Social Responsibility:

an International Journal

Volume 1 No. 1 2004

ISSN:1675-8625

A Casual Investigation of Corporate Social Responsibility on the Firm's Financial Performance in Lebanon

Abdulrazzak Charbaji, Michel Majdalani & Nouri Beyrouti, Lebanese American University, Beirut, Lebanon

Abstract

The purpose of this paper is to throw some light on the effect of Corporate Social Responsibility (CSR) on the Lebanese firms' financial performance and to check if such an effect is strengthened or weakened when test factors such as Total Quality Management (TQM) implementation (Customer satisfaction, employees' involvement, Quality and ISO certification) are introduced.

Business and organizations have a privilege denied to ordinary mortals - they don't have to die. This makes them especially responsible (Hardy, 1999). In fact what is emerging very strongly is a determination and a commitment to address both environmental and societal concerns. John Elkington (1999) argues that environmental reporting is now well established, as of course is financial reporting. The empirical evidence on the effectiveness of strategic Corporate Social Responsibility (CSR) as a good investment is equivocal. The arguments for the first school of thought are equivalent to the proposition that business only has an economic responsibility to make a profit while obeying the law (the pure profit-making view or economic CSR). The arguments for the second school of thought extend to those who want to see corporations actively involved in programs which can ameliorate various social ills, by providing employment opportunities for everyone, improving the environment, and promoting worldwide justice. A moderate and

relatively recent view which now dominates the thinking in financial economics and that of public law is the contractual theory of the firm.

CSR is in its infancy stage in Lebanon. CSR is one of the biggest challenges in Lebanon's society but it is gaining ground with momentum. Today and more than ever, Lebanon's private and public sectors are conveying to both consumers and citizens their commitment to a socially responsible role in society. The two exploratory research studies were conducted in relation to both ISO certification and in Corporate Social Responsibility. Much has been learned in this research about CSR in Lebanon. Our evidence supports the notion of a greater satisfaction with Return on Investment (ROI) for a company that is more involved with ISO. In conjunction, the more a company issues CSR reports, the more satisfaction there is with ROI. Alternatively, the more a company cares about employees satisfaction, the better the ROI.

Review of Basic CSR Theories in Financial Economics

The empirical evidence on the effectiveness of strategic Corporate Social Responsibility (CSR) as a good investment is equivocal. It is not clear whether socially responsible corporations outperform or under perform other companies (McWilliams and Siegel, 2001; Trevino and Nelson, 1999). Although it is difficult to quantify the returns to social responsibility, research studies have found that short-term profits sometimes increase and at other times decrease when executives include social objectives.

On one hand of the theoretical spectrum is the property rights theory rule (that is when the corporation is viewed as the private property of its stockholders). While at the other hand, the social institution theory dominates (then, the firm is considered a public institution sanctioned by the state for some social good (Boatright, 1999).

The arguments for the first school of thought are equivalent to the proposition that business only has an economic responsibility to make a profit while obeying the law (the pure profit-making view or economic CSR). It implies that devotion of corporate resources to social causes is contrary to an implied contract with investors to maximize their profits. By deduction, it is tantamount to stealing stockholders ' money, and in effect, taxing the owners via deliberations that do not include their representation ("taxation without representation") and therefore spending these taxes on social causes (Benkert, 1996; Friedman, 1996). On that, the basic concern is to stress economic values alone such as productivity and efficiency, while avoiding social involvement. Further and according to some, there does not appear to be any instances of corporation deciding which causes to support and to what extent by polling its stockholders (Bowie, 1995). Alternatively, you must raise the price to your customers, thereby taxing them, or lower the wages (price of labor) of your workers and in the process taxing them as well (Friedman, 1996). Executives become unelected civil servants with the power to tax some group(s), and corporations become government agencies, not part of the proper economic role in the business system (Friedman, 1996.)

The arguments for the second school of thought extend to those who want to see corporations actively involved in programs which can ameliorate various social ills, by providing employment opportunities for everyone, improving the environment, and promoting worldwide justice, even if it costs the shareholders money (the community service view or altruistic CSR). At that end of that spectrum, societal welfare is the primary concern even if it comes at the expense of profits (Miller and Ahrens, 1993).

A moderate and relatively recent view which now dominates the thinking in financial economics and that of public law is the contractual theory of the firm. It holds that a company's assets are provided by many groups in addition to shareholders, such as employees, customers, suppliers, and the like, and so the company arises from the property rights and the right of contract of every corporate constituency, not just stockholders (Broatright, 1999). Outlined in Friedman's 1960 tome 'Capitalism and Freedom' as well as in his seminal 1970 article, 'The social responsibility of business' (Friedman, 1996), the firm is to increase its profits with one and only one social responsibility of business – the use of its resources to engage in activities designed to increase its profit so long as it stays within the rules of the game. That is to say it engages in open free competition without deception and fraud '(Friedman, 1996, p.245), and act subject to the constraints of the law and of morality. Friedman recognizes legal and ethical responsibilities for business, and so his conception of economic CSR goes further than Carr's, to include a fairly extensive range of moral duties to other stakeholders such as maintaining open and free competition, abiding by the rule of law, avoiding deception and fraud and exemplifying fair play within the rules of the game (Broatright, 1999). Likewise, Levitt (1983), even earlier in his 1958 Harvard Business Review article ‘The dangers of social responsibility”, said that the only social responsibility of business beyond seeking material gain is ‘to obey the elementary canons of everyday face-to-face civility (honesty, good faith, and so on)’ (Levitt, 1983, p.86)

