

Leadership & Corporate Social Responsibility In El Salvador. The Maquila factory League

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ABSTRACT

League Central America (LCA) is presented as an example of leaders, managers, guides and entrepreneurs who are starting a new era in the management of companies, where values and spirituality mark the path to excellence and define administrative roles, behaviors and attitudes of all members of the organization. Corporate Social Responsibility is the Management Model. Leaders in the business world are judged by hard-number figures, short term actions; added value and wealth creation long term vision & purpose. But, surely, leadership is in itself a risky business role and a visionary leader does not shy away from taking risks because following his/her vision is inherently hazardous. Visionary leaders understand that spirituality, in the work place context, is about finding, meanings and purpose beyond one's self. It means that need the others. The working life of engagement is about understanding and using our family social values and strengths in the day today. When we experience this deep engagement and absorption we are a state of flow (Csikszentmihalyi, 1975 – Gardner 2002). A meaningful life comes from serving others, volunteer activities or visionary work. The visionary leader role may be instrumental by opening opportunities to motivational and positive work.

The D.N.A. of Maquila League culture is oriented to task results and processes, it means short term. The professors we are trying to work with its managers, around 20-25, and supervisors, around 60, to develop crucial leadership skills based at medium- long term objectives like:

- Showing respect for others, Demonstrating fair treatment in conflict situations, Demonstrating fair treatment in conflict situations, Expressing caring and concern, Listening responsively, Recognizing the contributions. Engaging in reflective practice every morning after to know the results of the day before.
- Mission: Corporate Social Responsibility

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1. COUNTRY'S HISTORY

In order to understand the course of a country and the quality of its citizens, it is necessary to be familiar with the country's history, since this determines its identity, its present culture and its level of political, economic, social and technological development.

El Salvador is one of the seven countries that make up Central America, forming part of the continent of America. It has a land area of 20,742 km², a population of 6.7 million and a further 1.2 million people living outside the country 2011ⁱ(Directorate General for Statistics and Censuses). In 2010, the country scored 0.659 on the Human Development Index, with gross national income per capita of \$6,948 (United Nations El Salvador).

In a public opinion survey conducted by the University Institute of Public Opinion (IUDOP) in 2014, 40.7% of the population cited crime as the main problem currently facing El

Salvador. Indeed, in 2013 the United Nations Office on Drugs and Crime published a report placing El Salvador among the five most violent countries in the world, with a homicide rate of 41.2 per 100,000 inhabitants, so clearly this problem is part of everyday reality for many Salvadorans. To gain an insight into the prevalence of violence and crime, one only has to look back on the history of the country, which is marked by constant violent revolutions, massacres, civil conflict and the activities of *Maras* and gangs.

After the independence movement of 1821, the Salvadoran economy embraced a system of communal land tenure, with units of land known as *ejidos* (a plot of communal land in a village, adjoining the village, which is not cultivated, and where livestock is usually gathered [RAE], 2014), but these were abolished in 1881-1882; this allowed just a few families, referred to as the “14 families”, to appropriate large areas of land, forming a powerful elite which reached the height of its influence in the industrialisation and coffee production that took place during the period from 1900 to 1930. El Salvador based its agricultural export model on products such as balsam, indigo, coffee, cotton and sugar cane.

However, in the early 1930s coffee prices suddenly fell and the country became engulfed in an economic crisis. This paved the way for military intervention and a period known as “*military authoritarianism*”, which was accompanied by a succession of popular and military uprisings, including the peasant uprising of 1932, the non-violent strike of 1944 (which brought the country to a standstill), the coup d’état to oust President Castaneda Castro in 1948 and the overthrow of the president, José Lemus, in 1960.

