state regulation covers many aspects associated with CSR, leaving less room for organisational freedom of action. In the West, key issues relating to CSR are the extent to which the constructions, practices and motivations relating to CSR are sufficient to counter incentives towards business practices that may be profitable but are unethical in that they impose externalities upon society and/or the environment. In contrast, debates in Cuba revolve around how to reduce state control and increase economic well-being through private enterprise without compromising the revolutionary promise of Cuban sovereignty, equality and social justice. In this chapter...
the socialist Cuban economy will be compared with Western free-market liberal democratic and capitalist economies such as the US and UK. Although it is obvious that geographically Cuba is in the West, the term ‘Western’ is understood here as referring to a liberal democratic free-market capitalist economy.

**Cuban Historical Context**

As a postcolonial society, it is important to note that, apart from a brief interlude of a social-democratic government in 1933, until the advent of socialism in 1959, Cuba was a place where matters such as social welfare, the protection of the environment and citizens’ rights were not respected or even considered important in any meaningful way by the government or the ruling elite. In this section, we present a brief history of the Cuban political economy to explain the context in which what would be regarded as CSR practices take place today.

Firstly, the legacy of colonialism and slavery is a powerful influence still because Cuba’s liberation from Spanish colonialism came some 70 years later than the rest of Spanish America colonies. It took two Wars of Liberation (1868-78 and 1895-98) to eject Spanish rule but not without sacrificing Cuban autonomy to the United States. By its military intervention in Cuba in 1898, the US first established political dominion and then constructed the first Cuban Republic in 1902.

Cuba was essentially a part of the larger US economy, providing sugar for the US market. US financial interests included 90 percent of Cuban mines, 80 percent of its public utilities, 50 percent of its railways, 40 percent of its sugar production and 25 percent of its bank deposits. The island produced sufficient wealth for a white elite and a middle class based in Havana, but little for the rest of the population that was impoverished and subject to harsh labour conditions, seasonal unemployment, general underemployment, and economic stagnation or uncertainty. The economy was dependent on agro-exports with declining terms of trade and on demeaning services such as tourism, gambling and transnational organised crime (Corrales, 2001). Culturally, US influence dominated. Those Cubans with wealth grew accustomed to the luxuries of ‘the American way of life’ with its consumerist excess. They drove American cars, owned TVs, watched Hollywood movies and shopped at Woolworth’s department. Income mal-distribution and poverty were serious problems compounded by unemployment. During the sugar harvest and the tourist high season of January to April, unemployment normally fell to 9-11%. In the off-season, however, the level rose to 20-21% since only a small proportion of the 400,000 to 500,000 sugar harvest workers found work for the rest of the year.

Given this scenario, Cuba in the 1950s was a society bereft of any form of social responsibility. After the overthrow of the democratic system by Fulgencio Batista in the coup d’état of 1952, the influence of the mafia increased, resulting in policies that were detrimental, not only to the wellbeing of the citizens but to the fabric of society itself. Drugs, gambling and prostitution became pervasive, and corruption at all levels of government endemic. It was the abject disregard for morality characteristic of the Batista regime that led to its rejection by the largely Catholic middle class and their consequent support for the Castro rebellion that triumphed in 1959.
Castro’s leadership can be summarized as encompassing a moral purpose, not only of improving the quality of life for the huge number of bitterly impoverished citizens but also of enhancing the ethical standards of a nation that had been stripped of dignity by the criminal dictatorship. In his speech, ‘History will absolve me’, which became the manifesto for his organisation, the 26th of July Movement, Castro affirmed his commitment to a project that would place politics and economics at the service of the social good. Without using the word socialism, he nevertheless expounded a plan that implied regulation of the free market in order to address the problems of poverty and underdevelopment.

Castro’s commitment to resolving the problems of monoculture, dependence and income inequality through state regulation, progressive taxation and the nationalisation of key industries led inevitably to confrontation with the United States and ultimately Cuba’s radicalisation and alliance with the Soviet Union.