The most developed version of CSR demands that corporations help alleviate “public welfare deficiencies ‘, i.e. problems such as drugs, poverty, crime, illiteracy, undefended educational institutions, chronic unemployment .etc (Brenkert, 1996). Whereas the economic, legal and ethical obligations are mandatory, philanthropic responsibility is desired by society. It is optional in that it is not expected with the same degree of moral force (Caroll, 2001) since corporations aren’t causally responsible for the deficient conditions they are attempting to rectify.

Clearly, and by every measure, the boundaries of ethical CSR are not clear; otherwise it would negate the many interesting ethics discussions in corporate boardrooms and college classrooms. Profit as such is then an incomplete measure of social performance and therefore a non-accurate measure for resource allocation (Rivoli, 1996).

Defining Corporate Social Responsibility

The concept of corporate social responsibility is a fuzzy one with unclear boundaries and debatable legitimacy. The legitimacy of CSR relates to fundamental and crucial questions as to why do corporations exist? Should corporations also be concerned with their social performance as well as economic results? And if so, what does it mean to be “socially responsible “? Should economic performance be sacrificed for social performance? To whom does business owe “responsibilities’? Other questions belong to “What kinds of activities and programs should CSR include? And to what extent should social responsibility activities consume the company’s precious resources? Finally, how can we measure social performance and thereby know when companies have fulfilled their societal obligations?

CSR has been variously defined as an organization’s attempt to maximize its positive impact and to minimize its negative effects by being a contributing member to society, with concerns for society's long-run needs and wants. CSR then has a meaning of being a good steward of society's economic and human resources (Journal of Consumer Marketing, 2001). The obligations of the firm to its stakeholders - people and groups who can affect or who are affected by corporate policies and practices go beyond legal requirements of the company's duties to its shareholders. Fulfillment of these obligations is intended to minimize any harm and maximize the long-run beneficial impact of the firm on society (Bloom and Gundlach, 2001, p. 142). The intelligent and objective concern for the welfare of society then restrains individual and corporate behavior from ultimately destructive activities, no matter how immediately profitable. This then leads in the direction of positive contributions to human betterment, variously as the latter may be defined (Andrews, quoted in Hartman, 1998, p. 243).

One reason for this is the presence of externalities – deleterious, unintended side effects of business activities that result in costs to society that are not reflected in the company's cost structure and are not considered by the neoclassical economic model. Examples of such unintended consequences of business activity include pollution, job-related accidents, injuries to customers by defective products, and even the unintended societal impact of advertising (Pollay, 1986). When externalities are present, the problem of damage must be addressed directly in business decision-making, either voluntarily (the ethical CSR) or via government regulation. For instance, "environmentally friendly" products reduce pollutants and waste so that pollution costs are not borne by and charged against the profits of other companies, towns, and entities. It is interesting to note that the problem of externalities falls outside the realm of altruistic CSR. Internalizing the externalities voluntarily might also be practicing strategic CSR in that such companies keep government out of their decision making (Boatright 1999, p. 344).

Another difficulty with the economic argument is that it assumes that producing whatever the buying public wants is good as such. This in turn ignores controversial or "socially undesirable" products like recreational drugs, liquor targeted toward children and alcoholics, handguns and pornography.

The question is then who should provide for their needs? This again raises the question of the relative roles of business, government, and private individuals in promoting the general good. Friedman (1996) and Levitt (1983) seem to believe that it is the government's obligation to provide for all kinds of individual and community needs. Although this suggests that government is responsible for holding companies accountable for the harms they create (Trevino and Nelson, 1999), civil government should not provide for welfare. Since these arguments concern harms, they are relevant to ethical CSR and should be taken seriously by managers who should like to replace the hand of government with "the hand of management " (Goodpaster and Matthews, 1982, p. 74). In the case of provision of welfare, individuals and charities provide a better option to government and business.

It should then be the role of individuals, not business, to provide for such needs since for business to go beyond profit maximization would not be in shareholders' best interests and would constitute social engineering, an improper corporate function. The corporation is not a welfare agency, but is rather an economic association with specific and limited responsibilities (Novak, 1996).

One unsettled difficulty lies in ethically and strategically balancing the tradeoffs among stakeholder groups. For instance, while customers would prefer that more money be spent on improved products or that prices be lowered, employees want higher wages and benefits. Although Freeman (2001) argues for the need for balance in serving the various constituencies, he does not offer clear guidelines on how to achieve this.

