

AMANCO DEL PERÚ S.A.

CASE: “Amanco for a better Peru”

Peru

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Executive Summary

Corporate Social Responsibility (CSR) is an approach to management that incorporates the organization's relationship with the community, its collaborators and the environment. It is based on a set of unique values and principles that are incorporated in the strategic plan of the organization, generally in its mission and vision. In this sense CSR becomes part of the organization's soul, because it represents its will to share benefits and profits with its stakeholders. CSR is driven by conviction to change society for the better and contribute to its long-term development.

CSR is not only about conviction, however. Increasingly, it is recognized not as a fad but as a necessary condition for organizations to remain competitive in the global marketplace. Customers search out brands associated with environmental stewardship and having responsible relationships with the communities in which they operate and with society as a whole. For this reason, many organizations have recognized the importance of integrating CSR into their corporate strategies. This is the case of Amanco, the subject of this case.

Amanco is the Latin American leader in the tube systems business and also in *construsistemas* (construction systems) in Central America, despite difficult economic conditions in almost all the regional markets that it serves. Amanco is recognized as one of the leading organizations worldwide to have introduced CSR throughout its operations.

The success that Amanco has achieved has been heavily influenced by the socially-responsible actions that the company has taken, which have allowed it to refine the management of its costs, assure the quality of its executive team and promote the enthusiasm and passion of its employees to achieve sustainable development. One of the principal innovative tools that Amanco has employed is the Sustainability Scorecard, which has helped the organization to structure its activities along five dimensions: financial, clients, process and technology, social and environmental, and human resources. This framework has facilitated the achievement of "triple results" encompassing positive social and environmental outcomes as well as high economic valued-added.

The program "*Amanco por un Perú Mejor*" (Amanco for a better Peru) was initiated in 2004 with the objective of enlisting all of the organization's collaborators as its *embajadores* (ambassadors) for CSR in Peru, to disseminate the key concepts to communities through the interactions of interested and committed people. This program encompasses three pillars, Progress, Health and Attitude, and each of them has been developed through strategic alliances with civil society and key government organizations.

Amanco Group

The Company

Amanco del Perú is one of the most important companies in the construction sector in Peru. It forms part of the Amanco Group, which, in turn belongs to *Grupo Nueva* (New Group), an international holding company that operates in 15 American economies with sales of over US\$ 1.240 million and employment for 16,000 people in its operating businesses, the forest products and construction equipment sectors.¹ As a result of this connection the Amanco Group debt is rated as investment grade.

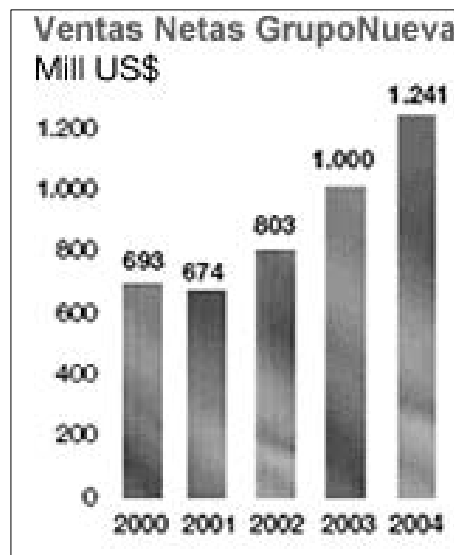
¹ The 2004 consolidated net sales of *Grupo Nueva* reached US\$1241 million, growing by 24% compared to 2003.

The Amanco Group headquarters is situated in San José, Costa Rica; it does not have a separate board and is accountable to the executive president of *Grupo Nueva*, who concurrently is the executive president of the group board, comprising external directors. Amanco shares the same vision, values, corporate principles, policies and programs with the Masisa Group for the management of its financial, environmental and social resources.

The Amanco Group is a leading supplier of lead tube systems in Latin America with over 50 years of experience in the region. It has 6,200 employees which it refers to as “collaborators” and 23 industrial plants, producing 29 products for sale across Latin America and the Caribbean.

A business unit headquartered in Sao Paulo, Brazil is dedicated to the production and commercialization of tube systems, *construsistemas* (construction systems) and *geosistemas* (geosystems). This company has operated in Brazil since 1997 with sales in 2004 of US\$1.2 billion (**Figure 1**).

Figure 1:
Total sales of Grupo Nueva: 2001-2004



Source: Annual Memory of Grupo Nueva

Amanco operates the following core businesses:

- **Tube Systems:** Pipes, connections and accessories to lead water, sewage system, irrigation, electric conduction and optical fiber, focus on the around segments, infrastructure and irrigation. Amanco has a market presence in 13 economies of Latin America.
- **Construsistemas (Construction systems):** Cement Products, wood commercialization, gypsum and steel for light construction. Amanco has a strong presence in Central America.
- **Geosistemas (Geosystems):** Integral engineering synthetic solutions for civil construction. Amanco has strong presence in Central America, Panama and Colombia.

Vision, Mission, Values and Social Responsibility

The company's vision is "to be recognized as an organization that creates economic value by operating based on a framework incorporating ethics, efficiency and social responsibility, in a way that contributes to enhancing the life quality or life standards of people."²

Its mission is to "produce and commercialize tube systems or integral solutions for the transport of fluids as well as *geosistemas*, operating in construction markets, agricultural and mining infrastructure."³

The company promotes the following values:

- No discrimination
- No child labor
- Liberty of association
- Compensation
- Social security
- Labor stability
- Internal communication
- Social responsibility projects

For the Amanco Group, CSR is defined as: "being corporate citizens who interact in a responsible way with the community, contributing to its development and valuing the professional and human growth of the collaborators and the social economic environment of their businesses, while working for increased efficiency and assuring the long-term sustainability of their company for the benefit of all the stakeholders, through the correct and systematic management by objectives and measurable results."⁴

Structure and Enterprise Strategy

Amanco represents a company that has integrated CSR throughout its organization. This is apparent in its organizational structure and enterprise strategy, which are directed towards the achievement of triple results incorporating economic, social and environmental values. In Peru, Amanco is the only company that has developed an integrated management model based on social responsibility, which demonstrates the leadership and commitment of the organization to CSR.

