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STRATEGIC CORPORATE SOCIAL RESPONSIBILITY FROM THE EXTENDED RESOURCE-BASED VIEW IN THE LEBANESE CONTEXT

by
NANCY YASSER SARIEDDINE

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NANCY YASSER SARIEDDINE

Approved by:

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Dr. Dima Jamali, Associate Professor First Reader
Suliman S. Olayan School of Business

____

Dr. Yusuf Sidani, Associate Professor Second Reader
Suliman S. Olayan School of Business

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I would also like to thank my friends who have made my experience at AUB memorable. Lastly, I am ever grateful to God who has endowed me with the strength and faith to transcend all the obstacles and earn my Master degree.

AN ABSTRACT OF THE PROJECT

Nancy Yasser Sarieddine for Master of Business Administration
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Title: Strategic Corporate Social Responsibility from the Extended Resource-based View in the Lebanese Context

Corporate Social Responsibility (CSR) has become one of the most salient features of businesses across the globe. With the increasing pressure exercised by shareholders on organizations to maximize wealth and an equivalent insistence from diverse stakeholders to reduce social and environmental harm, organizations have realized that they are compelled to integrate their socially responsible behaviors with their core strategies in order to find a balance between the two forces. Through adopting a strategic approach to CSR, companies are able being able create value for both the society and the business.

The research study aims at studying the business case for corporate social responsibility and at examining the link between strategic CSR and an organization's resources and capabilities. It capitalizes on existing secondary literature to synthesize research themes and theoretical frameworks on strategic CSR and includes a primary research component using in-depth interviews with key figures in select organizations operating in the Lebanese context.

The study reveals that there are promising attempts to take CSR initiatives into new directions through embarking on more meaningful strategic interventions that align the firms' social objectives with their core business activities. Nevertheless, they are not being able to make daring moves in terms of strategic CSR interventions due to several cultural, economic, and political complexities that slow down the metamorphosis of corporate social responsibility from altruistic to strategic.

Although CSR activities can impact intangible resources such as corporate image and employee productivity, it does not lead to dynamic capabilities given the static environment in the Lebanese CSR context.

Finally, the research proposes some suggestions for further research, and recommendations to companies that have started to embrace a more strategic approach to CSR. It also suggests some changes that the Lebanese government could consider in order to create a more enabling environment for CSR in general, and strategic CSR in particular.

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ABBREVIATIONS

BSR	Business for Social Responsibility
CEO	Chief Executive Officer
CSP	Corporate Social Performance
CSR	Corporate Social Responsibility
DTI	The British Department for Trade and Industry
FAA	Federal Aviation Administration
HP	Hewlett Packard
HSBC	Hong Kong and Shanghai Banking Corporation
IBLF	International Business Leaders Forum
ISO	International Organization for Standardization
IT	Information Technology
J&J	Johnson and Johnson
LoYAC	Lothan Youth Achievement Center
MAR	Microsoft Authorized Refurbisher
MBA	Master of Business Administration
MENA	Middle East and North Africa
MNE	Multinational Enterprise
NEPA	North Africa, East Mediterranean, and Pakistan
NGO	Non-governmental Organization
PICTA	The Professional Computer Association of Lebanon Information and Communication Technology
PR	Public Relations

R&D	Research and Development
RBV	Resource-Based View of the Firm
SWOT	Strengths, Weaknesses, Opportunities, Threats
TRW	Thompson Ramo Wooldridge Inc.
UK	The United Kingdom
WBCSD	World Business Council for Sustainable Development
YMCA	Young Men's Christian Association

CHAPTER I

INTRODUCTION

A. Introduction to the Topic

During the past decade, Corporate Social Responsibility (CSR) has become one of the salient features of businesses and the corporate role in society is now on every firm's agenda. Governments, activists, and the media have been exercising more pressure on companies to account for the impact of their activities' on the society and the environment. Each and every day, media reports are being released on corporate scandals or contributions to wider society. Further, organizations are being ranked based on their corporate social responsibility performance which has attributed a greater importance to the subject and has thrust business leaders and managers worldwide to devote more efforts regarding this issue (Porter and Kramer, 2006; Husted and Allen, 2007; Crane, Matten, and Spence, 2008).

Although CSR is becoming an ineluctable priority to many companies in different countries, the concept, to date, still evades one standard definition and has been given numerous interpretations. McWilliams and Siegel (2006) define it as "situations where the firm goes beyond compliance and engages in actions that appear to further some social good, beyond the interests of the firm and that which is required by law.' Lantos (2001), on the other hand, draws distinctions among three types of CSR; *ethical CSR* that involves acting morally and responsibly towards stakeholders that are harmed by a certain course of action taken by the company; *altruistic CSR,* also known as humanitarian CSR and involves fulfilling the firm's philanthropic responsibilities and demonstrating good will and care for the social welfare; and *strategic CSR*, that also involves the fulfillment of a firm's social welfare responsibilities but is expected to induce mutual benefits or a "win-win situation" for both the corporation and the stakeholders.

Nevertheless, very few gratifying definitions clearly describe the third type, namely *strategic* CSR and little research was done on managing corporate social responsibilities in organizations in general and multinationals in particular (Meyer, 2004). In addition, relatively old literature, had not tackled the context that demarcates CSR under the umbrella of strategy. In an attempt to understand the strategic aspect of the concept, more recent strategic management research has focused on examining the strategic implications of CSR in organizations and its link to competitive advantage. In fact, Husted and Allen (2007) raise a vital and influential question that this project is seeking to explore in more depth: Under which conditions is CSR considered strategic?

Undoubtedly, endorsing socially responsible practices reflects positively on an organization's image and reputation. More specifically, the systematic pursuit of CSR ensures added corporate value and an enormous social progress simultaneously (Husted and Allen, 2007; Porter and Kramer, 2006). However, although many companies have been contributing significantly to the improvement of the community and the environment, they tend to think of CSR generically overlooking its link to the firm's strategy, the fact that, according to Porter and Kramer (2006), makes their efforts less fertile than they potentially could be.

Nevertheless, a clear distinction can be drawn between firms that deliberately plan a social strategy and those that practice it in an ad-hoc manner. Husted and Salazar (2006) contend that it is far more beneficial for firms to embrace a strategic approach towards CSR rather than investing in such activities unwillingly. In fact, many multinational organizations in Western countries have been allocating substantial resources in order to meet strategic social objectives. In order to do that, they are trying to identify their core resources that they can capitalize on in their CSR practices in order to improve their bottom line and ensure a top position over a long period of time. In fact, there has been a rising interest in studying the link between corporate social responsibility and financial performance from a resource-based view of the firm (RBV) which suggests that resources that are valuable, rare, inimitable, and non-substitutable generate a sustainable competitive advantage (Rumelt, 1984; Wernefelt, 1986; Barney, 1991; Grant 1991).

On the other hand, critiques of the RBV have argued that this model does not allow firms to cope with dynamic environments. Hence, it was complemented by the concept of dynamic capabilities; unique routines that enable firms to upgrade, integrate, and modify their resources so as to cope with the external dynamic environment and to meet the changing demands of stakeholders (Eisenhardt and Martin, 2000). Therefore, this paper will explore the concepts of RBV and dynamic capabilities as they present, combined, a more complete model that enables firms to better understand the link between resources and competitive advantage. Further, it will examine the conditions under which CSR can be a dynamic capability.

In the context of Lebanese CSR in specific, an empirical research conducted by Jamali (2007) revealed that CSR practiced by the majority of the local companies studied can be classified as altruistic or philanthropic whereas multinational organizations devote much greater focus to CSR in general and to strategic CSR in particular. As such, the research will scrutinize the understanding of multinational organizations operating in the Lebanese market concerning the link between CSR and strategy and the internal practices through which they integrate CSR interventions with their core business objectives. In parallel, it will explore to which extent CSR impacts their resources and capabilities.

The research will start with a general overview of CSR, followed by a comprehensive literature review pertaining to the definitions and relevance of strategic CSR in addition to renowned theoretical frameworks developed around the topic. Strategic CSR will be then scrutinized from a resource-based perspective embracing the approach of dynamic capabilities. The empirical component complementing the study will pragmatically examine the understanding of multinational organizations operating in Lebanon of the link between CSR and strategy. It will also attempt to probe insights on how their CSR strategies can enhance their internal resources and capabilities enabling them to ensure top positions in their respective industries.

B. Research Objectives

The research is intended to scrutinize the strategic aspect of corporate social responsibility and the ways it can be adopted and applied. It sheds the light on the evolution of CSR in general over the course of time and delves deeper to examine its strategic implications. As such, the project will be guided by the following objectives:

- Undertake a specific review of the literature pertaining to a) Corporate Social Responsibility b) Strategic CSR.
- Scrutinize the relationship between CSR and strategic management from a resource-based view (RBV) and dynamic capabilities perspective.
- Embrace an empirical in-depth study of three large firms in the Lebanese context, examining their societal and environmental practices and the ways they integrate their CSR activities with their corporate vision, mission and strategic objectives.

C. Research Questions

The main research questions revolve around the following:

- What are the strategic implications of CSR?
- How do CSR strategies improve the firm's internal resources and capabilities yielding in return higher level of profitability and generating sustainable competitive advantage?
- Do socially responsible multinational companies in Lebanon understand the link between CSR and strategic management? And are they able to perceive the potential impact CSR projects have on their internal resources and capabilities?

D. Research Methodology

The research methodology will be exploratory in nature and will capitalize on:

- A comprehensive literature review that addresses Corporate Social Responsibility in general and its strategic aspects from an extended resource-based view that embraces the dynamic capabilities approach, focusing on the impact it has on companies' core competencies and competitive advantage.
- In-depth semi-structured interviews with two multinationals and one regional organization that are actively engaged in CSR in Lebanon aiming at understanding the incentives behind their CSR strategic practices and examining the link between the latter and their resources and capabilities.

E. Research Significance

The significance of this paper lies in its attempt to highlight the extent to which business leaders adopt a strategic approach to corporate social responsibility and their degree of awareness regarding the myriad benefits of such integration. It also sheds the light on the major changes that have occurred during recent decades due to globalization and that have taken CSR into different directions whereby organizations are forced to take action in order to dampen their negative externalities on the society and the environment. Moreover, the study attempts to demonstrate how select managers in multinationals operating in Lebanon view and apply strategic CSR. More importantly, it will scrutinize the relation between CSR and the firms' resources and capabilities. Based on the comprehensive literature and the findings of the empirical study, the paper will surely present beneficial insights to many current and future business executives on the vitality of integrating CSR into the corporate strategy and the significant influence it exercises on the company's future sustainability in a world where the only constant is change.

CHAPTER II

EVOLUTION OF CORPORATE SOCIAL RESPONSIBILITY

A. Introduction

Only recently, has the concept of Corporate Social Responsibility become a serious discipline in management. Nevertheless, promoting the social good and helping the community are not new concepts to organizations (Wan-Jan, 2006). Although it was referred to in very early times, the concept of CSR surged in the 1950s, a decade that had set the foundation for a definitional construct that is still evolving to this day (Carroll, 1999).

This chapter reviews the literature with respect to the evolution of CSR over time. It starts by presenting definitions of the concept as perceived by scholars and practitioners and then looks back upon major scholars' contributions to the development of the subject.

B. Corporate Social Responsibility: The Jungle of Definitions

Scholars, researchers and even executives have presented numerous definitions and interpretations of the nature of companies' responsibilities to society. Yet, the concept remains elusive and to date, a crucial question persists: what is CSR? Hence, over the course of time, an increasing focus has been dedicated to develop a clear understanding of the true meaning of Corporate Social Responsibility and to determine for what and to whom companies are held socially responsible (Wan-Jan, 2006; Moir, 2001). Table 1 summarizes the definitions outlined hereafter.

1. Scholars' Definitions

Davis and Blomstrom (1966, p.12, cited in Carroll, 1999, p.272) presented a dual definition of social responsibility referring to obligations of both, the individual and the business: "Social Responsibility, therefore, refers to a person's obligation to consider the effects of his decisions and actions on the whole social system. Businessmen apply social responsibility when they consider the needs and interests of others who may be affected by business actions. In so doing, they look beyond their firm's narrow economic and technical interests."

Cited in the same work (p. 272), Walton (1967, p.18) offered a very fundamental definition of Corporate Social Responsibility: "… the new concept of social responsibility recognizes the intimacy of the relationships between the corporation and society and realizes that such relationships must be kept in mind by top managers as the corporation and the related groups pursue their respective goals."

Fitch (1976, p.38) considered CSR as a means to solve social problems and defined it as follows: "Corporate Social Responsibility is defined as the serious attempt to solve social problems caused wholly or in part by the corporation". Drucker (1984, p.62) considers that "the proper social responsibility is to tame the dragon that is to turn a social problem into economic opportunity and economic benefit, into productive capacity, into human competence, into well-paid jobs, and into wealth."

Wood (1991, p. 695, cited in Baron, 2001, p.9) defines the concept as follows: "The basic idea of corporate social responsibility is that business and society are interwoven rather than distinct entities; therefore, society has certain expectations for appropriate business behavior and outcomes." Lantos (2001, p.600), summarizes several definitions of CSR into the following: "CSR entails the obligation stemming from the implicit 'social contract' between business and society for firms to be responsive to society’s long-run needs and wants, optimizing the positive effects and minimizing the negative effects of its actions on society.”

Kotler and Lee (2005, p.3), in their book *Corporate Social Responsibility: Doing the Most Good for Your Company and Your Cause*, offer the following definition: “Corporate Social Responsibility is a commitment to improve community well-being through discretionary business practices and contributions of corporate resources.”

More recent studies present other interpretations of CSR. McWilliams, Siegel, and Wright (2006, p.1) for instance, define CSR as “situations where the firm goes beyond compliance and engages in actions that appear to further some social good, beyond the interests of the firm and that which is required by law.” Falck and Heblich (2007, p.247) argue that “CSR is regarded as voluntary corporate commitment to exceed the explicit and implicit obligations imposed on a company by society's expectations of conventional corporate behavior.”

According to Heslin and Ochoa (2008, p.126), although definitions of CSR have been numerous and often inconsistent, they mostly imply the theme of “engaging in economically sustainable business activities that go beyond legal requirements to protect the well being of employees”. Nevertheless, undertaking discretionary actions is not totally voluntary; several social and economic forces such as growing consumer awareness of and demand for socially responsible products, rankings of CSR performance, and pressure from socially responsible investors play the real motives behind such endeavors.

Finally, although scholars have not succeeded yet in formulating one standard and clear definition of the nature of the concept, several theorists agree that the essence of CSR practice lies in transcending economic and legal responsibilities and endorsing ethical and discretionary activities. In other words, through CSR, firms are expected to redefine the old contract between business and society and move towards a broader concept that goes beyond their classical obligations towards the community (Carroll and Shabana, 2010, p. 90).

2. Practitioners' Definitions

Trying to understand and define CSR has not only grown among scholars and researchers but has also become a trend in corporate boardrooms (Porter and Kramer, 2006). Several associations and organizations have contributed to the pool of CSR explanations.

The World Business Council for Sustainable Development (WBCSD)[1], for instance, proposes the following definition: "CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large" (cited in Moir, 2001, p.18). Another definition of the WBCSD is "business commitment to contribute to sustainable economic development, working with their employees, their families, the local community and society at large to improve their quality of life" (cited in Wan Jan, 2006, p. 181).