One last consideration for strategic CSR planners is the notion of reciprocal stakeholder responsibilities. As we know it, the corporate social contract should spell out society's expectations of business as well as business expectations of society. Freeman (2001) notes that the stakes in the stakeholder model are reciprocal, since both the corporation and its constituencies can affect the other in terms of rights and responsibilities. Bowie (1995) suggests that if we are to have a truly comprehensive theory of CSR, we must be able to determine the parameters for the reciprocal duties of corporate stakeholders to the organization. If management has certain duties to its constituencies, it seems reasonable to suppose that these publics also have responsibilities to the business. Social responsibility is rightly thought of as a shared duty. And the stakeholder model mandates that each stakeholder has reciprocal duties with others. For example, while business ethicists frequently discuss the unjust treatment of employees during plant closings, seldom do they criticize employees who leave a corporation on short notice to take a better job (Bowie, 1995). Similarly, perhaps employees have a duty to speak favorably about company (Freeman, 2001), or at least not denigrate it.

Corporate Social Responsibility and Marketers

Marketers are especially interested in the consumer's responsibilities, rarely mentioned in discussions of CSR (Solomon, 1994). However, customers have an obligation to support socially responsible firms rather than socially indifferent businesses. For instance, it is often possible for consumers to refuse to support polluting businesses or be willing to pay more for pollution control. In fact, Friedman suggested that people responsible for pollution are customers, not producers. They create, as it were, demand for pollution. People who use electricity are responsible for the smoke that comes out of the stacks of the generating plants (Solomon , 1994, p.259). Yet environmentally friendly products which cost a bit more or cause consumer inconvenience (such as Downy fabric softener in concentrated form which requires less packaging but which also is less convenient because it must be mixed with water) have not been big sellers.

Social responsibility for marketing activities then , is a collective responsibility, to be divided among all stakeholders, including outside partners and vendors such as suppliers of materials, parts, and services, wholesalers, retailers, and other distributors ; advertising agencies and other marketing communications creators; marketing research firms and other information vendors; the media and other marketing communications carriers; government agencies; consumer protection champions ; and even consumers themselves. Marketers have an opportunity to take a leadership role, encouraging other stakeholders to take social responsibility too.

Besides consumers, another group with social responsibility is stockholders, who have the duty to evaluate corporations in which they invest not only in terms of financial security and expected return, but also vis-à-vis their ethical and social performance, as do "ethical investors " . Even if one's knowledge of the business is limited to news reports or reading the quarterly or annual report, that is usually sufficient to let one knows what he or she is supporting (Solomon, 1994).

Social Responsibility:

an International Journal

Volume 1 No. 1   2004

ISSN:1675-8625

Ethical responsibilities, i.e. ethical CSR, are the mandatory minimal level of social responsibility an enterprise owes its constituencies. Given the ultimate responsibility of a corporation to its stockholders, strategic CSR, which financially benefits the business through serving society in extra-economic ways, is justifiable, and from society's perspective, should be applauded, not condemned as "self-serving".

A More Elaborate Definition of CSR

Carroll (1979) and other researchers believe that we should not be judging corporations just on their economic successes but also on non-economic criteria. Carroll (1979) proposed a popular four-part definitions of CSR, suggesting in effect that corporations have four responsibilities or "four faces' (Carroll, 2000, p.187) to fulfill and to be good corporate citizens: economic, legal, ethical and philanthropic (which we can call altruistic 'or "humanitarian" CSR).

Novak (1996) more fully delineated a set of seven economic responsibilities. These are to

1) Satisfy customers with goods and services of real value;
2) Earn a fair return on the funds entrusted to the corporation by its investors;
3) Create new wealth, which can accrue to non-profit institutions which own shares of publicly-held companies and help lift the poor out of poverty as their wages rise,
4) Create (and, I would add, maintain) new jobs;
5) Defeat envy though generating upward mobility and giving people the sense that their economic conditions can improve;
6) Promote innovation; and
7) Diversify the economic interest of citizens so to prevent the tyranny of the majority.

Ethical duties overcome the limitations of legal duties. They entail being moral, doing what is right, just, and fair; respecting peoples' moral rights; and avoiding harm or social injury as well as preventing harm caused by others (Smith and Quelch 1993). Ethical responsibilities are those policies, institutions, decisions or practices that are either expected (positive duties) or prohibited (negative duties) by members of

society, although they are not necessarily codified into law (Carroll, 2001). They derive their source of authority from religious convictions, moral traditions, humane principles, and human rights commitments. Social progress and quality-of-life advances were assumed to be a by-product of economic growth. Business' social responsibility was to maximize profits, subject to the constraints of the law. Private business had no accountability for the general conditions of life or the specific conditions in local communities (Anshen1988).
Thus it was suggested that business, as a social institution .should join with other social structure like the family, educational system and religious institutions, to help enhance life and meet its needs (Chewning et al.1990) .Whereas in Adam Smith's model property was owned by individuals who directly decided how it was to be used, the modern corporation is characterized by professional managers who make decisions on behalf of stockholder owners, and these decisions affect tens of thousands of citizens (Miller and Ahrens ,1993). Moreover, corporations need the resources of society if they are to survive and thrive. Corporate taxes are supposedly not sufficient to pay for these resources, and so the corporation should, out of duty of gratitude, assist in solving social problems (Bowie, 1995). Moreover, multinational corporations control a tremendous amount of economic and productive resources, such as technology, finances, and labor power on a scale that no adequate accounting of their duties should ignore (Lippke, 1996).