Along with the rest of the Soviet Bloc, Cuba ran into debt repayment difficulties in the early 1980s that resulted in a deep transformation of the political economy. Unlike the former Soviet Union, which adopted market solutions in the guise of Perestroika, Cuba took decisive action prior to the changes in Moscow, to increase mass participation in order to address the fiscal difficulties in ways that resisted the wholesale introduction of market forces (Hamilton, 2002). Unfortunately, this so called ‘rectification’ campaign was soon overtaken by the end of the Cold War and the subsequent collapse of the Soviet Union that created a huge economic crisis known in Cuba as the ‘Special Period in a Time of Peace.’ Suffering a collapse of over 85 per cent of its foreign trade and a reduction in GDP of more than 35 per cent in less than two years, Cuba was forced into a period of severe austerity in which economic reform and opening to the global market became unavoidable.

However, Cuba’s opening to the market was carried out in a consensual manner. Between 1991 and 1993 a series of consultations were carried out in what were called ‘workers’ parliaments’. Here, the citizenry was encouraged to participate in workplace discussions and amend policies to allow the circulation of the US dollar, foreign direct investment by capitalist enterprises from capitalist countries and limited opportunities for self-employment for Cubans. Following this mass consultation, economic reforms started in 1993 that began a process of reorienting the Cuban economy and agriculture to meet the demands of the new situation. It is important to note that this process did not involve making any workers redundant, nor did it involve the reduction of social, health, welfare and education spending. The Cuban government held firm to a commitment to maintaining what it termed the ‘conquests of socialism’.

In this regard, since the turn of the millennium it is possible to argue that Cuba has been following the same policy of a gradual opening to the global marketplace and the extension of market oriented reforms. Again, the reforms have been preceded by open consultations with the whole working population (Ludlam, 2012) in two phases so that a national consensus is established before changes are introduced. This has culminated in the extension of the areas and size of private enterprise that is allowed and a whole series of other decentralising structural reforms that are aimed at raising living standards and satisfying individual consumption needs through the use of market mechanisms. To some observers this has been seen as adopting a Chinese model of economic management but to
others this not exactly the case. Rather than copying the Chinese, Cuba is learning from the Chinese experience. What is being undertaken therefore is a distinctly Cuban style of market socialist economic reform (Gabriele, 2011; Wilkinson, 2012).

Thus for historic and political reasons, we conclude that the Cuban revolutionary government has always exhibited a high moral regard for the well-being of the population. Additionally, in terms of environmental protectionism, a primary concern of CSR, Cuba offers a particularly salient example. Even before the consequences of environmental damage were acknowledged internationally, Cuba under Fidel Castro had already argued for a radical rethink of how humanity interacted with nature. For example, reforestation programmes began immediately after the triumph of the revolution in 1959 and Cuba’s first nature reserves and national parks were established shortly thereafter. Cuba incorporated the rights of the environment into its constitution in 1976 and has a government department dedicated to protecting the environment. Since 1992, Cuba has stepped up its environmental protection by launching a clean energy investment drive, sustainable agriculture, a sustainable tourism policy and extension of its protected areas (Wilkinson, 2008).

Therefore we argue that although Cuba may not explicitly embrace the tenets and discourse of CSR, it nonetheless exhibits a level of social awareness throughout its society that finds its way into the day to day running of enterprises both state and private. In this way Cuba provides a case study in terms of the way in which the enterprises; state, joint ventures and private, understand their roles. We ask how far do socialist or socially responsible attitudes prevail in these enterprises? Does Cuba, with this radical, moral and socially conscious socialist history, offer the opportunity to see less than or other than profit oriented motives at work? More succinctly, does Cuba provide examples that those in the West interested in a more socially responsible corporate culture can learn from?