But it was in the 1970s that a belligerent political situation began to develop, which exploded with the Salvadoran Civil War. This lasted from 1980 to 1992, when on 16 January of that year the “Peace Agreements” were signed, putting an end to 12 years of internal conflict (Peñate, 2002). According to some sources, this bloody war caused the death of 75,000 Salvadoran civilians, while more than 9,000 people disappeared and hundreds of families fled the armed conflict by immigrating, mainly to the United States. It is worth highlighting that as a result of the civil war, El Salvador regressed more than 26 years in economic terms.

Regrettably, the peace agreements have been clouded by the appearance of a post-war phenomenon linked with ex-fighters, the transculturation of Salvadorans deported from the US (During 2013, 63 Salvadorans were deported every day), and the emotional, economic, educational and social deficiencies that have struck at the heart of families in El Salvador. This is known as *the Mara and gang phenomenon*. These criminal groups have cast a shadow of death and violence over El Salvador for almost 20 years, and this has been one of the structural problems that no government has been able to confront coherently. In public opinion surveys conducted by the IUDOP in 2014, Salvadorans defined the main tasks they believe the current government must focus on; these were 1) combat crime (51.7%), 2) create sources of employment (17.6%) and 3) improve the economy (10.4%), while the remaining 20.3% is divided between fighting corruption, controlling the cost of basic commodities, and a free education and health plan.

It is, however, important to underline that crime is not the only scourge that the country has to face, for there is also *unemployment*, currently running at 6.6%, with youth unemployment at around 13.3% in 2012, according to data announced by the Ministry of Employment and Social Security. One in 3 young people are under-employed (Multi-purpose Household Survey [EHPM], 2010). Under-employment exists when employed persons have not reached the level of full employment, according to the definition of this concept in the Labour Policy Agreement (ILO, 2014). On top of this, there is the structural problem of poverty, with a national rate of 34.5% in 2012, according to data published by the World Bank; this percentage had increased by the close of 2013, with 45.3% of the population living in poverty, but it remains below the highest figure recorded in El Salvador in the last 10 years: 47.5% in 2004.

According to the Human Development Report El Salvador 2013 of the UNDP (United Nations Development Programme), *the country has had 3 socio-economic models* 1) agricultural exports (from 1821 to 1950), 2) import substitution industrialisation (1950-1970) and 3) export promotion and investment attraction (from 1992 onwards).

The present model has not taken account of the flow of remittances or migrations, according to information in “La Prensa Gráfica”, remittances received from abroad in January 2014 totalled \$290 million, also “It is estimated that 3 of every 10 Salvadorans are outside the country” (UNDP, 2013). Therefore it has been subject to a number of distorting elements, reporting on the one hand an increase in the country’s human development index between 1990 and 2012, but on the other hand a lower rate of economic growth. “More than half the economically active population (EAP) are under-employed or unemployed, and many continue to consider the possibility of emigration, following in the footsteps of more than two million compatriots before them. In this context, there is evidence to support the argument that what has actually prevailed over these years is not an export promotion and investment attraction model, but a model that has functioned de facto to promote the import of consumer goods and the export of labour” (UNDP 2013).

2. CORPORATE SOCIAL RESPONSIBILITY IN EL SALVADOR (CSR)

The aforesaid provides a summary of the considerable problems faced by society in El Salvador, and thus it is of key importance to state that companies in El Salvador must make a fundamental commitment to alleviating many of these problems, making proposals that will lead to win-win situations in all areas: “the company wins, the community wins and the fabric of society as a whole wins, creating a solid base from which to significantly improve the level of development” (E&N, October-November 2013). One of the measures adopted by some companies is *Corporate Social Responsibility (CSR)*, which the ISO 26000 Standard defines as: “The responsibility of an organisation for the impacts of its decisions and activities on society and the environment, through transparency and ethical behaviour that:

- Contributes to sustainable development, including the health and welfare of society;
- Takes into account the expectations of stakeholders;
- Is in compliance with applicable law and consistent with international norms of behaviour;
- Is integrated throughout the organisation and practised in its relationships”

It is important to emphasise that CSR programmes ought to play a fundamental role in the strategies of organisations, forming part of their philosophy and organisational culture; they should not be reduced to being alternative, sporadic or routine programmes that lead to a feeling of wasted time or diminishing usefulness. On the contrary, if the application of CSR programmes is oriented in such a way that they generate value for each of the stakeholders in the company, these companies will see an increase in productivity, an improvement in their investments and/or a reduction in operational costs.