Johnson and Johnson (2000) express the way they understand CSR as "the company's responsibilities to be fair and honest, trustworthy and respectful, in dealing with all our constituents" (cited in Moir, 2001, p.18). The British Department for Trade and Industry (DTI), defines a socially responsible firm as an entity that first, abides by the "laws of the land" and second, weighs the impact it has on the economy, the society,

[1] The World Business Council for Sustainable Development (WBCSD) is a CEO-led, global association of some 200 international companies dealing exclusively with business and sustainable development.

the environment, and human rights (cited in Wan Jan, 2006, p.181). Business for Social Responsibility[2] (BSR) defines CSR as making profit through means that respect communities and their ethical values and that preserve the natural environment. The International Business Leaders Forum (IBLF)[3] suggests that CSR is a broad and challenging topic and intends to "deliver sustainable value to society at large, as well as to shareholders" (cited in Wan Jan, 2006, p. 182).

Hewlett-Packard's Chairman and Chief Executive Officer defined CSR in November 2003 as follows: "I honestly believe that the winning companies of this century will be those who prove with their actions that they can be profitable and increase social value – companies that both do well and do good … Increasingly, shareowners, customer partners, and employees are going to vote with their feet – rewarding those companies that fuel social change through business. This is simply the new reality of business – one that should and must embrace" (cited in Kottler and Lee, 2005, p.6).

Crane, Matten, and Spence (2008, p. 6) referred to several organizations' definitions in this respect. Gap Inc., for instance, states that: "CSR means striving to incorporate our values and ethics into everything we do – from how we run our business, to how we treat our employees, to how we impact upon the communities where we live and work." The United Kingdom government defines CSR as "The voluntary actions that business can take, over and above compliance with minimum legal requirements, to address both its own competitive interests and the interests of wider society" (p. 6). According to HSBC, CSR "Means managing our business

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[2] Business for Social Responsibility (BSR) is a leader in corporate responsibility since 1992; it was founded by San Francisco business executives and works with global companies to develop sustainable business strategies and solutions.

[3] The International Business Leaders Forum (IBLF) is a not-for-profit global organization working with business leaders to deliver solutions to sustainable development challenges worldwide

responsibly and sensitively for long-term success. Our goal is not, and never has been, profit at any cost because we know that tomorrow's success depends on the trust we build today." (p. 6)

Impressively, some business leaders have made big steps to become active in non-governmental organizations that promote CSR practice. For example Business for Social Responsibility (BSR) was founded by business executives; in November 2005, it organized a CSR conference that hosted more than seven hundred business people. Moreover, the International Organization for Standardization (ISO**)**, the world's largest developer and publisher of International Standards, developed and published the international standard, ISO 26000 in year 2008 aiming at offering academics and practitioners a single and more reconciled definition and guidelines of CSR (Senser, 2007). Those acts, as well as other similar movements, underscore the future relevance and indispensability of corporate social responsibility.

Table 1. Scholars and Practitioners' Definitions of CSR

Scholar	*Definition of CSR*	*Organization*	*Definition of CSR*
1.Davis and Blomstrom (1966)	“Social Responsibility, therefore, refers to a person’s obligation to consider the effects of his decisions and actions on the whole social system. Businessmen apply social responsibility when they consider the needs and interests of others who may be affected by business actions. In so doing, they look beyond their firm’s narrow economic and technical interests.”	1. WBCSD	“CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.”
2. Walton (1967)	“… the new concept of social responsibility recognizes the intimacy of the relationships between the corporation and society and realizes that such relationships must be kept in mind by top managers as the corporation and the related groups pursue their respective goals.”	2. WBCSD	“…business commitment to contribute to sustainable economic development, working with their employees, their families, the local community and society at large to improve their quality of life.”
3. Fitch (1976)	“Corporate Social Responsibility is defined as the serious attempt to solve social problems caused wholly or in part by the corporation.”	3. J&J	“...the company’s responsibilities to be fair and honest, trustworthy and respectful, in dealing with all our constituents.”
4. Drucker (1984)	“The proper social responsibility is to tame the dragon that is to turn a social problem into economic opportunity and economic benefit, into productive capacity, into human competence, into well-paid jobs, and into wealth.”	4. DTI	“A socially responsible firm as an entity that first, abides by the “laws of the land” and second, weighs the impact it has on the economy, the society, the environment, and human rights.”
5. Wood (1991)	"The basic idea of corporate social responsibility is that business and society are interwoven rather than distinct entities; therefore, society has certain expectations for appropriate business behavior and outcomes.”	5. BSR	“CSR is making profit through means that respect communities and their ethical values and that preserve the natural environment.”

"Table 1 – Continued"

6. Lantos (2001)	"CSR entails the obligation stemming from the implicit 'social contract' between business and society for firms to be responsive to society's long-run needs and wants, optimizing the positive effects and minimizing the negative effects of its actions on society."	6. IBLF	"CSR is a broad and challenging topic and intends to "deliver sustainable value to society at large, as well as to shareholders."
7. Kotler and Lee (2005)	"Corporate Social Responsibility is a commitment to improve community well-being through discretionary business practices and contributions of corporate resources."	7. HP CEO	"I honestly believe that the winning companies of this century will be those who prove with their actions that they can be profitable and increase social value – companies that both do well and do good … Increasingly, shareowners, customer partners, and employees are going to vote with their feet – rewarding those companies that fuel social change through business. This is simply the new reality of business – one that should and must embrace."
8. McWilliams, Siegel, and Wright (2006)	"…situations where the firms goes beyond compliance and engages in actions that appear to further some social good, beyond the interests of the firm and that which is required by law."	8. Gap Inc.	"CSR means striving to incorporate our values and ethics into everything we do – from how we run our business, to how we treat our employees, to how we impact upon the communities where we live and work."
9. Falck and Heblich (2007)	"CSR is regarded as voluntary corporate commitment to exceed the explicit and implicit obligations imposed on a company by society's expectations of conventional corporate behavior."	9. UK government	"The voluntary actions that business can take, over and above compliance with minimum legal requirements, to address both its own competitive interests and the interests of wider society."
10. Heslin and Ochoa (2008)	"…engaging in economically sustainable business activities that go beyond legal requirements to protect the well being of employees"	10. HSBC	"Means managing our business responsibly and sensitively for long-term success. Our goal is not, and never has been, profit at any cost because we know that tomorrow's success depends on the trust we build today."

C. History of CSR

The term CSR originated in the year 1953 when it was formulated by Bowen (1953) who perceived the concept as the "businessmen" pursuit of politics and decisions that are in line with social values. According to this view, the businessman was the owner and manager of the firm and incurred any cost associated with social activities. In 1967, Davis (1967, cited in Falck and Heblich, 2007) developed the CSR concept and presented a broader definition that includes the whole enterprise where managers constitute a separate entity from the owners and do not bear the costs of social actions.

Friedman (1970) refused to embrace the concept of corporate social commitment because he considers that managers hold one and only contractual responsibility; that is to maximize the shareholder value. They are required to abide by the economic rules and avoid any social commitments that might add costs to the organizations principals. This "shareholder" theory of Friedman (1970) also suggests that the legal framework in which the firms operate is the only incentive for them to act socially responsible.

However, the perfectionist approach of Friedman does not apply all the time. Rarely are social needs met by an "accordant institutionalization" (Falck and Heblich, 2007, p. 249). This creates gaps that are more easily filled by organizations rather than the government. And with the increase of global sourcing and the absence of one world government, multinational enterprises can complement the governmental regulations and engage in social conduct. Having said that, socially responsible activities do not conflict with Friedman's profit maximization theory when individuals in an organization view social commitment as a long-term investment and when enterprises agree collectively on filling the regulatory gaps (Falck and Heblich, 2007).

The advancement of conceptualizations that advocate CSR led to a supplementary concept; corporate social responsiveness termed by Ackerman (1975; cited in Litz, 1996) that referred to firms' capabilities to respond to the community's demands and emphasized how the response can be executed rather than what should be done. Another proponent of CSR, and as opposed to Friedman's theory, Freeman (1984) brought new insights and presented a more positive view of CSR through his stakeholder approach. He suggests that any individual that might affect or/and might be affected by the organization is considered a stakeholder. Customers, employees, suppliers, financiers, environmentalists, governments, etc. are all parties that can have an impact on and can be impacted by the firm's outcome and thus are stakeholders.

Werther and Chandler (2005) add to this list activist groups and NGOs for they have been recently exercising more and more pressure on firms to act more responsibly. Recognizing the organization's externalities that impact those stakeholders determines its future success; CSR comes into play in order to address their concerns without jeopardizing the shareholder's wealth. In fact, overlooking what non-financial stakeholders perceive to be important may induce them to "withdraw their support for the firm" (McWilliams and Siegel, 2006, p. 3).

Carroll (1979) developed a model that differentiates between "Four Faces" of Corporate Social Responsibility. A fully responsible firm is one that addresses four categories of obligations: economic, legal, ethical, and discretionary. The first, economic, represents the responsibility of firms to sell products in order to make profits. The legal responsibility is the abidance by the rules of law. The ethical responsibility entails organizations to go beyond legal requirements and exceed societal expectations. As for the fourth category, discretionary responsibility, it covers philanthropic and charity contributions. In 1991, Carroll took his model further and developed "The

Pyramid of CSR" (*See Figure 1*) that suggests that economic responsibility constitutes a major element of CSR and firms are not to consider practicing philanthropy or discretionary CSR before fulfilling the first three levels of the pyramid, economic, legal, and ethical responsibility.

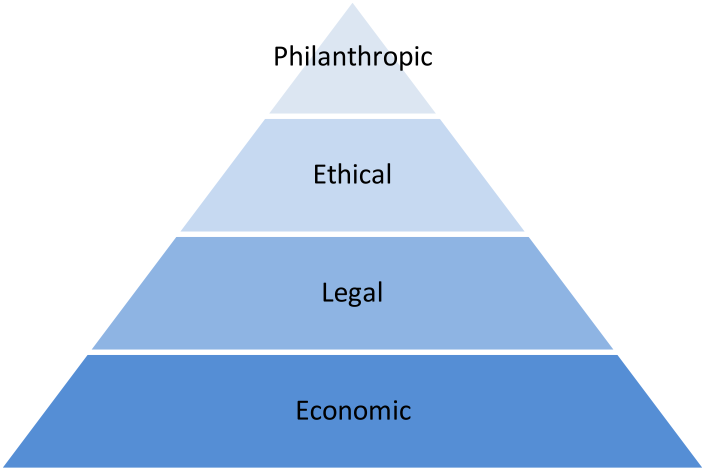

Fig. 1. Carroll's Pyramid of Corporate Social Responsibility
Source: Carroll, A. B. (1991). The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders. *Business Horizons*, 39-48

In the 1980's and early 1990's, the concept of corporate social responsibility has been expanded through frameworks that coined the term corporate social performance or CFP (Litz, 1996). McWilliams and Siegel (2000) pointed out the fact that CSR has been confused with CSP hindering the understanding of CSR implications. They argued that corporate social performance is a measure of corporate social responsibility. Husted and Salazar (2006) refer to Preston (1988) and define CSP as the influence business activities have on society. In fact, the concept of corporate social performance has embraced several principles and processes that study the relation between business and society such as the discretionary responsibility and the stakeholder recognition advanced by Carroll (1979) and Freeman (1984) respectively (Litz, 1996).

Lantos (2001) built on previous models and developed his ideas from Carroll's four categories. He divided CSR into three types: ethical CSR that involves acting morally and responsibly towards stakeholders that are harmed by a certain course of action taken by the company. Injuries can be of physical, mental, economic, spiritual or emotional nature; altruistic CSR, also known as humanitarian CSR which involves fulfilling the firm's philanthropic responsibilities and demonstrating good will and care for the social welfare. Finally, strategic CSR, that also involves the fulfillment of a firm's social welfare responsibilities but is expected to induce mutual benefits or a "win-win situation" for both the corporation and the stakeholders.

Moore (2003) presented a very interesting interpretation of Corporate Social Responsibility contending that economic activities have always been conflicting with social endeavors; here CSR comes into play to dampen this socio-economic tension, yet, without undermining the firm's profitability. He considers that virtue is practiced at the service of avarice, meaning behind socially responsible actions, there is always the aim of making tangible profits. Ironically, Jones (2003), on the other hand, argued that Corporate Social Responsibility should be practiced only from an ethical perspective. Once the firm starts designing a socially responsible plan in order to gain profits, it is defying the first act of giving that it initiated and it is acting unethical. Thus, Jones' arguments seem to go against any CSR activity that aims at creating a strategic advantage.

Heslin and Ochoa (2008) subdivide CSR into two main components; the first is 'environmental sustainability' that translates into using science in order to reduce the damage caused by the firm to the environment. For instance, a firm could address the problem of wastes that ensue from production and consumption. The second is 'human sustainability' that requires organizations to provide their employees with an adequate and healthy workplace, and to add value to their stakeholders through several programs pertaining to health, education, career, etc.

Werther and Chandler (2006) define Corporate Social Responsibility as “The broad concept that businesses are more than just profit-seeking entities and, therefore, also have an obligation to benefit society” (p. 7). Its wide scope encompasses several actions that impact the company’s performance; they are of an economic, legal, ethical, and discretionary nature. This definition is reminiscent of Carrolls’s ‘four faces’ of Social Responsibility. Thus, a corporation that breaks one or more laws relating to the first two components; i.e. economic and legal is not socially responsible. In fact, while merely complying with legal requirements constitutes a very basic element of CSR, focusing on the ethical and discretionary concerns is what makes CSR strategic (Werther and Chandler, 2006, p. 10).

D. CSR and Developing Countries

Prior to the 1980s, multinational companies operating in developed countries had not been well-received. Governments considered them only as substitutes for import. More recently, the image of international companies started to gain more grace and they were perceived as “liberators of underdeveloped economies”. In year 2004, NGOs and trade unions joined efforts with the European Union to set a new corporate social responsibility plan which necessitates that CSR should prove its credibility globally especially in the developing countries (Blowfield, 2005, p. 516).

Although major CSR theories and concepts have originated in developed countries where regulations are fairly enforced and applied and where the practice of CSR has been triggered and shaped by stakeholders’ groups, governments in lower income nations have been seeking assistance from business organizations in order to face social challenges such as reducing poverty or empowering minority groups (United Nations, 2007, Dobers and Halme, 2009).

In fact, corporate social responsibility can have an extremely positive impact on the civil society in developing countries. Multinationals in particular are capable of making great contributions to disadvantaged communities through CSR interventions that address issues such as unemployment, technological gaps, poverty, etc. (Ite, 2003).

However, according to Visser (2008), CSR in developing countries is equated with philanthropy and charity giving whereby firms contribute in social fields such as education, health, sports, and environment. In many instances, it is associated with cultural and religious values dominating in the country the organization is operating in. Similarly, a study conducted by Jamali and Mirshak (2007) in the Lebanese context revealed that CSR practices in such an emerging market are limited to the social voluntary responsibility and do not even tackle legal or economic issues. Far from any alignment with the business core competencies, CSR practices of multinationals in these parts of the world are still grounded in the context of altruism.

