AMERICAN UNIVERSITY OF BEIRUT

CORPORATE SOCIAL RESPONSIBILITY (CSR) IN LEBANESE BANKS: ANTECEDENTS AND ROLE OF EMPLOYEES

by
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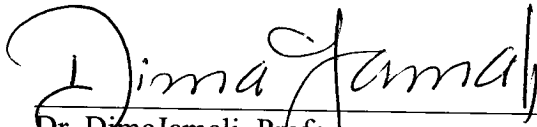at the American University of Beirut

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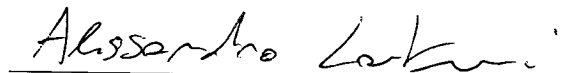# CORPORATE SOCIAL RESPONSIBILITY (CSR) IN LEBANESE BANKS: ANTECEDENTS AND ROLE OF EMPLOYEES

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AN ABSTRACT OF THE PROJECT OF

Farah Bassam Hage Sleiman   for   Master of Human Resources Management
                                 Major: Human Resources Management

Title: Corporate Social Responsibility (CSR) in Lebanese Banks: Antecedents and Role of Employees.

This project examines the drivers of corporate social responsibility in Lebanese banks and the selection of socially responsible initiatives. It also studies the role of employees in setting and implementing the corporate social responsibility strategy.

The study is qualitative and is based on one-to-one interviews with five (5) CSR officials and one (1) Human Resources employee in five (5) Lebanese Banks.

Based on the findings, several antecedents drive CSR in the banks under study including globalization, legal requirements, public image, financial performance, consumer actions, employee power and shareholder demand.

With respect to CSR selection, some banks initiate CSR initiatives in the field, some seek feedback in a bottom-up approach while others seek feedback in a top-bottom approach. CSR was found also to be categorized as philanthropic giving, re-engineering of the supply chain or transforming the eco-system depending on the strategy adopted. The study also refers to the core-periphery approach to explore the methods that banks select when adding new initiatives. Findings reveal that out of the seven (7) patterns, patching, thickening, relabeling, trimming and cooperating are mostly practiced.

With respect to the role of employees, results show that four (4) out of five (5) banks engage employees in CSR decision-making but all five (5) banks encourage employees to implement the related practices. Employee communication occurs through emails, meetings, telephone calls, surveys, suggestion boxes and the intranet. Employee engagement occurs through volunteering programs or through marketing of CSR-related products and services or events.

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To

My Beloved Father
God Bless his Soul

CHAPTER I

INTRODUCTION

Corporate Social Responsibility (hereinafter 'CSR') has gained increased attention in recent years (Raman, Lim & Nair, 2012; Malovics, Csigene & Kraus, 2008; Campbell, 2007; Collier & Esteban, 2007; Valentine & Fleischman, 2008; Rodrigo & Arenas, 2008; Jamali, 2010; Jamali & Neville, 2011). In old days, management was seeking survival and profits; while nowadays, management is seeking financial and non-financial results with more awareness of risks and maintenance of transparency. As a result, corporate social performance has acquired equal importance to corporate financial performance (Yeung, 2011) in recent years. A lot of companies are considering themselves as socially responsible (Maignan & Ferrell, 2004) and in line with the trend companies in the Middle East are engaging in corporate social activities (Sultan, 2014).

According to Spitzek (2005), CSR initiatives are categorized based on one of the following corporate interests:

- Must-responsibilities: consumer needs and law requirements, neglecting those that would endanger immediate survival

- Should-responsibilities: those that are vital for long-term survival, based on society expectations

- Can-responsibilities: those that are expected by the society, not pressed by the law or market and can help for better reputation

Another categorization from Rondinelli & Berry (2000) divides CSR into four levels:

- Commercial self-interest: Adhering to all laws and regulations and selecting those activities that benefit stakeholders and communities directly contributes to profitability and competitiveness

- Expanded self-interest with immediate benefits: Undertaking activities that go beyond normal business concerns to benefit stakeholders and communities in ways that also provide measurable short- and medium-term benefits to the company

- Expanded self-interest with long-term benefits: Supporting community activities, such as education and training, that will have important impact on continuing business success

- Promoting the common good: Supporting or participating in activities that improve conditions in the community, or for stakeholders with no expectation of direct tangible benefits to the company

There are two types of social initiatives: Transactional and Relational social initiatives. Transactional social initiatives are initiated and terminated based on pressures facing the company from various sources; while Relational social initiatives reveal a company's commitment to establish long-term relationships with stakeholders (Hess & Warren, 2008). As revealed, a lot of studies tackle the categories and drivers of CSR activities from economic and institutional perspectives. However, few studies to date have examined how employee participation in CSR influences the latter. This paper aims to answer four main questions:

- What is the motivation of Lebanese Banks to engage in CSR?

- How do these Banks select their CSR projects or initiatives?

- What is the role of employees in setting and implementing the CSR initiatives?

CHAPTER II

LITERATURE REVIEW

Drivers of Corporate Social Responsibility

Taking deposits, granting loans and providing complementary services are the core business of banks. No matter what country it is, what culture, and what kinds of banking products and investors are there, banks need to be responsible for their customers in a socially responsible way (Yeung, 2011).

From a stakeholder theory approach, firms respond to expectations from the society based on one of two: normative justification or business/instrumental rationale (Donaldson & Preston, 1995; Smith, 2003). Normative justification is based on claims that companies have the obligation to minimize harm caused to the society and the duty to use their capabilities to create positive change; while business/instrumental rationale is based on claims that socially responsible initiatives lead to improved financial performance (Hess & Warren, 2008). The stakeholder perspective suggests that stakeholders can influence a company's CSR by directly controlling the flow of resources to the firm and by taking indirect action against a target firm. It has been argued that power can be exercised from one of the stakeholders on the firm based on the model of resource dependency (Frooman, 1999; Pfeffer & Salancik, 1978).

One of the main research questions is why do banks engage in CSR? Based on the literature readings, there are numerous factors applied in all companies in the world some of which are listed below:

Globalization

Due to the ease of accessibility, growing communications means,

environmental and health issues, awareness of responsibility towards poverty, and

economic and financial crisis, more emphasis worldwide is given to social

responsibility (IOS, 2010).

Coercive Institutional Forces

Coercive institutional forces pressure firms to adopt social initiatives (Hess &

Warren, 2008). Examples include NGO pressures, legal and regulatory issues and the

nature of the normative discourse (Jamali & Neville, 2011). Campbell (2007) concluded

that NGOs and other social movements have the ability to organize demonstrations

against companies or pressure local government to force behavior improvement or

mobilize media campaigns against these companies.

Non-government organizations have become a social force in the last few

decades (Sikkink & Smith, 2002) and have influenced CSR practices indirectly via

lobbying (raising community voice, activating customers, or getting legislators to take

action) and directly by participating in partnerships where stakeholders work together to

find ways of minimizing the environmental and social costs of development (Utting,

2000 as cited in Hamann & Acutt, 2003, p. 265). These partnerships are called multi-

stakeholder initiatives (MSIs) or joint implementation (JI) projects, and can involve

government agencies, NGOs, community groups, and companies.

Strong and well-enforced state regulations in place ensure CSR adoption,

particularly if the process by which these regulations and enforcement capacities are

developed is based on negotiation and agreement among companies, the government

and other relevant stakeholders. Government legislation influences CSR practices in

two ways: (1) by providing tangible incentives for firms to apply some of their

resources toward their stakeholders and behave in a socially responsible way; and (2) by

applying penalties if actions are not taken, or if standards are breached. Stone, Joseph &

Blodgett (2004) found that the greater the amount of regulation, the more likely a firm was to adopt socially responsible behaviors. The lobbying role of NGOs is also affective because it incorporates the effective use of the media, targeted expert information toward consumers, and other stakeholders (Yamin, 2001). As per Matten & Moon (2008), Europe is more regulated by government or societal norms and is less company-defined; in France for example, formal reporting on social and environmental performance is obligatory. Hence activities such as corporate volunteerism and charitable giving are less prevalent in Europe (Runte, Basil & Runte, 2010).

Normative Institutional Forces

Normative institutional forces refer to the company's understanding of what is the right way to act as determined or set by educational or professional bodies. Examples include membership in organizations that work towards promoting CSR behaviors or would adopt a compliance program (Hess & Warren, 2008; Trevino, Weaver & Cochran, 1999; Campbell, 2007).

Mimetic Isomorphism

CSR adoption is also influenced by mimetic isomorphism which refers to adopting recognized best practices and managerial fads. Examples include subsidiaries staying consistent with the central directives of the MNCs and home stakeholders (Jamali & Neville, 2011). Industry bodies can influence CSR practices in MNCs' subsidiaries by establishing voluntary industry-level codes that provide a benchmark for a company to conform to. These codes can influence CSR practices because they can produce a form of peer pressure from other firms within the industry (Lennox & Nash, 2003). Companies that abide by these codes may be more inclined to adapt to local CSR practices because they desire to be attractive to stakeholders. MNCs' subsidiaries which subscribe to industry codes of conduct are more likely to be able to adapt to local CSR

practices to become isomorphic with other industry partners (Yang & Rivers, 2009).

Public Image

Identity and image impact the willingness and meaningfulness to adopt CSR initiatives (Hess & Warren, 2008). According to Campbell (2007), the press has the ability to monitor and report company behavior and thus the company is threatened of public exposure. Recently, social media puts enterprises of all sorts (large and small businesses), as well as nonprofit organizations, civil society organizations and governments into the spotlight quickly and widely, depending on their reach. The sustainable enterprise economy, which is arising in part out of these new media, thus inherently carries with it greater degrees of transparency than were available in the past, which will also enhance demands for accountability by a wide variety of stakeholders (Waddock & Mcintosh, 2011).

Community Voice

CSR activities are being recognized as a collaboration between corporations and the communities in which they are based (Boehm, 2002), and so it is logical that the community voice can be a significant driver of a subsidiary's CSR practices. Lobby groups can support companies with good CSR disclosure practices by providing public comment via the media or by working in collaboration with companies to improve environmental strategies or activities. The stronger the community voice is, the more likely the subsidiary will adapt to local CSR practices (Yang & Rivers, 2009).

Financial Performance and Economic Conditions

Waddock & Graves (1997) and Campbell (2007) found out that an increase in corporate financial performance is associated with a positive increase in CSR. Firms that have low profitability have fewer resources to use for socially responsible activities than firms that are more profitable. This is referred to as slack resource theory

(Waddock & Graves, 1997).

Similarly, Baughn, Bodie & McIntosh (2006) identified a link between CSR differences and economic and social conditions such as a country's economic development (per capita GDP), economic freedom (government control of the economy), and corruption of government officials. Their findings included a significant relationship between GNP and company behavior toward CSR.

Competition

Campbell (2007) found out that too much or too little competition will translate into less likelihood to engage in a sociably responsible manner. When there is too much competition, profit margins are narrow enough to put shareholder value and firm survival at risk and thus the incentive to cut corners and save money wherever possible will cause corporations to act in socially irresponsible ways insofar as they believe that this will help them turn a profit and survive. Similarly, when competition is somehow nil, there would be little interest in social responsible acts because reputation and customer loyalty will not affect sales or profits or company survival that much.

Consumer Actions

Kotler (1991) discussed that consumer actions influence company attitude to CSR through societal marketing. It is based on the notion that socially responsible consumers will avoid buying products from companies that harm society (Mohr, Webb & Harris, 2001) since consumers are sensitive to irresponsible behavior.

Employees' Power

Employees' expectations can motivate a firm to adopt CSR initiatives in a bid to attract talented employees (Yang & Rivers, 2009). CSR initiatives toward the environment, community relations, and diversity dimensions have the largest effect on a potential employee's choice of future employer (Backhaus, Stone & Heiner, 2002).

Shareholder Demand

Shareholder groups are increasingly going beyond the decision to invest, not to invest, or to divest by proposing and voting on company's decisions on CSR at annual shareholder meetings (O'Rourke, 2003). Shareholders look at a company's internal practices and behavior such as employment policies and benefits and external operations such as effect on the environment and local people, as well as its product offerings, to determine whether they should own the firm (Yang & Rivers, 2009).

Parent Firm Relations

This applies in case of parent and subsidiary companies. Subsidiaries which rely heavily on their parent company for resources and internal legitimacy are less likely to adopt local CSR practices. Internal legitimacy refers to the acceptance and approval of it by the parent company. Internal legitimacy is critical to the survival and growth of a subsidiary if it depends on the parent company for continuing access to vital resources such as capital, technology, and knowledge. Dependency will determine the extent to which the parent firm will exercise its power and the extent to which the subsidiary will adopt the organizational structures, policies, and practices internalized within the parent company to achieve internal legitimacy, or whether it will twist to the local CSR practices to establish external legitimacy. According to Yang & Rivers (2009), the more dependent a subsidiary is on its parent company, the more it will lean toward following its parent company's CSR practices to maintain its internal legitimacy and less likely it will be to embrace local CSR practices in a host country.

MNCs' subsidiaries are also influenced by their parent firm's legitimacy. Because people tend to make sense of social events by categorizing events based on certain schemas or by stereotyping (Zajonc & Markus, 1985), if a parent firm experiences a reputation crisis, then we expect there will be a stereotyping effect carried

over to the subsidiary. In order to overcome such liability, subsidiaries usually depart from their homeland CSR practices and adopt local CSR practices, instead (Yang & Rivers, 2009).

Selection of CSR initiatives

Companies differ in the level to which they engage in CSR activities. Some merely engage through insincere support while others fully integrate CSR into their business operations to contribute to issues such as environmental sustainability, human rights, and community welfare. In Lebanon, most CSR initiatives are led by the private sector and civil society groups (Daily Star, March 19, 2013).