Companies are not only called upon to be socially responsible with their environment and with the community around them, or to look for fair and equitable solutions in order to endure and overcome the social problems faced by the country in which they are located, but they are also asked to be responsible with the remaining interest groups, above all with their internal customers and collaborators, who day after day give their best to safeguard the company’s source of income and to contribute to the company’s profit.

In El Salvador, several companies are embracing this new way of doing business, having identified a social deficiency that can be mitigated with a coordinated programme from within and in conjunction with the community.

There are many others that make sustainable and responsible investments to the benefit of the people of El Salvador, such as: Grupo Agrisal, Grupo Poma, Industrias La Constancia, Fusal (Salvadoran foundation for health and development), AES El Salvador, Kimberly Clark and Unilever Centroamérica.

In El Salvador, these efforts are recognised by organisations such as “the Salvadoran Chamber of the Construction Industry (CASALCO), which presents a CSR award every year”. (“La Prensa Gráfica”, 2013)

Although many companies are already putting CSR programmes into practice, 62% of companies in the country do not include CSR as a long-term strategy or policy. It is therefore important that these initiatives can be measured and quantified, in order to demonstrate their validity and the contribution they make to Salvadoran society.

3. LEAGUE CENTRAL AMERICA VARIABLE CAPITAL LIMITED LIABILITY COMPANY

The company under study, League Central America Variable Capital Limited Liability Company (League C.A. limitada de C.V.) belongs to the textile sector and specialises in the manufacture of clothing for US universities. It is a branch of League Collegiate Outfitters, which is based in Philadelphia and holds more than 50% of the US university market.

For 2013, the Textile sector reported 3% growth in exports, 91% of which were shipped to the US. Thanks to the reform of the Free Trade Zone Law in 2013, the sector receives the benefit of state and municipal tax incentives, the aim being to attract new investors. This sector generates 81,600 jobs and injects \$1,200 million a year into the economy of El Salvador

LCA commenced operations in El Salvador in 2009 under the management of the engineer Rodrigo Bolaños. The aim of the company was not only to provide a safe factory, but also to meet its legal and ethical obligations, whereby it could improve the quality of life of the people living in the region, since one of the company’s priorities is to treat its workers with fairness and dignity. League has demonstrated that the manufacture of quality clothing for university students does not have to be carried out in sub-human conditions. There are currently more than 400 employees and 93% of the present managers are in agreement that League’s CSR programmes have a direct impact on employees and their children, raising their standard of living. All the supervisor staff view League as one big family.

In an interview, the engineer Mr. Bolaños outlined the reasons behind both the development of his people-centred style of leadership and the implementation of CSR programmes in League with the total support of the owners of the company: “I believe that the country doesn’t have to be poor. I look at countries like Taiwan, Japan, South Korea, even the United States, and I have a dream that we are going to be like that one day. To be like that you have to start somewhere. I am passionate to see our people, the people from El Salvador succeed. We have to start somewhere.”

The company has the following programmes and policies:

- Establishment of a cafeteria which offers its workers a subsidised breakfast and lunch.
- Children’s Development Centre which operates as a nursery for workers’ children.
- Savings and loan programme through a cooperative.
- Recruitment of spouses and immediate relatives with the aim of increasing family income.
- Tuition at primary and secondary education level.
- Construction of housing for employees with limited funds.
- Scout Movement, to improve the social skills of workers’ children.
- Recycling projects.

- Job Placement Programme (JPP), which employs people who have been members of *Maras* and gangs, but who have broken their ties with these organisations, wishing to be reintegrated into society as productive persons who are not in conflict with the law.