As such, Jamali (2007) emphasizes that companies can have a greater positive influence on their surroundings if they implement a strategic approach to CSR that capitalizes on their abilities and that caters to the local needs. Generally speaking, companies in developing countries still underestimate the benefits of strategic CSR and do not perceive it as a priority in the first place. This is mainly due to social and economic factors that pressure organizations to seek mere survival apart from anything else (Jamali, 2007, p. 23).

It is true that tapping emerging markets poses numerous challenges and difficulties for multinationals. Several factors such as gaps in public governance and transparency, high levels of corruption and poverty, and low levels of safety and labor standards hinder their performance (Zhang, 2008). Through practice of strategic CSR, multinational organizations are able to lower these barriers and improve the overall context of their operations. Imposingly, developing countries can be lucrative markets for organizations that align their CSR interventions with their business mission and objectives.

Nevertheless, Ite (2003) emphasizes the fact that multinationals' efforts to make the local country a better place will not yield the intended outcomes without an "enabling environment" where the government plays an active role in defining clear legal standards for business performance, stimulating organizations and partnering with them in CSR initiatives.

E. Conclusion

It is apparent that the new evolving debates do not revolve around whether to embrace CSR or not anymore, but rather around how a company can act socially responsibly. CSR is becoming an entrenched functionality of any firm that is seeking sustainability. In fact, a large number of companies worldwide publish yearly reports that outline their environmental and social achievements. Several multinational companies such as General Motors and Procter & Gamble that have created a position for a senior corporate officer, who is responsible for managing the organization's corporate social initiatives (Wan-Jan, 2006; Heslin and Ochoa, 2008).

As predicted by Carroll (1999, p. 292), "As we close out the 1990s and look ahead to the new millennium, it is expected that attention will be given increasingly to measurement initiatives as well as theoretical developments" building on what has been already formulated from definitions and constructs. He argues that the concept has become a basis for many theories and translates what the society expects from organizations. Hence, it will continue to be an essential component of the business language and to play a crucial role in the business practice.

Although CSR language and theories have originated in wealthy countries, the heightened interest in its practice has been visible in emergent economies where governments seek a hand in filling social and economic holes. However, researchers (Jamali and Mirshak, 2007; Jamali, 2007; Zhang, 2008) assert that CSR is far more beneficial to firms and communities when it is driven by the corporate strategy. Finally, it is important to note that an enabling environment is crucial for an ultimate overall performance of CSR initiatives (Ite, 2003).

CHAPTER III

STRATEGY AND CSR

A. Introduction

The aim of this chapter is to address corporate social responsibility in a strategic context. It presents several definitions of strategic CSR and highlights the benefits that can be reaped through its business practice. Further, it delineates two useful frameworks that were developed by Burke and Logsdon (1996) and Porter and Kramer (2002; 2006) respectively and that provide scholars and practitioners with valuable insights pertaining to how CSR creates value to the firm. However, before endeavoring in the strategic aspects of CSR, the chapter revisits major models and tools in the strategic management field namely, the SWOT analysis, Porter's Five Forces, and Porter's generic strategies.

B. What is Strategy?

Strategy is "the match an organization makes between its internal resources and skills and the opportunities and risks created by its external environment" (Grant, 1991, p.114). According to Porter (2006), a business strategy represents a coherent scheme that aims at placing the company in a unique position that totally differentiates it from competitors (Porter, 2006). It is a process that determines the vision, mission, strategic objectives and tactics that will steer the entire company (Werther and Chandler, 2006).

Vision – a clear statement that answers *why* the organization exists and identifies the goals and aspirations that it will pursue.

Mission – declares *what* the organization does in terms of activities so as to achieve its vision.

Strategic objectives – state *how* the organization is going to execute its mission in order to serve the market and outperform its competitors.

Strategic Tactics – answer *when* and *where* as well as *who* implements the firm's strategic objectives (Werther and Chandler, 2006, p. 44).

If designed and implemented effectively, a business strategy empowers the company with a sustainable competitive advantage. A company having superior performance over its rivals or in other words generating higher profits is said to have a competitive advantage. It is referred to as a *sustainable* competitive advantage when the company successfully maintains its favorable position in the market and its superior performance over time. This occurs when the firm is implementing a coherent strategy creating value that cannot be duplicated by existent or potential competitors (Barney, 1991; Campbell, Stonehouse, and Houston, 2002).

1. SWOT Analysis – A Requisite for Strategy Formulation

The SWOT analysis approach dates back to the 1960s and was originally developed by Learned, Christensen, Andrews, and Guth in 1965 (cited in O'brien and Dyson, 2007). According to Campbell, Stonehouse, and Houston (2002, p. 3), SWOT analysis is not a strategy by itself, it is rather a "position statement" that evaluates where the company stands vis-à-vis its environment and enables the firm to plan for the future through a coherent strategy.

SWOT analysis represents an indispensable tool that involves both an internal and external appraisal and allows the firm to take strategic initiatives (*See Figure 2*). Through *internal* appraisal, organizations are able first to identify their internal strengths and capitalize on them to develop their strategies, and second to identify their internal weaknesses and work on obviating them (O'brien and Dyson, 2007). Table 2 summarizes the internal aspects that should be assessed in the internal appraisal.

Table 2. Internal Aspects of SWOT Analysis

Employee quality and capabilities
Brands' strengths
Competitiveness of products and services
Customer relationships
Innovative capability
Facilities and infrastructure
Size and location
Effectiveness and flexibility of the production processes
Financial position

Source: O'brien, F. A., & Dyson, R. G. (Eds.). (2007). *Supporting Strategy*. England: John Wiley and Sons.

Through *external* appraisal, organizations can first spot opportunities in the external environment and formulate strategies to exploit them, and second identify external potential threats and prepare defense mechanisms to face them. It involves scanning the Regulatory, Economic, Social, Political, Environmental, Competitive, and Technological dimensions represented by the acronym 'RESPECT' (O'brien and Dyson, 2007, p. 142).

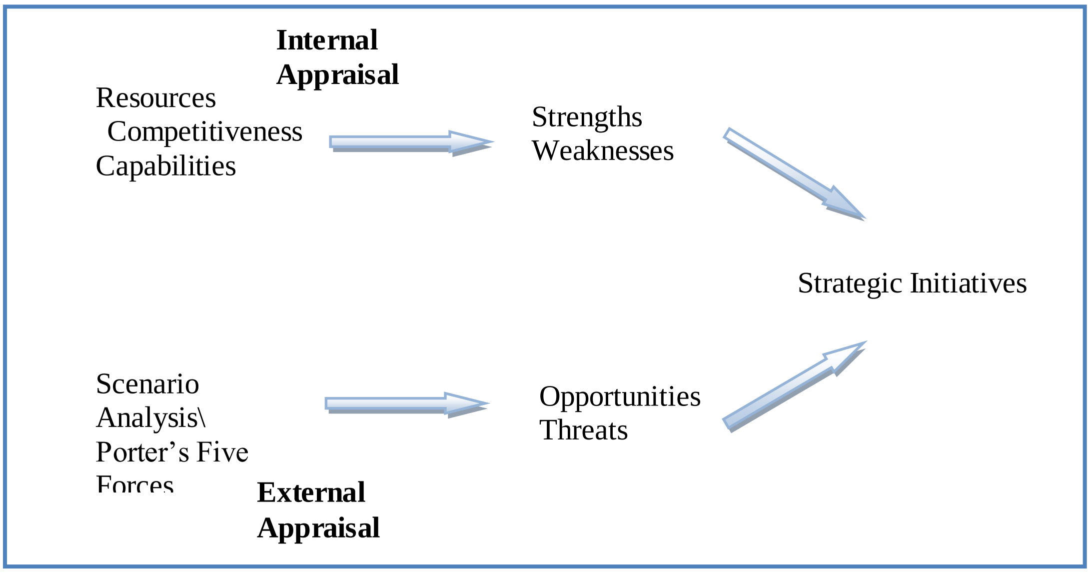

Fig. 2. Multi-methods for Strategic Initiative Creation
Source: O'brien, F. A., & Dyson, R. G. (Eds.). (2007). *Supporting Strategy*. England: John Wiley and Sons.

2. Porter's Five Competitive Forces (Porter, 1979)

According to Porter (1979), "The essence of strategy formulation is coping with competition." (p. 1). He argues that the foundation of a strategic plan starts from the necessity of considering all types of competitors existing in the external environment (buyers, suppliers, and potential entrants) and not only the direct rivals in addition to studying the underlying sources of pressuring forces that are summarized below and portrayed in Figure 3 (Porter, 1979):

2.1- Threat to entry: The seriousness of this threat is determined by several barriers such as economies of scale that coerce the player to either enter the market on a large scale or to accept a cost disadvantage. In order to overcome customer loyalty for a recognized brand, entrants have to spend heavily on advertising their own products; therefore product differentiation constitutes another barrier to entry. Moreover, existent players have cost advantages through access to the best raw materials and distribution channels; this also puts the new player at a great cost disadvantage.

2.2- Bargaining power of suppliers: There are several conditions that make a supplier group powerful: (1) few companies dominate the supplier, (2) the industry is less concentrated, (3) the supplier's product has a high switching cost[4], (4) the group is not forced to compete with other products for sale to the industry, (5) the group is able to integrate forward into the industry creating a major threat, or (6) the group's fortune does not depend highly on the industry.

2.3- Bargaining power of buyers: Similarly, buyers can have a high bargaining power when they purchase in large volumes, the products they buy are undifferentiated, their costs constitute a significant fraction of the buyers' purchasing costs, the buyers earn low income and therefore a low purchasing power, the buyers are not concerned about the product's quality, or when the buyers are themselves producers of the industry's product (Porter, 1979).

2.4- Substitute Products: Porter argues that substitutes limit an industry's profits in normal times as well as in boom times. With the presence of many substitute products, an industry must be able to upgrade its product's quality (performance) or differentiate it through marketing especially when price ceilings are imposed. Strategically, Porter emphasizes two types of substitute products that an industry should be cautious about: a) those that have an attractive "price-performance" trade-off, or b) those that are produced by industries that generate high profits.

2.5- Jockeying for position: Competitors compete for a position in the market using different maneuvers such as introducing new products and cutting prices. However, many other factors affect the intensity of rivalry. For instance, when industry growth is slow, rivals compete ferociously to gain the biggest market share. Moreover,

[4] Switching costs are fixed costs buyers face in changing suppliers (Porter, 1979)

exiting the market is sometimes very costly; even though companies may be already incurring losses, they keep competing. Finally, the number and size of competitors existing in the market also determine the degree of competition.

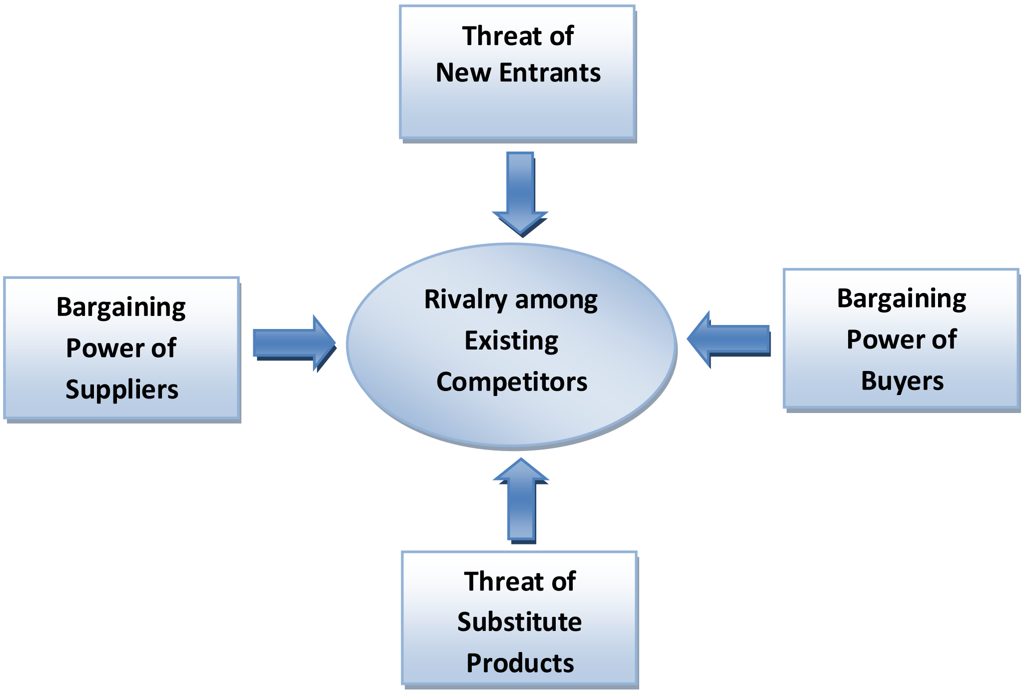

Fig. 3. Porter's Five Forces Model
Source: Porter, M. E. (1979). How competitive forces shape strategy. *Harvard Business Review*, 2-10.

3. Porter's Generic Strategies (Porter, 1980)

After assessing each force separately, the company is able to identify its strengths and weaknesses, to spot the areas where it can compete aggressively and where it should pull out, and to position itself with respect to its competitors. In fact, although a firm's profitability is mainly determined by the attractiveness of the industry in which it operates, if optimally positioned, it can generate very high returns regardless of the industry's condition (Porter, 1980).

Those strengths can be classified under three categories. The first is *capabilities* that represent activities a firm can undertake such as producing a value added product or service. The second category is *competencies* which are measurable and observable skills and abilities that the company can excel at. *Core competencies* constitute the third category and confer the capabilities that are critical to achieving competitive advantage (Wether and Chandler, 2006, p. 47). Hamel and Prahalad (1990, cited in O'brien and Dyson, 2007), argued that core competencies should meet three main characteristics for the firm to sustain its competitive advantage: (1) it should enable the company to reach a wide variety of markets, (2) it should significantly add value to the end product as perceived by the client, and (3) it should not be imitable by competitors.

The term of core competencies was developed from an earlier concept that was proposed by Hofer and Schendel (1978, cited in O'brien and Dyson, 2007) and that is worthy revisiting; *distinctive competencies*. The term refers to patterns through which the firm deploys its resources and skills in order to meet its strategic objectives. Each set of objectives requires a different mix of resources.

According to Porter (1980), a firm positions itself through leveraging those strengths and adopting one of three generic strategies that will convey its value proposition (*See Figure 4*). The value proposition is a promise statement to customers of the quality, price, and solution the product or service is offering them. Each value proposition translated into one of these strategies aims at targeting particular segments.

3.1- Cost Leadership Strategy: A company adopting this strategy aims at being the low cost producer in an industry maintaining a certain level of quality. Pricing can be either equal or lower to average industry prices. The first pricing strategy brings higher profits than that of rivals, whereas the second brings a higher market share. This strategy is usually used when the firm targets a broad scope or target market (Porter, 1980).

3.2- Differentiation Strategy: This strategy entails the company to offer in its product or service unique attributes that are valued and preferred by customers. In this case, the firm charges a premium price that will hopefully cover the additional costs incurred in adding those attributes (Porter, 1980).