Companies should apply their distinctive strengths valid in their particular competitive context to select specific CSR initiatives, especially those that represent recurrent undertakings in order to realize full benefits. The argument for CSR investment is to gain financial benefits and to improve long-term growth and profitability (Yuan, Bao & Verbeke, 2011; Jamali, Zanhour & Keshishian, 2009).

According to the stakeholder model, a company must be aware of and respond to the various demands of its stakeholders (Pedersen, 2006). Types of stakeholders are depicted in the figure below:

Figure 1

Stakeholders according to Pedersen (2006)

Selection of CSR initiatives requires decision and mechanism. And so it is important to ensure control of who is leading and implementing the CSR initiatives. Is it by an independent CSR department? or the Marketing and Public Relations department? Or the Human Resources department? Is there a full-time position that controls these initiatives or is it a role accreditation? (Lounsbury, 2001)

Yeung (2011) stated that to become a socially responsible bank and meet customer requirements, banks should "establish a mindset of risk management, business ethics and corporate social responsibility through internal management of people and process; understand complex financial products through external management of economic situation and internal management of people and process for the benefit of investors, management and community; and protect rights of customers through setting up channels for customers to address complaints through internal management of

implementing strategy for financial crisis and external management for stakeholder consideration, accountability and creditability". Thus banks shall have appropriate policy in place for establishing positive organizational culture and socially responsible mindset among staff members. If commitment for becoming a socially responsible banking organization between management and staff, and accountability and creditability can be demonstrated through effective and efficient internal audit, customers and the community will be benefited with risks reduced and quality enhanced.

Rangan, Chase & Karim (2012) mentioned that corporate leaders drive CSR when they have personal commitments to contribute to the community/society they live in. Many initiatives originate in the field or from the staff in a bottom-up approach, while some are top-down initiatives from executive management.

Whoever originates the initiatives, types of CSR programs should be determined by the company's core competencies, institutional capacity and its ability to excel in either philanthropic, value chain or environmental CSR efforts. In the process of CSR selection, Rangan *et al.* (2012) divided CSR initiatives into three main categories:

- *Philanthropy Giving:* a normative institutional force revealing CSR engagement due to doing a good thing. It expresses the social and environmental priorities of the company's founders/management or employees. It is exclusive of any profit or direct benefit to the company and not linked to business strategy

- *Re-engineering of Supply Chain*: CSR initiatives are managed by an Operations Manager in the supply side and Marketing or CSR Manager in the demand side. It increases business opportunities and profitability while co-creating economic and social value by improving operational effectiveness throughout the value chain

upstream or downstream

- *Transforming the Ecosystem:* through disruptive change in the company's business model to set a priority for crafting solutions to societal problems which will lead to profits in the long-run. Here initiatives are usually managed by the CEO or the senior management of the company since it contains elements of risk

According to Rangan *et al.* (2012), a lot of companies are practicing an ad-hoc version of CSR instead of a strategic "shared value" approach. But how can CSR initiatives be strategic and create shared value?

To determine the potential for meaningful CSR initiatives, there should be focus on the potential of the impact on employees, initiative to provide competitive advantage, the company's core values and monitoring by external bodies (Hess & Warren, 2008). Many writings and articles acknowledged the likely positive impact of CSR programs on employees' pride to work for the organization (Gond, Igalens, Swaen & El Akremi, 2011).

The meaningfulness of social initiatives depends on its effectiveness and efficiency to meet the society's needs rather than benefits of a company. The more it is integrated in the company's practices, the more it is successful and sustainable and thus has impact on the society (Hess & Warren, 2008). It is also based on the use of strategic resources in the initiatives and its connection with the company's core competencies (Hess & Warren, 2008; Pearce & Doh, 2005; Porter & Kramer, 2006). Social responsibility should "be an integral part of core organizational strategy, with assigned responsibilities and accountability at all appropriate levels of the organization. It should be reflected in decision making and considered in implementing activities" (IOS, 2010).

Companies that align their CSR strategy with their corporate identity are more likely to experience strong employee participation in, and commitment to their CSR

programs. Furthermore, a company's senior management must be committed to fully

empowering local managers to decide on the extent to which they may commit

employees – and allow employees to be committed– to the fulfillment of their core

values. Without this empowerment, local employees may lose enthusiasm for CSR

implementation. Worse, lack of full local empowerment may result in decision paralysis

and critical delays in implementing CSR programs (Chong, 2009). Empowerment not

only means staff involvement in devising organizational policies, but also delegation

and participation in decision-making (Yeung, 2011).

Intranet websites dedicated to CSR is another channel whereby employees can

provide feedback to the organization on its CSR policy, hence influencing indirectly the

design of CSR programs targeting them or external stakeholders (Gond *et al.*, 2011).

The perception of CSR has changed considerably (Aasad, 2010). Only when

internal and external benefits are aligned and realized will there be meaningful CSR

initiatives (Hess & Warren, 2008).

As per Jamali, Zanhour & Keshishian (2009), to routinize recurring CSR

initiatives means developing these as stable patterns of decision making and action

intended to improve every new CSR initiative's internal coherence with other CSR

practices, as well as internal and external consistency, respectively, with prevailing

business routines. The levels of internal fit, when combined with the external fit

between CSR initiatives and societal stakeholder demands for particular CSR activities,

will ultimately determine the credibility and effectiveness of CSR initiative outcomes

(Yuan *et al.*, 2011).

Figure 2

How CSR initiatives fit
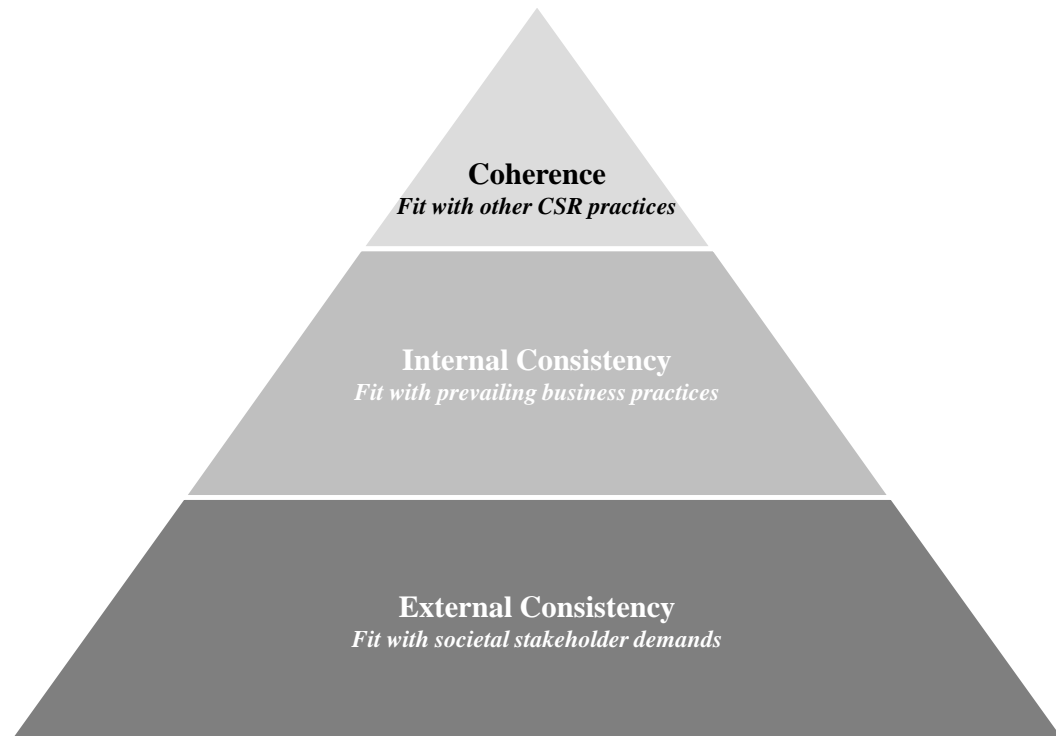
This paper refers to the use of core–periphery approach (Hannan & Freeman, 1984; Siggelkow, 2002) to explore the various approaches that firms can select when they add recurring CSR initiatives to their existing business operations. Following are seven (7) patterns of CSR initiative adoption through a core-periphery perspective depicted from Yuan *et al.* (2011):

Figure 3

Core-periphery perspective of 7 patterns of CSR initiative adoption

	Characteristics
1 **Born CSR Oriented**	• Unified CSR routines are critical part of the organizational systems from inception • Is a result from the values of the firm's founders • Have been heavily involved from birth in CSR activities • Business operations complement with CSR practices
2 **Patching** **Creating new CSR Core Routines**	• CSR elements interact with other current organizational routines and/or exert major influence on future organizational practices • CSR co-determines organizational purpose, helps mold the firm's identity, and influences resource distribution • Involves changes in organizational processes and in competences throughout the value chain • Requires significant investments in capital, intermediate materials and labor
3 **Thickening** **Adding core-extending CSR practices**	• Supports and reinforces existing core business and CSR routines • Changes in these core routines do affect the content and process aspects of peripheral elements • Reinforces existing core elements if the value of each element is increased by the presence of the other element
4 **Positioning**	• Adding independent, peripheral CSR routines that are not central to the firm's strategy and operations and do not exert much influence on the firm's future development trajectory
5 **Relabeling**	• Current CSR routines may be established before CSR became a popular concept and without being recognized as CSR-related • In some cases, peripheral practices can easily be relabeled, and support a more positive image of the firm, as perceived by consumers and society even when core practices are involved
6 **Trimming**	• Is used to reduce negative exposure • Core and peripheral routines that are detrimental to CSR are trimmed as a precursor for subsequent adding of CSR Practices
7 **Cooperating**	• Is a form of alliances among firms, non-governmental organizations (NGOs), non-profit organizations (NPOs), and other stakeholder groups • Social partnerships are a commitment by a corporation or a group of corporations to work with an organization from a different economic sector (public or nonprofit)

Social partnership addresses issues that extend beyond organizational boundaries and traditional goals and lie within the traditional realm of public policy. It requires active rather than passive involvement from all parties. Participants make a resource commitment that is more than merely monetary. There are differences in the structures of cross-sector relationships ranging from formal agreements (Austin, 2000) to informal unattached collaborations (Berger, Cunningham & Drumwright, 2004). The first phase of partnership implementation is therefore Partnership Selection, which commences with the decision to choose partnership as the preferred associational form rather than other forms of community involvement (Seitanidi & Ryan, 2007). This decision is usually influenced by the strategic objectives of each organization.

Assessing the options of possible partners is the next step and involves talking to various non-profit organizations in order to determine the potential of each option.

Role of Employees in Setting and Implementing the CSR Initiatives

Identification and engagement with stakeholders are essential to social responsibility. All organizations should identify who has a stake in its decisions and practices (IOS, 2010). There are several reasons why organizations should engage with its stakeholders:

- It can be used to increase understanding of the consequences of the decisions and activities

- It can be used to determine how to increase the positive impact of the decisions and practices

- It can be used to determine if social responsibility is perceived as credible

- It can be used to help improve performance

- It can be used to reconcile conflicts

- It can be used to contribute to the learning of the organization

- It can be used to fulfill legal obligations

- It can be used to enhance transparency

- It can be used to form beneficial partnerships (IOS, 2010).

Pedersen (2006) adopted the work of Marion Young & Jacob Torfing to conclude his paper that the stakeholder dialogue consists of several levels of engagement ranging from inclusion, openness, tolerance, empowerment and transparency.

Inclusion means that if important stakeholders are excluded from the decision-making process, the relevance of and anticipated benefits from the dialogue will be

limited. In an ideal scenario, the stakeholder dialogue should include the important

groups and individuals who affect and/or are affected by the decision on the issue in

question, one of whom are employees. Involvement in management decision making is

defined as having managers who actively pursue information and new ideas from

employees to direct decision making (Galinsky, Bond & Hill, 2004). The Gallup

Organization found that involvement in decision making is related to job engagement,

satisfaction, and retention (Gallup, 2001). Employee participation in decision making

facilitates psychological empowerment which in turn results in lower levels of

emotional exhaustion and higher job satisfaction (Laschinger, Purdy, Cho & Almost,

2006; Laschinger, Purdy & Almost, 2007). *Openness* means allowing stakeholders to

make their own judgments, problems, issues and voice their opinions in an open

manner. *Tolerance* means that the stakeholders and the organization involved must be

open-minded toward alternative and critical voices that may bring new ideas and

insights to bear on the issues that the company is trying to solve. *Empowerment* refers to

the level of engagement that is affected by the degree to which the stakeholders are able

to affect the structure, process, and outcomes of the dialogue. Low levels of freedom

and equality in the dialogue indicate low levels of commitment and imbalances of

power. Finally, the degree of *transparency* is an important element in the stakeholder

dialogue because neither the involved parties nor outsiders are able to hold the company

(or the stakeholders) accountable without access to information about the process and

outcomes of the dialogue. But how shall a company analyze multiple concerns and

issues and not necessarily compatible interests with limited information-generating

capabilities? According to Pedersen (2006), the company has to develop a selection

filter separating central stakeholders from less important ones. Otherwise, the

stakeholder dialogue would have to include everyone and everything. Distinctions have

been made between primary and secondary stakeholders, involved and affected

stakeholders, voluntary/involuntary stakeholders and internal (inside the organization)

and external stakeholders (outside the organization) as well as market (suppliers,

customers, competitors, and business partners) and non-market (public authorities,

NGOs, the media, neighbors) stakeholders. Moreover, Mitchell, Agle & Wood (1997)

have introduced three criteria to evaluate stakeholders—urgency, power, and

legitimacy. After the stage of voicing concerns, comes the interpretation filter which

transforms the stakeholders' multiple voices into a number of decisions (Pedersen,

2006).

When implementing these decisions, knowledge and awareness of managers is

an important driver for the successful implementation of stakeholder dialogue.