Terminology
An important starting point in any discussions of CSR, especially in a cross-cultural setting, is terminology, as what is understood by the term CSR varies across contexts. The terminology of CSR differs across contexts with numerous terms often used semi-synonymously with CSR, each with a slightly different focus, such as corporate citizenship, business ethics, sustainability etc. (Baden & Harwood, 2013). Corporations, as understood in the West, do not exist in Cuba, and it is more common for the term ‘socially responsible enterprise’ to be used. The term ‘private business’ is rarely used in Cuba, with most Cubans preferring the term ‘non-state enterprises’ (Baden & Wilkinson, 2014). This may be because the term ‘private property’, with its connotations of private wealth accumulation, does not properly describe the varieties of non-state enterprises present in Cuba such as cooperatives and self-employed trades people. Another common term used in socialist countries such as Cuba, is the more broadly conceived ‘social and solidarity economies’ which is a movement that aims to combine market dynamics with socialist values (Sagebien, 2012).

Matten and Moon (2008) make a distinction between implicit and explicit CSR which is especially pertinent to the Cuban context. They draw upon Whitley’s (1998) national business systems approach which identifies four key features that can differentiate
historically grown national institutional frameworks i.e. political, financial, education/labour and cultural systems which provide the underpinning for the type of CSR that is practised in each country. Matten and Moon (2008, p.409) distinguish between explicit CSR which “refer to corporate policies that assume and articulate responsibility for some societal interests” examples of which might be philanthropy, voluntarily adopting social or environmental standards such as ISO14000 or ISO26000, or voluntary partnerships with NGOs to address social and/or environmental impacts. By “implicit CSR,” they refer to “corporations’ role within the wider formal and informal institutions for society’s interests and concerns” which consists of “values, norms, and rules that result in (mandatory and customary) requirements for corporations to address stakeholder issues and that define proper obligations of corporate actors in collective rather than individual terms.”

Matten and Moon (2008) propose that explicit CSR occurs in liberal, laissez-faire economies as such economies have relatively little regulation thus a larger share of corporate responsibility issues are left to the discretion of the companies. Implicit CSR is proposed to occur in coordinated economies as most of the social and environmental impacts of companies are regulated by institutional and legal frameworks. It is taken for granted in such economies that businesses will address these issues, thus there is no need to explicitly articulate that they are doing so. The US for example is a proto-typical liberal economy demonstrating explicit CSR where paying a living wage, covering health insurance, protecting the environment, donating to schools, hospitals poor etc. is based on corporate discretion.

Even though the Cuban government is keen to roll back the role of the state in enterprise, it still has a much stronger regulatory presence than in most capitalist countries. Strong state regulation prohibits unethical practices, leaving much less up to voluntary self-regulation. Most ethical issues relating to business in Cuba are covered by State regulations so there are few areas where business can act unethically without breaching regulations. In addition, Cuba’s revolutionary history predicated on norms of social equity lead to profit-making private enterprise being seen as the best means to the end of social welfare, rather than as an end in itself. The type of CSR practiced in Cuba is thus what Matten and Moon would term ‘implicit CSR’ as most issues relating to social and environmental welfare are covered by the State, leaving little room for voluntary CSR. CSR is also implicit in the more general sense that interviews with Cuban business managers indicate that the assumption is that business is there to serve society, not the other way round (Baden & Wilkinson, 2014).

CSR practices in Cuba
Due to the institutional environment and history of strong state control, it is difficult to talk about CSR in Cuba without discussions veering back to the State as many of the businesses had fairly recently been run by the State. This initially created difficulties in reforming the mind-set ingrained from years of strong state regulation learned from the centralised Soviet system. Nevertheless, despite the vast differences in the political-economic framework, there is much overlap between Western and Cuban notions of what constitute CSR practices.
The Centro de Estudios de Técnicas de Dirección /Centre for the Study of Management Techniques (CETED) is Cuba’s foremost Management Science School, and in the following section academics from CETED, provide an overview of their perception of what constitutes Business Social Responsibility in Cuba. Sections in italics are taken directly from a presentation given on CSR in Cuba in 2013.