3.3- Focus Strategy: When the focus strategy is adopted, the company targets its efforts on a narrow segment through either cost leadership or differentiation believing that the niche market will be better served this way. In this case, the firm enhances customer loyalty which creates a barrier for other firms to compete directly (Porter, 1980).

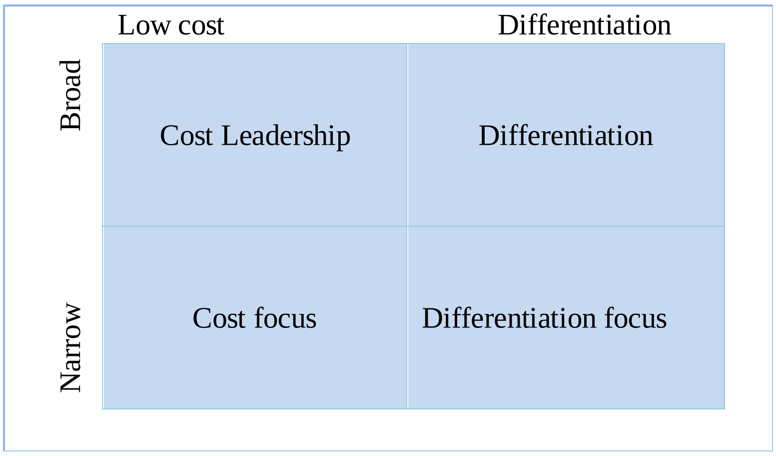

Fig. 4. Porter's Generic Strategies
Source: Porter, M. E. (1980). *Competitive Strategy: Techniques for Analyzing Industries and Competitors*. New York: Free Press

C. Corporate Social Responsibility in a Strategic Context

The concept of strategic CSR has emerged in the 1980s when corporate philanthropy started to undergo a drastic “makeover” (Crane, Matten, and Spence, 2008, p 267). Acts of charity have evolved since then to become a strategic process that allows the company to “do well by doing good” (p. 267). As the competitive game has been undergoing major changes, corporations have been pressured to reconsider and reevaluate their philanthropic activities.

In fact, many organizations have reduced their philanthropy considering that their social programs "have not been clearly articulated." Nevertheless, there has been a recent general consensus among scholars and business executives that corporate social responsibility can indeed pay off for the firm, its stakeholders, and society (Burke and Logsdon, 1996, p. 495).

1. Definitions of Strategic Corporate Social Responsibility

"CSR is not about saving the whales or ending poverty or other worthwhile goals that are unrelated to a firm's operations…" (Werther and Chandler, 2006, p. 10). Instead "CSR should be integrated into the firm's strategic perspective and operations because of the long-term benefit it brings to the organization" (p. 7). Revisiting Carroll's four faces model that argues that CSR can be of an economic, legal, ethical, or discretionary nature; they contend that strategic CSR involves the discretionary and ethical issues that do not have a conventional definition as the legal and regulatory requirements (p.10).

According to Quester and Thompson (2001, cited in Jamali, 2007) strategic CSR is strategic philanthropy that is intended to promote social welfare and achieve business goals simultaneously. This type of CSR does not jeopardize shareholders' wealth, yet, it involves long-term investments that will eventually yield long-term financial returns. It is worthy to note that such an approach presents a challenge; that is to identify and leverage common areas of interests among stakeholders groups so as to reach "win-win outcomes across the board" (Jamali, 2007, p. 7).

Burke and Logsdon (1996, p. 496) present the following definition: “Corporate social responsibility (policy, program or process) is *strategic* when it yields substantial business-related benefits to the firm, in particular by supporting core business activities and thus contributing to the firm’s effectiveness in accomplishing its mission.” Alternatively, Baron (2001, p. 17) contends that when the motive behind CSR practices is to increase profits, then it is considered strategic. It is a profit-maximizing strategy that is perceived by some groups as socially responsible. Thus, “Strategic CSR is just another component of a market strategy intended to capture value.”

In line with the previous definitions, Heslin and Ochoa (2008, p. 126) define strategic CSR as engaging in economically sustainable business activities that go beyond legal requirements and that aim at simultaneously protecting the social welfare (inside and outside the organization) and the environment, and reaping tangible benefits for the business. Practiced this way, CSR can be a powerful tool that saves the company from shareholders’ pressure to maximize profits.

Strategic CSR, as defined by Lantos (2001), treats all groups of stakeholders equally without undertaking social activities that threaten the interests of any group. According to his view, a company is always capable of doing “good works” and enhancing the company’s performance simultaneously (p. 646). The following lists some activities that Lantos (2001) classified under the strategic CSR umbrella:

- Investing in social programs individually or through partnerships with local institutions such as NGOs in order to support the community.
- Investing in good employee relations in terms of time and money.
- Devoting senior management time and efforts to partner with the government in a task force that benefits the society.

• Investing in the firm's market through programs that introduce and involve the less privileged and deprived people to the company's products or services, thus increasing its outreach.

Husted and Allen (2007), after having reviewed the literature and the inconclusive results that fail to define the conditions under which CSR is considered to be strategic, present two alternative explanations of the concept. A firm that designs a plan for social activities, invests in social programs, commits to its employees, evaluates impact on competitive position, and measures outcomes of programs in terms of company's performance and financial benefits is considered to have a social strategy. Alternatively, when a firm attempts to position itself with respect to social issues, then it is adopting a social strategy. Nevertheless, they emphasize the term "design" and argue that a positive relation between CSR and financial performance can be reached only when firms "design" CSR projects with the main aim of creating "competitive advantage" (p. 345).

2. The Appeal and Relevance of Strategic CSR

CSR is not merely a charity deed; when executives apply the same frameworks that guide their strategic business choices and activities to philanthropy, they will find out one truth; "it [CSR] can be a source of opportunity, innovation, and competitive advantage" (Porter and Kramer, 2006, p. 1). Referring to Baron (2003) arguments, Falck and Heblich (2007) argue that organizational success cannot be attained through altruistic short term CSR actions such as donating money for charity but rather through a long-term CSR plan. It is just like any other management strategy that entails proper planning, delicate supervision, and regular monitoring.

In fact, the relevance of strategic CSR is attributed to several trends. First, with increasing affluence, customers are able to select and pay a premium for the brand they favor and trust. Second, following the corporate scandals that have changed the history of several organizations, developed societies have raised the bar and have been demanding more from firms. Furthermore, as the world is becoming flatter with the increasing usage of the internet and free flow of information, companies' misbehaviors are easily shared with the public all over the world. Finally, with the dramatic climatic changes, it is apparent that the limits of what the earth can sustain will be soon trespassed. Thus, corporations are harshly criticized when their actions cause harm to the environment (Werther and Chandler, 200, p. 19).

Therefore, in order to meet stakeholders' expectations and prevent harmful actions that will ruin a firm's reputation, practitioners must acknowledge that business and society are two interrelated entities whereby a strong bond connects social goals to economic objectives (Porter and Kramer, 2002). By devoting efforts to improve countries' social and economic conditions, companies create better contexts to operate in and new markets for their products; thus strengthening their competitiveness. For instance, when companies improve the education level of the members of the community, they are indirectly increasing the probability of recruiting better quality workers on the long run. Figure 5 illustrates this convergence of interests in the highlighted area where corporate philanthropy has a great impact on the company's competitive context (p. 59).

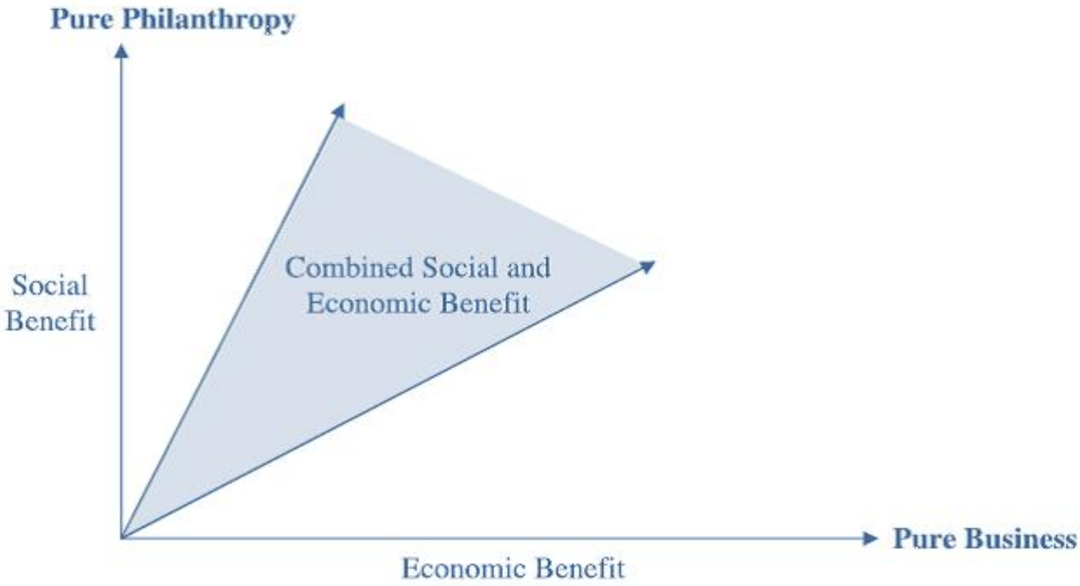

Fig. 5. A Convergence of Interests between Business and Society
Source: Porter, M. E., & Kramer, M. R. (2002). The competitive advantage of corporate philanthropy. *Harvard Business Review*, 56-68.

3. The Benefits of Strategic CSR

In line with Porter and Kramer's argument, companies practicing CSR within a strategic framework can reap the following benefits:

• Enhancing employee commitment: An organizational culture that promotes fairness and empathy has a positive impact on employees' attitudes and productivity. Moreover, socially responsible organizations are at a bigger advantage than their counterparts who overlook social and environmental welfare in attracting and hiring new potential candidates. Not only do CSR contributions attract new employees but also retain existing ones who become aware of the positive influence they are exerting on their environment (Heslin and Ochoa, 2008).

• Promoting product differentiation and organizational innovation: McWilliams and Siegel (2006) argue that through vertical differentiation[5] in particular, the firm can

[5] Vertical differentiation occurs when consumers prefer one product over another because it has a special characteristic (e.g. hybrid cars that have lower gas emissions). Whereas horizontal

strengthen its reputation and target a specific market segment that is willing to pay a premium price for the CSR attribute. This occurs when consumers clearly perceive that the product with this added characteristic is far better that the product lacking it. According to Heslin and Ochoa (2008), strategic CSR projects can even help the company build its core competencies as they free themselves from the constraints associated with commercially contracted products and services, and study different creative ideas and processes. Thus, they gain knowledge that can be employed for more innovation inside the organization.

- Fostering brand equity and organizational reputation: Through brands, organizations offer their clients guarantees of quality and consistency that are supposed to create repeat purchases and increase their profits (Werther and Chandler, 2005). According to Falck and Heblich (2007), contributing to society through CSR planning contributes to a better image of the company. In turn, a good reputation adds value to the brand's equity and the organization's goodwill. McWilliams and Siegel (2000) also argue that investing in strategic CSR aids the company in differentiating its deliverable as well as its image. This is true since it adds to its product or service social attributes that convey to the customer the company's concern towards social problems.

- Increasing Sales and Market Share: Consumers who respond positively to organizations' CSR initiatives are willing to pay a price premium which results in increased sales of responsibly made products and services. In developing economies, CSR activities can represent new opportunities to open up new markets. For instance, when organizations work on reducing poverty in those countries, they automatically

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differentiation occurs when consumers prefer one product over another based on taste (e.g. color) (McWilliams and Siegel, 2006) increase the purchasing power and create new markets for their goods (Heslin and Ochoa, 2008).

- Offering brand insurance: With the drastic shift in the way societies perceive the roles of companies that are nowadays expected to be responsible to the communities where they operate; when they fail to act as “good citizens”, they contradict societal expectations putting the brand’s image at stake especially among affluent current and potential customers who are willing to purchase the firm’s products. As such, managers find themselves forced to take CSR practices into strategic directions in order to offer their multinational brands a sort of insurance against slumps and downturns and in times of crises without risking shareholders’ interests (Werther and Chandler, 2005).

D. Strategic CSR Frameworks

Many business and social scholars strongly believe that the practice of CSR has a positive impact on both the organization’s bottom line and the society. However, the empirical findings have been inconclusive regarding the relation between socially responsible behavior and financial performance leaving businesses uncertain about the relevance of pursuing such activities (Burke and Logsdon, 1996, p. 495).

As a result, philanthropic activities are mostly uncoordinated and freestanding from the business itself. In fact, some organizations establish separate entities just for charity and philanthropy. And even when activities are practiced by the same business entity, they are never assessed in terms of impact of society but only in terms of money contributions (Porter and Kramer, 2006, p. 2).

In order to rectify the misconceptions blinding practitioners in this respect, several scholars such as Burke and Logsdon (1996) and Porter and Kramer (2002, 2006), have developed very useful frameworks that provide executives with a clearer understanding of the tight relationship that can link CSR to financial performance.

1. CSR Five-Dimension Framework (Burke and Logsdon, 1996)

Burke and Logsdon (1996) presented a framework that addresses when and in what ways CSR creates strategic benefits for the firm while serving societal interests. Their purpose is to offer managers clear-cut understanding of those benefits without which they will not be motivated to invest in CSR practices missing on long-term gains. They have identified five dimensions that firms can adopt in order to relate CSR programs to value creation which is one of the most crucial strategic objectives:

1.1- Centrality: it constitutes a "measure of the closeness of fit between a CSR policy or program and the firm's mission and objectives" (p. 496). It serves as a guide for the organization to examine whether CSR actions are aligned with its mission. For instance, contributions made by a pharmaceutical company for drug research and testing have a very high centrality. The production of gas-inflated air bags, first introduced by TRW[6] were highly central as well; it is a socially responsible product that simultaneously enhances drivers' safety and promotes the firm's sales (Burke and Logsdon, 1996, p. 496).

1.2- Most CSR behavior creates collective goods that can be shared by other parties in the industry. Through undertaking specific CSR activities, the firm is able to incorporate the entire benefits. For example, when companies donate to charitable institutions such as Red Cross and Caritas, it undoubtedly benefits the community but in such behaviors, there is nothing specific to the firms. By contrast, when a firm invests in

[6] Thompson Ramo Wooldridge Inc., a global company focused on providing active and passive safety products, and services to the automotive industry.

technologies that help recapture and convert the heat discharged from smokestacks into energy, then it generates benefits that are highly specific through substituting power purchased from the local utility and significantly cutting on costs (Burke and Logsdon, 1996, p. 497).

1.3- Proactivity: It is about anticipating and acting in advance in order to deal with future emerging trends that can be of technological, political, or social nature. Firms must scan their environment perpetually so as to benefit from potential opportunities and face possible threats enhancing their position in the market. Proactive companies, for example, invest today in CSR programs that reduce pollution because they have anticipated that such activities will increase in cost over the long term (Burke and Logsdon, 1996, p. 498).

1.4- Voluntarism: This dimension refers to discretionary behavior undertaken by the firm transcending the boundaries of classical requirements. In fact, several business activities such as introducing new products fall under this dimension. In the CSR context, to be considered voluntary, philanthropy should not be practiced as a result of social pressure. For instance, an airline company that exceeds the Federal Aviation Administration (FAA) requirements is engaging in a voluntary behavior that pays off to the firm and to the society (Burke and Logsdon, 1996, p. 498).