However, stakeholder dialogue is not just a management task. The implementation filter

also depends on the social and environmental consciousness of the employees and how

they translate the outcomes of the stakeholder dialogue into practice. After all, it is the

employees who make and remake the relationships with the company's stakeholders in

their everyday interaction with these groups and individuals (Pedersen, 2006).

Commitment is also an important factor that affects CSR implementation. Without

commitment from the key persons involved in the planning and implementation,

practically all initiatives are likely to fail. For instance, evidence indicates that

management commitment and employee involvement is important when implementing

environmental management systems (Pedersen, 2006). Another factor is consensus

which refers to the degree to which the organization and the stakeholders agree on their

perceptions of the issues in question and the relevance of dialogue more generally. It

concerns the level of harmony/conflict between the parties involved in the dialogue and

between those parties and the implementing agents. With regard to the latter, lack of

consensus between the participants in the stakeholder dialogue and the implementing

agents may create a gap between the results of the dialogue and the observable practices

that undermine the trust between the company and its stakeholders.

According to Witt & Redding (2012), people who ultimately determine the

CSR activities of firms are the senior executives where their values and behaviors are

likely to be important co-determinants of institutions governing CSR and of varieties of

CSR. While the decision to allocate resources and to change the organization – as when

deciding CSR commitments – usually starts and ends with the management board.

The exclusion of stakeholders and their non-involvement in CSR initiatives has

tended to affect the successful implementation of corporate responsibility programs.

This top-down approach to CSR creates gaps between executives and the employees

concerning appropriate sources and ownership of CSR initiatives (Bhattacharya, Sen &

Korschun, 2008). The authors argue that a more strategic approach is to give greater

ownership of the CSR initiatives to the employees, since they wish for greater roles and

to be co-creators of the CSR value and this would energize and empower them. The

employees are the most strategic of these stakeholders, and their involvement in CSR

initiative affects significantly on the bottom line (Inyang, Awa & Enuoh, 2011).

Human resource professionals are very well positioned to implement any CSR

initiatives or programs that will engage and benefit both the company and its

stakeholders (Glade, 2008; Fenwick & Bierema, 2008).

If employees feel ignored in the decision-making process, then the

implementation of initiatives can be jeopardized (LaNuez & Jermier, 1994). One of the

implicit or informal sanctions that can be imposed is the negative publicity that can be

generated as a result of wrong or unsuccessful outcomes (Seitanidi, 2009).

By not involving the employees at the early stages of the decision-making

process, the management disregards important input from employees that can be offered to the negotiation process that might not be known to the management. Furthermore, an internal consultation could provide a first indication of the willingness of the employees to partner with the company. This is crucial for the success of the initiative as the employees are the implementers. The voices of internal stakeholders need to be taken into consideration in the decision-making process to safeguard effective implementation in all the stages of initiatives. Missing the opportunity to involve employees at the early stages creates concern and resistance and a sense of unfairness (Seitanidi, 2009).

If employees participate in decision making in different stages of the CSR program, they would be exercising their judgment on implemented practices and programs, developing inter-personal relationships for professional purposes, improving team work, facilitating the development of informal relationships, assessing their personal commitment to change and facilitating change in practices and behaviors on the personal level (Seitanidi, 2009).

The personal values of managers may contribute to the creation and maintenance of 'CSR cultures' in their organizations; that is, organizational cultures focused on ensuring environmental and social sustainability (Duarte, 2010). At the core of CSR cultures are organizational values, the values of individual managers, and their commitment to keep these values alive in the organization. This generates specific structures (e.g. CSR Division; Community Relationship Unit); practices (e.g. community-oriented policies and initiatives; occupational health and safety rules), and symbolic manifestations (e.g. company mission; code of conduct; special events to strengthen bonds between organization and community) (Duarte, 2010).

Current managers and employees with high potential to become senior managers in the future (high potentials) play essential roles in ensuring that CSR

becomes integrated into all policies, practices and processes (Duarte, 2010). Stancu,

Grigore & Rosca (2011) predicted that women were more likely to participate in

company organized social engagement activities and that the form of activity mostly an

employee engaged in was giving donations.

      All stakeholders have a role to play in setting the CSR agenda, but first it needs

considerable buy-in from senior managers (Thomas & Simerly, 1994). Senior

management is responsible for creating ''a vision for the future which is aligned to the

demands from the environment and communicating this vision in a manner that inspires

people to act in accordance with the vision'' (Were, 2003, p. 248). If managers fail to

demonstrate this strong moral responsibility, according to Hemmingway (2005), it is

doubtful whether greater CSR integration is possible (Lindgreen, Swaen, Harness &

Hoffmann , 2011).

      Responsibility for the development of CSR within the organization and its

usage falls onto managers, as well as those being groomed to become senior managers

in the future. Yet research does not tackle the role that high potentials who are the future

managers may play and how the organization can support them (Lindgreen *et al.*, 2011).

      CSR implementation requires employee awareness which starts with an

induction program. The goal of this induction is to make employees aware that in their

work they should not only focus on profit, but also on people and planet and that CSR

has to become part of every project they are involved in (Lindgreen *et al.,* 2011).

CHAPTER III

RESEARCH METHODOLOGY

Reported in this study are the findings of a qualitative study that emerged from a one (1) month project carried out during April 2014. The primary technique for data collection was semi-structured, face-to-face interviews with five (5) managers responsible for CSR programs and one (1) Human Resources employee in five (5) banks located in Lebanon. Semi-structured interviews are suited for allowing the reconciliation of systematic data collection with flexibility (Bernards, 2000), and this allows probing around the main constructs and concepts identified in the literature, while remaining responsive to case-specific issues that may be of interest.

IRB approval was required and successfully obtained for this study. In line with ethical standards, the participants were informed that their participation in the interviews was voluntary and if they decided not to participate, no penalty would take place.

The participants were contacted by email and the participants were asked to sign an informed consent form for their participation in this study that included the nature and purpose of the project, explanation of procedures, potential discomfort and risks, potential benefits, incurred costs, alternative procedures, alternative to participation, termination of participation, confidentiality, withdrawal from the project, debriefing and who to contact in case of questions. After obtaining approval on the consent form, the participants were contacted to arrange a convenient date and time for the interview.

The interviews, which lasted for an hour and a half, were audiotaped with the

participants' permission, and later transcribed at the American University of Beirut.

Furthermore, to ensure anonymity and confidentiality, the names of the participating

banks and interviewees have been replaced by pseudonyms (A, B, C, D and E) ordered

based on interview dates. Below is a table that details the participants interviewed (in

pseudonyms), department, date and place of interviews:

Figure 4

Details of Interviews

Participant Pseudonym	Department	Date	Place
A	CSR (Communications)	April 10, 2014	Office, Bank A
B.1	HR	April 15, 2014	Meeting Room, Bank B
B.2	Communications	April 26, 2014	Office, Bank B
C	Marketing and Communications	April 16, 2014	Office, Bank C
D	Marketing and Communications	April 22, 2014	Office, Bank D
E	CSR	April 25, 2014	Office, Bank E

One of the contributions of this paper is that it is not putting forward a theory

model but rather it presents a practice-tested model in Lebanese Banks that can inform

theory.

In order to conduct this study, a three (3) step approach was followed as

detailed in the figure below:

Figure 5

Research Approach

Initiation	**Data Collection and Analysis**	**Discussion and Conclusion**
▪ **Research literature pertaining to antecedents of CSR, selection of CSR initiatives and role of employees in setting and implementing CSR programs** ▪ **Draft literature review based on findings of the research** ▪ **Prepare interview questions to communicate to Lebanese Banks** ▪ **Select and contact Lebanese Banks asking for permission to participate in the study**	▪ **Carryout interviews with CSR officials in Lebanese Banks to collect data** ▪ **Transcribe the interviews conducted** ▪ **Analyze data collected in a thematic qualitative manner**	▪ **Discuss findings and infer alignment to research findings** ▪ **Benchmark similarities and differences of study findings as per literature findings**
4 weeks		

CHAPTER IV

RESEARCH FINDINGS AND ANALYSIS

The table below represents a thematic template that summarizes the main themes and categories identified through the analysis of the interviews as well as the pseudonyms for a better understanding of the sources of answers. The numbers in the second column "sources" reflect the number of respondents who mentioned a given category.

Table 1

Thematic Analysis of Research Findings

Themes and Categories	Source	Pseudonym
Antecedents of CSR		
Globalization	3	A, B, D
Coercive Institutional Forces	1	A
Mimetic Isomorphism	5	A, B, C, D, E
Normative Institutional Forces	2	A, D
Public Image	5	A, B, C, D, E
Community Voice	1	A
Financial Performance and Economic Conditions	4	A, B, C, D
Competition	5	A B, C, D, E
Consumer Actions	4	A, C, D, E
Employee Power	3	A, D, E
Shareholder Demand	2	D, E
Parent firm relations	0	
Selection of CSR initiatives		
CSR Strategy		
Yes	4	A, C, D, E
No	1	B
Inwards focusing on internal issues	3	A, D, E
Outward concentrating on the expectations of your stakeholders	5	A, B, C, D, E
Sources of CSR Initiatives		
In the field	4	A, B, D, E
Internal: Top-Bottom Approach	4	A, C, D, E
Internal: Bottom-Up Approach	3	A, D, E

Table 1

"Continued"

Themes and Categories	Source	Pseudonym
Categories of CSR		
A		
Philanthropic giving	4	A, B, C, E
Re-engineering of the supply chain	2	D, E
Transforming the eco-system	1	E
B		
Commercial self-interest	2	A, D
Expanded self-interest with immediate benefits	2	A, D
Expanded self-interest with long-term benefits	3	B, C, D
Promoting the Common Good	2	D, E
Core-periphery approach		
Born CSR Oriented	0	
Patching	1	A
Thickening	3	C, D, E
Positioning	0	
Relabeling	4	A, B, C, D
Trimming	1	D
Cooperating	3	A, C, D
Stakeholder Engagement		
Stakeholders		
Employees	4	A, B, D, E
NGOs	3	A, B ,E
Government	3	A, D, E
Customers	4	A, B, D, E
Community	4	A, B, D, E
Management	1	D
Suppliers	2	A, D
Beneficiaries	1	B
Competitors	1	A
Stakeholder Communication Channels		
Intranet	2	A, D
Telephone calls	3	A, D, E
Emails	4	A, B, D, E
Meetings	4	A, C, D, E
Suggestion boxes	2	A, D
Social media	1	A
Call Center	3	A, B, D
Branch employees	4	A, C, D, E
Sponsorship Request Forms	1	E
Surveys	5	A, B, C, D, E
Focus groups	1	B
Website	3	A, C, D
Mystery Shopping	1	D
Training	1	E
Visits	1	E
Workshops/ Conferences	1	E

Table 1

"Continued"

Themes and Categories	Source	Pseudonym
Implementation of Stakeholder Dialogue		
Conscious	5	A, B, C, D, E
Committed	4	A, C, D, E
Consensus	3	A, B, E
Role of employees in setting the CSR Strategy		
Yes	4	A, B, D, E
No	1	C
Role of employees in implementing the CSR Strategy		
Yes	5	A, B, C, D, E
No	0	

Drivers of Corporate Social Responsibility

Bank A

Based on my interview with Bank A which is one of the leading banks in Lebanon, the CSR practice, started in 2006, is managed by a CSR Unit under the Communications Division which directly reports to the Managing Director. It is handled by full-time employees and is not a role accreditation. The bank since its inception and due to the spirit of giving back embedded in its founders had social concern for the society in which it operates. Social responsibility was in the form of philanthropic actions, donations, and support for arts and culture. It wasn't named CSR back then but with time and CSR notion development and awareness, this practice was enhanced in the bank.

CSR impacts public image especially through word of mouth according to Participant A in Bank A.

> They sure do impact because first it's the way employees are being dealt with. Employees are considered the bank's ambassador. If an employee is happy, this reflects to the outside the bank and also if the employee is not happy, he or she will talk and this creates a bad image. The client is the same thing. If we have an unsatisfied client,

through word of mouth, this reflects negatively on the bank. If we are not taking his needs into consideration and if you are not following-up on his/her needs. All these are part and so of course when you are socially responsible, it's good for your image and it helps you retain your employees, retain your clients and win of course (Participant A, personal communication, April 10, 2014).

In Lebanon, the Collective Labor Agreement (CLA) states the minimum rights of employees that should be abided by all banks in Lebanon. It sets requirements for banks to apply certain requirements that are considered to be sociable responsible such as salaries, allowances, working hours, employee leave, employee relations, medical assistance, learning and development opportunities, etc. According to Participant A, the Collective Labor Agreement is one legal driver for internal CSR.

Bank A is in partnership with several NGOs in Lebanon and these partnerships enforce certain requirements that should be abided by both parties within an agreed period of time. Mostly, these partnerships address environmental, human and arts and cultures areas. These partnerships are formed based on requests from the NGOs and after risk assessment is performed by the bank.

We assess the credibility of the initiative, its sustainability, value, political or religious affiliations the NGO is linked to (these are directly rejected), and legal stance. We also check how well planned the requested program is, its time, beneficiaries, investment amount, its benefits to the community, its link to the bank (alignment to strategy) and the key performance indicators. Before, we had no measurements and we were suffering because we couldn't measure the impact of initiatives in a time figures are needed to perform cost-benefit analysis (Participant A, personal communication, April 10, 2014).

Competition also plays a role in implementing CSR initiatives according to Participant A and imitation is taking place between banks and between organizations too. At this stage, this is not seen as negative for the community; on the contrary, it is positive because it provides awareness of the ways to benefit the community. In this regard, Participant A conducted a study two (2) years earlier about the CSR practices in

the Lebanese banking sector to identify where Bank A stands in terms of CSR and how

much is the level of awareness in other banks in Lebanon. The study appeared to be

quiet advanced because there was still misconception between CSR and philanthropy.