League is a pioneering company in the development of the JPP, on which there are 70 participants. Its name is “Aprendices”. The current management staff have observed that these “Aprendices” have as high a degree or a greater degree of commitment compared with other members of the company, while some consider that they can end up playing a much fuller collaborative role than “normal” staff in the company. It would appear that the majority on the JPP, “Aprendices” have a greater wish to collaborate and show that they are part of society. The members of the programme are contracted to work in the operational area of the company and form part of the production modules.

These can include other workers or they may be composed exclusively of participants on the programme. An interesting characteristic of the “pure” modules is that they return the highest efficiency figures.

In a study conducted from April to September 2012, a daily average of 1,159 pieces was obtained, representing *efficiency* of 107% (compared with the plant average of 843 pieces with efficiency of 91%). It is also observed that the mixed modules, once they are mature, can return an efficiency figure of 110%. (Figure 1 and 2)

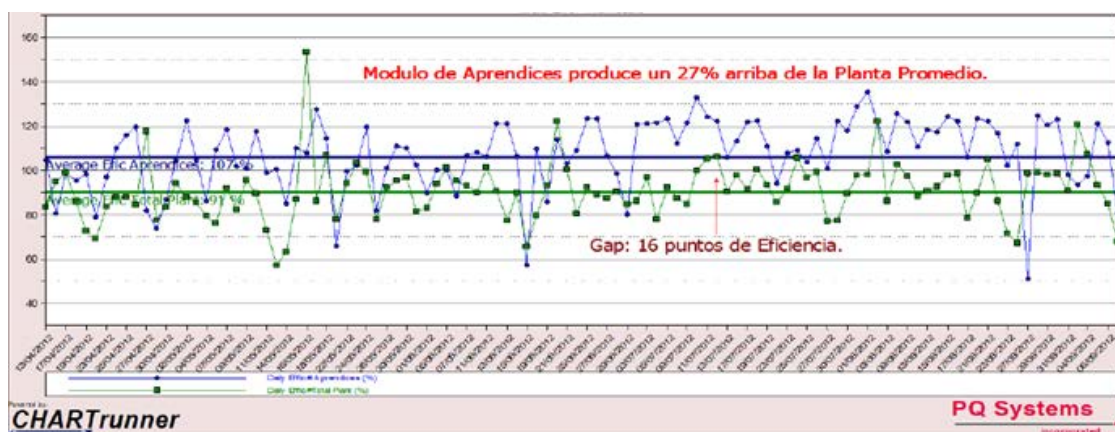


Figure 1: Average daily efficiency. “Aprendices” Unit is producing 27% up of average plant.
Source: League Central America