Their first point differs little from a Western perspective as it is clear that social responsibility is not only about fulfilling legal obligations, but also about offering quality products and services in order to respond to clients’ needs:

*Fulfil the mission statement and offer to the clients a quality product.*

This can be broken down into two dimensions:

*Internal: Includes Human Resources, their objectives, problems and needs*

*External: Includes all the relations that the enterprise establishes with the stakeholders: local communities, suppliers and clients.*

Business Social Responsibility is seen as a continuing relationship with society. Stakeholder terminology is also used, with CSR being seen as:

...a process whereby all stakeholders participate. This process includes also individual actions to achieve social goals.

It is emphasised that *Social Responsibility has to be guide for strategic management.*

The enterprise has to demonstrate:

- Ethical behaviour in all its actions.
- A security and health system to protect its workers.
- Has to be integrated with the community.

An enterprise is considered to be socially responsible when it covers five principal dimensions:

1. Ethics
2. Environment
3. Community Commitment
4. Responsible Marketing
5. Labour quality
Relationships with stakeholders are further specified as:

1. **Community** (participation and solving problems)
2. **Environment** (take care, decrease the impact)
3. **Moral Obligations** (with suppliers, clients, government, social assistance etc.) and to regulations and laws (81 MA, Environmental Management System ISO 14000)
4. **To Employ** (employ the local citizens, social politics)
5. **Consumers** (fulfil the promise made by the enterprise, provide information)
6. **Social Marketing** (responsible marketing)

It is worth noting at this point that, although there is similar terminology in Cuba to the West, some terms are understood differently in Cuba. In particular, the term ‘responsible marketing’ in capitalist economies tends to be about avoiding exploiting or misleading the customer. However, Cuba is a country with very little marketing or advertising for products, so here the term ‘responsible marketing’ incorporates issues like social inclusion and diversity to ensure that everyone has access to the products and services they need.

Internal Dimensions of Social responsibility include:

1. **Quality of products**
2. **Pure products**
3. **Security and health systems, salaries, remunerations**
4. **Systematic attention to retired persons: multiple services.**
5. **Respect for diversity: gender focus, racial, handicap persons.**
6. **Efficient use of resources.**
7. **National products are prefer vs imported products.**
8. **Decrease costs, reasonable prices.**
9. **Social organizations** (Trade Unions and other mass organisations such as the Women’s and Student Federations)

Cuban businesses also adopt similar theories and management practices such as the balanced scorecard, but the Cuban scorecard is more likely to include metrics related to social and environmental outcomes and the factors listed above.

An example of CSR practices in State-business partnerships presented by the University of Havana Management School was that of *Suchel*, which is a joint venture with a Spanish firm
that produces soaps, detergents and perfumes. In this case workers were well rewarded and had a representative on the board of directors. The company was compliant with environmental laws concerning production and health legislation regarding its products.

**Suchel**

**Ethics:** Suchel fulfils its mission statement. This enterprise offers clients quality products, respecting the environment with clean products.

**Community Commitment:** Offer to the retired workers multiple services such as: social club, retirement association, hairdressers.

**Environment:** Some elements of its products have a harmful environmental impact. Dedicated multiple resources to decrease the impact to the environment. Have a natural line of products: soaps, lotions, cosmetics, baby care products.

**Responsible Marketing:** Suchel promotes diversity and social inclusion. Produce products for all kinds of people.

**Labour Quality:** creation of good conditions of work, salaries.

There has been a continued practice in this enterprise to embed Social Responsibility in its Strategic Management.

It is also of note that many socially responsible practices in Cuba stem from the political drive for social equity inherent in the socialist system rather than from the consciousness of enterprise directors. One example from what management academics called “one of the oldest cases of CSR” is the sugar industry, a wholly state owned industry. Measures taken include:

“the construction of housing and social clubs, social support for the workers and their families and education and training for the workers and members of their families.” (Baden & Wilkinson, 2014).