There are certain CSR initiatives that Bank A is adopting which are not very

costly. However, demands for initiatives that require huge financial investing in the

community such as partnerships have been increasing. Nonetheless, the budget

allocated for CSR in Bank A has not changed to date. What changed is that some

initiatives that are recognized not to add value to the community and to Bank A were

removed.

> But I can imagine that it can affect in this aspect. If there would be a
> point of budget restrictions, this is the first thing I imagine will be cut
> down but so far it never happened at our Bank (Participant A, personal
> communication, April 10, 2014).

According to Participant A, consumer actions do affect CSR decisions and for

this reason, the bank seeks feedback from its clients in order to ensure their needs are

addressed. Through sponsorship requests, requests through branches, mystery shopping,

call center and customer satisfaction surveys, they obtain feedback and/or requests from

clients on the offered products and services and on CSR initiatives in order to retain

them. They study the requests and respond according to needs and bank strategy.

Employees, also influence the CSR adoption at Bank A. Although their

requests are much less than that of the community, however it is also reviewed and

adopted if feasible. Examples include smoke-free office and branch space and flexibility

in working hours where working mothers now work from 8.00 A.M to 15.00 P.M

Monday to Friday and half a working day on Saturday. These practices were

implemented based on requests from Bank A employees.

Shareholders in Bank A do not affect the bank's CSR initiatives.

> Honestly at the time being not very much. The owners of the bank are aware in CSR but with respect to shareholders there is still no interest to influence such initiatives (Participant A, personal communication, April 10, 2014).

Bank B

Based on my 2 interviews with Bank B, the CSR practice is managed by the Head of HR, Head of Communications and Head of Retail for banking products. Thus it is a role accreditation. The bank's Chairman recognizes the importance of CSR and that is what caused them to start implementing ISO 26000 recently. Social responsibility was in the form of philanthropic actions and donation. It wasn't named CSR back then but with time and CSR notion development and awareness, this practice was enhanced in the bank.

CSR impacts public image but it is not quantifiable at Bank B. But they recognize the impact through word of mouth, participation rate in events, feedback from schools and universities they work with, attendance in workshops, number of students requesting participation in projects, sales of cards, requests to participate in career events and participation rate in the bank's events. During the first event in one of their CSR initiatives 600 people attended. In the final event they did last month, number of attendees reached more than 3,000.

> We are about end-results and not propaganda. We are not working to attract clients but for people who need our CSR program to get the benefit (Participant B.1, personal communication, April 15, 2014).

> The external programs that we have till now have a certain image and impact. However, every one or two years we have to rebirth them and use the advertising part. Till now we did not launch a CSR report that also helps communicating our efforts but we will. They must be advertised for people to know. We do not have statistics so far (Participant B.2, personal communication, April 26, 2014).

Bank B officially partners with only one party for the safety of the Lebanese community. The rest are informal and are not stated in contracts. This partnership was

formed based on a request for donation from the official partner. After performing a risk

assessment, Bank B's management decided to provide monetary support based on a

credit card sale where all bank revenues would be transferred at the end of the year to

the partner.

> We assess the legal, financial and ethical status of the requesting
> party. We reject associations that are politically and religiously biased.
> We try to be equal and neutral. We also assess the quality of initiative,
> amount to be invested and number of beneficiaries. Last year, we went
> on a visit to check the credibility of one of the associations and found
> out that they were making employees work underground for long
> working hours to produce their products. We directly refused their
> request because it is inhumane. We also don't give loans to schools or
> hospitals because we can't close them when they do not pay us back
> because then we would be unethical (Participant B.2, personal
> communication, April 26, 2014).

> Competition played a role in driving CSR but during its initial years in

Lebanon in 2009.

> CSR started in 2009 in Lebanon and competition started because of
> jealousy. Now it is less and but more mature due to the real
> understanding of what is CSR. There is no more real competition and
> now I see what actually fits us to be viable and sustainable and don't
> look at what other banks are doing. There is no need to do the same as
> others. We are not environmentally oriented and this is defined from
> the beginning. With respect to education, all banks are giving to it in
> the form of scholarships. Yes they are taking the general idea and
> doing it in their own smart way. Some do accounts, some cards, some
> scholarships, etc. but the general idea is the same. (Participant B.1,
> personal communication, April 15, 2014).

> Two other banks copied our youth oriented programs but died now.
> Not all banks really want to do CSR but because of competition, trend
> and ROI, they engage in it (Participant B.2, personal communication,
> April 26, 2014).

> In Bank B, according to the participants, there is no CSR budget. The budget

that HR, Communications and Retail Divisions request include CSR implementation

financial resources but are not labeled as CSR. And since they still did not quantify the

CSR practices, the participants could not provide a direct answer whether CSR affects

financial performance and vice-versa.

> Logically speaking, if there is profit deficit, management would cut costs on practices that do not bring money in return (Participant B.1, personal communication, April 15, 2014).

> I don't have statistics and numbers but that is my future aim. Management still see our CSR initiatives as a cost; not an investment. Our Chairman believes in these initiatives but does not know their financial impact (Participant B.2, personal communication, April 26, 2014).

> According to Participant B.2, consumer actions affect CSR decisions generally

but not yet in Lebanon.

> Yes, giving what we have as feedback from outside Lebanon in really developed countries. But today in Lebanon, there are still more needs (in Maslow's Hierarchy of Needs) that need to be fulfilled before the idea of being socially responsible. We only sense that in people who used to live outside Lebanon and come to live here and open accounts or take loans, but they are very few (Participant B.2, personal communication, April 26, 2014).

> According to Participant B.2, employees still do not influence the CSR

adoption. In Lebanon all they care about are the salaries, benefits and nepotism.

> Shareholders in Bank A do not affect the bank's CSR initiatives.

> None of the shareholders have decided to invest in or out of our bank because of our socially responsible practices (Participant B.2, personal communication, April 26, 2014).

Bank C

Based on my interview with Bank C, the CSR practice, started in 2012, is

managed by the Marketing and Communications Division which in turn is headed by a

Marketing Committee that consists of the CEO, Deputy CEO, and Heads of Corporate

Business Development, Retail and Branches and Corporate Banking. It is a role

accreditation because it is managed by a position that is in charge of marketing,

communications and CSR functions. Social responsibility was in the form of some

philanthropic initiatives and small activities with universities specifically but it was

never formal and systematic. It wasn't named CSR back then but with time and CSR

notion development and awareness, this practice was enhanced in the bank through

resource planning and implementation.

There are no pressures for CSR engagement in Participant C's point of view.

Even when asked whether the Collective Labor Agreement is considered a legal

pressure to provide employees with minimum rights and benefits, Participant C did not

agree that the Agreement is a pressure because they are even going beyond the

minimum required for employees.

> Our main CSR Strategy is voluntarily towards education and youth.
> Although sometimes we participate in cultural events that are the
> result of nepotism (because it is related to people whom our Bank has
> interest with such as VIP clients or we are interested in having
> presence in their community to open a new branch or interact for
> business-related matters), this is not considered a pressure since we
> decide to participate in it.

> In terms of working hours, leaves and allowances it's the same as
> required by the CLA but we give employees work-life balance,
> organize social activities such as hiking trips, team building and other
> training in open air. Also we launched an award-winning and
> accredited e-learning program for employees who don't have time to
> go to universities or cannot afford paying accessed through the
> intranet or from home. Employees are also offered discounts at
> restaurants, stores and annual events. All these are more than what the
> CLA states and we do because we want to do it. (Participant C,
> personal communication, April 16, 2014).

CSR impacts public image according to Participant C in Bank C because

through their initiatives, they are perceived as a human bank that gives and not only

takes from the community. It is for differentiation and perception in people's minds.

> We are the only bank in Lebanon that has affinity with six (6)
> universities in Lebanon. These affinities helped us a lot because
> through them we had quicker access to students – the young
> generation and we could proof to them that we are a credible and
> human brand that is there for them and not only a business brand. The
> programs we prepared for them were smoothly transmitted and very
> easily accepted by them through the affinities. We offer them an
> account which leads to draws for 18 scholarships for all students in all

universities .We also have a credit card tailored for students and staff
and faculty for them to spend with a limited amount according to
status. While spending, part of the revenues that the bank gets is given
to the account of the university for financial aid or for development
purposes. Also we provide tailored educational loans for graduates
and postgraduates. In addition to those, we have a program that gives
prizes to achievers and gets national exposure. So yes it affects the
image and identity positively where the bank becomes more known,
closer to students and acquires customers because we are known that
we give money and not take (Participant C, personal communication,
April 16, 2014).

Bank C is not engaged in a lot of partnerships till date especially with NGOs

but they do sponsor or give donations to NGOs. They are currently planning to sign a

one (1) year contract with an NGO to provide support through deducting a certain

amount from the employees' salary. After the first year, they will get feedback from

employees on whether they will continue with such initiative or stop. When choosing

partners, who are mainly providers of education services, Bank C management assesses

the credibility of the other party, legal and financial status, and political and religious

orientation.

... Also, we see the percentage of community benefiting from the
partnership, how much shall the bank invest, value to the community,
how will the bank be perceived in people's mind due to this
partnership because at the end I am a bank and I want to enhance my
image. Due the competition, we cannot stay shy and do things without
speaking out loud. In the risk assessment, we do not take the opinion
of employees. (Participant C, personal communication, April 16,
2014).

Most banks in Lebanon are targeting the youth in their programs because they

are expected to be the future employees and/or clients. This shows competition in

implementing CSR initiatives according to Participant C.

Competition makes you enhance existing initiatives and work more in
what you have because what we have is valuable and affecting and
helping the community. Bank C is now labeled as the one providing
training to students. So many banks have taken the idea of youth
development and tailored their own CSR initiatives. But I have to say
that competition in CSR is a healthy thing for the Lebanese Society.

(Participant C, personal communication, April 16, 2014).

According to Participant C, in spite of the economic crisis in Lebanon, Bank C worked aggressively on CSR practices that were not stopped at any point. The CSR budget is not increasing but it is not decreasing also. On the other side, CSR affected the attraction of customers at Bank C through targeting a new segment of customers via its CSR programs.

> We went into youth because we wanted to create a new segment for us. When we started, we got positive feedback from the community and they pushed us more to work on it because they liked it. When we started, we didn't have a young generation of clients of 18 to 25 years of age and year after year, this customer base increased considerably. With this, we tailored more our offerings from experience year after year. Now customers see the human figure of the brand and so they go to more socially responsible banks (Participant C, personal communication, April 16, 2014).

Employees' feedback at Bank C is not taken into consideration and thus there are no actual statistics about their opinion in new initiatives or whether they like or not existing initiatives. Thus, Bank C cannot provide an accurate answer whether employees influence the CSR adoption or not.

> Shareholders in Bank A do not affect the bank's CSR initiatives.

> We provide the plans and they approve and help us. Our CEO is very active with presidents of universities and he helps us in affiliations. He helps us attract CSR customers. So he has the touch of CSR towards the young generation and adopts it in his speeches and daily life. But our shareholders did not invest in the bank because of its adoption of CSR and would never leave because of CSR (Participant C, personal communication, April 16, 2014).

Bank D

Based on my interview with Bank D, the CSR practice which formally started in 2007 is managed by the Marketing and Communications Division which is also in charge of retail banking, delivery channels such as ATMs, call center and electronic banking. The Human Resources Department also cooperates from an HR point of view

concentrating on internal employee issues. It is a role accreditation because it is

managed by a position that is in charge of marketing, communications, retail, business

delivery and CSR functions. Social responsibility was in the form of some philanthropic

initiatives and small activities but it was never formal and systematic until 2007. It

wasn't named CSR back then but with time and CSR notion development and

awareness, this practice was enhanced in the bank through the development of a

Marketing Strategy that is aligned to the Bank's Strategy.

According to Participant D, there were no legal or regulatory pressures to

engage in CSR other than the buy-in and commitment of the Bank's Chairman who is

also the major shareholder. Partnerships with NGOs also played a role in committing

Bank D to deliver stated and mutually agreed upon CSR initiatives.

CSR impacts public image according to Participant D in Bank D because

through their initiatives, they are perceived as a human and innovative bank that gives

and not only takes from the community.

> I think this is one of the main reasons why I have built my Marketing
> Strategy on humanity and human issues. Although my business
> requires me to take money from clients but also I show them that I am
> giving back and caring and not only looking at the bottom-line. This
> will attract more customers, build trust, assist in positioning, etc. and
> so will attract more customers and companies that want to deal with
> us. Trust is important in the financial industry due to high competition
> (Participant D, personal communication, April 22, 2014).

Bank D is engaged in partnerships with NGOs and this plays an indirect role in

triggering new initiatives for the sake of the public. These partnerships are formed based

on requests from the NGOs and after risk assessment is performed by the bank.

> We also have a lot of partnerships with NGOs where our contracts
> with them trigger us to do CSR work on a yearly basis. We check if
> the partnership would be in line with our strategy; if it provides the
> bank with minimum of exposure; the other's credibility; reputation;
> financial and legal orientation; political and religious affiliations;
> number of beneficiaries, amount invested (Participant D, personal

communication, April 22, 2014).

Competition also plays a role in engaging in CSR according to Participant D

and imitation is taking place between banks and between organizations too.

> Competition is driving CSR because it creates a form of jealousy and
> they do also work in similar activities and this is good to the society.
> Here with social media and advertising, it is easier to access the
> activities of other banks and see what they are doing in the same field.
> Each and every time we launch a service or product or support an
> NGO, we see another bank doing the same in their own smart way.
> We are proud that others are mimicking us (Participant D, personal
> communication, April 22, 2014).

Financial Performance is affected by CSR and vice-versa according to

Participant D.

> CSR is a big budget in Bank D. We do not do Above the Line
> advertising but we do spend more than 50% of our total marketing
> budget on sponsorships and on CSR and human banking because our
> strategy is to work directly with the customer. If profits were not
> enough for a certain year, management will cut on the other 50% of
> the total marketing budget such as on advertisements.