In the middle are people who simply want corporate management to be more sensitive to the societal impact of their decisions, especially regarding potential harms to stakeholders (the socially aware view or ethical CSR). It is recognized that Social responsibility is a balancing act. Business must balance economic performance, ethical performance, and social performance, and the balance must be achieved among various stakeholders.

In the twenty-first century the public demands that businesses make social issues a part of their strategies. Today, managers continually meet demands from various stakeholder groups to devote resources to CSR. Such pressures come from constituencies enumerated above, even including some stockholders, especially institutional shareholders (McWilliams and Siegel 2001).

Social Responsibility:

an International Journal

Volume 1 No. 1   2004

ISSN:1675-8625

The Boundaries of Strategic Corporate Social Responsibility

Today's business organizations are expected to exhibit ethical behavior and moral management. Now, not only are firms expected to be virtuous, but also they are being called to practice "social responsibility 'or "corporate citizenship" (Carroll, 200, p.187). And accepting some accountability for societal welfare. Marketers, as boundary spanners of responsibility for the enterprise's dealing with various publics, have a primary interest in and should take a major role in defining and implementing their firm's social responsibility efforts. Unfortunately, too frequently marketers still focus on their products and markets while neglecting the social impact of their activities (Flores, 2001)

Business and organizations have a privilege denied to ordinary mortals - they don't have
to die. This makes them especially responsible (Hardy, 1999). In fact what is emerging very strongly is a determination and a commitment to address both environmental and societal concerns. John Elkington (1999) argues that environmental reporting is now well established, as of course is financial reporting.

But further challenges lie ahead for companies looking to evaluate social indicators in such areas as community, employee and supplier relationships. The pressure for accountability, together with the significant expense of producing the data, will develop powerful pressures towards the integrations of financial, social and environmental accounting and reporting. Elkington *et al.* (1998) describes in a useful way the various meanings of corporate social reporting:

1. In short, this concept covers social, ethical, accounting, auditing and reporting;
2. It is a little bit more then just philanthropy. The report argues that companies like PB, United Utilities, and measure, evaluate and benchmark their social activities. Furthermore, they tend to view the community's perception of them as a critical factor for their business success.
3. The ethics versus social concern and the interdependency between the two is undisputed. Organizations have, first of all, got to operate with a high code of ethics so that everything else can follow on from this.

Nelson (1998) proposes an approach based on three elements, for building societal value- added. Nelson (1998) argues that companies that have started to make real headway in the area of societal value-added tend to share four characteristics:

1 They rely on value-based transformational leadership (i.e. sponsor-headed by the CEO and reflected in the company's vision/mission and value statements).
2 Cross-boundary learning (a commitment to learning, innovation and through networks and global partnerships).
3 Stakeholder linkages (mutual benefits through various modes of relationships).
4 Performance levers - (use of a wide range of financial and non-financial performance measures, supported by auditing, verification, reporting and recognition systems).

CSR in the Reviews of Some Prominent Ethicists

In general, the social responsibilities of a firm seem to arise from the intersection (and compatibility) of the political and cultural systems with the economic system (Jones, 1983). However, Friedman (1970) argued that the successful functioning of our society depends on the role and specialization of its institutions (or systems). According to him, the corporation is an economic institution and thus should specialize in the economic sphere; the market through profits will rectify socially responsible behavior. Social responsibility is also seen as a consequence of and an obligation to, following from the unprecedented increase of firm's social power (as tax payers, recruiters, etc.) (Davis, 1975)