In 2003, there were major changes within Amanco and the top management was consolidated into a single position. This was done to generate a clear strategic vision for the company and integrate the management of its operations.⁵ Amanco operates with an executive president who coordinates directly with regional managers in areas or markets where the company is present.

With this structure (See **Appendix 1**), *Grupo Nueva* delegates responsibility for social and environmental outcomes to business units in the regions where it operates, based on the philosophy adopted by its top management. The group places heavy emphasis on the alignment of key managers to the achievement of corporate goals.

² Information provided by *Amanco del Perú*.

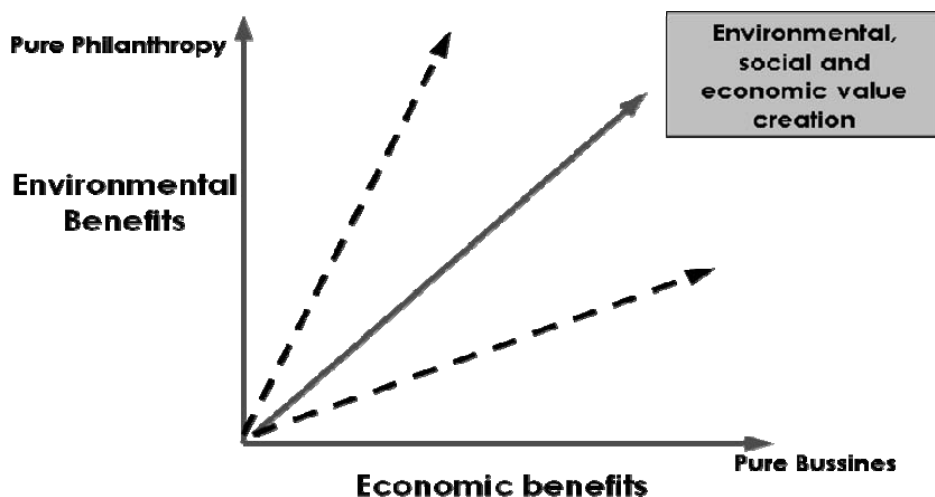
³ Ibid.

⁴ Website: <http://www.amanco.com>.

⁵ See Sustainability Report of 2002-2003. Website: <http://www.amanco.com>.

Amanco's strategy is to conform to sustainable development principles because it wants to integrate the generation of economic, social and environmental value into its enterprise management (See **Figure 2**).⁶ Amanco believes that this strategy has allowed the company to achieve success on a sustained basis in a highly competitive global market.

Figure 2:
Enterprise strategy of Social Responsibility



In 2003, Amanco issued an Enterprise Principles Declaration, with the specific objective of transforming the company's mission and vision into practical directions for its collaborators daily work.⁷

Every two years, Amanco publishes a Sustainability Report based on the Global Reporting Initiative guidelines, thus presenting its social, economic and environmental development in a transparent way to its stakeholders. In March 2003, the Executive President of *Grupo Nueva*, Julio Moura, publicly stated the group's commitment to the Global Compact principles. *Grupo Nueva* and all of its affiliate companies are committed to fulfill all the directions contained in Kofi Annan's 1999 initiative.⁸

The Triple Result and the Sustainability Scorecard⁹

Amanco's focus on a triple result is the strategy through which the company intends to create economic, social and environmental value.¹⁰ This strategy is reflected in the Sustainability Scorecard¹¹ which allows the balance between all the objectives.

⁶ Information provided by Jimena García Vela, responsible for the Social Responsibility and Communications Area of Amanco del Perú.

⁷ See Sustainability Report of 2002-2003. Website: <http://www.amanco.com>.

⁸ United Nations- Global Compact. Website: <http://www.unglobalcompact.org>.

⁹ See Appendix 2.

¹⁰ Website: <http://www.amanco.com>.

¹¹ Instrument adapted by Amanco after Balanced Scorecard of Kaplan and Norton, to reach the economic, social and environmental value.

This Scorecard represents an important tool for the evaluation and control of social and environmental development. This model is based on the Balanced Scorecard created by Robert Kaplan and David Norton, recognized experts in enterprise management. Amanco has chosen to monitor progress using a recognized tool of modern management, in order to demonstrate that CSR initiatives support the creation of value in businesses in a more sustainable way, and to have an impact in the generation of more benefits through higher incomes, lower risks, and enhanced productivity, innovation and brand image.¹²

To achieve the triple result, Amanco articulates five fundamental dimensions for the development of the company's operations and the measurement of its progress. These are:

- Finances
- Clients
- Technology and processes
- Social and environmental
- Human resources

The human resources, social and environmental management and process and technology dimensions are the operational components. Each is associated with strategic goals that disaggregate into important initiatives and vital actions assigned to the whole organization, with the purpose of achieving a defined strategic course.

The activities initiated in these three dimensions have a direct effect on the clients' dimension, which in turn, influences financial performance and consequently the achievement of the triple result.

Financial Dimension

In terms of outcomes achieved, the company has achieved reasonable income growth considering the market conditions in which it has operated, and specifically the crisis conditions in many Latin American economies.

The specific objectives of this dimension are:¹³

- Guarantee the financing of the business strategy by reducing costs and risks.
- Increase the incomes in a sustainable and profitable way.
- Reduce operational costs.