> Even though Lebanon passed through the financial crisis, but still
> banks did make profits and it never occurred till date that Bank D cut
> its CSR budget (Participant D, personal communication, April 22,
> 2014).

According to Participant D, CSR these days is triggered by a segment of

customers but not all.

> When you talk about consumers, you have to chunk them into chunks.
> Let us talk about the age mainly above 45 and below 45. Above 45 do
> not care if you are socially committed or not. They look at their
> bottom-line (51% is majority) and below 45 some of them are
> influenced by who you are. This is with respect to retail banking. If
> we go to corporations, those who are sensitive to CSR, look at banks
> that are socially committed. But I think that these are few in Lebanon
> either global companies or companies that are giving back to the
> society too.

> Yes the numbers of customers increased when we started working
> systematic CSR but we did not yet quantify it. We sensed it from the
> call center which does mystery shopping and do surveys. They call a
> sample of customers and usually get feedback on some CSR activities

which we have done. We have lately created a room in a hospital for children who are diagnosed with cancer. We got a lot of calls and emails that this activity is nice and qualitative feedback (Participant D, personal communication, April 22, 2014).

Employees, also influence the CSR adoption at Bank D.

Yes a lot. When we do events, we communicate them through an interactive internal portal on our intranet. For this cancer room, we got a lot of positive feedback and likes and encouragement. This makes them feel engaged and gives them a feeling of pride.

We also have the VOICE OF THE EMPLOYEE where we do anonymous polls about the activities we do and such events get the largest number of participants and feedback (Participant D, personal communication, April 22, 2014).

Shareholders in Bank D do affect the bank's CSR initiatives.

Sometimes we get folders to study and check sponsorship participation from the shareholders or their wives. We try to participate. But as the Manager, I check if it is in line with the Strategy. The wife of the bank owner and the owner work and lead several NGOS. Also the wives of the shareholders are human oriented. They get sad if a customer closes an account or an employee leaves (Participant D, personal communication, April 22, 2014).

Bank E

Based on my interview with Bank E, the CSR practice which formally started in 2009 is managed by the CSR Department which reports to a CSR Committee involved of 12 members who represent major departments at the bank. It is a full time-position for 4 employees. It wasn't named CSR back then but with time and CSR notion development and awareness, this practice was enhanced.

We realized that we have been practicing CSR for decades except that it was not known or recognized as CSR. Whenever we opened a branch, we looked across the neighborhood, across the sidewalks and immediate neighboring buildings and we did our best to embellish them and to bring them up to our standards. This was practiced CSR. Officially, because this is something we wanted to do, our previous HR had an outlook on CSR back in 2009 and she is the one that said let us have a unit for employee wellness within the social responsibility concept. That is what triggered it. When I was hired to do this job in particular in April 2010, I realized that they do practice

CSR except that it wasn't labeled as such. Taking it from what was recognized as CSR to what has become today was something completely different (Participant E, personal communication, April 25, 2014).

According to Participant E, there were no legal or regulatory pressures to engage in CSR since it is a pure voluntary act that reflects the values of the bank. Even with partnerships with NGOs, Bank E usually approaches them to understand their needs and try to accomplish them. But before that they make sure that the NGO is recognized by the concerned ministry and is not religiously and politically oriented.

CSR's impact on public image and reputation according to Participant E is not quantified yet but through word-of-mouth, the Participant acknowledges that there is a positive relationship between CSR and public image.

This question is sort of a dilemma given the fact that you are still an embryo as CSR and that you are practicing it both internally and externally but the gauges of measurement are not present enough yet to be able to see how your image is changing. Today I am not able to say and give you a quantitative measure. Qualitatively, reputation-wise; hearsay; rumors, definitely. Everybody knows that we have CSR, everybody talks about us, we are in relevant media, so it is recognized and it has an impact. We take it across universities; we make presentations to university students on business ethics, on media ethics, etc. so whoever hears it is impressed. But is it measurable? No. It's too early (Participant E, personal communication, April 25, 2014).

According to Participant E, the Collective Labor Agreement played a role in internal social responsibility initiatives however it did not trigger the adoption of CSR like in other countries that has certain regulatory or tax-related laws for such initiative implementation. The bank offers more beyond the requirements of the CLA. They offer them cooking dancing and acting classes. Employees also have a gymnasium and their own studio. Bank E, which reached 95% maturity in adopting the ISO 26000, also reports according to Global Reporting Initiative (GRI) requirements and recognizes and abides by the regulations of the United Nations Global Compact but it is not a member

yet.

> These make us adopt CSR in a systematic recognized way but again
> we are fully voluntary doing it, out of ethics. They are not mandatory.
> Our recurring initiatives are hurdles. We started CSR and we work on
> achieving milestones and these standards that we mentioned are
> milestones. They are hurdles in the exercise in the race that we are
> running. But there is nothing regulatory that tells us you have to do
> this. It is purely voluntary and that's why we insist on it (Participant
> E, personal communication, April 25, 2014).

Competition also plays a role in engaging in CSR according to Participant E

and imitation is taking place but it is acceptable since it is for the common good.

> We consider competition as one of the stakeholders because we agree
> that the impact we have on the competition is to set that benchmark.
> We acknowledge that if others look at our CSR practice and try to
> benchmark themselves according to us. This is very trendy in Lebanon
> let me say, we would be more than pleased to have more socially
> responsible institutions. It can only have a positive impact. If a
> company wants to be socially responsible, it cannot but have an
> impact. What's the negative impact that it is going to have? At our
> bank we walk and then we talk. We are pleased with what others are
> doing as well. If they announce it they might end up doing it.

> All banks are doing CSR initiatives/ activities. Very few are
> institutionalizing CSR. Very few have the enlightenment to link their
> CSR with the core business, to acknowledge that they have to have a
> policy that they have to have a strategy that has to be built around
> pillars and to link as much as possible their core business which is
> banking to their CSR. Philanthropy and sponsorship are very
> important especially in a government where civil society is practically
> absent except for NGOs and the support we give as banks to NGOs is
> very important but this is not just CSR. What others are still
> immaturely doing which is great and recognizable but it is very still
> immature CSR (Participant E, personal communication, April 25,
> 2014).

According to Participant E, there are no measures at this stage to be able to

quantitatively identify if CSR adoption has improved or burdened the financial aspect of

the bank. Although, they are supporting for CSR financially, but they are initiating pro-

bono and volunteerism that do not account as additional burden or cost.

> So to say that we would withdraw? On the contrary, redirecting our
> efforts to be non-financial yet be of presence. Tougher than the last 2

years we witnessed in Lebanon? The CSR budget stayed the same and
did not decrease (Participant E, personal communication, April 25,
2014).

According to Participant E, CSR can be triggered by a segment of customers

but not all.

What I have had as qualitative feedback has been that the young
people who are the next generation would definitely consider banks
depending on their social responsibility.

We have also run a customer satisfaction survey in the last year where
we said we would donate out of CSR $2 for every filled survey for a
cause. And we had surprising percentage of feedback. So consumers
are aware/ awake. I would say the more educated would definitely
give importance but the mass is the mass (Participant E, personal
communication, April 25, 2014).

Employees, also influence the CSR adoption at Bank E.

Employees do affect the implementation of CSR because CSR is part
of our recruitment process and induction and we try to engage new
joiners in employee clubs and volunteer programs to show their talent.
And we do have a high percentage of engagement (Participant E,
personal communication, April 25, 2014).

Shareholder demand did influence CSR adoption at Bank E according to

Participant E:

Our shareholders have not changed since we declared practicing CSR
but they support and approve our practice. At that time, we had a
DNA of a SR bank so the people who decided to partner in the bank's
ownership already know what they are buying in although it was not
labeled CSR at that time (Participant E, personal communication,
April 25, 2014).

Selection of CSR Initiatives and the Role of Employees

Bank A

Bank A, who is voluntarily committed to build relationships with stakeholders,

is a centralized bank where decision making is taken at the executive management level.

However, line managers and employees are free to suggest new programs or processes.

There is a formal CSR Strategy that is linked to the bank's Communication Strategy and in these days, they are working on reviewing it since they have been selected by LIBNOR, a public institution established to issue, publish and amend Lebanese Standards, in 2013 as a pilot initiative to uptake the International Organization for Standardization ISO 26000 which provides guidance on the principles of social responsibility. Through this step, Bank A considers that all CSR related practices will be centralized and unified in a systematic way. For this reason, a new CSR Committee is formed at the bank consisting of the Head of Communications, Head of CSR Unit, Head of Human Resources, Head of Strategic Planning and Direction with 2 of the Division's employees and the Head of International who is at the same time a member of the bank's committee. The Committee will revise the CSR Strategy and monitor implementation. This means that the Strategy is set by the bank's senior management individuals. A recent survey was done with the bank's stakeholders internally and externally including employees, competitors, clients, partners, Banque du Liban and suppliers (mainly IT and Communications suppliers) to identify gaps in the current Strategy and feed on the revised CSR Strategy and ultimately to the bank's overall Strategy and values which has responsibility as a core value. With respect to the CSR's link to the bank's policies and procedures, Participant A stated the following:
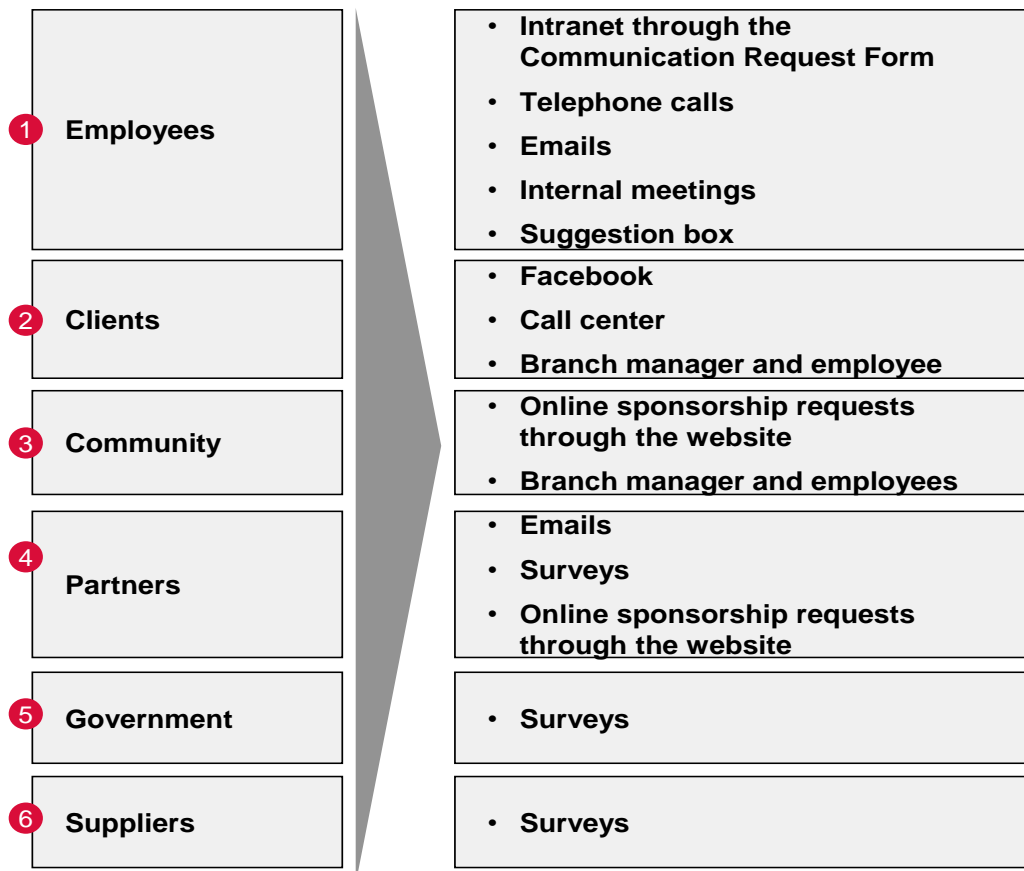
> They exist but here and there. We need to link them together and unify them. You cannot hold a document titled CSR policies. It does not exist. You have related policies in HR, Communications, International and Commercial (who work on the green products). They have strategies and procedures. But we want them to be all under CSR. Now we want to centralize them (Participant A, personal communication, April 10, 2014).

Input for CSR activities is provided from multiple stakeholders mainly the community, clients, employees but the final selection is done by the CSR Unit since some suggestions are not in line with the business Strategy. Major stakeholders

participate in the stakeholder dialogue and are distinguished by internal and external

when deciding on CSR activities and they are determined as follows:

Figure 6

Bank A identified stakeholders and relative CSR Communication Channels

	Communication Channels
1 **Employees**	• **Intranet through the Communication Request Form** • **Telephone calls** • **Emails** • **Internal meetings** • **Suggestion box**
2 **Clients**	• **Facebook** • **Call center** • **Branch manager and employee**
3 **Community**	• **Online sponsorship requests through the website** • **Branch manager and employees**
4 **Partners**	• **Emails** • **Surveys** • **Online sponsorship requests through the website**
5 **Government**	• **Surveys**
6 **Suppliers**	• **Surveys**

The stakeholders have freedom and equality in CSR issues and requests

however they do not participate in decision-making. CSR activities at Bank A are

categorized as philanthropic and their aim is to engineer their value chain in the next

couple of months while pursuing the ISO 26000. They have a commercial self-interest

and in the same time expanded self-interest with immediate benefits. They are CSR

conscious, committed, and have consensus when deciding on the CSR programs or else they would not be doing the ISO 26000 standard as per Participant A. Currently, they are adopting 3 core-periphery patterns out of the seven (7) – patching, relabeling and cooperation.

Implementation of the initiatives is mainly handled by the CSR Unit however employees in other divisions mainly Communications, Commercial and branch employees also participate either through communication or awareness or selling the bank's products and services.