Failure to balance social power with social responsibility may ultimately result in the loss of this power and a subsequent decline of the firm (Davis, 1975). Another school of thought sees social responsibility as a contractual obligation firms have towards society (Donaldson, 1983). It is society in the first place that has permitted firms to use both natural and human resources and has given them the right to perform their productive functions and to attain their power status (Donaldson, 1983). As a result, society has an implicit social contract with the firm. Thus, in return for the right to exploit resources in the production process, society has a claim on the firm and the right to control it. The specifics of this contract may change as social conditions change but this contract in general always remains the basis of the legitimacy of the demand for or assertion of the need for CSR (Epstein, 1987). (Epstein1987) attempted to differentiate “business ethics” and CSR and to incorporate them into a strategic process. According to him” business ethics” refer to issues and dilemmas related to the morality of organization actions or decisions .CSR focuses more on the consequences of organizational actions. He defined CSR as the “discernment of issues, expectations and claims on business organizations regarding the consequences of policies and behavior on internal and external stakeholders’ Angelidis and Ibrahim (1993) defined CSR as”corporate social actions whose purpose is to satisfy social needs “.They developed an equilibrium theory based on social demand and supply, identifying a set of factors that affects them (social supply and demand). Ullmann (1985) argued that corporations must reach an acceptable level of economic performance before devoting company resources to meet social demands. This is supported by the assertion that corporations with strong prior economic performance appear to be more likely to have high current levels of social disclosure. Ullmann (1985) also suggested that companies with less stable stock market patterns would be relatively less likely to commit resources to social activities. Belkaoui (1976) investigated the information content of pollution control disclosures. His results suggested a positive relationship between economic performances a social responsibility, at least in this area. Other studies produced results consistent with the notion that corporate social responsibility activities impact on the financial markets (Anderson and Frankle, 1980; Shane and Spicer, 1983; Spicer, 1978a,b) . Ingram (1978) concluded that the information content of social responsibility disclosures was conditional on the market segment with which a firm is identified. Alexander and Bulcholz (1978) and Abbott and Monsen (1979) found no significant relationship between a corporation’s level of social responsibility activities and stock market performance .In addition , Chugh (1978), Trotman and Bradley (1981) and Mahapatra (1984)concluded that corporate social responsibility activities may lead to increased systematic risk. Cochran and Wood (1984) used corporate social responsibility rankings developed by Moskowitz (1972) to test the relationship between corporate social responsibility activities and firm’s performance.

Mills and Gardner (1984) concluded in their analysis of the relationship between social disclosure and economic performance, that companies are more likely to disclose social responsibility expenditures when their financial statements indicate favorable economic performance.

Social Responsibility:

an International Journal

Volume 1 No. 1   2004

ISSN:1675-8625

Corporate Social Responsibility in Lebanon

CSR is in its infancy stage in Lebanon but it is gaining ground with momentum. The majority of Lebanon's business companies and government agencies contribute both money and efforts to non profit charitable organizations and worthwhile social causes every year. Altruism, Corporate Social Responsibility and Philanthropic image are the reasons for that drive.

Today and more than ever, Lebanon's private and public sectors are conveying to both consumers and citizens their commitment to a socially responsible role in society. Corporate and government commitments to causes are growing because of consumers / citizens' demand. In a world where consumers view many products as identical in terms of price, quality and value, an organization which identifies itself with a socially - responsible cause differentiates itself from its competition in a valuable, philanthropic manner. The consumer's perception of the company improves, and this in turn is reflected in higher sales and image.

Lebanon's Prime Minister Rafik Hariri wrote an article entitled "World Environment Day Message'' in which he considered hosting the World Environment Day (WED) in Beirut "as a declaration of hope during these challenging times.'' Hariri noted that taking environmental issues seriously means that people are not satisfied with mere survival but strive for a better quality of life. Hariri concluded by acknowledging the efforts done by the Lebanese government by tackling environmental issues such as establishing an Environment Ministry, passing a clean – air Act, adopting a nation – wild reforestation scheme, and including integrated environmental management in its policy statement.

A study prepared by the Mediterranean Environmental Technical Assistance Program (METAP) and the UNDP estimated the cost of environmental degradation in Lebanon at a high of US $565 million per year, that is around 3.9% of GDP. The study found that the Lebanese cost tends to be the most prone to environmental deterioration among other Arab countries covered by the assessment (The Weekly Economics & Market Report, June 2003).

The ISO 9002 has helped Sukleen, a privately owned company responsible for the city's garbage collection and city cleanness, in providing the best quality services.

This has been achieved by ensuring that all services are completed up to the company's standards. Complaints are resolved and inspected up to client's satisfaction. Today SKL is proud to have 384 committed institutions that are enrolled in its ambitious environmental campaign for resources and energy preservation. The initiative was undertaken to provide an outlet to the recycling community for environmentally aware citizen, who are actively involved in sorting their waste at the individual level (Recycling projects, Internet).

The HSBC Corporation established in 1996 the Community Middle East Foundation to fund opportunities for youngsters across the region, such as educational and environmental programs at schools It is funding teacher – training seminars (HSBC in the Community, Internet).

The Investment Development Authority of Lebanon (IDAL) launched a new service on its website, the "Investors Matching Service", which aims at enhancing and facilitating the creation of strategic international – local partnership through matching the interest of local entrepreneurs with those of local and international investors. The main criteria used in the evaluation process include credibility and reputation of the local promoter, implications on the Lebanese economy, employment effort, environmental soundness and social liability (Lebanon Invest, June, 2003)

Purpose of the Study

The purpose of this paper is to throw some light on the effect of CSR on the Lebanese firms' financial performance and to check if such an effect is strengthened or weakened when test factors such as TQM implementation (Customer satisfaction, employees involvement, Quality and ISO certification) are introduced.

Research

Based on the review of literature, CSR is presumed to have positive effects at two levels of the analysis. First, it may result in improved shareholders satisfaction through an improved return on investment (ROI). Second, it may differ among firms practicing TQM philosophy and others who are not. Accordingly, the following cases are addressed in this research:

Case 1:
Those working for firms involved in CSR will report higher satisfaction with ROI.