1.5- Visibility: Visibility indicates the extent to which the organization's activities are recognized and appreciated by different groups of stakeholders. Fraud, contaminated products, aggressive advertising, etc. all result in negative visibility. On the other hand, successful product introduction, favorable innovations, strong earnings lead to positive visibility. In the case of CSR, activities have often positive visibility although they address negative issues. This dimension in particular has a significant *internal* relevance for employees. Employee and benefit programs for example are highly visible within the firm and thus enhance employee morale and loyalty (Burke and Logsdon, 1996, p. 499).

Through taking those five dimensions into serious consideration, organizations can make sounder decisions about CSR that will eventually bring the firm and the society significant benefits on the long run. In other words, firms should integrate CSR planning with the business strategy. Figure 6 summarizes the analysis stream through which firms can implement this integration.

1. • Identify the important stakeholders that are highly affected by the firm's strategic mission and goals.
2. • Determine the socially valuable CSR projects that address the needs and interests of these stakeholders.
3. • Assess how the firm can seize the opportunities lying behind CSR initiatives and counter current and potential threats as well as social problems (Centrality).
4. • Assess the extent to which CSR projects can benefit solely the firm undertaking them (Specificity).
5. • Anticipate future changes in the organization's environment and in the stakeholders' needs and expectations and plan accordingly proactive CSR activities (Proactivity).
6. • Identify potential voluntary activities that can be clearly distinguished from the firm's economic and legal requirements (Voluntarism).
7. • Identify CSR projects that yield positive exposure to critical stakeholders (Visibility).
8. • Measure the potential value that can be created from the CSR projects to be undertaken (Value Creation).

Fig. 6. Strategic CSR Analysis
Adapted from: Burke, L., & Logsdon, J. M. (1996). How corporate social responsibility pays off. *Long Range Planning*, 28(4), 495-502.

2. The Link between Competitive Advantage and Corporate Social Responsibility (Porter and Kramer, 2002; 2006)

Porter and Kramer (2002; 2006) presented a new model that emphasizes the importance of integrating business and society and that shows companies where and how they can focus their philanthropic practices. According to this framework, CSR should be placed on the business agenda in order to generate both social benefit and tangible gains. Actually, businesses can analyze their interrelation with society using the same tools employed in developing their strategy and analyzing their competitive position.

- Looking Inside Out:

This approach entails the organization to study its value chain[7] activities and identify their positive as well as negative impact on society. As such, the company becomes aware of social problems that can be eased or totally eliminated on one hand, and opportunities that can be tapped in for positioning and differentiation on the other. It is worthy to note that time and location are considered critical variables in this respect. For instance, what is considered to have a negative impact on the Lebanese community may have positive implications in Europe or the United States and vice-versa. Similarly, what was considered safe in the 1900's, like Asbestos, has recently been proven to present a serious health risk nowadays by virtue of scientific development. Thus, firms must attempt to identify not only current social problems but also future social effects if they want to ensure their survival (Porter and Kramer, 2006, p. 7). Table 3 illustrates several examples on the inside out linkages.

[7] "All the activities a company engages in while doing business." (Porter and Kramer, 2006, p.5)

Table 3. Examples on Inside-Out Linkages

Product safety	Worker safety and labor relations
Conservation of raw material	Financial reporting practices
Recycling	Transparency
Transportation impacts (e.g. gas emissions)	Education and job training
Energy and water usage	Layoff policies
Utilization of natural resources	Disposal of obsolete products
Pricing Practices	Customer privacy

Adapted from: Porter, M. E., & Kramer, M. R. (2006). Strategy and society: The link between competitive advantage corporate social responsibility. *Harvard Business Review*, 1-15.

- Looking Outside In: The Competitive Context Framework

Porter and Kramer (2002, p. 61) grouped the factors that shape the competitive context into four main interrelated social dimensions which, if carefully understood and analyzed, can help the firm identify the areas where social and economic values overlap and where philanthropy can have a great influence on both the society and the company's bottom line, hence its competitiveness.

- Factor Conditions: refer to availability and quality of inputs, namely human resources, capital resources, physical and information infrastructure, scientific and technological infrastructure, and natural resources. Philanthropy can significantly influence such inputs, thus improving the society's standards of living (Porter and Kramer, 2002).

- Demand Conditions: refer to the size and sophistication of the local market that can be highly influenced by philanthropy. Companies can increase the demand for their products if they include a social attribute that customers are interested in. Thus, through philanthropy, they are capable of increasing the knowledge and sophistication of clients who, eventually, will be interested in more innovative products (Porter and Kramer, 2002).

- Context for Strategy and Rivalry: A location can be more or less attractive for a new business depending on the policies that govern the competitive game such as encouraging investment, protecting intellectual property, reducing corruption, etc. Again, philanthropy comes into play in order to create more transparency and productivity at the heart of the competition (Porter and Kramer, 2002).

- Related and Supporting Industries: When members of a cluster - “a geographic concentration of interconnected companies, suppliers, related industries, and specialized institutions” (Porter and Kramer, 2002, p. 61) - invest collectively in philanthropic activities, they significantly improve their own performance and reduce their costs as it would be spread over more than one constituent. Thus, philanthropy promotes the growth of such industrial clusters.

- Social Issues

One company cannot be everything to everyone and cannot solve all problems the society is suffering from. Therefore, every organization is supposed to scan societal issues and select the ones that match its business practices and more importantly that create shared value. Porter and Kramer (2006) distinguished between three categories of social issues depicted in Figure 7.

Generic Social Issues	**Value Chain Social Impacts**	**Social Dimensions of Competitive Context**
Social issues that are not significantly affected by a company's operations nor materially affect its long-term competitiveness.	Social issues that are significantly affected by a company's activities in the ordinary course of business.	Social issues in the external environment that significantly affect the underlying drivers of a company's competitiveness where it operates.

Fig. 7. Prioritizing of Social Issues
Source: Porter, M. E., & Kramer, M. R. (2006). Strategy and society: The link between competitive advantage corporate social responsibility. *Harvard Business Review,* 1-15.

Each organization is required to classify social issues into these three categories and rank them based on their impact level. For instance, for a bank, carbon emissions is a generic social issue whereas it is a negative value chain impact for UPS and both a value chain impact and a social dimension for Toyota.

The purpose of such a classification is to create a corporate social agenda that goes beyond society's expectations so as to achieve social and economic goals in parallel. Such an agenda can be in the form of *responsive CSR* where the company acts as a good citizen and attempts to alleviate its negative impacts on the society through what Porter and Kramer (2006) call "mitigating harm from value chain activities" (p. 9).

- Integrating Inside-Out and Outside-In Practices

Nevertheless, creating value that goes beyond goodwill and improved public relations cannot be achieved without migrating into the second type of CSR; i.e. *strategic*, where the company transcends the boundaries of good citizenship and harm mitigation (*See Figure 8*). Here both, the inside out and the outside in approaches are adopted and applied respectively (Porter and Kramer, 2006).

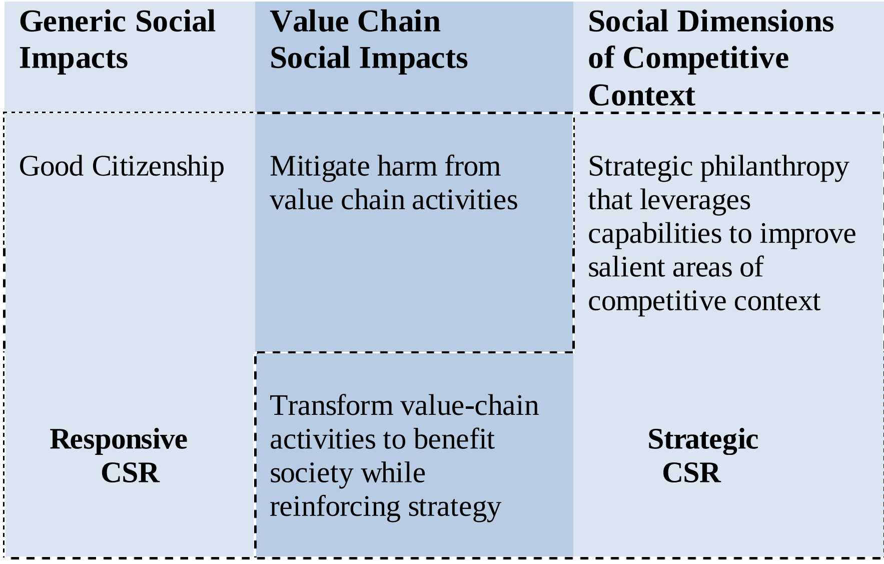

Fig. 8. Corporate Involvement in Society: A Strategic Approach
Source: Porter, M. E., & Kramer, M. R. (2006). Strategy and society: The link between competitive advantage corporate social responsibility. *Harvard Business Review*, 1-15.

- CSR in the Value Proposition

Finally, for an utmost CSR strategy, the company is recommended to integrate the social dimension it selected in its value proposition. As the purpose of every activity of the value chain is to meet and enhance the value proposition, the added social dimension will in turn be reinforced. Firms may not be able to build the entire value proposition around social issues such as organic food products companies; yet, adding a social dimension to the value proposition will equip the firm with an additional shield against competition. If practiced this way, strategic CSR strengthens the company's image and positioning, and distinguishes it from its rivals (Porter and Kramer, 2006).

E. Conclusion

Although the practice of CSR is still in many instances of an altruistic or philanthropic nature, it has started to take new directions due to several factors such as shareholders and stakeholders' pressure, globalization and consumers' increasing affluence and sophistication. Businesses are realizing that they cannot conciliate economic and social interests without aligning CSR practices with their core business objectives.

In order to create value through CSR, firms must plan and design CSR projects through identifying the social issues that affect the competitive context of the company and that can be turned into CSR objectives, and through devising a strategy that enables the firm to achieve them successfully. In order to implement a successful CSR strategy, socially responsible projects should be proactive rather than reactive or responsive, central and specific to the firm, and visible to internal and external stakeholders. Through communicating its social attributes through its value proposition, the firm is able to enhance those dimensions and convey its socially responsible image to all stakeholders.

CHAPTER IV

STRATEGIC CSR FROM A RESOURCE-BASED VIEW OF THE FIRM

A. Introduction

While Porter's models on competitive positioning and industry structure focused on the link between strategy and the external environment, The resource-based view of the firm (RBV) emphasized the relevance of internal resources in strategy formulation and examined the relation between the two (Wernerfelt, 1984; Grant, 1991).

In fact, the resource-based view has taken strategic management into new directions. However, it has not integrated any social aspects of the firm's resources until very recently. The abilities to assess the social and ethical dimensions of the organizational daily operations have not been regarded as a resource in the first place (Litz, 1996). Nevertheless, recent works were able to see the usefulness of such a perspective in understanding why organizations should engage in socially responsible activities.

The main focus of this chapter is to scrutinize corporate social responsibility from a resource-based perspective and the conditions under which CSR can represent a dynamic capability; a concept that has evolved from RBV. Before doing so, the chapter reviews the literature pertaining to both RBV and dynamic capabilities concepts.

B. Overview of the Resource-based View in Strategy Creation

Since the 1960s, one single framework was used in the strategic management research and application in order to understand the sources of sustained competitive advantage. It suggested that the latter can be obtained by exploiting internal strengths, eliminating internal weaknesses, taking advantage of external opportunities, and annihilating external threats (*See Figure 9*). Nonetheless, during the 1980s, the focus had been channeled towards analyzing the firm's external environment solely overlooking the internal attributes of the firm and assuming that firms' internal attributes are identical (Barney, 1991).

Understanding competitive positioning across different industries had heavily relied on Porter's insights pertaining to industry structure and attractiveness. However, assuming that all firms are homogeneous had misled strategy analysts and graveled them when attempting to explore the inter-firm differences. This is when RBV emerged and became familiar to practitioners (Litz, 1996; Teece, Pisano, and Shuen, 1997).

With the surge of this new school of thought, there was a drastic shift in the context where organizations try to find the drivers of competitive advantage from outside to inside the firm. In fact, RBV has empowered managers to play a more active role in improving the firm's performance from within the organization and thus has outweighed the industrial organization school (O'brien and Dyson, 2007).

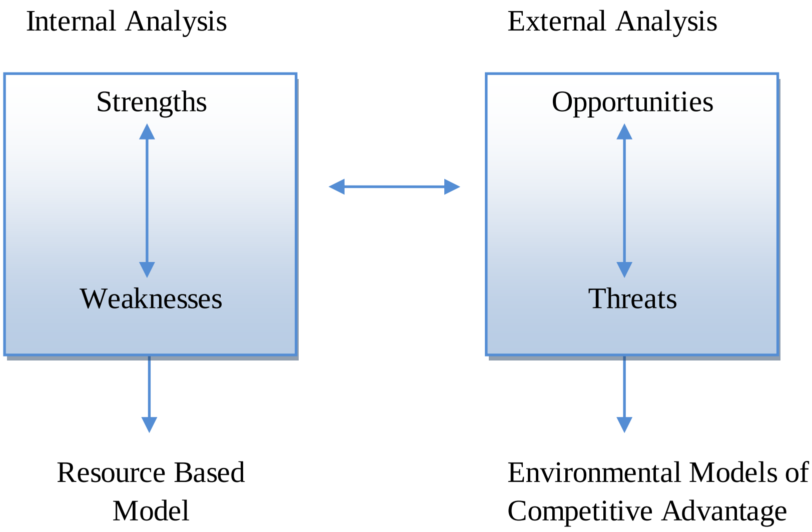

Fig. 9. The Relationship between the SWOT Analysis, the Resource-Based Model, and Models of Industry Attractiveness
Source: Barney, J. (1991). Firm resources and sustained competitive advantage. Journal of Management, 17(1), 99-120.

The works done on the resource-based view propose that the quality and quantity of a firm's resources have a direct impact on its performance and sustainability. From a resource-based perspective, the center of attention in strategy formulation should be the firm and not the industry as suggested by the industrial organization school. Further, it stresses the fact that firms are never homogeneous and the differential in profits is likely to be a result of the heterogeneity of the resources they possess contradicting the old neo-classical economic theory that had always assumed that competitors are homogeneous (Litz, 1996; O'brien and Dyson, 2007).

Early studies done on the concept emphasized the definition of the term 'resources'. Wernefelt (1984, p. 172) defined it as follows: "By a resource is meant anything which could be thought of as a strength or weakness of a given firm. More formally, a firm's resources at a given time could be defined as those (tangible and intangible) assets which are tied semi-permanently to the firm. Brand names, skillful employees, machinery and equipment, capital, etc. are all examples of a firm's resources. Grant (1991) denoted resources such as corporate culture, expertise, commitment and loyalty of employees by personnel-based resources.

Further definitions of a resource are reminiscent of the ones presented on core competencies and discussed in the previous chapter. Teece *et al.* (1997, p. 516) define resources as “firm-specific assets that are difficult if not impossible to imitate.” Such resources or assets are immobile among firms because of high transfer costs or because managing them inside the organization entails specialized knowledge and expertise; in other words they cannot be easily transferred from one organization to another. Examples on such resources are trade secrets and specialized production facilities.