Bank B

Bank B, who is also voluntarily committed to build relationships with stakeholders, is a centralized bank where decision-making is taken at the top management level. However, line managers take decisions in their relevant technical procedures and are not questioned for their technical knowledge. Bank B does not have a stated and communicated formal CSR Strategy but because of their aim to be ISO 26000 certified, they are working on developing a Strategy. According to Participant B.2, the concept of CSR was introduced to the bank by their external consultant who helped them plan for their first initiative. With respect to the CSR's link to the bank's policies and procedures, Participant B.1 stated the following:

> They exist but here and there. We need to link them together and unify them. You cannot each department has its own policies and procedures which include CSR but CSR policies and processes are not unified and formally documented (Participant B.1, personal communication, April 15, 2014).

Input for CSR activities at Bank B has been provided till date from the community and bank employees mainly but the final selection is done by the management. Stakeholders are distinguished by internal and external when deciding on CSR activities and they are determined as follows:

Figure 7

Bank B identified stakeholders and relative CSR Communication Channels
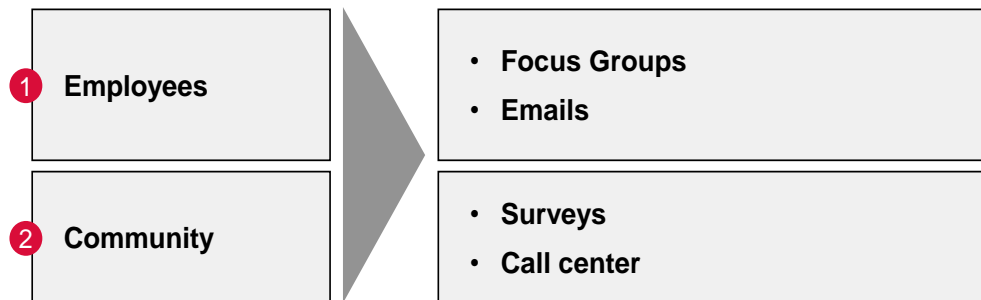
We believe that employees are benefitted twice from our CSR initiatives because they represent part of the Lebanese community (Participant B.1, personal communication, April 15, 2014).

The stakeholders have freedom and equality in CSR issues and requests however they do not participate in decision-making. CSR activities at Bank B are categorized as philanthropic and their aim is to engineer their value chain in the next couple of months while pursuing the ISO 26000. They have an expanded self-interest with long-term benefits. They are CSR conscious and have consensus with their identified stakeholders because they were able to translate the community requests into practice of a long-term CSR initiative directed towards the youth and the association request for donation into yearly practice for the safety of the Lebanese society. However, commitment is still not on the right track due to limited human and time resources.

Currently, they are adopting pattern five (5) of the core-periphery patterns – relabeling because they realized that a lot of their practices are CSR yet they were not labeled as socially responsible since the concept was not recognized.

Implementation of the initiatives is mainly handled by the HR and Communications Divisions in one initiative and Retail Division in the other. Employees

of these Divisions participate according to the procedures but as per Participant B.2:

> Through training and induction programs, employees are made aware of our CSR programs. We do competitions in CSR, seminars, newsletters, performance appraisals that include employee citizenship internally and externally and they are urged to request and implement but they are not taking it seriously and some are resisting (Participant B.2, personal communication, April 26, 2014).
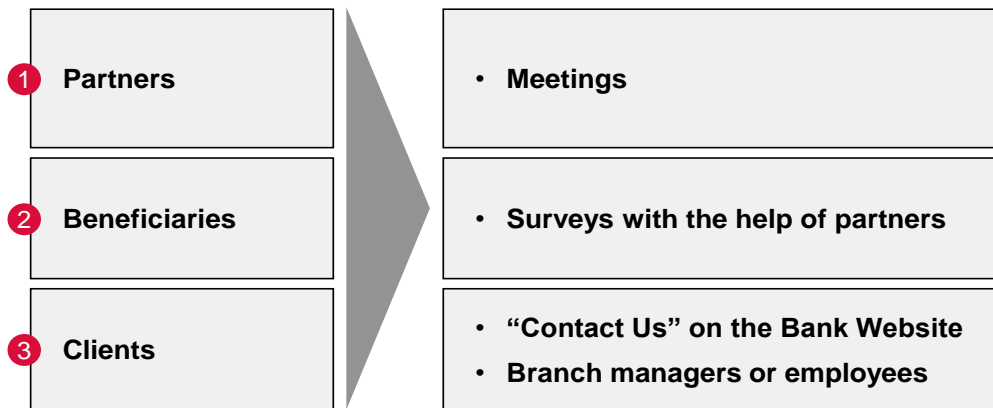
Bank C

Bank C, who is voluntarily committed to build relationships with stakeholders, is a centralized bank where decision making is taken at the executive management level. There is a formal written CSR Strategy that is linked to the bank's Strategy. The Marketing and Communications Head proposes the CSR Strategy to the Marketing Committee which provides comments, or add, or amend and then approve the final draft. Here Bank employees are not involved except for Committee members and employees in the Marketing and Communications Division who assist in drafting the Strategy. With respect to the CSR's link to the bank's policies and procedures, Participant A discussed that there is no CSR policy at the bank; however the Marketing and Communications, Human Resources and Retail policies and procedures entail some aspects of CSR because they are the coordinators of CSR programs (Participant C, personal communication, April 16, 2014).

Selection of CSR activities occur at a top-bottom approach by the Marketing Committee while the Marketing and Communications, Human Resources and Retail Divisions are the major implementers. Bank C does not distinguish between its stakeholders since it focuses on external issues concerning the expectations of their beneficiaries mostly (Participant C, personal communication, April 16, 2014). While selecting socially responsible programs, Bank C involves its current partners and beneficiaries as follows:

Figure 8

Bank C identified stakeholders and relative CSR Communication Channels

The identified stakeholders at Bank C have freedom and equality in CSR issues

and requests however they do not participate in final decision-making. Employees are

not involved in CSR suggestion, selection and decision-making according to Participant

C.

> No we don't have a stake with employees because we address the
> youth. What will employees tell us? They cannot tell us for example
> that product X doesn't bring profit to the branch. The Corporate team
> doesn't care about this youth generation since they are in their
> segment. They deal with big companies. The Global Market
> Division's portfolio is also different (Participant C, personal
> communication, April 16, 2014).

CSR activities at Bank C are categorized as philanthropic. They have an

expanded self-interest with long-term benefits. They are CSR conscious and committed

mostly with their partners who are universities as per Participant C. Currently, they are

adopting 3 core-periphery patterns out of the seven (7) – thickening especially their

youth-oriented programs which affect core business practices, relabeling to the concept

of CSR and cooperating with universities in Lebanon.

Implementation of the initiatives is mainly handled by the Marketing and

Communications Division however employees in other divisions mainly branch and

frontline employees also participate either through communication or awareness or

selling the bank's products and services.

Bank D

Bank D, who is also voluntarily committed to build relationships with

stakeholders, is a decentralized bank where decision making is taken by line managers.

> Line Managers have most the power to take decisions (51% and above
> of decisions) but they do get influenced by senior management
> sometimes who provide recommendations. We look at the influence of
> the activity, benefit, and alignment with our strategy (Participant D,
> personal communication, April 22, 2014).

There is a formal written CSR Strategy that is linked to the Marketing and the

Bank's Strategies. It is proposed by Marketing and Communications and HR and

approved by the top management.

> We have a CSR Strategy which is linked to the Marketing Strategy
> which is linked to the bank's Strategy. The bank's Strategy involves
> several pillars but part of it which is our responsibility is how do we
> want to look in the eyes of the public? We want our bank to be
> perceived as young, dynamic, innovative and human. The CSR
> Strategy is towards the human pillar. We do not neglect the other 3.
> For the environmental part, we are working with an NGO but our
> effort and time and budget, we spend 60 – 70% on the human pillar.
>
> The major player is the Marketing and Communications Head in
> coordination with the Head of HR. Also we coordinate but in a lower
> level with Head of Branches and it is approved by top management.
> Employees participate after initiating an activity through the polls we
> do or Voice of the Employees via the intranet. But we do not do focus
> groups with all employees prior to partnership or initiative
> announcement. Only in my department we discuss such issues during
> internal pipeline weekly meetings and we do voting. Not from other
> departments or in branches. We get requests from the Ministry of
> Tourism or Health for sponsorship or donations in associations or
> events they are managing. That is when we have to tweak our plans in
> Lebanon a lot (Participant D, personal communication, April 22,
> 2014).
>
> With respect to the CSR's link to the bank's policies and procedures,

Participant D stated that not all policies and procedures of the bank are CSR-driven:

> With respect to policies and procedures, we have but where it is
> applicable only. Example: when we launched a certain CSR-oriented
> loan, we bought chocolate and trays and meghleh and placed in the
> branches as if we have a new born. When we invited the press, we
> brought bears and chocolate from sesobel, trays from SOS, etc. even
> our supplies are from NGOs. But not all policies and procedures
> except soft management are not CSR oriented (Participant D, personal
> communication, April 22, 2014).

CSR initiatives are originated in the field and internally at bank D and thus

stakeholders are distinguished as internal and external. Some proposals are given by the

Marketing and Communications Head, some by management, some by employees,

customers, suppliers and/or the government. Details are depicted in the figure below:

Figure 9

Bank D identified stakeholders and relative CSR Communication Channels
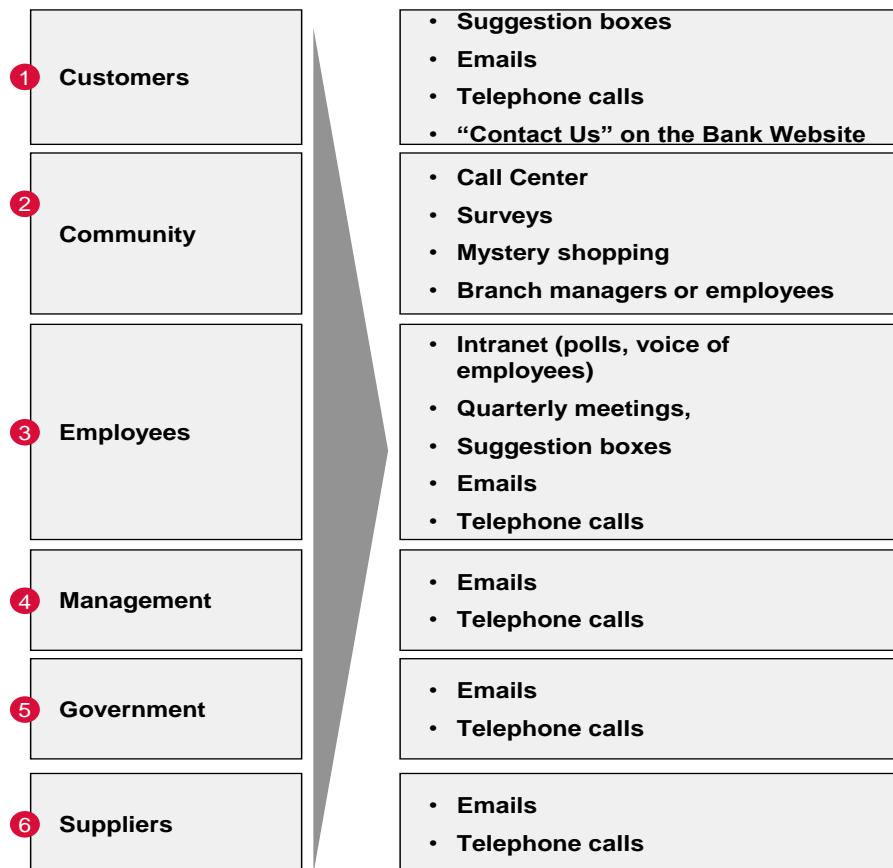
Bank D's approach to CSR is both outward concentrating on the expectations of your stakeholders and inwards focusing on internal issues.

> In addition to our external CSR human and innovative initiatives that consist of low-interest loans, sponsoring arts/music/sports/health events, providing education scholarships; we focus on internal issues via the voice of employees is tailored for employee training which is used to create an e-learning program. One of the courses is values of the bank, another is about CSR, another is about innovation. These courses are made by the bank. Plus flexibility in the working hours, celebrations in birthdays, birth of employee children, promotions, social events like karaoke once every month. There is also a team club which is an independent club consisting of our employees and is 50% financed by the bank (Participant D, personal communication, April 22, 2014).

The stakeholders have freedom and equality in CSR issues and requests however not all do participate in decision-making. They also have access to information about the processes and outcomes of the stakeholder dialogue.

> It is automated through the intranet after every poll for employees where they can see the percentage of likes and dislikes of our initiatives. With respect to the call center, they call customers back to inform them about the corrective procedure. There is always feedback to customers about their satisfaction and comments (Participant D, personal communication, April 22, 2014).

As per Participant D, CSR activities are categorized as value chain engineering. They have a commercial self-interest in CSR and in the same time expanded self-interest with immediate to long-term benefits and also to promoting the common good.

> The thinking is towards promoting the common good. But sometimes I think of the direct benefit it has for the bank. Sometimes its results are in the long-run and still we do them (Participant D, personal communication, April 22, 2014).

They are CSR conscious because they translate a lot of proposals from multiple stakeholders to practice if they are linked to the overall Strategy and are committed when deciding on the CSR programs because their aim is to be a human bank.

Currently, they are adopting 4 core-periphery patterns out of the seven (7) –

thickening, relabeling, trimming and cooperating depending on the nature and cause of

the CSR initiatives.

Implementation of the initiatives is mainly handled by employees based on

their responsibility.