Case 2:
Those working for firms practicing employees involvement will report higher satisfaction with ROI than will non-practicing employee involvement.

Case 3:
ISO certified firms will report higher satisfaction with ROI.

Methodology

The study included different types of firms in Lebanon. The companies included small, medium size and large firms. The targeted companies for the study were in the banking, manufacturing and distribution sectors. In order to insure a very large sample, different people at different managerial positions responded to the questionnaire that was personally handed over to them. The following areas were covered:

- Details about the company
- Economic Dimension
- Corporate governance and Organizational Policy
- Supply Chain Management
- Investor Relations
- Environmental Management
- Social Dimension
- Employees Satisfaction
- Customer Relation Management
- Shareholders satisfaction with ROI

Study Findings
… in relation to ISO certification

❖ 134 out of 364 respondents (or 37%) are satisfied with ROI in their firms.

❖ When respondents were asked which part of the organization were ISO 14001 certified, we found that only 12 out of 50 (the total respondents that are ISO

Social Responsibility:

an International Journal

Volume 1 No. 1 2004

ISSN:1675-8625

certified), or 24 % that said their divisions are ISO certified AND are satisfied with ROI ,

- 192 out of 314 (or 61%) said that their divisions are not ISO certified and are not satisfied with ROI. <u>Most of the satisfied with ROI are at the same time ISO certified (122 out of 134, or 91 per cent)</u>.

- When the following test factors were included,
  Employees Satisfaction with Supportive Teamwork Environment
  Tracking Customer Satisfaction
  Having a System in Place to Handle Employees' Grievances and Complaints
  Tracking Trade Union Satisfaction or Complaints;

- We found that 25%, or 3 out of the 12 (12 being the total of both ISO AND ROI satisfied) POSSESSING THREE PROPERTIES. (1) They are satisfied with ROI, (2) said their divisions are ISO certified AND (3) are satisfied with the **supportive teamwork environment.** (as compared to 160 out the 192 or 83% who are **not** satisfied with ROI, their divisions are **not** ISO certified and are **not** satisfied with the supportive teamwork environment.)

- Furthermore, we found that 6 out of the 12 or 50% are (1) satisfied with ROI, (2) said that their divisions are ISO certified and (3) at the same time **regularly track customer satisfaction**. This is compared to 117 out of the 192 (or 61%) who are not satisfied with ROI, their divisions are not ISO certified and they don't regularly track customer satisfaction.

- It is further found that 9 out of the 12 (or 75%) are actually (1) satisfied with ROI, (2) said that their divisions are ISO certified and (3) they have a **system to collect employees grievance,** as compared to 117 out the 192 (or 61%) who are not satisfied with ROI, their divisions are not ISO certified and they don't have a system to collect employees grievance.

- Finally, it is found that 3 out of the 12 (or 25%) are (1) satisfied with ROI, (2) said that their divisions are ISO certified and (3) they **track trade union complaints**, as compared to 183 out the 192 (or 95%) who are not satisfied with ROI, they said that their divisions are not ISO certified and they don't track trade union complaints.

… In relation to Corporate Social Responsibility Report

- 134 out 364 (37 percent) of the respondents are satisfied with ROI in their firms.

- When respondents were asked if they do issue **a Corporate Social Responsibility Report** (that includes environmental performance indicators) , we found that 26 out of 39 (39 issue a CSR report) or 66.7 % that (1) issue such report AND (2) are satisfied with ROI, while

- 217 out of 325 (66.8%) who (1) don't issue such a report, (2) are not satisfied with ROI i.e. the issuance of a corporate responsibility report leads to satisfaction with ROI.

- On those who are satisfied with ROI AND issue a CSR report (26 respondents possessing those two properties), we subjected them to the following test factors:
  Employees Satisfaction with Supportive Teamwork Environment
  Tracking Customer Satisfaction
  Having a System in Place to Handle Employees' Grievances and Complaints
  Tracking Trade Union Satisfaction or Complaints
  Size of Firm and
  Line of Business;

- we found that 23 out of the 26 (89% POSSESSING 3 PROPERTIES) are (1) satisfied with ROI , (2) they issue an environmental report and (3) are satisfied with the supportive teamwork environment.

- 186 out the 217 (86%) who are (1) not satisfied with ROI, (2) don't issue the environmental report and (3) are not satisfied **with Teamwork environment.**

- Furthermore 23 out of the 26 (89%) are (1) satisfied with ROI, (2) they issue an environmental report and (3) they regularly **track customer satisfaction** as compared to 148 out the 217 (68%) who are not satisfied with ROI, don't issue the environmental report and don't track customer satisfaction.

- 17 out of the 26 (65%) are (1) satisfied with ROI, (2) they issue an environmental report and (3) they have a system to **collect employees grievance** as compared to 144 out the 217 (66%) who are not satisfied with ROI, don't issue the environmental report and don't have a system to collect employee‘s grievance.

- 20 out of the 26 (77%) are (1) satisfied with ROI, (2) they issue an environmental report and (3) they **track trade union complaints** as compared to 189 out the 217 (87%) who are not satisfied with ROI, they don't issue the environmental report and don't track trade union complaints.