More recently, Campbell, Stonehouse, and Houston (2002, p. 35) in their book *Business Strategy: an Introduction* present the following definition on the term: “A resource is an input employed in the activities of the business. Success rests in large part upon the efficiency by which the business converts its resources into outputs.” Consistent with Wernerfelt’s definition, the authors classify resources under tangible: human, physical (land, equipment, etc.) and financial; and intangible: patents, know-how, brand names, etc.

After having defined the terms, and in parallel with the characteristics of core competencies discussed earlier in the paper, works in RBV analyzed the conditions under which resources can generate a sustained competitive advantage. Wernefelt (1984) emphasized the first mover advantage whereby the firm that acquires a resource first puts later acquirers at a cost/revenues disadvantage and creates a resource position barrier. This is analogous to Porter’s entry barrier; however, it is an internal mechanism that endows the company with an advantage against its current rivals and not against potential entrants.

Hart (1995) argues that "Resource-based theory takes the perspective that valuable, costly-to-copy firm resources and capabilities, provide the key sources of sustainable competitive advantage" (p. 986). In addition to leveraging core competencies, this view stresses the fact that competitive advantage cannot be sustained unless resources are inimitable, meaning that the firm must raise barriers to replication (Rumelt, 1984). More importantly, this view stresses not only the short and medium term profitability of the firm but also its future position and source of competitive advantage (Hart, 1995).

In line with Rumelt's argument, Barney (1991) contends that a resource should be valuable to allow the organization to execute strategies in ways that enhance its efficiency and effectiveness, scarce, inimitable, and non-substitutable because if a large number of companies can have equivalent resources, they can use them in the same strategic ways neutralizing competitive advantage for all firms together.

Grant (1991) took the research in this respect further and developed a framework that is worthwhile describing in more details. His model scrutinized and outlined to managers the links between a firm's resources and its capabilities, strategy formulation and profitability. He argued that a firm's internal resources and capabilities should constitute the starting point of the firm's strategy. With the continuously changing external environment, internal resources and capabilities constitute a more stable foundation for a firm to determine its identity than the customers' needs it intends to satisfy. For instance, Merrill Lynch, American Express, and Sear faced serious management problems when they attempted to serve a wide range of customers' financial needs. On the other hand, when Honda, originally a motorcycle maker, decided to focus on its technical expertise in 4-cycle engine production, it was able to move to manufacturing of automobiles and other engine products (p. 116).

Furthermore, as the practical and empirical findings have been inconclusive regarding whether there is a strong link between a firm's profitability and the industry's attractiveness or not, he emphasized the firm's resources and capabilities as the main source of competitive advantage and profitability. Strategic positioning through one of Porter's generic strategies does enable the firm to differentiate itself. However, choosing the right strategy depends heavily on the resource position of the firm. For instance, an organization that uses the cost leadership strategy and aims at establishing a cost advantage, is supposed to have efficient plants, high technology, access to low cost raw materials, etc.

His framework, whose stages are illustrated in Figure 10, is outlined through a five-step procedure:

1- The firm needs to identify and classify its resources based on strengths/weaknesses appraisal. It also needs to spot opportunities for better utilization of those resources.

2- The firm needs to identify its capabilities and their complexity level in addition to the resources that serve as inputs to each capability.

3- The firm needs to evaluate the "rent-generating"[8] resources and capabilities pertaining to their potential for sustainable competitive advantage[9] and the "appropriability" of their returns (p. 123).

4- At this level, the organization needs to select a suitable strategy that optimizes the usage of resources and capabilities taking into account the external opportunities.

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[8] Rents are the extra profits earned by a firm that can successfully exploit special resources belonging to them. Rent from a particular resource implies the ability to exploit and appropriate that particular resource (O'brien and Syson, 2007).

[9] Sustainability is determined by durability of resources and their depreciation rate, transparency of the firm's strategy to the competitors, replicability, and transferability of resources among firms (Grant, 1991).

5- Having implemented the previous four steps, the firm becomes able to identify the gaps in resources and capabilities and invest accordingly in replenishing, augmenting, and upgrading its resource base.

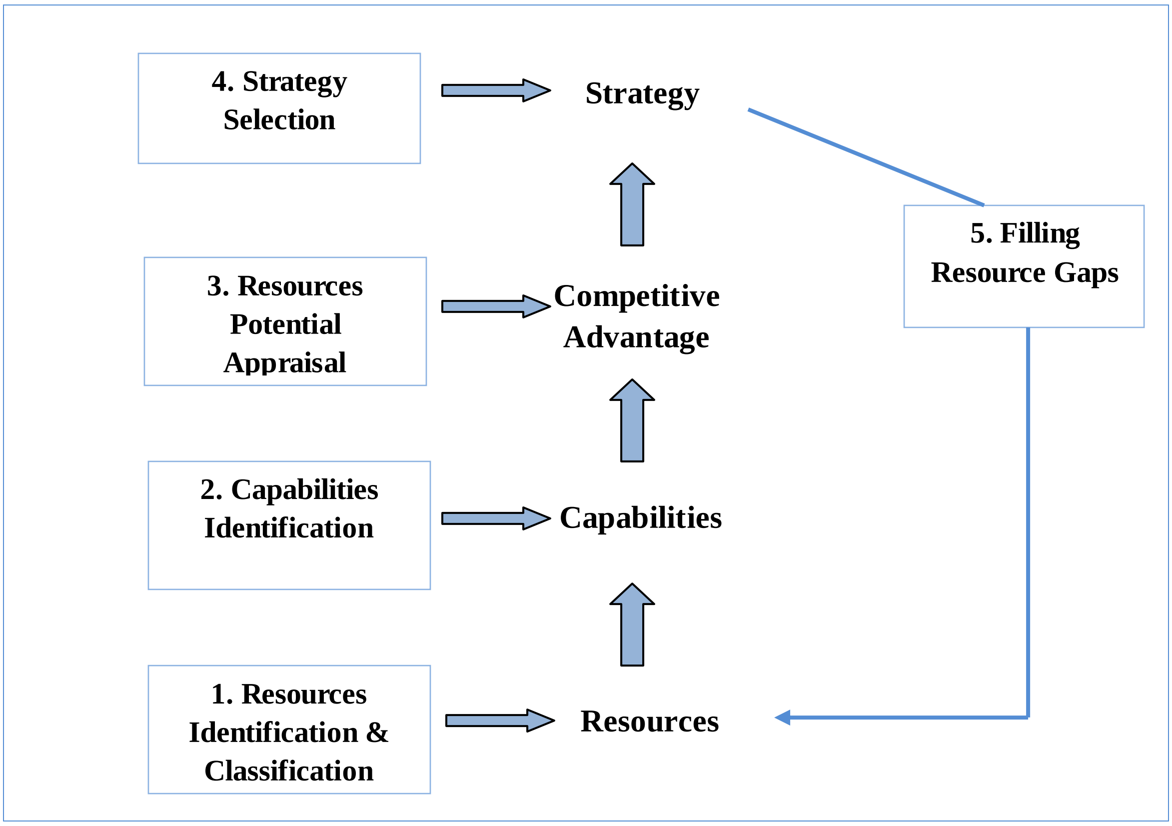

Fig. 10. A Resource-Based Approach to Strategy Analysis
Source: Grant, R. M. (1991). The resource-based theory of competitive advantage: Implications for strategy formulation. *California Management Review*, 33(3), 114-135.

In sum, and consistent with Grant's propositions, the firm can formulate a unique strategy that yields competitive advantage if it focuses on its valuable resources and its capabilities. The appropriate mix of resources needs to be selected and structured in a way that matches the external environment. This unique combination of internal resources will eventually enable the firm to achieve its objectives (Barney, 1991).

The firm may need to emphasize its bundles of intangible resources; Branco and Rodrigues (2006) refer to Barney (1999) and Bowman and Ambrosini (2003) to emphasize the fact that tangible resources even if valuable and rare, can be far more easily imitated or substituted than intangible resources that are acquired cumulatively over time; meaning that the latter are more likely to be a source of competitive advantage.

Finally, in order to create this distinctive mix and formulate a strategy that will sustain competitive advantage, it is more than crucial to understand the relation between the resource base of the firm, its capabilities, and profitability (Grant, 1991). Figure 11 illustrates this relation as presented by Hart (1995); however the key authors associated with every core concept are adapted from the literature of this paper.

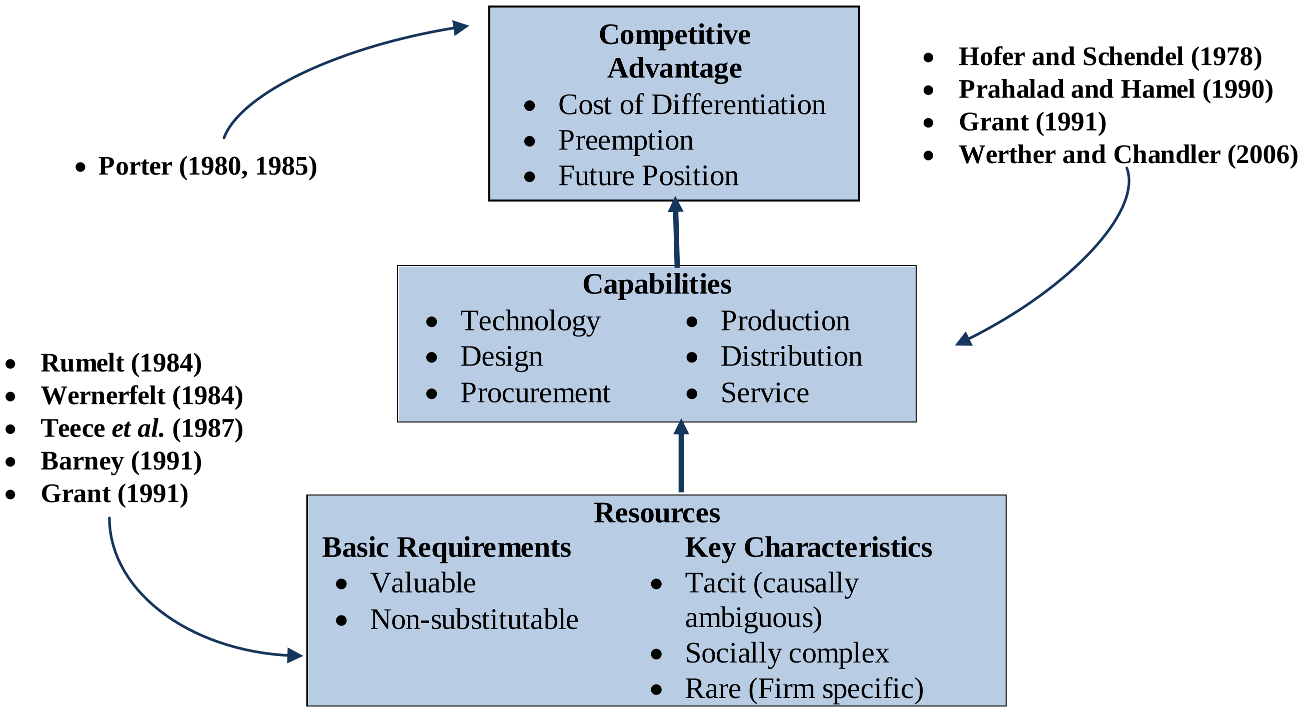

Fig. 11. The Relation between Resources, Capabilities, and Competitive Advantage
Source: Hart, S. L. (1995). A natural-resource-based view of the firm. *The Academy of Management Review*, 20(4). 986-1014.
Note: causally ambiguous: the actions needed to create them are not fully known; socially complex: some resources, such as corporate reputation or firm culture, are difficult to change on the short-term (Branco and Rodrigues, 2006).

C. The Dynamic Capability Perspective – Definition and Relevance

The cycle through which resources are continuously enhanced in order to create new capabilities that in turn lead to best practices, as suggested in Grant's model, takes us forward in time to a more recent concept; dynamic capabilities. During the past decade, the concept of dynamic capabilities has evolved from and is rooted in the resource-based view within the field of strategic management research and implementation. As RBV has been criticized for failing to endow firms with a competitive advantage in dynamic and changing environments, the concept of dynamic capabilities has been extended from RBV to counterbalance its shortcomings (Doh, 2005). This approach does not share the static nature of the RBV model as it confers the dynamic aspect of a firm's resources (Easterby-Smith, Lyles, and Peteraf, 2009; Macher and Mowery, 2009).

The concept of dynamic capabilities was introduced by Teece et al. (1997, p. 515) who define the term *dynamic* as "the capacity to renew competences so as to achieve congruence with the changing business environment." As for the term *capabilities*, it "emphasizes the key role of strategic management in appropriately adapting, integrating, and reconfiguring internal and external organizational skills, resources, and functional competences to match the requirements of a changing environment". Three important factors shape a firm's capabilities (Teece *et al.*, 1997):

Processes: Processes are distinctive activities that are performed by the right individuals and teams using the right specific assets. They refer to the "patterns of current practice and learning": e.g. quality and systems integration (p. 518).

Assets Position: Specific assets such as difficult-to-trade knowledge, reputation, technological endowments determine the assets position of the firm.

Evolution Paths: The current position of the firm is determined by past history through which it has evolved; termed the evolution path.

Helfat and Peteraf (2003, p. 4) define dynamic capabilities as "the capacity of an organization to purposefully create, extend, or modify its resource base" in order to acquire "evolutionary fitness" (Newey and Zahra, 2009, p. 82). Winter (2003) define first zero-level capabilities that ensure the firm's survival only in the short term and argues that dynamic capabilities are resources that operate to extend and upgrade those ordinary capabilities and that involve long-term commitment to continuous learning and expertise pertaining to product and process development. Nevertheless he emphasizes that firms who are to migrate to dynamic capabilities should have enough room to accommodate internal change on different organizational levels.

According to Garriga and Melé (2004, p. 54), dynamic capabilities are organizational and strategic routines, by which managers acquire resources, modify them, integrate them, and recombine them to generate new value-creation strategies." This approach emphasizes capabilities in several organizational fields that fall outside the boundaries of traditional strategy. Such areas include technical and functional expertise, organizational learning, human resources (Teece *et al*., 1997). They also encompass product and process development that entails *resources integration* through which managers combine their skills from several functional areas and develop value added products and services, alliance formation and merger and acquisitions that require *depletion or acquisition* of resources, and "patching" that falls under *reconfiguration* of resources; Dell for example, segments its businesses in ways that meet the changing needs of customers (Eisenhardt and Martin, 2000, p. 1108).

In sum, the dynamic capabilities concept refers to the firm's ability to select the right mix of internally and externally oriented competencies and reconfigures them in swift manners that enable the firm to cope with the changing environment. Using this approach entails the firm to change previous practices in alignment with external changes and to create new processes. This in turn would generate new value creation firm-based activities namely, distinct competencies, new organizational routines, and new specific assets to the firm that will eventually yield sustainable competitive advantage (Teece *et al*., 1997; O'brien and Dyson, 2007)

Accordingly, the potency of dynamic capabilities in creating competitive advantage depends on how resources are integrated, reconfigured, gained, or released. However, firms should be aware of the dynamism level in their operation context. In moderately dynamic markets, they should be able to break their long-term strategic paths whenever change occurs. Whereas in high velocity markets, competitive advantage is unlikely to be sustained over a long period of time; this is where firms should focus on creating temporary advantages (Eisenhardt and Martin, 2000).