In terms of business strategy, long term financial success depends on how the business achieves its commitments to sustainable development and CSR. The activities developed by Amanco to attain this anticipate the creation of economic value and the improvement of living standards.

Client Dimension

Amanco is convinced that its consumers prefer the products and services of companies that consistently offer excellent service and quality, are recognized as worthy of consumer confidence and behave as exemplary corporate citizens. This is why Amanco has introduced this variable into its strategy, focusing on continually offering its clients better products and services.

¹² See Sustainability Report of 2002-2003. Website: <http://www.amanco.com>.

¹³ See Sustainability Report of 2002-2003. Website: <http://www.amanco.com>.

Amanco is aware that one of the most important challenges facing organizations is the need to anticipate and satisfy clients' changing needs. To achieve this, the company must be able to adjust quickly to change, which in turn requires on-going commitment of all of its collaborators.

The specific objectives of this dimension are:

1. Reinforce Amanco's brand.
2. Innovate with products that brings big margin.
3. Satisfy clients.

Processes and Technology's Dimension

The main goal is to improve efficiency and the best way to achieve this is through innovative products, complete solutions and an excellent service, a trustful environment and high world quality standards. Amanco is continually working to improve its products' efficiency.¹⁴ To achieve this, the company has adopted a *Process for the Creation of Products (PCP)* which guarantees a more effective way of introducing new products or improving old products that results in client satisfaction and generates low environmental impact.¹⁵

Within this dimension, the company also monitors processes that assure the improvement of the productivity of its sales force, including Customer Relationship Management (CRM) and E-Business projects. It also tracks the complexity of handling demand, communication and shopping generation, among others.¹⁶

The specific objectives of this dimension are:¹⁷

- Optimize the local and corporate financial planning.
- Improve the fixed assets management and reduce the working capital.
- Ensure effective communication with high priority groups.
- Optimize investigation processes and the introduction of new products.
- Manage risk.
- Improve service process and relationship with clients.
- Improve supply processes.
- Optimize plant capacities.

Social and Environmental Dimension

The principal objective of the social and environmental dimension is to provide responsible management of people and the environment. The specific objectives of this dimension are:

- Fulfill the requirements of international quality, health, security and environmental standards.
- Manage the social impact's system.
- Minimize the environmental impact by improving the eco-efficiency indicators.

¹⁴ Amanco's clients value the innovative products. In 2002 some 10.9% of the total sales came from these new products and in 2003 the percentage was 12.3%.

¹⁵ During 2004, the sales of the innovative products accounted for 22.1% of the total sales.

¹⁶ Website: <http://www.amanco.com>.

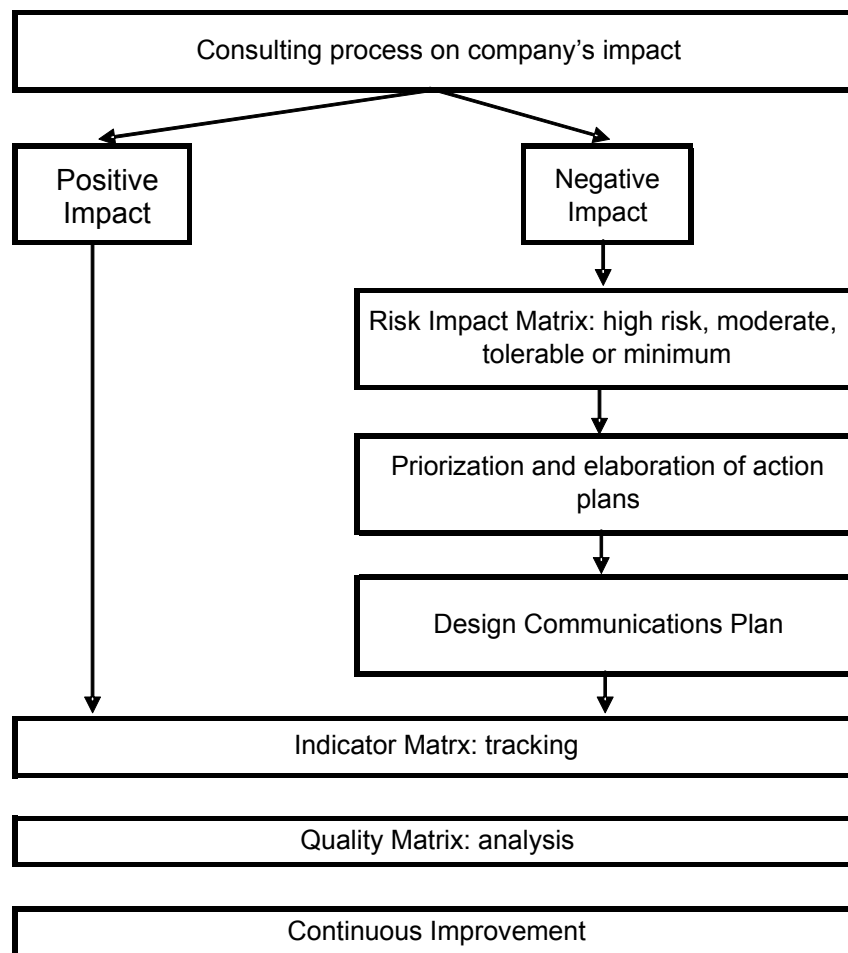
¹⁷ See Sustainability Report of 2002-2003. Website: <http://www.amanco.com>.

To improve Amanco’s relationship with its stakeholders, the company has designed a communication and consultation guide to support dialogue with key stakeholders. Through surveys, dialogues, and face-to-face communication and consultation with key interest groups, Amanco has monitored both positive and negative impacts of the company’s operations.