- 16 out of the 26 (62%) are (1) satisfied with ROI, (2) they issue an environmental report and (3) **they are medium size** (50 TO 500 employees)

- as compared to 149 out the 217 (69%) who (1) are not satisfied with ROI, (2) don't issue the environmental report and (3) are small or large size firm.

- 26 out of the 26 (100%) are (1) satisfied with ROI, (2) they issue an environmental report and (3) they **work banking and manufacturing sectors** as compared to 173 out the 217 (80%) who are not satisfied with ROI, they don't issue the environmental report and don’t work in the banking and manufacturing sectors.

Conclusion

Much has been learned in our research about CSR in Lebanon.

Our research suggests that the more a company is involved in ISO, the greater the satisfaction with ROI. In addition, the more a company issues CSR reports, the more the satisfaction with ROI. Likewise, the more a company uses Environmental

Indicators, the greater the satisfaction with ROI. Finally, the more a company cares about employee's satisfaction, the greater the ROI satisfaction.

Since CSR is one of the biggest challenges in our society today, we have conducted this exploratory research as a useful preliminary step that helps ensure a more rigorous, more conclusive future research on CSR in Lebanon.

References

Anshen, M. (1988), "Changing the social contract : a role for business", in Callahan, J. C. (Ed), Ethical Issues in professional Life, Oxford University Press, New York, NY.

Bloom, P. N. and Gundlach , G. T. (2001), Handbook of marketing and Society, Sage Publications, Thousand Oaks, CA.

Boatright, J. R. (1999), Ethics and the Conduct of business, 3rd ed., Prentice-Hall, Upper Saddle River, NJ.

Bowie, N. (1995), "New directions in corporate social responsibility" in Hoffman, W. M. and Frederick, R. E. (Eds), Business Ethics: Readings and cases in corporate Morality, 3rd ed., McGraw-hill, New York, NY.

Brenkert, G. G. (1996), "Private corporations and public welfare", in Larmer, R. A. (Ed), Ethics in the Workplace : Selected Readings in business Ethics, West Publishing Company , Minneapolis / St Paul , MN.

Carroll, A. B. (1979), "A three dimensional model of corporate performance", Academy of Management Review, Vol. 4, pp. 497-505.

Carroll, A. B. (2000), The four faces of corporate citizenship in Richardson, J. E. (Ed). Business Ethics 00/01, Dushkin / McGraw-hill, Guilford , CT, pp.187-91.

Carroll, A. B. (2001), “Ethical challenges for business in the new millennium : corporate social responsibility and models of management morality”. In Richardson, J. E. (Ed), Business Ethics 01/0, Dushkin/McGraw-Hill, Guilford, CT , pp. 198-203.

Chewning, R. C., Eby, J. W. and Roels, S. J. (1990), Business through the eyes of faith, Harper & Row , San Francisco, CA.

Flores, C. A. (2001) “Socially challenged : the corporate struggle with responsibility”, unpublished MBA student paper, Auburn University, AL.

Freeman, R. E. (2001) “Stakeholder theory of the modern corporation” in Hoffman, W. M., Frederick, R. E. and Schwartz, M. S. (Eds), Business Ethics: Readings and cases in Corporate Morality, 4th ed ., McGraw-Hill, Boston, MA.

Friedman, M. (1996), “The social responsibility of business is to increase profits”, in Rae, S. B. and Wong, K. L. (Eds), Beyond Integrity : A Judeo-Chrostian Approach, Zondervan Publishing House, Grand Rapids, MI,pp.241-5.

Goodpaster, K. E. and Mathews J. B.(2001), “Can a corporation have a conscience?”. in Hoffman, W. M and Frederick, R. E. Eds, Business Ethics: Readings and cases in corporate Morality, 3rd ed., McGraw-Hill, New York NY.

Hartman, L. M. (1998), Perspectives in Business Ethics, Irwin/McGraw-Hill, Boston, MA.

Journal of Consumer Marketing (2001), “Call for papers for special issue on social responsibility for consumer marketing practice”, 24 January. Available at: http://www.literaticclub.co.uk/news/call18.html

Levitt, T. (1983), “the dangers of social responsibility” in Beachamp, T. L. and Bowie, N. E. (Eds), Ethical theory and business, 2nd ed., Prentice-Hall, Englewood cliffs, NJ.

Lippke, R L. (1996) Setting the terms of the business responsibility debate, in Larmer R. A. (Ed). Ethics in the Workplace. Selected Readings in business Ethics, West Publishing Company, Minneapolis /St Paul, MN.

Social Responsibility:

an International Journal

Volume 1 No. 1 2004

ISSN:1675-8625

McWilliams, A. and Siegel, D. (2001), Corporate social responsibility: a theory of the firm perspective. Academy of Management Review Vol. 26 n= 1. pp. 117-27.