D. CSR and the Extended Resource-Based View

The resource-based view, a relatively new perspective of understanding sources of competitive advantage has expanded to embody social and ethical resources that can also constitute a source of competitive advantage (Garriga and Melé, 2004). Several researchers were able to see the influential role the RBV and dynamic capabilities frameworks play in understanding why and how organizations can engage in socially responsible activities.

1. CSR from a Resource-based View

Hart (1995) was the first to apply the resource-based view to CSR through a model that focuses on the *environmental* social responsibility in specific (McWilliams and Siegel, 2006). He examined the relationship of the firm with its natural surrounding and contended that the challenges and constraints posed by the biophysical environment are the main drivers behind resources and capabilities development. When organizations take into account the societal demands and needs pertaining to the natural environment, they will be able to identify better resources that are valuable and inimitable, to lower their costs, and to ensure a top position in the market. Thus, environmental social responsibility can be a resource or capability that promotes competitive advantage.

Based on Hart's work, Russo and Fouts (1997) developed a framework that also highlights the influence of the environmental policies on the firm's bottom line. They extended the RBV theory and contended that the industry growth moderates the influence of CSR on economic performance building on two modes that were previously presented by Hart (1995); the compliance strategy whereby firms attempt to mitigate environmental harm through an “end-of-pipe” approach but often fail to meet the standards, and the prevention strategy that goes beyond compliance and embraces a sustainable approach based on source reduction and process innovation (p. 537).

Prevention constitutes a more challenging process than compliance. For example, when a firm decides to use clean technologies, it needs to reshape its culture and equip its human capital in the management, R&D, production, and marketing with the right tools to implement the new environmental policies. This will be accompanied with substantial risk knowing that the outcomes of totally new technologies are vague. However the return on investment risk is high in high-growth industries; hence, the prevention approach is predicted to generate higher profits in high growth industries (Russo and Fouts, 1997).

Litz (1996) added general ethical and social dimensions in this respect and developed a framework based on Kuhn’s three-stage model of adaptive behavior (1981, as cited in Litz, 1996, p. 1358). The model suggests that adaptive behavior is a process that involves three types of behavior. Figure 12 depicts Litz’s model derived from Kuhn’s adaptive behavior framework.

- Perceiving a stimulus: Based on Freeman’s stakeholder theory, the first stage of Litz’s model, which is analogous to stimulus perception and which constitutes a necessity to any organization that is seeking sustainability, is to perceive stakeholders’ interests.

- Selecting a response: The second component of the chain is ethical deliberation whereby organizations reflect on the alternatives they can select from in order to meet the stakeholders’ expectations/stimuli perceived in the first stage.

• Performing the response: The final stage is responding efficiently to the stimuli by performing the ethical decisions in a “timely” manner (Litz, 1996, p. 1360).

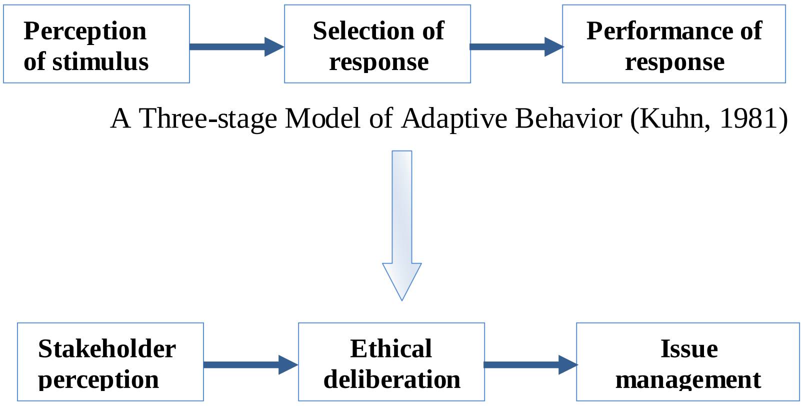

Fig. 12. A Three-Stage Model of Adaptive Behavior
Source: Litz, R. A. (1996). A resource-based-view of the socially responsible firm: Stakeholder Interdependence, ethical awareness, and issue responsiveness as strategic assets. *Journal of Business Ethics*, 15, 1355-1363.

Each behavioral stage of this model is, according to Litz (1996), a valuable, rare, inimitable, and non-substitutable asset to the firm without which it cannot achieve sustainability. Revisiting the theoretical works of Rumelt (1984), Barney (1991), and Hart (1995), those characteristics are what make assets, in this context CSR behavioral stages, true strategic resources that will in turn enhance competitive advantage.

Consistent with the RBV theory, McWilliams and Siegel (2001) contended that a firm can use CSR-related resources in its production process. Their theoretical framework treats CSR as an integral component of the firm’s business in terms of demand and supply just like any other product attribute. Demand for CSR can be determined in terms of advertising, consumer income, preferences, demographics, substitute products, etc.

On the supply side, capital, material, and labor are variables that determine the market provision of CSR. The demand/supply model shows that decisions regarding

CSR are similar to any other investment decision; there is an optimal level of CSR that can be determined through a cost/benefit analysis whereby additional cost of CSR-related resources are weighed against the incremental revenue generated from increased CSR demand.

According to Branco and Rodrigues (2006), the resource-based view (RBV) of the firm represents a very useful tool for researchers in understanding the impact of corporate social policy on a firm's profitability. Seen from this perspective, CSR can reap internal or external benefits or both to the firm. Internally, investing in socially responsible activities requires new resources and capabilities pertaining to know-how and corporate culture. On the external level, CSR can enhance the corporate reputation which is one of the most fundamental intangible resources of a firm.

In sum, CSR can have several strategic implications when studied from a resource-based perspective. When firms take into consideration social and environmental concerns, they are able to identify their internal strengths and develop their resources. Moreover, embodying CSR attributes in the firm's products depending on specific CSR-related resources, they are more capable of differentiating their products and enhancing their corporate reputation. Nonetheless, as the RBV is considered static and inapplicable in dynamic environments, it is crucial to embrace the dynamic capabilities approach in the analysis of CSR strategic implications for a more comprehensive and complete scrutiny.

2.CSR from a Dynamic Capabilities Perspective

With increasingly changing environments, the dynamic capabilities of resources have proven to be indispensable for organizations to sustain their superior performance

(Branco and Rodrigues, 2006). Interestingly enough, dynamic capabilities play an equally important role in implementing successful CSR strategies.

Fang, Huang, and Wei-Ling Huang (2010) attribute the importance of this perspective in the context of strategic SCSR to two main reasons; organizations achieve success through managing their relations with stakeholders and satisfying the changing demands of consumers. Further, through CSR strategies, organizations aim at increasing their bottom line. As such, they must enhance the productivity of their resources and this is achievable through dynamic capabilities.

This section examines CSR from a dynamic capabilities perspective through reviewing three theoretical frameworks that provide useful insights on the relation between the two concepts.

a. <u>CSR strategy – As a Marketing Dynamic Capability (Taghian, 2008)</u>

Taghian presented a theoretical work that studies CSR as an intangible dynamic resource. Consistent with Litz (1996), he contends that moral and ethical social responsibility constitutes the underlying foundation for a decision making process. However, several incidents and events that have occurred in the history of organizations and that have damaged their reputation and performance prove that ethical motivations do not yield ethical behavior without the approach of self-regulation which is dependent upon unreliable and unstable factors such as managers' attitudes and the internal cultural and religious base of the firm.

To ensure ethical behavior, it is required from the organization to reshape its culture and diffuse a value system that promotes creating a unique reputation. As such, CSR should be adopted as a strategy, namely a marketing function whereby social and environmental concerns are turned into marketing objectives in order to create and sustain competitive advantage. Table 4 lists the elements that should be considered when CSR is used as a marketing strategy.

Table 4. The Elements of CSR Marketing Strategy

1)	Differentiation strategy and positioning
2)	Committing to CSR on all organizational levels
3)	Integrating CSR in organizational activities
4)	Selecting the right methods to communicate CSR activities to the stakeholders
5)	Monitoring CSR achievements on a regular basis
6)	Undertaking corrective actions to ensure it still meets stakeholders' concerns

Source: Taghian, M. (2008). Corporate social responsibility: A resource-based view of the firm. Proceedings of the Australian and New Zealand Marketing Academy Conference. Olympic Park, Sydney, N.S.W., 1-3 December 2008, pp. 1-7. Canning Bridge, W.A.: Promaco Conventions.

When adopted and implemented as such, CSR becomes a core intangible dynamic resource that defines the process through which other tangible and intangible resources are selected and adopted. This process or CSR *strategy* constitutes a dynamic *capability* as it promotes progressive organizational learning and integration of knowledge and determines the right mix and configuration of strategic resources. It provides the firm with a framework for an appropriate and timely response mechanism (Taghian, 2008). Figure 13 illustrates the relation between CSR as a marketing function, and financial performance, mediated by market share and reputation. It is worthy to note that the relation between reputation and market share is not definite (presented by a dashed arrow).

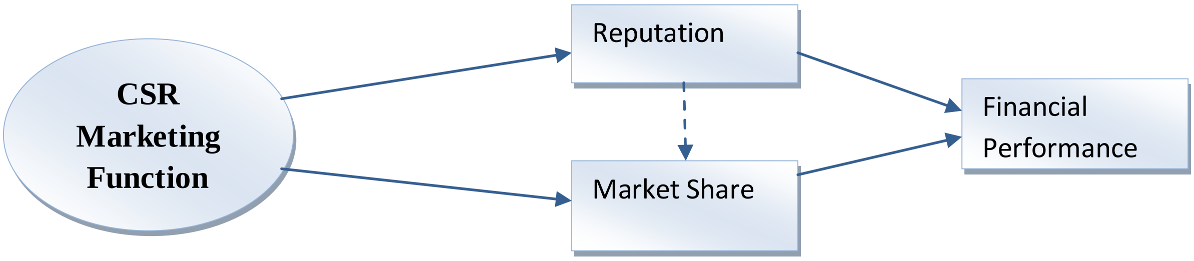

Fig. 13. The Relation between CSR and Financial Performance
Adapted from: Taghian, M. (2008). Corporate social responsibility: A resource-based view of the firm. Proceedings of the Australian and New Zealand Marketing Academy Conference. Olympic Park, Sydney, N.S.W., 1-3 December 2008, pp. 1-7. Canning Bridge, W.A.: Promaco Conventions.

b. CSR – A General Dynamic Capability (Lattemann, Schneider, and Kupke, 2007)

Lattemann, Schneider, and Kupke (2007) advanced a more generic framework that shows that socially responsible activities can be turned into dynamic capabilities on multiple levels leading to competitive advantage. They argue that the knowledge and experience that come forth through CSR planning and activities represent dynamic capabilities. They build on Teece *et al.* (1997) conceptualization that comprises processes, position, and path, and establish links between CSR and each of these three factors as depicted in Figure 14.

- CSR and processes: Lattemann *et al*. emphasize that the adoption of CSR practices requires modifications and reconfiguration of the firm's processes. For example a firm that decides to integrate ecological related activities needs to implement new routines such as recycling and waste reduction processes.
- CSR and position: CSR activities have the ability to enhance the firm's assets, tangible and intangible. They are believed to enhance the firm's reputation and relation to its stakeholders leading to product differentiation. As a result the firm will be able to attract socially responsible candidates on one hand and motivate its current employees through involving them in bettering the society on the other.

• CSR and path dependency: A firm's production's processes improve with accumulated experience from earlier projects over time. The same applies to CSR projects whose success is dependent upon previous paths. For instance, CSR influences reputation which in turn is built on the corporate past behaviors.

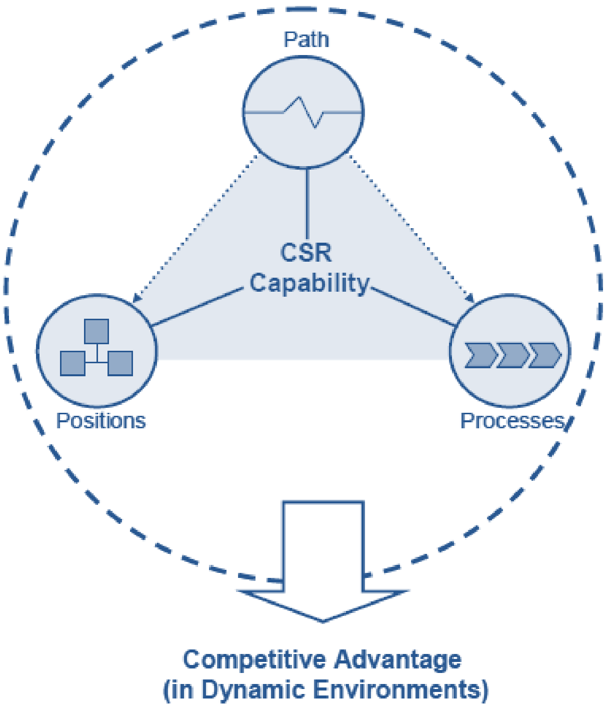

Fig. 14. CSR as a Dynamic Capability
Source: Lattemann, C., Schneider, A. M., & Kupke S. (2007). Corporate social responsibility and the capabilities based view – A case study of a multinational enterprise (MNE). *The Responsible Organization*, 2(3), 1-27.

c. <u>CSR Strategies and their Matching Dynamic Capabilities (Fang, Huang, and Wei-Ling Huang, 2010)</u>

While the previous literature had attempted to explain the relation between CSR and the organization's bottom line from a resource-based and dynamic capability perspective, the nature of strategic CSR whether it is a strategic resource or a dynamic capability or both remained ambiguous. A more recent framework constructed by Fang, Huang, and Wei-Ling Huang (2010), presents a better understanding of the link between CSR and dynamic capability.

According to their theoretical framework (illustrated in Figure 15), in order to create value, the firm will undertake CSR strategies that will manage and improve its relations with its stakeholders. For these strategies to be effective, the firm needs specific dynamic capabilities that will enable it to respond to or modify the way it is managing stakeholders' relationships. For example, a company is able to easily meet the requirements of a green supply chain when it is flexible enough to adopt innovative processes. This unique capability cannot be imitated by competitors having more rigid structures because the costs incurred in terms of time and capital will exceed the benefits.

Fig. 15. CSR Motives, Strategies, Dynamic Capabilities, and Organizational Performance
Source: Fang, S., Huang, C., and Wei-Ling Huang, S. (2010). Corporate social responsibility strategies, dynamic capability and organizational performance: Cases of to Taiwan-selected benchmark enterprises. *African Journal of Business Management*, 4(1), 120-132.

Nevertheless, each CSR strategy needs a specific dynamic capability. They refer to Carroll (1979) and classify CSR strategies under four categories: (1) Reactive strategy that involves responding to certain stakeholders' demands, (2) Accomodative strategy that works on changing the demands of stakeholders through outside influence,

(3) Defensive strategy that involves anticipating future demands and satisfying them in advance, (4) Proactive strategy that shapes the needs of its stakeholders and satisfies them to become a leader in the industry. They group (1) and (2) under Response strategy and (3) and (4) under Influence strategy. Table 5 illustrates each of the CSR strategies a corporation may adopt along with its matching dynamic capability and the benefits reaped.