When potential negative impacts are identified, a risk matrix is created to measure the probability level of occurrence and the risk level. The result is a classification of potential levels of risk as **high moderate, tolerable** or **minimum**. Based on this analysis, the follow-up actions are prioritized and documented in an action matrix.

A communication plan is developed, articulating priority subjects, key messages and target stakeholders. Finally a set of indicators is developed to measure progress. A quality matrix identifies procedures that generate negative feedback, the company’s response and continual improvement processes (**Figure 3**).

Figure 3:
Dialogue and Communication Process with Stakeholders



Source: Amanco of Peru, Elaborated by author.

In 2004, the company conducted a series of consultations every three months with clients and suppliers and once a year with the community. It also conducted regular consultation sessions with their collaborators within the company (**Table 1**).

Table 1:
Amanco Del Peru's Consultation Methodology (Results of Year 2004)

Stakeholder	Frequency	Actual	Estimated	Difference
Clients	Quarterly	524	457	15%
Suppliers	Quarterly	149	90	66%
Community	Annual	64	60	7%
TOTAL		737	607	21%

Source: Amanco del Perú S.A.
Elaboration: Amanco del Perú S.A.

Likewise, Amanco has developed other community projects, such as one called “Perception of Value,” which tracks the community’s perceived value of the programs developed as a result of the consultation process. Amanco has also developed a “Social Responsibility Index” which measures how stakeholders perceive the level of the company’s commitment to contribute to societal goals and to environmental stewardship.

The 2004 consultation sessions show that 64% of Amanco’s neighbors surveyed were satisfied with the impact that Amanco had in their community and with their employment with the company. In terms of the social responsibility index, 73% of Amanco’s clients showed a positive attitude towards the company.

Environmental Management

Recognizing the importance of responsible care for the environment, the company has undertaken the following activities:

- ISO 14001 certification in all of their operations (2003)
- ISO 9000 certification in all of their operations (2003)
- Use of new stabilizers of Can in 20% of the manufactured products (2002)
- Elimination of pigments that have heavy materials (2002)
- Increase in savings amounting to US\$1.3 million as a result of the eco-efficiency
- Certification under the OHSAS 18001 regulations in all their operations, except for the Brazil’s northeast plant

Human Resource Dimension

The main objective of the human resource dimension is to build a unique and identifiable Amanco culture based on its business strategy. To achieve this, the company has the following specific objectives:

- Develop strategic competences of their collaborators.
- Create a culture that promotes the company’s values.
- Assure disciplined communication, alignment and execution of the strategy.

For the company, this alignment is very important in generating the responsiveness necessary to achieve their strategic objectives. Hence, the Hcreation of a culture of mutual respect for all collaborators is critical in order to:

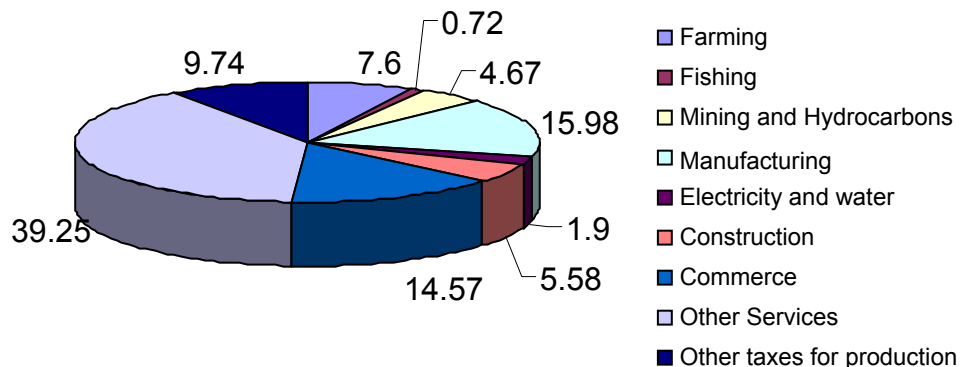
- a. respect the individualism and integrity of each other,
- b. promote the group working,
- c. develop a working environment that promotes the maximum synergy among all the collaborators, and

- d. offer opportunities for professional development and qualification, and motivational programs for the improvement of skills of collaborators.

Developments in the Construction Materials Sector

The construction industry has played an important role in Peru's overall economic recovery in recent years while the activity in the sector is sensitive to overall aggregate demand. As shown in **Figure 4**, construction accounted for 5.58% of GDP in 2003. Its buoyancy in recent years has supported Amanco's strong sales growth.

Figure 4:
2005 GDP by Economic Activity (Percentage Structure)



Source: National Institute of Statistics and Computer Sciences.
Elaborated by author.

During the first trimester of 2005, the construction sector continued to expand for the fifth consecutive year due to the increase in residential construction. This was supported by projects such as “*Mi vivienda*” (My Own House) and “*Techo Propio*” (My Own Ceiling) as well as with investments in the public sector, strong commercial investments in the financial centers in Lima, and robust road construction (See **Appendix 3**).

Opportunities and Risks

As a leader in tube systems, Amanco has been able to take advantage of market opportunities arising from strong construction demand in Peru, including the following:

- Interest of Besalco's contractors to participate in Peruvian road construction concessions.
- *Mivivienda's* (program that gives credit to people who cannot afford their own house) credits had doubled up and construction is expected to follow the same trend.
- Construction of three power centers that link two important companies, Totus and Sodimac.
- Investments in hotel construction by the Spanish Marsan's Group.
- Government investments in the scholar infrastructure.
- Japan's loan allotted for the improvement of irrigation channels.

Supply Chain Considerations

Amanco operates in a sector where service quality standards vary considerably. Many suppliers cannot guarantee even minimum quality standards of the products they offer. Amanco has been able to capitalize on its ability to guarantee the quality of its products and services which is supported by its responsible behaviour.