> HR is responsible for the internal CSR. I am responsible about events,
> marketing, sponsorship, coordination, etc. Branches are responsible
> through marketing our products and services and events. We have
> already placed LCDs and did meetings with employees to promote
> awareness on the implemented programs or events. You feel some
> people are engaged and some do not care. We just encourage. We
> cannot oblige (Participant D, personal communication, April 22,
> 2014).

Bank E

Bank E, who is voluntarily committed to build relationships with stakeholders,

is centralized in strategic decision-making but gives empowerment to line managers to

decide on managerial practices. There is a formal, written and published CSR Strategy

and report that is set by the CSR Committee. According to Participant E, 87% of the

bank's employees are aware of this strategy which is built around corporate governance,

economic development, community development, human development and

environment.

With respect to the CSR's link to the bank's policies and procedures,

Participant E stated the following:

> We have our own policy for CSR which is also reported and
> published. We have more than 1000 policies. Some are linked like
> HR, code of conduct, code of ethics, employee handbook. This
> morning I was doing a research about an indicator of GRI and I found
> that health and safety at work. You know that in the banking sector
> there is an important issue is hold-ups, robberies in branches and we
> have a policy for that in our bank and so this is a socially responsible-
> related policy. These were not developed for CSR purpose but are
> relevant. When we signed up for ISO 26000, we recognized that we
> do 95% of the requirements already. The rest are adjustments and not

major changes such as KPIs and reports (Participant E, personal communication, April 25, 2014).

Input for CSR activities is provided from multiple stakeholders but not all in every CSR-related initiative to be decided on:

Not all stakeholders are involved in all CSR initiatives. We distinguish them as per the CSR in question. We have a list of stakeholders and when we want to start an initiative, we know who will benefit and we approach them accordingly. It depends who we are targeting. You cannot generalize in this (Participant E, personal communication, April 25, 2014).

Various channels are used to source feedback on CSR initiatives as per the figure below:

Figure 10

Bank E identified stakeholders and relative CSR Communication Channels

The stakeholders have freedom and equality in CSR issues and requests and the

dialogue is structured around open questions and issues.

> There are 6 employee clubs which evolved for the well-being of the
> employee and they are run by employees so automatically they get
> what they want as long as it makes sense. Music club, green club,
> sports club, travel club, toastmasters and community club conceive,
> create their own SR initiatives. For example our band club came up
> with a concert for a benefit of a cause and so they proposed, they did it
> but not during working hours and told us to report on it. With respect
> to employee-related issues, they talk to HR who is a member of the
> CSR Committee. The final Employee - CSR Assessment Survey
> which has 15% employee participation concluded with a list 57
> suggestions. Furthermore, we engage branch employees and customer
> service officers employees through CSR awareness presentations and
> tell them where we are in the Strategy and they give feedback. It is
> very open, fluid and welcoming. 71% of our employees are aware of
> our CSR initiatives (Participant E, personal communication, April 25,
> 2014).

Upon defining the three CSR categories of CSR initiatives, Participant E stated

that they do all three (3): 40% philanthropic, 30% value-chain engineering and 30%

change in operational model to transform the ecosystem. This is because they are still in

the change phase.

At this stage, they are oriented towards promoting the common good because

CSR is perceived by management as a non-money-generating mission and thus they

don't expect direct tangible benefits in return.

They are CSR conscious, committed, and have consensus when deciding on the

CSR programs because CSR is in their DNA and are committed towards delivering the

good to the society and are accountable in implementing the results of the stakeholder

dialogue.

 Currently, they are adopting one (1) core-periphery pattern out of the seven

(7)–thickening where they are enhancing their business operations through

implementing business-related CSR initiatives.

Based on the nature of the CSR initiative, implementers are identified at Bank

E. Mostly are management and employees.

Pure CSR initiatives are coordinated by this unit but now a lot of
initiatives are affiliated with other departments. For example, our
retail colleagues initiated and did paint a public school. They did
everything and so implementation is not highly concentrated. We also
have volunteering programs piloted, tested and implemented. They
occur during weekends but compensated for during working hours
where employees take a day off instead. For example one of our
partners has public libraries and they are unable to open the library on
Sundays. Some employees volunteered to open their library the first
Sunday of every month to teach the needy how to read, how to play
computer games, how to do crafts, etc. The time spent by the
volunteers is accounted as working hours (Participant E, personal
communication, April 25, 2014).

CHAPTER V

DISCUSSIONS AND CONCLUSION

Drivers of Corporate Social Responsibility

In relation to the antecedents of CSR in Bank A, several drivers triggered the adoption of CSR:

- Globalization

- Coercive institutional forces such as legal and regulatory requirements and through contracts with multiple NGOs

- Mimetic isomorphism due to adopting recently recognized practices

- Normative institutional forces that recently led them to the pursuance of ISO 2006 standards

- Eagerness for enhanced public image

- Community voice

- Financial performance and economic conditions

- Competition

- Consumer actions

- Employee power

In relation to the antecedents of CSR in Bank B, the drivers that triggered the adoption of CSR are:

- Globalization

- Mimetic isomorphism

- Eagerness for enhanced public image

- Financial performance and economic conditions

- Competition

In relation to the antecedents of CSR in Bank C, the drivers that triggered the adoption of CSR are:

- Mimetic isomorphism

- Eagerness for enhanced public image

- Financial performance and economic conditions

- Competition

- Consumer actions

In relation to the antecedents of CSR in Bank D, the drivers that triggered the adoption of CSR are:

- Globalization

- Mimetic isomorphism

- Normative institutional forces

- Eagerness for enhanced public image

- Financial performance and economic conditions

- Competition

- Consumer actions

- Employees power

- Shareholder demand

In relation to the antecedents of CSR in Bank E, the drivers that triggered the adoption of CSR are:

- Mimetic isomorphism

- Eagerness for enhanced public image

- Competition

- Consumer actions

- Employees power

- Shareholder demand

In summary, the research findings are consistent with ISO 26000 that notes the importance of globalization as a driver for CSR. They are also consistent with what Hess & Warren (2008); Jamali & Neville (2011); Campbell (2007); and Sikkink & Smith (2002) stated in their researches that coercive institutional forces such as NGO pressures and legal and regulatory clauses are also drivers of CSR. Also, research revealed alignment with what Lennox and Nash (2003) discussed that mimetic isomorphism exerts pressure to practice CSR. Normative institutional forces are also drivers of social responsibility in certain banks under study and this proves the theories of Hess & Warren, 2008; Trevino, Weaver, & Cochran, 1999; and Campbell, 2007. Findings also revealed that public image, community voice, financial performance and economic conditions, competition, consumer actions, employee power and shareholder demand are divers of CSR and this proves the multiple theories of Hess & Warren (2008); Campbell (2007); Waddock & Mcintosh (2011); Boehm (2002); Yang & Rivers (2009); Waddock & Graves (1997); Kotler (1991); Mohr, Webb, & Harris (2001); (Backhaus, Stone, & Heiner (2002); O'Rourke (2003).

The findings of my research are not in line with Yang & Rivers (2009) and Zajonc & Markus (1985) who reported that parent-firm relations influence CSR adoption and this is because the banks under study are not subsidiaries and thus do not report to parent entities.

CSR Selection

The findings of this research reveal that 4 out of 5 banks select CSR initiatives in the field or from management and 3 out of 5 banks select initiatives from staff and this proves the theory of Rangan, Chase, & Karim (2012) that some initiatives are originated in the field, some from the staff in a bottom-up approach and others through a top-down approach.

The research also disclosed that 4 out of 5 banks categorize their initiatives as philanthropic giving; 2 banks categorize it as re-engineering of the supply chain and 1 bank considers some of its initiatives as transforming the eco-system. This also proves the categorization of CSR as mentioned by Rangan, Chase, & Karim (2012).

Furthermore, the findings prove Yuan, Bao, & Verbeke (2011) five (5) out of seven (7) patterns of the core-periphery perspective including patching, thickening, relabeling, trimming and cooperating. These vary depending on the type and outcome of CSR programs implemented.

Stakeholder Engagement and Communication

In relation to stakeholder engagement and communication in Bank A, major stakeholders are identified (employees, competitors, suppliers, customers, community, partners and government) and are recently being engaged in CSR decision making through various channels such as intranet, telephone, emails, internal meetings, suggestion boxes, social media, call center, branch employees, website sponsorship requests and surveys. Their input is carefully taken into consideration and carefully screened to select value-added CSR initiatives based on set criteria.

In relation to stakeholder engagement and communication in Bank B, only the community and employees are invited to propose and provide feedback on CSR

initiatives through surveys, emails and focus groups. However, their input is on the two (2) ongoing initiatives and no new initiatives are being planned for due to business commitments, limited resources and preparation for ISO 26000 certification.

In relation to stakeholder engagement and communication in Bank C, only the partners, beneficiaries and in some cases the clients propose and provide feedback on CSR initiatives through meetings, surveys, website, or through branch managers or employees.

In relation to stakeholder engagement and communication in Bank D, major stakeholders are identified (customers, community, employees, management, government and suppliers) and are being engaged in CSR decision making through various channels such as intranet, telephone calls, emails, internal meetings, suggestion boxes, call center, branch employees, website, mystery shopping and surveys. Their input is carefully taken into consideration and carefully screened to select value-added CSR initiatives based on set criteria.

In relation to stakeholder engagement and communication in Bank E, major stakeholders are identified (employees, NGOs, government, customers and the community) and are being engaged in CSR decision making through various channels such as internal and external surveys, telephone calls, emails, meetings, branch employees and sponsorship forms. Their input is carefully taken into consideration and carefully screened to select value-added CSR initiatives that are linked to the CSR and bank Strategies.

The findings of my research reveal that stakeholders which include employees, customers, investors, suppliers, community and government are being involved in the CSR practices of the banks under study although not in similar rates and this proves Pedersen's (2006) findings.

Employee Involvement in Decision Making

Employees, who are considered major internal stakeholders in Bank A, are welcomed to provide feedback and suggest CSR-related requests for themselves and for the stake of the Lebanese community. However they are not involved in the ultimate decision-making of the CSR programs which is done by the CSR Unit.

Employees, who are also considered major internal stakeholders in Bank B, are welcomed to provide feedback and suggest CSR-related requests. However through the two (2) interviews conducted, it was concluded that employees either do not care or are not committed to the idea of CSR planning and implementation.

Employees are not considered major stakeholders in Bank C yet. It is the management who decides and this proves Witt & Redding (2012) and Thomas & Simerly's (1994) discussions of role of senior executives in deciding on CSR commitments.

Employees, who are considered major internal stakeholders in Bank D, are encouraged to provide feedback and suggest CSR-related requests for themselves and for the stake of the Lebanese community. However they are not involved in the final decision-making of the CSR programs which is done by the Marketing and Communications and HR Heads and top management.

Employees, who are considered major internal stakeholders in Bank E, are encouraged to provide feedback and suggest CSR-related requests for themselves and for the stake of the Lebanese community. However they are not involved in the final decision-making of the CSR programs which is done by the CSR Committee.

In summary four (4) out of five (5) banks include employees in CSR decision-making and this proves the approach of Bhattacharya, Sen, & Korschun (2008); Setanidi (2009); Laschinger, Purdy, Cho, & Almost (2006) and Laschinger, Purdy, &

Almost (2007) that employees should have ownership of CSR initiatives for the purpose of empowerment and satisfaction.

Employee Involvement in Implementation

At Banks A, B, C, D and E employees are involved in implementation through their regular working practices such as communicating and promoting CSR-related initiatives. These findings are in line with Lindgreen, Swaen, Harness, & Hoffmann (2011) findings that employee participation in CSR implementation is crucial for its success.

Banks A and B do not have volunteering schemes and thus it cannot be concluded that the employees actively participate in implementing CSR.

In bank C however, employees are invited voluntarily to facilitate banking-related courses at one of the training rooms in a local branch for students after working hours but with no benefits for employees in return.

Similarly in Bank D, there are volunteering programs for human development and time spent on volunteering are considered as working hours and are compensated for.

It was obvious after analyzing the data collected that there are paradoxes between what participants say about their drivers to CSR, the application of CSR and the role of employees in this area and what is currently practiced especially that their perceptions of CSR differ. For example, some believe that public image drives their CSR adoption and implementation but they don't believe that community voice was a trigger too. But in reality community voice also affects public image and reputation since the community is made of the bank's employees and customers who can make or break the bank. Another example is related to the stakeholder engagement where only

one bank stated that they gain feedback from management on CSR initiatives while in reality all banks are actually and mostly influenced by management who is the ultimate decision maker and financial provider of the CSR initiatives.

CHAPTER VI

RESEARCH LIMITATIONS

Despite the theoretical and practical contributions provided by this research, there are still some limitations to note. First, the sample was limited to a single industry in Lebanon and thus cannot be generalizable to cover all industries in Lebanon or the Middle East. Second, the participants were only CSR officials in Lebanese banks and the opinion of HR officials and employees was not taken into consideration. Third, some answers were provided in Arabic language and the researcher translated to English. Fourth, the practices of CSR indicated in the study were current practices in the participating banks and do not tackle planned or work-in-progress practices in the near future.

In spite of these weaknesses, the researcher encourages future research in the area of CSR selection and employee involvement in CSR decision-making.

APPENDIX I

INFORMED CONSENT FORM

American University of Beirut

P.O. Box 11-0236, Riad El Solh, 1107 2020, Beirut, Lebanon

CONSENT TO SERVE AS A PARTICIPANT IN A RESEARCH PROJECT

Project Title: Corporate Social Responsibility (CSR) in Lebanese Banks: Antecedents and Role of Employees

Project Director: **Dima Jamali, PhD, dj00@aub.edu.lb, 01-350000 extension 3727**
Research Investigator: **Farah Hage Sleiman, fbh02@aub.edu.lb**

This informed consent form pertains to a research study that is concerned with investigating the CSR context in Lebanese Banks. This study is a Master's thesis research conducted by Ms. Farah Hage Sleiman, a graduate student at the American University of Beirut (AUB), and supervised by Dr. Dima Jamali, who is a professor and Associate Dean for Olayan School of Business Faculty at AUB. This study will be the first of its kind in Lebanon in terms of its examination of factors that motivate Lebanese Banks to conduct CSR initiatives, the current selection process of these initiatives and role of employees in setting and implementing the approved initiatives.