It is debateable the extent to which such measures can be categorised under the CSR umbrella as they were introduced by the state in fulfilment of its socialist commitment. Furthermore in towns the mills have:

“electrical generation plants that burn the waste from the cane providing cheap electricity for the towns and the excess is put into the national grid. This is carbon neutral and very good for the environment.” (ibid)

Some sectors are not in private hands, but despite being state run, have to demonstrate efficiency and run on business principles. An example is the Cuban biotechnology and pharmaceutical industry. The ultimate strategic goals of the sector are to meet Cuban health needs, address global health needs, and use money from exports to finance their public health requirements. The metrics of success are therefore health needs, and this has
resulted in a highly efficient sector that, despite Cuba’s poverty, punches above its weight in terms of pharmaceutical innovation and international medical solidarity (Baden, Davis, & Wilkinson, 2015; Haseltine, 2012). However, although Cubans are justly proud of the work they have done combating diseases in their own and developing countries, there is low awareness of other ethical issues, such as GM, or relating to religious orientation, and there is little transparency about animal welfare which is not seen as an important moral issue. Instead the biotech and pharmaceutical sector is most interested in scientific advance and making treatments and vaccines to help not just their own population but to address pressing health needs internationally. Cuba shows a particular solidarity with, and desire to help developing countries who are unable to afford Western medicines. A notable example is Cuba’s collaboration with Brazil who together produced and sold vaccines for meningitis for a very low cost and helped to eradicate meningitis in sub-Saharan Africa (Huish, 2014).

Social Responsibility in Small Business
The section above focusses on large businesses and state-business partnerships, yet most new businesses in Cuba are micro businesses such as hairdressers, mechanics, paladars - small restaurants or casa partcuulares – lodging in people’s homes. Also common are organic gardens or farms which can range from rooftop gardens that serve the local area, to larger scale farming cooperatives which serve an entire province. Similar to other countries, the term CSR was rarely used by small businesses, and the focus is generally on being of service to the local community the business serves through its products, services and employment. Philanthropic practices are also common, with many small businesses describing themselves more as social enterprises, with profit viewed as a means to sustain the business financially so it can contribute to the community, rather than as a goal in its own right. For example, a community gardener who supplies produce free to the church and local poor, and a farming co-operative selling its produce at a price lower than the price it could get based on supply and demand because the cultural norms of equality are stronger than the drive to profit maximise.

In contrast to the West where CSR discourse has a strong focus on the relationship between corporate social performance (CSP) and corporate financial performance (CFP), the discourse of CSR in Cuba focusses mainly on the social and environmental impacts of enterprise. The questions debated in Cuba are not the extent to which CSP predicts CFP but revolve around to what extent is private enterprise helping to fulfill state goals of social and economic well-being, health, inclusion, access to goods and services, equality and Cuban sovereignty? When profit is discussed, it tends to be in terms of being a metric by which to judge the efficiency of state-run organisations.

Another contrast to most other countries is a lesser focus on CSR in the supply chain. Due to the US embargo, which severely limits the trading ability in Cuba, the preference has been to manufacture goods locally where possible. However where imports are necessary, the US embargo has meant that Cuban enterprises have not had the luxury of being able to omit international suppliers on ethical grounds.

Environmental issues and practices in Cuba also are a direct result of its history and the embargo. The lack of resources has made it necessary to conserve, repair, reuse and recycle, giving rise to Cuba being called the only truly sustainable country (WWF, 2006). On the
other hand, the same issue has made Cuban enterprise reliant on out of date Soviet polluting machinery.

Summary

Despite there being little explicit discussion or understanding of the concept of CSR in Cuba, this is predominantly a result of the implicit acceptance of practices that would be labelled as CSR in capitalist economies, but in Cuba are internalised as socialist ethics.