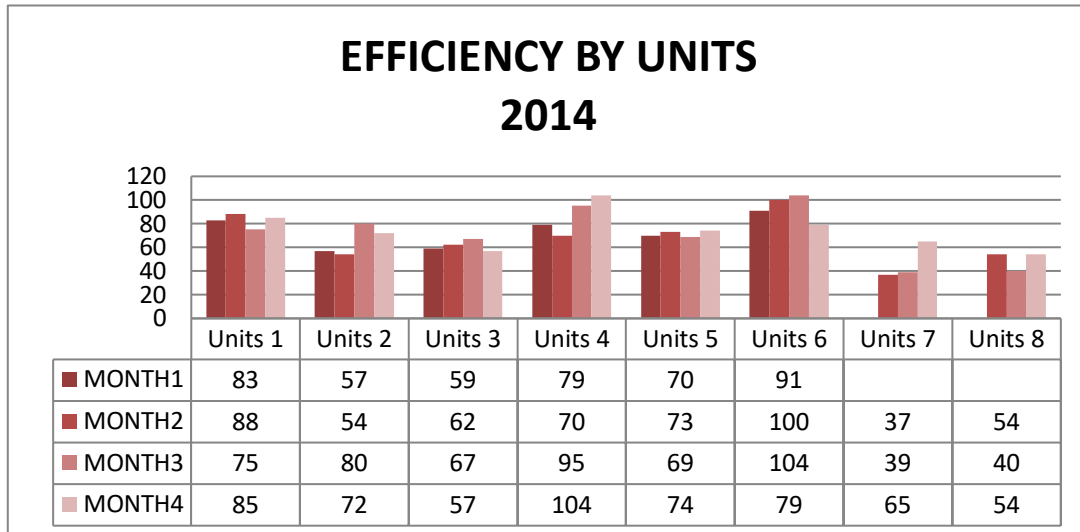


Figure 2: Efficiency by units
Source: League Central America

All the programmes implemented by League are sustainable thanks to the *business culture*, which was measured through the Harrison culture questionnaire in July 2014, demonstrating that its culture is oriented towards Tasks-results, Processes-control, People and Power (see illustrations 2 and 3). This contrasts significantly with other companies in Central American countries, where the majority have a power-oriented culture. In Europe, in multinational companies, an orientation *towards Task-Results emerges in first position, closely followed by Processes-control*.

For the purposes of this study, it is established that the business culture represents the ways in which decisions are taken in the company, the customs therein, the company's way of being and the way it acts. This culture is formed by the values of the founders, the directors, within a broader social framework. Example: civil society, Central American region, USA.

On the other hand, in family businesses, the first cultural orientation is Power, the second Task-results, the third Processes-control, and in last position, People. (Figure 3)

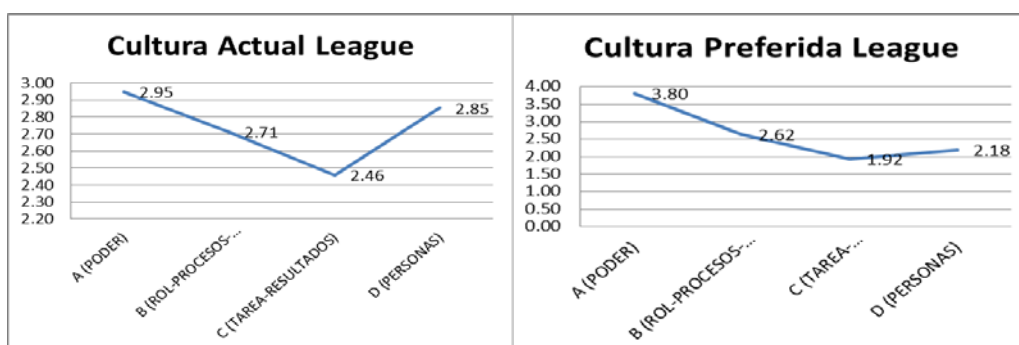


Figure 3: League Current Culture Harrison Model 1992 and League Preferred Culture.
Source: Harrison culture questionnaire applied to the 25 managers of League in July 2014

4. LEADERSHIP EFFECTIVENESS & SPIRITUAL VALUES INSPIRING MANAGERS:

Dolan, Garcia and colleagues proposed a framework to understand organizational culture and its D.N.A. The Quadraxial model has 4 axis. (Figure 4)

