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Redefining Corporate Social Responsibility

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Introduction

Corporate social responsibility (CSR) is a recently developed topic that has been discussed widely in seminars, research papers and conferences around the world. It has gained a massive reputation quickly, as it has been seen to be a way in which big companies can repent for their sins and smudge their ugly image as monsters that are trying to reap profits and increase their revenues in any way possible. This transformation has changed the view of businesses from profit-maximizing economic agents to agents with a more ethical outlook, which is aware of the impact of business on society. Globalization has imposed much pressure worldwide to enhance the image of businesses in the eyes of the public by becoming responsible citizens. Nowadays, people are becoming more educated and are starting to become aware that a healthy environment is critical to

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the welfare of human beings, now and in the future. Hence, the concept of greening management has arisen: when managers are aware that the actions of their company have an impact on the environment (Robbins et al. 2011). In other words, whenever a company is operating, it will influence its environment and surroundings. When a company becomes aware of this, its duty is to engage in green actions that reduce its negative impact, through pollution, and by helping the community more widely through investing in free education, hospitals and donations to charities. Furthermore, business ethics has become a major component of many school and university courses. Some institutions are offering courses that purely focus on business ethics and social responsibility

In today's highly interconnected digital world, managers are discovering that CSR is an important aspect of business practice. Various seminars are being organized on this topic in an attempt to create awareness and inform executives, managers and officers about recent developments and practices in the field. To many, CSR has become an important differentiator in the competitive world of business. In this context, advertising and communicating CSR practices has become a crucial aspect of marketing communication strategies. By being aware of this, companies will not only be recognized in their environment and society but will also contribute to their enhanced corporate image in the eyes of customers and the general public. All these aspects will boost a company's reputation and strengthen its brand image, and this will have an effect on financial performance and long-term profits.

Instilling a Culture of Social Responsibility in the Arab World

In the Middle East, the accepted cultural mores imply that wealth and profit-making is important to determine one's status and position in society. It is well known that corruption and unethical practices are widely present in the private as well as in the public sector, which is mostly due to minimal government intervention and control. This explains why the concept of CSR is still in its very early phases of development in the Arab world. Nowadays, with the rise of social media and the development of

education in this area, more people are starting to be aware of the issue. Some international corporations that are operating in the Arab region have already started implementing various CSR initiatives, while local companies are beginning to follow suit.

In the Middle East, religion plays a major role in Arab culture and in the business world alike. The two dominant religions in the region are Islam and Christianity, and both deem it essential to help the poor and the needy. Charity has a major impact on people's lives in the Middle East since many religious texts encourage public good and charitable activities. In Islam, the concept of Zakat implies giving a portion of one's wealth to people in need, while in Christianity it is highly recommended that a person should help disadvantaged people, especially during the Christmas and Easter periods.

Most of the companies in the region, and especially in Lebanon, are family owned. Therefore, we can deduce that the application of CSR in Arab companies is mainly related to the religious upbringing of business owners. If an owner has a strong religious affiliation, he will integrate its principles with the company's vision and mission, which will be dictated thereafter by senior management. However, if the business owner is not a true believer, he might see CSR as unwarranted expense, and might prefer to invest in other areas that will have a direct and quick impact on company performance. In reality, CSR must be implemented regardless of whatever the owner thinks, as it has a business and professional connotation rather than a religious connotation.

Application of CSR and Its Major Types

When we think of CSR it involves thinking about the multiple responsibilities that the company has towards multiple stakeholders. There are four areas that need to be considered which form a pyramid: these are economic, legal, ethical and philanthropic responsibilities (Carroll 1991).

Economic responsibility is considered to be the base of the pyramid, indicating that financial viability and profit are essential for the company's survival. One of the major proponents of this view was Milton Friedman, who argued that management's sole responsibility is to maximize profits to

shareholders. He also likened managers to thieves who are trying to distribute what is not theirs. This action can be considered to be an illegitimate exercise of power, since the money invested in CSR is considered to be a lost investment which should instead be added to the shareholders' wealth. In Friedman's opinion money such as that invested in CSR does not benefit the organization and represents a cost: the only liability that the managers have is towards the shareholders, who have entrusted their wealth to them.