The ethical issues faced in Cuban business differ somewhat to those faced in capitalist economies. The tension between social and financial goals felt by business owners operating in the capitalist system with a stronger norm of self-interest, and legal obligation to create value for shareholders over other stakeholders, is less apparent in Cuba. One of the underlying causes of much business irresponsibility in capitalist countries is due to businesses prioritising financial interest over social and environmental impacts and there is little evidence of this in Cuba. Instead most ethical issues are still in the realm of state-run industry and relate to countering corruption, transparency and enforcement of environmental regulations.

The unique political and economic conditions in Cuba mean caution needs to be applied in the use of concepts, measures and definitions that have been formulated in the context of capitalist economies. Even where terminology is the same, the way it is interpreted can be different. For example, in a country where there is no marketing or adverts for products, the term ‘responsible marketing’ takes on a different meaning, referring more to producing useful products for all needs. Similarly, like academics from capitalist countries, Cuban academics also use the term ‘stakeholders’ but the practice of stakeholder management in Cuba is based upon more normative principles. Creating value for stakeholders such as the community and the work force are seen as primary goals, rather than secondary to financial performance. This is in contrast to capitalist economies where the approach to stakeholder management tends to be more instrumental. In other words businesses attend to such stakeholders because there are costs in terms of reputational damage which may have negative repercussions on corporate financial performance if they fail to do so.

A notable difference relating to Cuban CSR is a difference in the cultural norms which affect our perceptions of what kind of behavior is acceptable. In Cuba the prevailing norms are of solidarity with others and communal values, which facilitates business social responsibility. This has come about in part through a revolutionary history unique to Cuba, so the Cuban mindset cannot simply be adopted by a different country with a different history. Despite this, the Western discourse seems to have almost deliberately cultivated business values that are antagonistic to genuine social responsibility. This is perpetuated in part by economic models which assume self-interest as the most rational behavior, assumptions which many scholars have argued can become self-fulfilling. For example, Miller (1999) proposes that:

“a norm exists in Western cultures that specifies self-interest both is and ought to be a powerful determinant of behavior. This norm influences people’s actions and opinions as well as the accounts they give for their actions and opinions.” (p. 1053).
This is reflected in the fact that even theories specifically related to CSR, such as Carroll’s pyramid of CSR, assume that economic responsibilities come before ethical responsibilities, and Baden (2016) argues that not only does this not reflect actual beliefs, but it undermines the power of the CSR construct to promote genuinely pro-social business behaviour.

The key difference between the Cuban approach to CSR and the approach in capitalist economies is that in Cuba the ultimate goal is social welfare, and the metrics of success reflect this. This is in contrast to the prevailing capitalist view of profit maximization as the ultimate goal of economic endeavour as typified by the famous quote by Milton Friedman that the social responsibility of business is to make a profit (Friedman, 1970). This has led to CSR being typically justified in the West in terms of its ability to benefit the bottom line rather than as a goal in itself. This can result in key social and environmental negative impacts of business being unaddressed if they fail to meet the business case or are not covered by regulations. Examples common in capitalist economies are exploitative supply chains based on sweat shop labour, degradation of communities by extraction industries and unsustainable consumption encouraged by marketing practices of business. Indeed, the ability of the construct of voluntary ‘explicit’ CSR as practiced in capitalist countries to provide an effective means to ensure ethical business behaviour in the face of institutionalized pressures on business to maximize profit is increasingly being doubted. In this sense CSR as practiced in Cuba appears to be truer to the spirit of CSR than the capitalist interpretation.

As Cuba continues to engage with the global marketplace and invite Foreign Direct Investment (FDI), it is important to bear in mind that the government maintains a firm grip on the process of FDI and insists upon firms adhering to the law that protects workers’ rights and the environment. Although Raúl Castro stood down as President in April 2018, he remains the General Secretary of the Communist Party until 2021. His successor Miguel Díaz Canel has affirmed his commitment to maintaining the policy of reform put in place under Raúl. This we can assume that the commitment to social responsibility will continue in the near to medium term.

References