A Universal Value-Based Leader Model

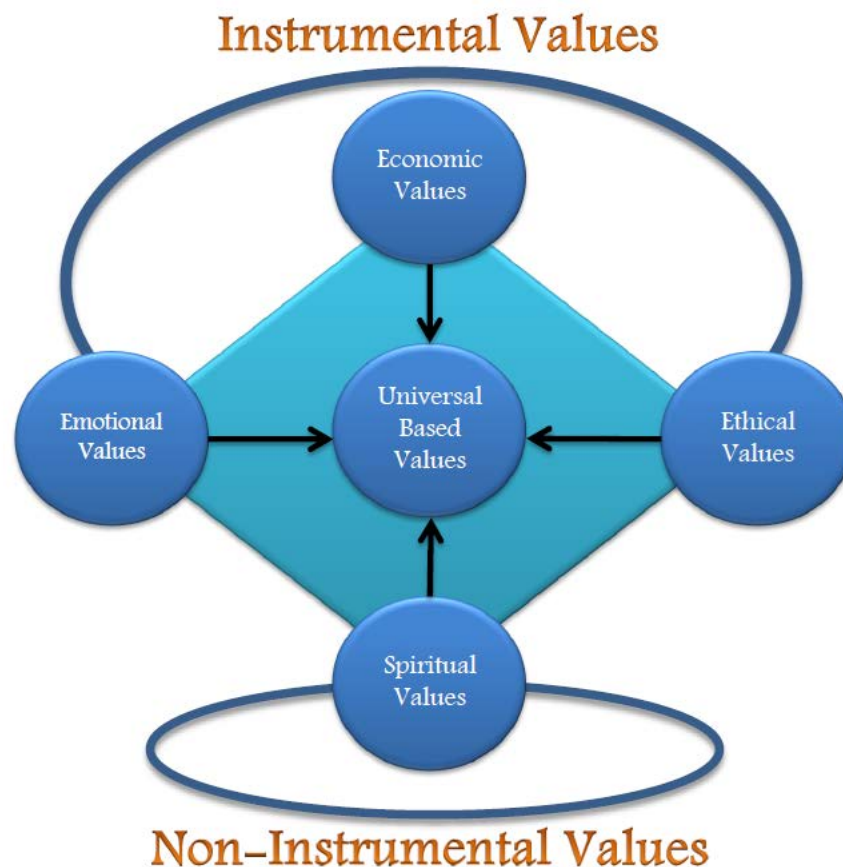


Figure 4: Universal Value-Based Leader.

Source: Dolan, S., & Altman, Y. (s.f.). *Managing by values. The leadership Spirituality Connection. People & Strategy.* Pag.25

1.- Economic-Pragmatic Values:

In organizations encompassing efficiency, engagement, performance standard, responsibly, reliable and discipline, these family – social values guide activities as planning, quality assurance and accounting. Managers cannot ignore them, as these family-social values assure the survival of the organization in a competitive environment.

2.- Ethical- Social Values:

Emerge from family social values and beliefs as to how people should conduct themselves at work and we can see these with family social values as honesty, integrity, respect, loyalty, transparency, commitment, trust, fair, solidarity to name the more common ones. They are embedded in concept as corporate social responsibility, sustainable environment and the triple bottom line “People, Planet, Profits” (Fry & Nisiewicz.2012)

3.- Emotional-Development Values:

They are essential for creating positive energy for new projects as “ the League Program Job Placement Programme PPC” dedicated to members coming from Maras & Gangs (Pandillas). The values related to intrinsic motivation are; determination, optimism, passion, fellowship, perceived freedom, caring, possibly inspiring love and maturity.

We think that the principal task of an effective leader is to build an organizational culture that aligns these Emotional Development values with the Corporate Core values to what they term “Corporate Well Being”Inspire future means to affect, guide and arouse different influences to stimulate positive actions.

4.- Spiritual Values:

A spiritually friendly workplace respects people with its deepest beliefs, allows and encourages them to wear their faiths and incorporate these family- social values in what they do working and how they go about their work, giving a voice to their innermost values. Remember that spiritual and spirituality when discussing workplaces values are not synonymous. (Mitroff-Denon.1999). Great leaders who inspire act out of inner conviction guided by a moral, religious or spiritual behaviour are looking for the truth. Examples : In politics; the name of President John f. Kennedy, Fidel Castro, Nelson Mandela, President Anwar Sadat of Egypt.

Inspirational spiritual leaders include Pope John Paul II, Pope John XXIII, Archbishop Desmond Tutu, Sor Marie Therese of Calcutta and the guru Sathya Sai Baba, Mahatma Gandhi, Martin Luther King Jr. and Elizabeth Kubler Ross.

In business management, the likes of Peter Drucker, Richard Branson, Steve Jobs and different others not well known because they prefer to work harder instead to show its results.