Miller, F. D. and Ahrens, J. (1993) The social responsibility of corporations, in White, T. I. (Ed), Business Ethics: A Philosophical reader, Prentice – hall , Upper saddle River, NJ, pp. 187-204.

Pollay, R. W. (1986) "The distorted mirror ;reflection on the unintended consequences of advertising", Journal of Marketing,Vol .50 No.2, pp.18-36

Rivoli, P. (1996), 'Ethical aspects of investors behavior', in Rae, S, B. and Wong, K. L.
(EDS) beyond Integrity: A JUDEO-Christian Approach to Business Ethics, Zondervan Publishing House Grand Rapids, MI. pp. 255-68

Abbot, W. and Maonsen, (1979), "On the measurement of corporate social responsibility: self-reported disclosures as a measure of corporate social involvement", Academy of Management Journal, Vol. 22, pp. 501-15

Alexander, G. and Bulcholz, R (1978), 'Corporate social responsibility and stock market performance', Academy of Management Journal, Vol. 21, pp. 479-86

Anderson, J and Frankle, A (1980), 'Voluntary social reporting: an iso beta portfolio ANALYSIS', Accounting Review, Vol. 55, pp. 468-79

Angelidis. P. and Ibrahim, N (1993), 'Social demand and corporate supply: a corporate social responsibility model', Review of Business, Vol. 15, Fall, pp. 7-10

Belkaoui, A, (1976), The impact of the disclosure of the environment effects of organization behavior on the market, Financial Management, Vol. 5 No 4. pp. 6-13

Chugh, E. (1978), 'Impact of pollution control regulations on the market risk of securities in the us', Journal of Economic Studies, Vol. 19 No. 2. p. 67

Cochran, P and Wood R. (1984), 'Corporate social responsibility and financial performance', Academy of Management Journal, Vol 27 No. 1, pp, 42-56

Davis, K. (1975), 'Five propositions for social responsibility, Business Horizons, Vol 18 No. 3. pp. 19-24

Donaldson. T (1983), 'Constructing a social contract for business', in Donaldson, T and Werhane, P. (Eds) Ethical Issues in Business, Prentice–Hall Englewood Cliffs, NJ. pp 153-65

Epstein, E (1987a), 'The corporate social policy process and the process of corporate governance', American Business Law Journal, Vol. 25, pp. 361-83

Friedman, M (1970), 'The social responsibility of business is to increase its profits', New York Times Magazine, 13 September, pp. 33+

Jones, T. (1983) 'An integrating framework for research in business and society: a step toward the elusive paradigm?',Academy of Management Review, Vol. 8, pp. 559-64

Mahapatra, S. (1984), 'Investor reaction to corporation social accounting', Journal of Business and Finance and Accounting, Vol. 11, pp. 29-40

Mills, D and Gradner, M (1984), 'Financial profiles and the disclosure of expenditure for socially responsible purpose', Journal of Business Research, Vol. 14 No. 4, pp. 407-24

Moskwitz, M .(1972). 'Choosing socially responsible stocks', Business and Society. Vol. 1, pp. 71-5

Shane, P. and Spicer, B (1983), 'Market response to environment information produced outside the firm', Accounting Review, Vol. 58, pp. 521-38

Spicer, B. (1978a), 'Investors, corporate social performance and information disclosure: an empirical study', Accounting Review, Vol. 52, pp. 94-111

Spicer, B. (1978b), 'Market risk, accounting data and companies' pollution control records', Journal of Business Finance and Accounting, Vol. 5, pp. 67-83

Trotman, K. and Bradley, G. (1981), 'Association between social responsibility disclosure and characteristics of companies', Accounting Organizations and Society, Vol. 6, pp. 355-62

Ullmann, A (1985), 'Data in search of theory: a critical examination of the relationships among social performance, social disclosure and economic performance of US firms', Academy of Management Review, Vol. 10 No. 3, pp. 540-5

Elkington, J. (1999), "The link between accountability and sustainability - theory put into practice", *Conference on the Practice of Social Reporting for Business,* ISEA, 19 January, Commonwealth Conference Center, London.

Elkington, J., Van Dijak, F., Delbe, C. and Terry, V. (1998), *The Social Reporting* Report, Sustainability Publication, London.

Hardy, C. (1999), *The Hungry Spirit*. Beyond Capitalism: *a Quest for purpose in the Modern World*, Doubleday, New York, NY.

Nelson, J. (1998), "Leadership companies in the 21st century: creating shareholder value and societal value*", Visions of Ethical Business,* No. 1, October, Financial Times Management, London, pp. 21-6.

Lebanon Invest Research, Weekly Bulletin, issue 321, June 2-8, 2003, Beirut

The Weekly Economic and Market Report, Banque Audi, Week25, June 16-22, 2003, Beirut

HSBC in the Community, Available at http://www.Lebanon.hsbc.com/code/tools/site/rendererihtml?cp=/public/meregional/leba

Recycling projects, Sukleen, available at

Social Responsibility:

an International Journal

Volume 1 No. 1   2004

ISSN:1675-8625

http://www.Sukleen.com/averda%20website/skl-Recycling –Phtm