Amanco has also focused on developing the capacities of its clients (i.e. hardware dealers) through different qualifications programs organized by their own personnel. In this way, Amanco can strengthen their capacity to provide guarantee to the end users by helping them to maximize (through the distribution channel) the benefits of their products.

Social Responsibility Programs

Amanco has developed a number of programs aligned with the results of the periodic consultation sessions that they made with their stakeholders.

“Collaborators” (Employees):

Amanco works to strengthen health and security standards based on ISO 18001. The Dupont Program is intended to sensitize employees on security matters. The Ambassadors Program developed by the company encourages its collaborators to share the company’s CSR philosophy with all the interested members of the Peruvian public. An internal recycling program encourages the recycling, through specialized companies, of waste generated in the production plant and in the management area.

Amanco has developed a methodology using internal consultants to disseminate information about the company’s performance and employee perceptions in an informal environment. The company also encourages voluntary service to the community.

In order to inform employees’ families about the company’s philosophy, activities such as “*Conociendo Amanco del Perú*” (“Getting to Know Amanco Perú”), have been developed. In this activity, relatives of Amanco’s employees are invited to a one-day plant visit to observe company operations.

Amanco also offers a “*Taller de Generación de Ingresos*” (“Generation of Income Workshop”) consisting of courses in baking, handicrafts and other skills which employees can use to help generate additional income for the family.

Community:

Through its regular programs of dialogue, communication and consultation, Amanco meets with members of the nearby communities, such as the proprietors association (*COVESA*), the school administration, the parents association, the church and the medical center’s doctors, among others. A Job Program gives priority to people who live near the plant’s zone to be employed by the company. The Security Program involves working together with neighbors to improve security and prevent security-related incidents. Through an Education Program, the company has donated computers and other equipment and materials to students. The company has also offered leadership and sales training to graduating students with the objective of sharing with them Amanco’s philosophy as well as providing them practical information on managing a company.

Environment:

Amanco focuses first on the zone environment in which the company operates. A major project focuses on improving the environment adjacent to the plant which is implemented in collaboration with the local community. As part of its on-going environmental management activities, Amanco takes annual measurement of noise, dust and gases levels, the results of which are communicated to its neighboring communities.

The company offers training on plumbing and water treatment to develop vocational skills of participants and at the same time increase their awareness of the importance of good water management practices. The company has pursued a number of other actions focused on addressing water problems, as follows:

- Together with ONG *Ecociudad*, the company has implemented an experimental project to re-utilize lavatory and shower water in some of the parks of the community. The pilot project which covered three parks in Villa El Salvador will be replicated in other locations.
- To build awareness of the consequences of the emerging shortage of water in Peru and beyond and to encourage collaboration with the community the company has implemented a campaign entitled “Latinoamérica tiene sed” (“Latin America is thirsty”),

The Company wishes to build awareness not only of society in general but also of the industries that use large amounts of water in their operations. Therefore Amanco is creating projects jointly with such companies to improve the quality of water and also improve the quality of life for society as a whole.

Clients and Suppliers:

Amanco has developed consultation processes that are conducted every three months to evaluate both Amanco’s service levels and commitment to serve society through its operations. The company also organizes regular conferences related to technical plumbing qualifications.

Suppliers are considered as strategic partners of the company and Amanco’s corporate values are laid out in its written suppliers’ policy.

Amanco por un Perú mejor (Amanco for a better Peru)

Beginning in 2004, Amanco has developed and implemented a program called “*Amanco por un Perú mejor*” (Amanco for a better Peru). The program’s core purpose has been to involve the entire group of Amanco’s employees (“collaborators”) in implementing the CSR strategy of the company.

Program Target:

The primary goal of the program is to make Amanco’s collaborators or employees the main promoters of social responsibility in Peru by involving them in the full range of CSR programs.

This program also looks for various interest groups to become part of the company's ethics philosophy, efficiency and corporate social responsibility.

The target as defined by Amanco is the following:

“Contribute to the improvement of the quality of life and competitiveness of the group of micro- entrepreneurs that are in the hardware dealing and plumbing business and which forms part of Amanco's supply chain.”¹⁸

The program assesses its results based on the following specific targets:

- To fortify the technical and enterprise capacities of a group of plumbers and hardware dealers related to Amanco.
- To support these people in improving their quality of life through a healthier life.

Strategic Variables:

The activities developed by the program are classified in terms of three important variables, which represent a fundamental aspect of Amanco's CSR strategy. These are **progress, health and attitude**.

Progress:

This is defined as the company's contribution to the improvement of the competitiveness of Amanco's supply chain, including suppliers, collaborators, clients, independent plumbers and the community at large.

To help ensure achievement of this target, Amanco created a strategic alliance with *PROMPYME* (Peruvian Center of Promotion of the Small & Medium Enterprises) and *Fundes Chile*, a Latin American organization situated in Chile that is dedicated to support micro entrepreneurs with specially designed courses and workshops. *Fundes Chile* had qualified over 40,000 companies in different economies of Latin America. These institutions assumed the responsibility of developing qualifications for entrepreneurs for Amanco.

The alliance with *PROMPYME* intended to strengthen the technical and entrepreneurial competence and capabilities of Amanco's clients. In order to achieve this objective, *PROMPYME* worked with a program created by the Peruvian government called “*Perú Emprendedor*” (“Entrepreneur Perú”), which helped to finance 75% of Amanco clients' qualifications. This way, the company guaranteed that every client received 12 qualifications and four types of technical assistance, which could be used either by the proprietor of the enterprise or by its employees.

The alliance with *Fundes Chile* made possible the offering of six qualifications to 240 clients. A training of trainers approach was adopted so that for every qualification that was offered, a group of Amanco employees were trained to teach an entire group of interested clients. Some also trained other people who worked for Amanco, as well as suppliers, clients and members of the community.