Legal responsibility is the second component. According to this, the business must be conducted according to the laws of the country in which it is operating. Laws may differ from one place to another and might change over time. They are the minimum standard that businesses need to conform to, or else they will be penalized or fined by the government and legal institutions.

Ethical responsibilities go beyond duties and obligations to do the right thing. They rely on the ethical understanding and culture of the company decision-makers. This responsibility represents a major challenge for managers, especially when they are confronted with an ethical dilemma or when they need to incur extra costs on their company in order to preserve the environment, protect the health of their employees or manufacture safe products for customers. All these decisions can put managers' ethics and a company's profits on the line. The right course of action is always to align an organization's benefits with environmental practices and society's needs.

The ultimate level of CSR in the pyramid is the philanthropic responsibility that promotes human welfare. This includes donations of products, services, time or money to the community. It is considered a voluntary action, and many large companies have established foundations to handle this process. For instance, Bill Gates, the co-founder of Microsoft, and his wife gave away 95% of their wealth and established a multi-billion dollar foundation that focuses on health issues, namely AIDS, malaria and tuberculosis (Treviño and Nelson 2014). Those types of actions stem from strong beliefs and a deep organizational culture which deems that doing public good and improving society's well-being is the right thing to do. The donators in this case do not expect a return for their efforts or their money invested in this manner, since they truly believe that this is the right thing to do (Fig. 6.1).

Fig. 6.1 Corporate Social Responsibility Pyramid. Adapted from Archie B. Carroll, The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders, *Business Horizons*, July, August, 1991, pp. 39–48

Businesses Cannot Transform Overnight to Be Perfectly Socially Responsible Organizations

As Zadek (2004) states, most businesses pass through five stages to develop a sense of responsibility and to take actions as corporate citizens. The first stage is the "defensive stage," where the company is criticized for its actions by customers, media, investors and other stakeholders. As a result, the company tends to reject and deny the accusations that are made mainly through responses and statements initiated by the legal and communication departments. The company's only concern is short-term sales and profits, and the long-term effects of its actions are disregarded. The second stage is the "compliance stage," whereby the company responds to its critics through managerial actions. Extra costs are incurred as the company protects its brand image and limits the risk of legal lawsuits. The third stage is the "managerial stage," which takes place when the company realizes that compliance is not sufficient to deal with the general public. In this stage, managers are creative in finding long-term solutions and responsible practices that will become an integral part of the company's mindset and strategy. In the fourth stage, the

"strategic stage," managers integrate societal strategies and concentrate on them to add value and to give an edge over their competitors in the long run. During the last stage, the "civil stage," the company supports massive initiatives that support community concerns and society needs. Some companies also think about how their future role and presence will affect society.

Hence, whether the company is still in its early stages or in the most developed ones depends on numerous factors such as public pressure, competition, the culture within the organization, and the strength of the role of media and government.

Impact on Community, Environment and Organizational Performance

In general, CSR tries to explain and make evident the extent of the social and economic role of a business in society. Thus in its broader context, it takes into consideration the impact of the actions of the organization on all its stakeholders. Thus, we can consider that CSR is a stakeholder approach that focuses on the voluntary actions and commitments of an organization that is targeted towards internal and external issues that determine an understanding and awareness of its moral responsibilities with regard to society (Maon et al. 2010).

The blessing of the community is considered to be an important factor in organizational performance. A company cannot survive if it has bad relations with the surrounding community, the community playing the role of a powerful stakeholder that can either promote the company's reputation and profits or bring about its demise. Therefore, caring for people ranks high in organizations that are fulfilling their CSR initiatives. A company doing business cannot easily oversee its impact on the overall stakeholders, so for a corporation to survive and grow it has to work closely with the surrounding community and receive its endorsement through creating meaningful dialogues and successful initiatives that have a direct impact on people's lives. At employee level, workers are treated fairly and equally while maintaining safe and comfortable working conditions, perhaps enjoying a periodic medical check.

At customer level, the company will be producing or using safe products that are free from all defects or any substance that may affect negatively their health.

The environment is considered to be probably one of the most important aspects of CSR. Companies can indirectly affect the environment in many different ways. Companies use electricity, some manufacturing companies dispatch polluted air into the atmosphere or infected or unfiltered water in the ocean, while others use up the earth's natural resources. As a way to pay back these costs, companies engage in green activities: they plant trees, use renewable sources of energy and recycle paper, among many other activities that help to preserve the environment and limit the excessive degradation of the earth's non-renewable resources.