In Maquila League, the existence of a successful business based on values , not just economic but ethical, social and spiritual, which has an attractive growth rate and has one of the lowest in the industry rotations, shows that companies should not only seek growth economic short-term because it is not the only resource that will get the company persists in the market, and that having the true commitment of its contributors may move the boat into deep oceans welfare , stability and growth for all.

Proof of this is that within League fostering values such as solidarity, respect for differences, fellowship, service to the community, providing a benefit to the organizational climate of the plant is given. In the industry there is a common problem , the theft of pieces of machinery and equipment, becoming a significant problem in production costs, but this situation does not occur in League, have not been reported to date cases of theft and / or theft of parts machinery equipment and spare parts , also the percentage of damaged parts is much lower than the industry average , with a minimum staff turnover savings obtained in induction and other costs associated with adapting the staff lines production.

Ms. Graciela Bolaños is proud of this issues respect to the workers in Maquila League because she was / is co-responsible of every one member of the Job Placement Programme and create a social group to help her in supervising the rest of the Corporate Social Responsible programs.

5. CONCLUSION

Thus, it is proposed to use the Quadraxial model (Dolan, Garcia, Altman and his colleagues 2014), to serve as the link between the instrumental values of the business world and the spiritual needs for experiencing life that sustains it.

Leaders in the business world are judged by hard-number figures, short term actions; added value and wealth creation long term vision & purpose. But, surely, leadership is in itself a

risky business role and a visionary leader does not shy away from taking risks because following his/her vision is inherently hazardous.

Visionary leaders understand that spirituality, in the work place context, is about finding, meanings and purpose beyond one's self. It means that need the others.

No matter how broad the perceptions of spirituality may be all definitions utilize the ideas expressed through the term "interconnectedness".

The working life of engagement is about understanding and using our family social values and strengths in the day today. When we experience this deep engagement and absorption we are a state of flow (Csikszentmihaily, – Gardner 2001).

A meaningful life comes from serving others, volunteer activities or visionary work. The visionary leader role may be instrumental by opening opportunities to motivational and positive work.

The D.N.A. of Maquila League culture is oriented to task results and processes, it means short term. The professors we are trying to work with its managers, around 20-25, and supervisors, around 60, to develop crucial leadership skills based at medium- long term objectives like:

- Showing respect for others. Demonstrating fair treatment in conflict situations,
- Expressing caring and concern. Listening responsively,
- Recognizing the contributions, Engaging in reflective practice every morning after to know the results of the day before

In the short term, an organization and its managers may do without these objectives, in the longer term, these family social values are basic to inspire managers.

A fundamental paradox is highlighted by Marjorie Lips Niersma, 2007: "*Those who practice spirituality in order to achieve better corporate results undermine both its family social values and its ultimate benefits*"

In League, social programmes that form part of the culture and the family-social values of the company have materialised thanks to the efforts of their members and the leadership of their managers, and in particular the openness of attitude shown by the US investors Drew M. Wolf (voted "2013 MHS Alumnus of the Year" by the Milton Hershey School Board of Managers) and Larry Klebanoff, who together with Bolaños family share the ideal dream of helping their collaborators to grow side by side to social Maturity with League.

6. Questions

1. Looking at your organization, would you like to think over: which are its most core social values?
2. Rank the following set of values, from 1 (more important) to 4 (less important) & explain why please?
 - a) Economic-pragmatic
 - b) Ethical-social
 - c) Emotional-development
 - d) Spiritual Values
3. Could you describe how is the personality of your C.E.O.?
4. In the Maquila factory League company, what's the role of:
 - a) Ms. Graciela (spouse of engineer Mr. Bolaños)
 - b) What is the leadership style of engineer Mr. Bolaños?
 - c) Which kind of authenticity represents Mr. Bolaños ?
5. How would you like to describe a state of flow, following Csikszentmihaily, in your professional life?

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