Health:

The purpose is to improve the health of Amanco's stakeholders in order to increase their productivity and to create a better working environment among employees. To achieve this,

¹⁸ Amanco del Perú “Profile of the program Amanco for a better country”. April, 2005.

Amanco signed an alliance with Catalyst, a partnership of five non-governmental organization (NGOs) that supports different programs related to health. It counts on the financing of the USAID (United States Agency for International Development). As part of the benefits of this program, participants could access cheaper medical services and tests or examinations.

Attitude:

Amanco's purpose is to foster a positive attitude and increase the level of commitment for CSR among the company's stakeholders. Throughout the program, concepts related to social and environmental impact management and corporate social responsibility were reinforced. With the participation of The Avina Foundation, a social responsibility qualification was developed. The Avina Foundation was created by the Switzerland industrialist Stephan Schmidheiny, with the objective of generating alliances or associations among leaders of civil society on sustainable development in Latin America and Spain.

Amanco's actions had a profound impact on stakeholders' perceptions about the company. In late 2004 alliances were formed with *Fundes Chile*, Catalyst and *PROMPYME*. During the initial stages of implementation, 20 ambassadors were trained to qualify other people; 100 of the best hardware dealers were qualified along with more than 80 suppliers, 60 collaborators and 60 young people from a neighboring community. It is important to note that as part of their initial commitment, the collaborators assumed responsibility for providing qualifications to Amanco's stakeholders.

Alliance with PROMPYME:

The purpose of this alliance was to promote CSR based on models previously developed and applied by *PROMPYME* and Swisscontact in order to improve the competitiveness of the Peruvian economy. This included the development of pilot projects, in which the best CSR initiatives were co-financed by companies in the private sector. The intent was to create a demonstration effect to legitimize improvement of enterprise competitiveness for local economic development. They also agreed to provide qualifications to 100 hardware dealers and to the independent plumbers associated to them.¹⁹ The main objective was to improve the skills of these people and to develop sustainable sale strategies for businesses.

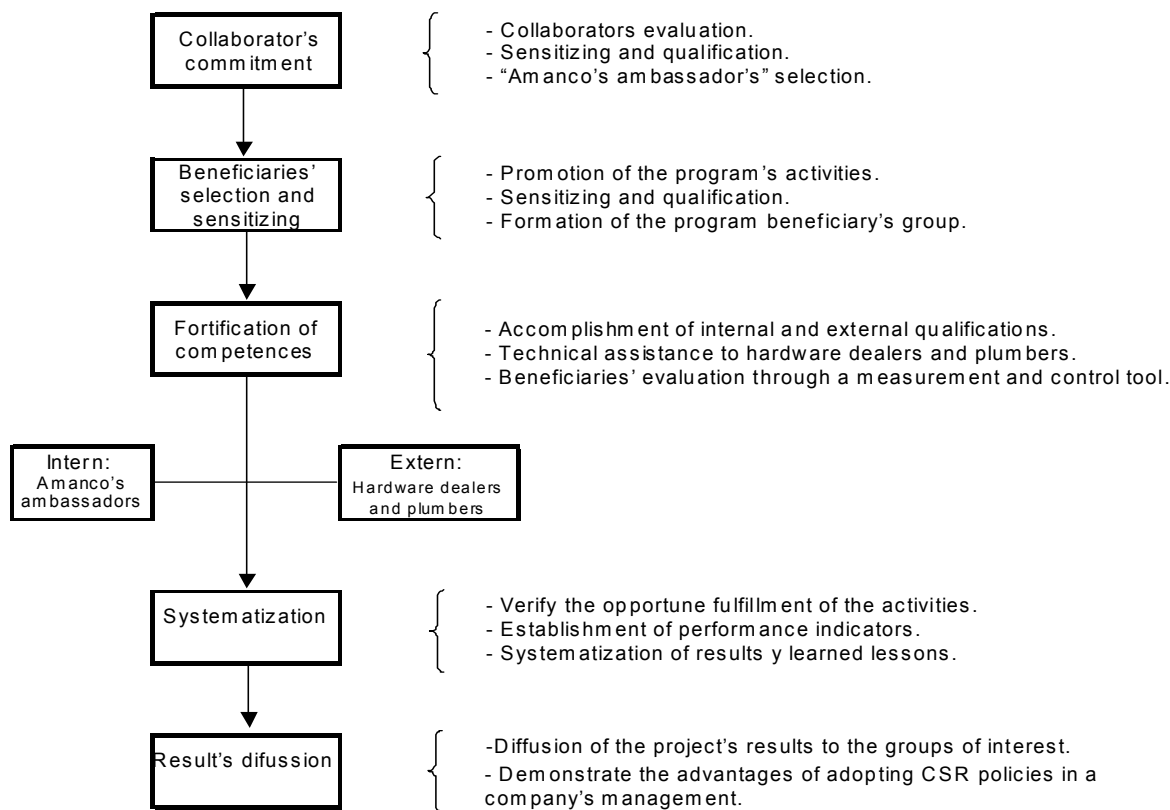
"Amanco for a Better Country" Activities:

The activities developed by Amanco within the context of this program involved a number of stages, which are shown in **Figure 6**.²⁰

¹⁹ This group of beneficiaries have an average journal of 40 soles (13 dollars approximately). Around 80% of this group have no technical education and the majority of them have only finished preliminary school.

²⁰ See Appendix 4: Activities of the program "Amanco for a Better Country."

Figure 6:
“AMANCO FOR A BETTER PERU” ACTIVITIES



Source: Amanco del Perú S.A., Elaborated by author.