By committing to such initiatives, the company's positioning and image will improve, employees' motivation and engagement will increase and they will start believing in the company's mission towards the society and environment. In addition, customers who are becoming more sensitive and aware about CSR will appreciate the company's actions and this may affect their loyalty. On top of this, positive word of mouth may be generated in the local community about such actions, a sincere commitment to support humanitarian and social causes resulting in a trustworthy reputation.

New Actions Towards a Better Tomorrow

In order to guarantee a better tomorrow, it is fundamental to promote a future generation which is raised on the basics of ethics and sustainability through the instilling and strengthening of the ideology of CSR. This process starts at school and continues to secondary and tertiary education. The children are the seeds of the future, and if we put them on the right track we will have a bright outlook. Hence, integrating CSR mentality into education and instilling this culture at school is quite important since it will be deeply rooted in their culture and behavior as they grow up. At university level, it is important to hone the practices and ethical spirit at a professional level, so that when students graduate and gain

professional positions in the business world, they will be leading their institutions with integrity, honesty and high levels of ethical conduct. Some of the Middle Eastern higher education institutions, especially in Lebanon, have started to integrate topics in different courses that focus on environmental sustainability and managerial ethics. Students will be prepared to tackle real world problems by solving ethical dilemmas. This is considered the most effective academic procedure: learning by doing and putting theory into practice.

The importance of implementing CSR initiatives in the region has led non-governmental organizations and associations to reward companies that adhere and apply CSR to their organizations. Nowadays, Arab governments have started a new policy of supporting campaigns that raise awareness about CSR and tend to exempt or in some cases reduce taxes for those companies who are applying CSR practices. Yearly awards recognize companies who have invested and implemented CSR initiatives which have had an impact on their surroundings.

For instance, CSR Levant awards entrepreneurial initiatives, establishes solid partnerships, develops impactful CSR strategies and empowers the next generation. CSR Lebanon (www.csrlebanon.com) raises awareness about CSR, aiming to provide a better understanding of the concept in the private and public sectors and among the community as a whole.

In this context many forums and online platforms are evolving, such as Arabia CSR Network (www.arabiacsrnetwork.com). This is a professional multi-stakeholder organization which is devoted to promoting the principles of CSR in the region. It encourages and recognizes responsible business practices through services and other offerings, including training, research and best practice, advisory services, third party assurance and a Pan-Arab acclaimed award initiative known as the Arabia CSR Awards.

CSR Middle East (www.csrmiddleeast.org) is a professional non-profit platform and the regional source and network for CSR and sustainability in the Middle East. It promotes corporate social responsibility in the region based upon the sharing of CSR updates, solutions and shaping modern businesses. Its mission is "to help companies achieve profitability, sustainable growth and human progress by placing corporate social responsibility in the mainstream of business practice."

Conclusion

In light of the rapid changes that the world is witnessing, we cannot just remain spectators. The time has come for us to define the future for the upcoming generation before everything is lost. The environment is an asset inherited from our ancestors, and it is our duty and responsibility to preserve it and sustain it for the future. Therefore the role and concept of social responsibility should be integrated into every business and educational institution. The time has come to shift from managerial ethics and high levels of corporate social responsibility being an option to an obligation. This involves protecting and sustaining natural resources, protecting the life and health of employees, taking actions and creating initiatives that enhance the quality of life of the community. Whenever corporations commit to CSR, it is an effective way of achieving brand loyalty, a solid reputation and goodwill among a range of different stakeholders. CSR practice is also the best way in which to win the hearts of both employees and customers, and transparent business practices and proper management of responsible business practices together with effective management of the company's resources can improve organizational performance in the long run.

Our faith in our region is immense, and many initiatives are beginning, yet our role as educational institutions and businesses is central in the change process from blind profit-making to responsible actions that sustain the environment and evolve into an ethical mindset that involves CSR towards different stakeholders. A new concept is arising among members of the corporate community who are going beyond core business operations and seeing themselves as the main vehicles for social change. Finally, with the support of social enterprises, small and medium-sized enterprises, academics, law-makers, non-governmental organizations and associations, hand in hand they can create an ecosystem that will support long-term, sustainable initiatives that will have considerable social impact.

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