Nature and Purpose of the Project:
The purpose of this study is to increase the number of research studies targeting CSR practices in Lebanese Banks.

For this purpose, Five (5) CSR officials will be recruited for this study, using semi-structured in-depth interviews.

Explanation of Procedures:
As a research participant, you will be interviewed by the research investigator. You will have the option of choosing your language of preference (Arabic or English). The questions will be semi-structured.

The Bank name will not be revealed, this is an anonymous study and hence your name or the Bank's name will not be used in this study. Only the research investigator and the project director will have access to the anonymous data. The interviews will be recorded at the bank premise and transcribed by the research investigator at AUB. All interview notes and tape recordings will be kept in a locked cabinet in the office of the project director for three (3) years after which the raw data will be deleted (for data entered on computer) and shredded (for paper-based data). If you do not agree to tape recording, we can proceed without it. It is estimated that the interview will last no more than two (2) hours.

Potential Discomfort and Risks:
There are no risks associated with this study other than the inconvenience of being involved in a two (2) hour interview.

Potential Benefits:
The potential benefit is that you will participate in a study that will contribute to the scarce body of literature available concerning the practices of CSR in Lebanon.

Costs/Reimbursements:
There are no costs associated with participation in this research.

Alternative Procedures:
Participation is totally voluntary. Should you decide not to give consent to participate in this research, there will be no penalty and no alternative procedures.

Alternatives to Participation:
Should you decide not to give consent to participate in this research, there are no alternatives to participation.

Termination of Participation:
Should you decide to give consent to participate in this research, your participation might be terminated with no penalties by the research investigator or project director if the results show that you have not reported honestly or truthfully since such biased response might alter the findings of the study.

Confidentiality:
Participation in this research is anonymous and the results of your participation will be kept confidential to the fullest extent possible. Each interview will be coded with a number. This means that no identifiers (e.g. your name, bank name and contact information) will be revealed. No one will be able to link your answers to a specific interview. Only information that cannot be traced to you will be used in the project presented and published by the investigator.

Withdrawal from the Project:
Your participation in this research is completely voluntary. You may withdraw your consent to participate in this research at any point without any explanation and without any penalty and without any loss of benefits to which you are otherwise entitled. You are free to decide not to meet for the research interview at any point in time.

Debriefing:
If you are interested in learning about the outcome of the study, you may contact Dr. Dima Jamali and/or Farah Hage Sleiman (contact information provided below). After data analysis is completed, a summary of the results could be shared with you upon request.

Who to Call if You Have Any Questions:
The approval stamp on this consent form indicates that this project has been reviewed and approved for the period indicated by the American University of Beirut Institutional Review Board for the Protection of Human Subjects in Research and Research Related

Activities.

If you have any questions about your rights as a research participant, or to report a research related concern, you may call:
Institutional Review Board (Ethics Committee), AUB: 01-350000 extension 5445

If you have any concerns or questions about this project, you may contact:
Dima Jamali: dj00@aub.edu.lb, 01-350000 extension 3727
Farah Hage Sleiman, fbh02@aub.edu.lb, 70-110600

Participant's Oral Consent:
If you are interested in participating in this study, your informed consent does not have to be in written format. By consenting, you agree to participate in this research project. The purpose, procedures to be used, as well as, the potential risks and benefits of your participation have been explained to you in detail. You can refuse to participate or withdraw your participation in this study at any time without penalty. You are asked to keep this consent form.

Do you voluntarily consent to take part of the study?

Yes   **No**

Name: **Signature:**

Consent to have the interview digitally recorded:

Yes   **No**

Name: **Signature:**

Consent to Quote from Interview

Do you agree to allow me to quote from this interview?

Yes   **No**

Name: **Signature:**

Upon agreeing to participate, you will be contacted in order to schedule the interview which will be conducted at your convenience.
_____

Printed Name of Person Obtaining Oral Consent (PD or RI)

_____   _____
Signature of Person Obtaining Oral Consent   Today's Date and Time

INSTITUTIONAL REVIEW BOARD APPROVAL STAMP:

APPENDIX II

RECRUITMENT EMAIL

This is not an official AUB email message, this is for research purposes only

Dear Mr./Ms. X,

In reference to our database of organization contacts who have given permission to be contacted for research purposes, and which your organization is part of, we are writing to invite you to participate in a field project titled: "**Corporate Social Responsibility (CSR) in Lebanese Banks: Antecedents and Role of Employees".** This study is purely for research purposes.

Corporate Social Responsibility (hereinafter 'CSR') has gained increased attention in recent years. A lot of studies tackled the drivers of CSR activities from economic and institutional perspectives. However, few studies to date have looked at what triggers CSR in Lebanese Banks and how employee participation influences CSR.

In this research, we shall study the motivation of Lebanese Banks to engage in CSR, the process by which banks select their CSR initiatives and the role of employees in setting and implementing the CSR initiatives.

You were shortlisted to participate in the study since you fit the eligibility criteria of holding the position of CSR Official or job holder in charge of CSR specifically in a Lebanese Bank.

Our research will assist the CSR officials in understanding the current CSR situation in Lebanon in terms of the important role of empowering employees to take and act on CSR decisions. Thus, this study will provide benefits, initially to the banking sector, by shedding light on bottom line that CSR has on the banks.

We kindly request your permission for an interview. Your participation in this research study is entirely voluntary. Refusal to participate will not affect your relationship with AUB. The collected data will be transcribed and analyzed at AUB premises and shall be treated in a highly confidential manner.

We will conduct the interview between XX March and XX March 2014 on the day and time that suit your schedule and desired location for conducting the interview. Please let us know what day and time suit your schedules best along with your desired location for conducting the interview. The interview is expected to take around two (2) hours.

Attached, please find a document of informed consent, which details your rights as a participant, including confidentiality, which requires your approval to proceed. If you have any questions about your rights as a participant in this research, you can also contact the Institutional Research Board at the American University of Beirut:

PO BOX: 11-0236 F15 Riad El Solh, Beirut 1107 2020 Lebanon
Tel: 00961 1 374374, ext: 5445. Email: irb@aub.edu.lb

We look forward to hearing back from you in relation to the above. Please do not hesitate to contact us if you have any questions.

Sincerely,

Dr. Dima Jamali	Farah Hage Sleiman
Professor and Associate Dean – Project Director	Graduate Student –Research Investigator
Olayan School of Business	Olayan School of Business
American University of Beirut	American University of Beirut
Phone: 961-1350000 Ext. 3727	Phone: 961-70-110600
	E-mail: fbh@aub.edu.lb

APPENDIX III

INTERVIEW QUESTIONS

1) Who controls CSR in your bank? Is it the CSR department? Marketing and Public Relations department? Or the HR department?

2) Is there a full-time position that controls these initiatives or is it a role accreditation?

3) Are there any pressures (NGO pressures, legal and regulatory issues) faced that triggered CSR in the first place or triggered recurring CSR initiatives?

4) To what extent do your initiatives impact the public image and identity of the Bank?

5) Are there any laws/regulations that direct your CSR initiatives?

6) How does competition play a role in driving CSR?

7) Do you think your initiatives are being mimicked by other Banks/organizations?

8) How is the financial performance of the Bank affecting the CSR initiatives?

9) Do your consumer actions influence your CSR decisions?

10) Does employee power influence your CSR decisions?

11) Does your shareholder demand influence your CSR decisions?

12) Do your parent firm relations influence your CSR decisions? For banks who have parent companies abroad

13) Do you face pressures to engage in CSR from multiple sources or from the beginning you are committed voluntarily to build relationships with stakeholders?

14) How are decisions made in the bank? Are they centralized (consensus management) or decentralized (line managers acting as change agents)?

15) Do you have a CSR Strategy? If yes, who participates in setting the CSR strategy? Senior management? High potentials? young employees? Or all?

16) Are your CSR programs linked to the Bank's strategy and core competencies? Also, how are they linked?

17) Is CSR part of your vision, mission, values, policies and procedures?

18) What is the percentage of your employees that are aware of your CSR Strategy/initiatives?

19) Are employees aware of the impact of CSR in your Bank?

20) Who selects CSR initiatives at your bank? Is it originated in the field? or from the staff in a bottom-up approach? or from executive management?

21) Do you distinguish between your stakeholders when deciding on your CSR initiatives? Internal/external or primary/secondary or involved/affected or voluntary/involuntary or urgency/power/legitimacy?

22) Whose opinion do you take when selecting CSR initiatives?

23) What criteria do you (or whoever selects) use to select specific CSR initiatives?

24) What is your approach to CSR? Is it outward concentrating on the expectations of your stakeholders? Or inwards focusing on internal issues?

25) Do you categorize your initiatives as philanthropic, value-chain engineering or change in operational model to transform the ecosystem? (Define these terms to the interviewees)
   - A normative institutional force revealing CSR engagement due to doing a good thing. It expresses the social and environmental priorities of the company's founders/management or employees. It is exclusive of any profit or direct benefit to the company and not linked to business strategy
   - CSR initiatives are managed by an Operations Manager in the supply side and Marketing or CSR Manager in the demand side. It increases business opportunities and profitability while co-creating economic and social value by improving operational effectiveness throughout the value chain upstream or downstream
   - Through disruptive change in the company's business model to set a priority for crafting solutions to societal problems which will lead to profits in the long-run. Here initiatives are usually managed by the CEO or the senior management of the company since it contains elements of risk

26) Do you believe that your bank has environmental consciousness, commitment, consensus when deciding on the CSR programs? (Define these terms to the interviewees)
   - Consciousness: is the ability to translate the outcomes of the stakeholder dialogue into practice.
   - Commitment: from the key persons involved in the planning and implementation
   - Consensus: the degree to which the organization and the stakeholders agree on their perceptions of the issues in question and the relevance of dialogue more generally. It concerns the level of harmony/conflict between the parties involved in the dialogue and between those parties and the implementing agents

27) Do you emphasize the commitment of your employees in your CSR strategy?

28) How do you select or categorize your CSR?
   - Commercial self-interest: Adhering to all laws and regulations and selecting those activities that benefit stakeholders and communities directly contributes to profitability and competitiveness
   - Expanded self-interest with immediate benefits: Undertaking activities that go beyond normal business concerns to benefit stakeholders and communities in ways that also provide measurable short- and medium-term benefits to the company
   - Expanded self-interest with long-term benefits: Supporting community activities, such as education and training, that will have important impacts on continuing business success
   - Promoting the common good: Supporting or participating in activities that improve conditions in the community, or for stakeholders with no expectation of direct tangible benefits to the company

29) If ISO certified or in the process, are you adhering to the 7 core subjects (human rights, labour practices, environment, fair operating practices, consumer issues, community involvement and development)? How?

30) Are all bank stakeholders included in the CSR dialogue? If yes, how?

31) Are employee voices respected and taken into account?

32) Is the dialogue structured around open questions/problems/issues?

33) Is there freedom and equality in dialogue and in decisions?

34) Is there full access to information about the processes and outcomes of the stakeholder dialogue?

35) In which pattern are you in adopting CSR?
   - Pattern 1: Born CSR Oriented
   - Pattern 2: Patching or creating new CSR core routines refer to building CSR elements that interact with many other current organizational routines and/or exert major influence on future organizational practices. If a firm is characterized by CSR core practices, this indicates that CSR co-determines organizational purpose, helps mold the firm's identity, and heavily influences resource distribution across the organization. Creating new CSR core routines typically involves changes in organizational processes as well as in competences in various parts of the value chain.
   - Pattern 3: Thickening adding core-extending CSR practices supports and reinforces existing core routines, whether prevailing business routines or routines in the CSR realm. Core extending CSR routines are still peripheral. Changes in peripheral practices normally do not lead to changes in core routines, but changes in these core routines do affect the content and process aspects of peripheral elements. Second, CSR core-extending routines do reinforce existing core elements, that is, ''two elements are said to reinforce each other if the value of each element is increased by the presence of the other element.
   - Pattern 4: Positioning means adding independent, peripheral CSR routines that

are not central to the firm's strategy and operations and do not exert much influence on the firm's future development trajectory

- Pattern 5: Relabeling implies that current CSR routines may have become established in the firm before CSR became a popular concept and without being recognized as CSR-related. In some cases, especially peripheral practices can easily be relabeled, and support a more positive image of the firm, as perceived by consumers and society even when core practices are involved, relabeling does not necessarily require large investments of corporate resources to pursue new CSR initiatives, and thus represents a convenient way – related more to changes in branding than to changes in substance – for firms to''add'' CSR initiatives to their activity portfolio.
- Pattern 6: Trimming to reduce negative exposure, firms may trim both core and peripheral routines that are detrimental to CSR, as a precursor for subsequent adding of CSR Practices
- Pattern 7: Cooperating. Alliances among firms, non-governmental organizations (NGOs), non-profit organizations (NPOs), and other stakeholder groups are increasing and becoming more strategically important. Social partnerships are a commitment by a corporation or a group of corporations to work with an organization from a different economic sector (public or nonprofit).

36) Do you have an employee volunteering scheme? Do your employees take time off to undertake social beneficial activities? During office hours or on weekends?

37) Do you engage in social partnerships (i.e partnerships with NPOs) to implement CSR?

38) Based on what do you choose your partners?

39) Do you perform risk assessments when choosing your partners? How? Are your employees involved?

40) Who implements the CSR strategy? High potentials? young employees? Or all?

41) Do you believe there is a link between the CSR programs at your bank and affective commitment where employees are feeling attached to the bank?

42) Do you consider your Bank a corporate citizen?

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