Through their participation in activities developed by the company to sensitize, qualify and inculcate the company's social responsibility strategy among its collaborators, participants could be selected and evaluated on the basis of the kind of relationships that they had developed with Amanco's stakeholders. Following the initial screening, the company proceeded to qualify the selected collaborators in subjects related to the CSR strategies as well as in relation to the economic, social and environmental development needs of the stakeholders.

With the objective of generating greater interest among its clients about this CSR initiative, Amanco began a sensitizing process concerning the importance of the CSR to the company's strategy, based on the development of its value chain. Finally, they developed an action plan that included terms, activities and strategies for the qualification of the company's clients.

Next, Amanco developed a process of selection and sensitizing of beneficiaries, with the objective of informing Amanco's clients of the benefits of obtaining the qualification they were going to offer. In this way, they involved key beneficiaries in a manner that contributed to the development of the CSR strategy. The key was to demonstrate to the participants the principal benefits that they would obtain from the qualifications. The next activity was the reinforcement of the hardware dealers' and plumber's capacities through both formal qualifications and technical assistance to strengthen the competitive position of these groups. Subjects addressed included social responsibility, health, water management, ethics and customer service, among others.

Amanco articulated an evaluation tool that compiled information and generated individual diagnoses of the participating companies and plumbers, including information about production, technology, management, income management, and customer service. This same tool was used to

establish the baseline situation prevailing within the participating hardware dealers' stores and plumbing businesses.

In addition to their participation in external training, Amanco's ambassadors also took part in some free intern qualifications. The full list of courses offered included the following (**Box 1**):

Box 1:	
Amanco's Intern Qualification:	
Hardware Dealing: Ambassadors Program	Amanco's External Specialized qualification:
<ul style="list-style-type: none"> • Fundes qualifications • Occupational health course (developed through the Catalyst's alliance) • Corporate Social Responsibility Course (At the end of the 2004 qualifications circle) 	Hardware dealing: PYME Bonus
Plumbers: Technical Team	<ul style="list-style-type: none"> • Course on taxes • Course on the control of inventories • Course on customer service • Course on computer sciences • Course on marketing.
<ul style="list-style-type: none"> • Amanco's products course • Occupational health course (developed through the Catalyst's alliance) • Water management course • Corporate Social Responsibility Course 	Plumbers: <i>Fundes</i>
	<ul style="list-style-type: none"> • Technical course on plumbing • Ethics course • Course on customer service • Basic course on costs (budgets)

The program was carefully and systematically monitored to verify if activities were completed and to track performance indicators based on a logical framework. The main results and lessons learned were recorded for application in future projects.

Finally, the process ended with the diffusion of the project's results (see Appendix 5) to demonstrate the advantages of adopting CSR strategies by both large and medium-sized corporations.

Lessons Learned

In today's competitive world, companies must fight to survive in the global market in which they operate. "*Amanco del Perú*" provides a clear example that a company can be successful by incorporating social responsibility principles into all their management policies.

The most important lessons that can be learned from the present case are:

- Corporate social responsibility represents Amanco's way of life and it has made Amanco a unique company in Peru. This company has integrated CSR into all its key management activities and through this process, it has guaranteed the sustainability of the company.
- When a strong commitment to CSR exists at every level of the company, it is easy to obtain favorable economic results.

Amanco's CSR focuses mainly on its people, which it refers to as its collaborators instead of employees. The working environment has improved through such practices as rewarding people's good work, promoting from within, and conducting annual surveys of collaborators' perceptions.

The company's collaborators are constantly stimulated, which facilitates alignment with the philosophy of the enterprise. For this reason, Amanco has designated its employees to act as ambassadors for the company in its relationship with the broader society.

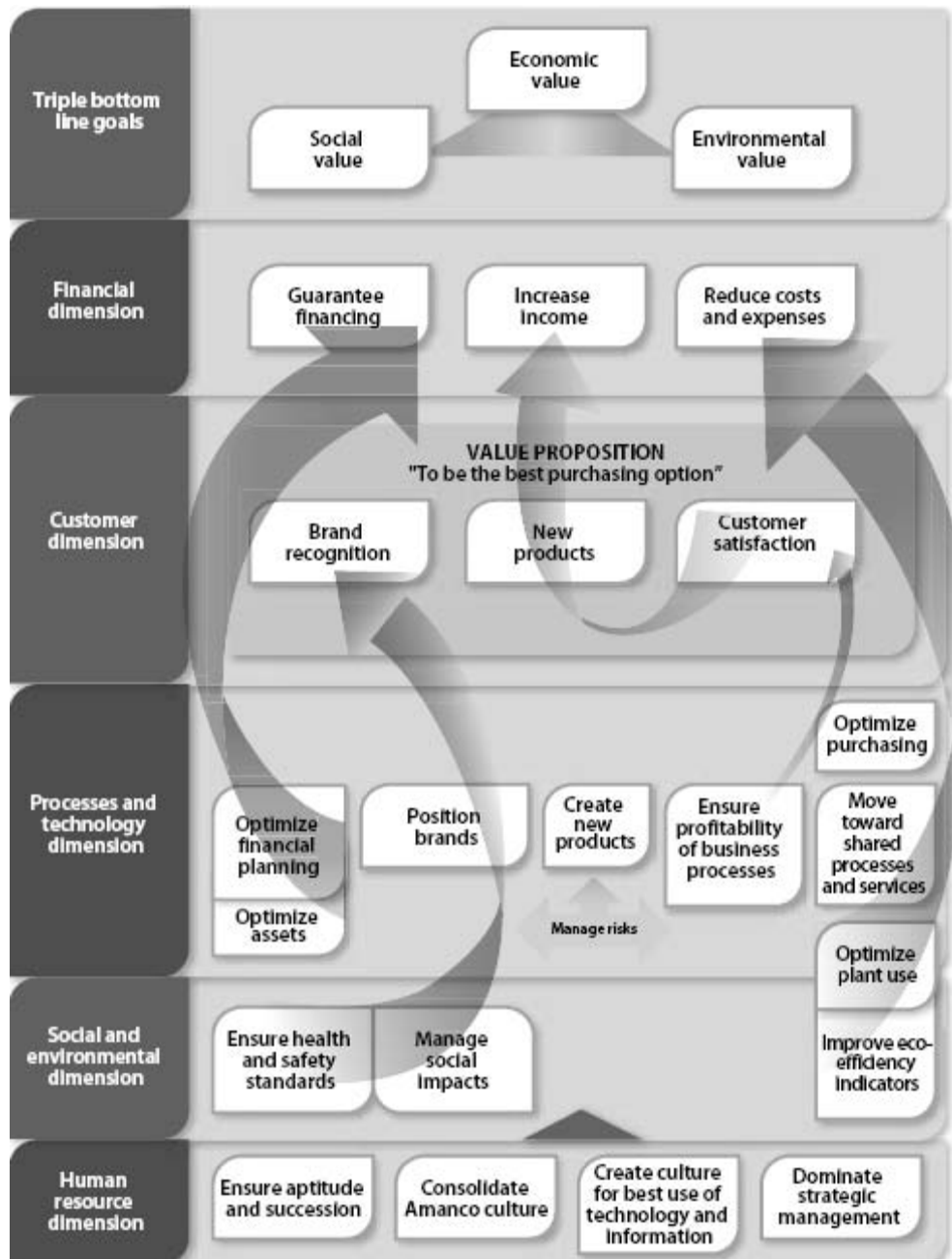
- Amanco has built its client capacities by offering them training to enhance their skills and develop specific qualifications. The clients not only benefit themselves but also develop the economic sector to which they belong.
- Clients value companies based on their perceptions of ethics and responsibility. But this is not enough as these characteristics must be accompanied by good quality products, competitive prices, opportune deliveries and excellent customer service.
- The way to involve the clients in the responsible vision of the company is through communication and dialogue. On-going communication of developments affecting the enterprise executed through a professional public affairs department is critical. This is why Amanco has its own Social Responsibility and Communication unit to publicize CSR programs and achievements.
- Being part of a larger group enterprise has facilitated management at Amanco, not only in improving common services such as materials procurement, but also in sharing good practices and experiences.
- Amanco tracks its performance carefully using a variety of indicators that measure progress in the specific areas of value creation. At present, Amanco does not track indicators that specifically measure productivity within the overall supply chain. Nonetheless there is a general perception that the company is undertaking activities that are improving the efficiency of the supply chain.
- The best approach to living in harmony with neighbors is through communication. Companies must make it their business to know the expectations and the problems of the communities in which they operate and should have regular consultations and efficient communication methods. Amanco has demonstrated its commitment to interact well with its communities.

Appendix 1
Corporate Governance

GrupoNueva's model of Corporate Governance



**Appendix 2
AMANCO'S Strategic Map**



Appendix 3 Strategic Indicators and National Production Volatility within the Construction Sector

Strategic Indicators (Var. %)

	2002	2003	2004	2005 ²¹ (Projected)
VAB	7.9	4.2	4.7	5.2
Cement Internal Consumption	8.4	3.3	5.5	6.3
Local Distributions	8.5	3.1	5.7	4.4
Construction advance	25.0	46.3	-8.5	45.2
Materials Prices	0.7	3.0	12.5	3.5
Cement Prices	-0.2	1.8	-0.5	-1.1
Materials Import	61.7	-27.1	4.3	1.9

Source: Historic data of INEI, ASOCEM, SUNAT, MIVIVIENDA, SBS.

National Production Index Variation (%) Construction sector, 2003-2004

Year	June	
	Monthly	Accumulated
2003	10.4	5.0
2004	5.5	5.7

Source: INEI-Economic Indicators of Technical Direction

Appendix 4 Performed Activities in the "Amanco por un Peru Mejor"

Objectives	Performed Activities
Employees Commitment	Collaborators evaluation and selection Collaborators training Client interest generation Action plan elaboration
Beneficiary selection and sensitization	Incentives Program Sensitization event for Hardware MYPE Compromise sensitized MYPES Select Hardware MYPES Convoke, sensitize and commit plumbers to form work groups (with MYPE help)
Strengthening of capacities	Design evaluation tools Evaluate committed MYPES Design training and technical assistance plan Identify suppliers Commit "Peru Emprendedor" PYME bonds Organize hardware stores into groups Implementation of training plan Evaluate MYPE capabilities
Strengthening of plumbers capabilities	Design evaluation tools Evaluate sensitized plumbers Design training and technical assistance plan Implementation of training plan Evaluate plumbers' capabilities
Monitoring and systematization	Monitoring of project management Impact monitoring Systematization of results
Results Diffusion	Graphic and audiovisual material production Incorporate MYPE information into Website: http://www.mypeplaza.com Execution of diffusion events
Health campaign	Health training Health Exams

Source: Amanco del Perú. "Perfil del Programa Amanco por un Perú Mejor. Abril 2005
Elaborated by author

²¹ Projected

Appendix 5
Program Achievements
“AMANCO POR UN PERÚ MEJOR”

TRAINING	
	2005
Company Training with Fundes	
Clients	204
Collaborators	70
Suppliers	80
Community	70
Company Training with Prompyme	
Clients	22
Company Training with Catalyst	
Collaborators	60
Clients	15
Community	September
Ambassadors	
Train Ambassadors	32

CONSULTS		
	2004	2005
Opinion Poll		
Community	70	Octubre
Clients	317	271
Suppliers	121	70
Discussion Tables		
Community	4	70
Clients	2	6
Suppliers	2	4

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