Table 5. CSR Strategy Types and their Dynamic Capabilities

	Response Strategy		**Influence Strategy**	
	Reactive Strategy	**Accomodative Strategy**	**Defensive Strategy**	**Proactive Strategy**
Nature of effectiveness of CSR strategies	Increasing efficiency and legitimacy through adjusting internal processes.	Maintaining market present position through taking action to influence demands of major stakeholders.	Gaining first mover advantage and increasing company reputation through taking preventive action by scanning and anticipating changes of major stakeholder demands.	Taking action to mold and redefine major stakeholder demands in the operating environment to conform beliefs to match with organizational benefits.
Dynamic capabilities beneficial to the effectiveness of CSR Strategies	Flexible organizational architecture.	Accumulation and expansion of trust social capital.	Scanning and predictive capabilities.	Influence on social culture.
Benefits produced by dynamic capabilities	Rapid and low-cost reconfiguration of internal processes; investment in training, resource, and skill innovations to accelerate and improve compliance with stakeholder demands.	Activating social networks to defend current market position; lobbying to reduce unexpected changes.	Continuous investment in environmental scanning, hiring professionals and accumulating knowledge on changes in stakeholder demands, advance prediction of changes in target stakeholder demands allows allocation of resources.	With socio-cultural influence, the organization can actively create, widely share and spread the norms and rules of the organization to influence social culture.

Source: Fang, S., Huang, C., and Wei-Ling Huang, S. (2010). Corporate social responsibility strategies, dynamic capability and organizational performance: Cases of to Taiwan-selected benchmark enterprises. *African Journal of Business Management*, 4(1), 120-132.

E. Discussion and Synthesis

This chapter has reviewed one of the most influential frameworks in understanding the sources of sustainable competitive advantage. In particular, researchers have concurred that when resources are valuable, rare, inimitable, and non-substitutable (VRIN attributes), they enable the firm to implement value-creating strategies that will ensure sustainable competitive advantage and profitability (Wernerfelt, 1984; Rumelt, 1984; Grant, 1991; Barney, 1991; Teece *et al.*, 1997; Eisenhardt and Martin, 2000).

The RBV has also proved to be potent in studying the impact of corporate social responsibility on a firm's profitability. Researchers have studied CSR from an RBV perspective and have developed expanded frameworks that embrace environmental, ethical, and social dimensions. Through CSR behaviors, firms are able to identify resources with VRIN attributes and achieve internal and external benefits namely, know-how, culture, and reputation (Hart, 1995; Litz, 1996; Russo and Fouts, 1997; Branco and Rodrigues, 2006; McWilliams and Siegel, 2006).

Although the resource-based view has paved the road for researchers in understanding how firms can achieve higher profits than competitors through traditional business practices as well as CSR activities, critics argue that it does not play an equally significant role in dynamic environments. As such, researchers have developed the concept of dynamic capabilities that refers to the firm's fitness in changing and extending its resource base so as to cope with the changing external environment (Eisenhardt and Martin, 2000; Garriga and Melé, 2004; Doh, 2005; Easterby-Smith, Lyles, and Peteraf, 2009; Macher and Mowery, 2009).

As the dynamic capabilities approach presents a more complete model in studying how sustained competitive advantage can be achieved, this chapter has thoroughly reviewed the literature that links this concept to corporate social responsibility. Following this scrutiny, it is arguable that CSR can generate new resources on one hand and dynamic capabilities on the other (Lattemann, Schneider, and Kupke, 2007; Taghian, 2008; Fang, Huang, and Wei-Ling Huang, 2010*)*. For instance, investing in CSR may yield new resources such as a flexible corporate culture and know-how that have significant impact on financial performance (Branco and Rodrigues, 2006).

Taghian's theoretical work implies that CSR can play the role of a marketing function that scans environmental and social issues and transforms them into marketing opportunities and objectives. Nevertheless, CSR can be more than a market orientation tactic; Lattemann *et al.* (2007) reason that CSR highly impacts the resource base of the firm and cannot be limited to one division or functional area; it is a cross-functional dynamic capability that should be integrated across the entire firm.

For instance, an empirical study conducted by Jamali (2007) found that Tetra Pak, a multinational food processing and packaging company, has integrated its CSR interventions in its entire supply chain in order to provide the Lebanese customers with healthy locally produced dairy products. It has developed training programs for local framers in order to improve the milk quality and hygiene conditions (Jamali, 2007).Therefore, the main argument of this paper is that CSR must be embedded in all of the firm's activities and functional areas. For the firm to reap both social and economic benefits, it must align CSR programs with its core business goals and strategies and leverage the capabilities that enable it to achieve these programs successfully.

Fang, Huang, and Wei-Ling Huang (2010) argued that a firm can select a CSR strategy that aims at managing effectively its relations with stakeholders; in turn, each strategy needs specific dynamic capabilities that determine the success of its CSR initiatives. Thus, it can be inferred that CSR per se is not a dynamic capability. Yet, it is closely related to the creation of dynamic capabilities when it impacts the resource base of the firm. However, firms should be flexible enough whenever their strategy entails changes in the internal processes and resources in order to successfully implement a CSR project and swiftly address new environmental or social concerns.

Based on this reasoning, the paper presents an integrated model that merges four main models discussed in the literature: 1) The Resource-Based Approach to Strategy Analysis (Grant, 1991), 2) The Relation between Resources, Capabilities and Competitive Advantage (Hart, 1995), 3) CSR as a Dynamic Capability (Lattemann *et al.*, 2007), and 4) CSR Strategies and Their Dynamic Capabilities (Fang et al., 2010). Eisenhardt and Martin (2000) argue that dynamic capabilities can generate competitive advantage based on the resource arrangements they create; thus the suggested model embraces both the resource-based view of the firm and the dynamic capabilities approach (*See Figure 16*).

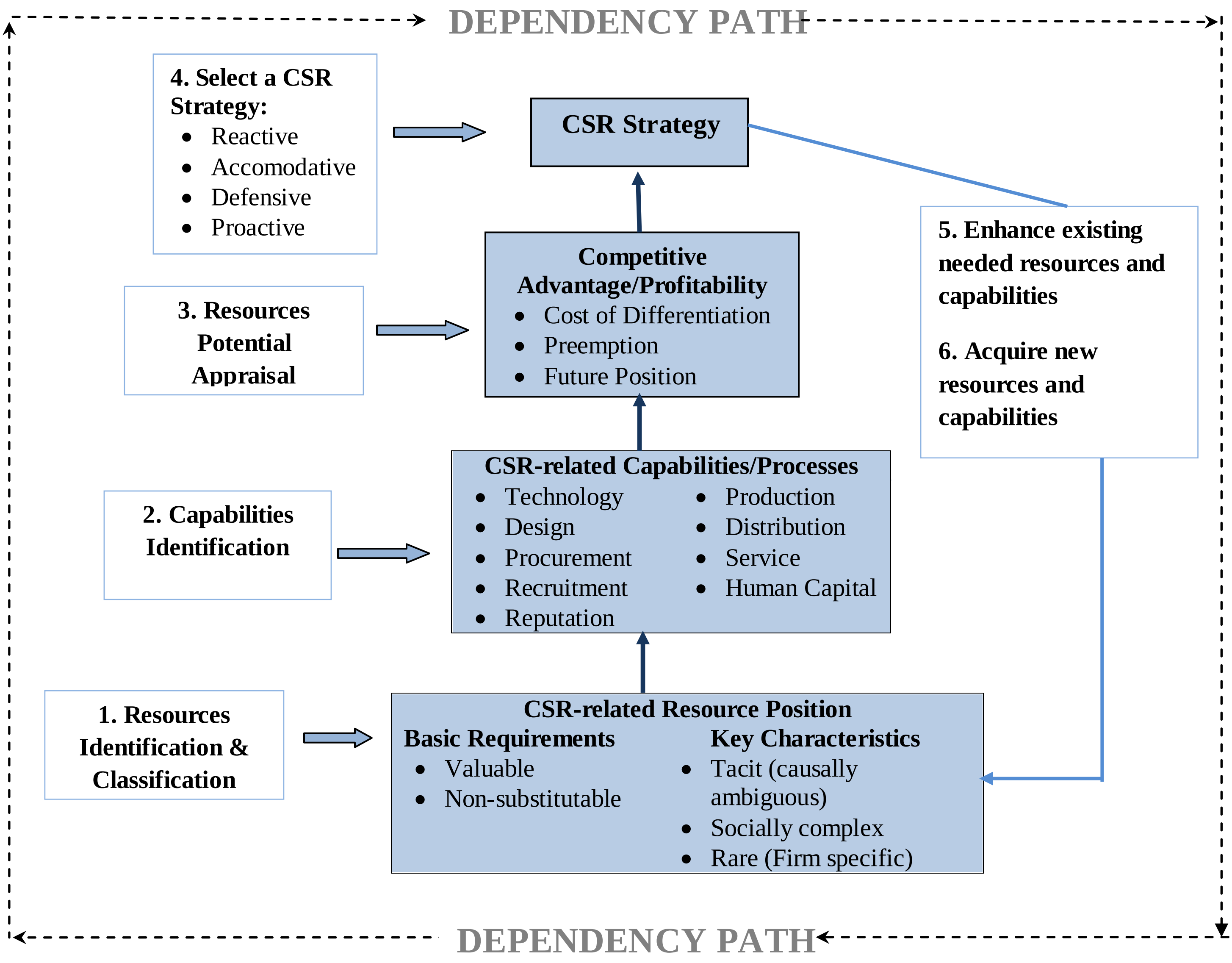

Fig. 16. A Dynamic Capabilities Approach of CSR Strategy Analysis
Adapted from:
1) Grant, R. M. (1991). The resource-based theory of competitive advantage: Implications for strategy formulation. *California Management Review*, 33(3), 114-135.
2) Hart, S. L. (1995). A natural-resource-based view of the firm. *The Academy of Management Review*, 20(4). 986-1014.
3) Lattemann, C., Schneider, A. M., & Kupke S. (2007). Corporate social responsibility and the capabilities based view – A case study of a multinational enterprise (MNE). *The Responsible Organization*, 2(3), 1-27.
4) Fang, S., Huang, C., and Wei-Ling Huang, S. (2010). Corporate social responsibility strategies, dynamic capability and organizational performance: Cases of to Taiwan-selected benchmark enterprises. *African Journal of Business Management*, 4(1), 120-132.

This integrated model suggests that the firm needs to spot first the CSR concerns present in the external environment and that can be turned into opportunities. Then, it can identify resources that can be employed in order to achieve its CSR alternatives and the processes and capabilities that it possesses and through which those resources will be allocated, integrated and managed. It is important for the firm to assess how these resources and capabilities can create competitive advantage and increase profitability; in other words, it should identify the ones that are tacit, socially complex, and inimitable. This stage will enable the firm to select the best CSR strategy that can exploit the opportunities spotted at first while optimizing the usage of its resources and capabilities. The strategy can be of a reactive, defensive, accommodative, or proactive nature as suggested and defined by Fang et al. (2010).

After implementing the selected CSR strategy, the firm is able to evaluate the outcomes and to identify the gaps in its resource and capabilities base. It may need to enhance the existing resource base and capabilities or adopt new resources such as new technologies or equipment provided that it owns the necessary skills and expertise to manage them or that it has enough flexibility to train its employees and prepare them for the new changes. Each cycle traveled from the time the company starts scanning opportunities to the time it replenishes, depletes, or upgrades its resources is a path upon which it will depend in future CSR initiatives. It represents a valuable experience from which the firm will benefit when undertaking new CSR interventions of similar nature.

CHAPTER V

EMPIRICAL RESEARCH

A. Introduction

The empirical section of this paper comprised a primary research which was conducted in the Lebanese context during the month of May 2010. The interviews conducted attempted to look further into strategic CSR practices of multinational firms operating in Lebanon.

Further, the study probed information about the integration of CSR in the firms' business processes and strategies and the impact of CSR projects on the firms' resources and capabilities. In addition, it sought insights on whether CSR can be a dynamic capability based on context of the Lebanese market.

The empirical section starts with the research methodology that was adopted in this study. It then presents a general overview of each selected firm followed by a detailed summary of the respective interview.

B. Research Methodology

Because the topic explored does not involve manipulation of variables and only seeks in-depth understanding of strategic CSR practices in Lebanon, a qualitative multiple case-studies approach was selected. Case studies constitute an extremely useful tool for this research in particular as they enable the author to enquire about issues that had not been previously explored; namely, CSR and dynamic capabilities in developing countries, and allow the researcher to compare the actual findings to the propositions derived from existing theoretical literature (Cavaye, 1996).

The sample consists of two multinationals and one regional firm operating in the computer software, banking, and education industries respectively. The selection of the first two cases was based on the firms' reputation and involvement in strategic CSR practices. The third regional organization was chosen because it has recently switched from CSR philanthropy to CSR strategy. Inspecting its recent decisions concerning CSR practices is believed to add value to the study. The cases were purposely selected from three different fields in order to examine the differences in dynamism across industries.

The research uses semi-structured interviews. In fact, the interview method was chosen for several reasons. First, interviews are well suited to understand the respondent's perspective and experience pertaining to the topic at hand. Further, they enable the researcher to probe information about processes and behaviors that cannot be obtained in detail via other means. Third, the interview method is a useful tool to validate, or comment on information previously obtained from the literature review (Lindlof and Taylor, 2002). Moreover, open-ended answers to the addressed questions add depth and validity to the research and enable the researchers to acquire facts and comparable data and to explore the outcomes in detail.

The companies were contacted first by phone and then a formal introductory letter highlighting the aims of the research and its queries were sent to the companies (See Appendix I). An in-depth interview was then scheduled and conducted with a key person responsible for CSR initiatives undertaken by the firm. The interviewees occupy top managerial positions in their respective organization (e.g. regional marketing manager, marketing director, CEO office executive, and facilities manager). The following table provides a brief profile of the sample.

Table 6. Sample Profile

Company Name	Category	Industry	Location	Interviewee Name	Interviewee Position
Microsoft	Multinational	Computer Software	Beirut, Downtown district	Nadine Andraos	Facilities Manager & Citizenship Lead in Lebanon
HSBC	Multinational	Banking & Financial Services	Beirut, St. Georges Bay	Sarah Jerejian	CEO Office Executive
Morgan International	Regional	Educational & Training Services	Beirut, Downtown district	Nina Elia Christine Fawaz	Marketing Director Regional Market Manager

The interviews consumed an average of one hour and a half and were conducted primarily in English. One interview was documented during the interview by the author. The two others were tape-recorded and transcribed. Each interview was then converted into a case study summarizing the main issues discussed with the respondent. The research used semi-structured interviews whereby an interview guide was prepared outlining the themes and issues covered in the literature review (See Appendix II). The semi-structured interview tool was used particularly for it grants the interviewer more flexibility during the interview and allows her to probe more information whenever needed.

C. Cases

The views expressed in the following three case studies reflect those of the author. They are based on the information gathered from the in-depth interviews conducted, and on the views expressed by three top company executives who are actively engaged in CSR. Such cases do not provide an exhaustive overview of each company's CSR practices. They simply aim at shedding some light on how the participating companies perceive, and approach strategic CSR.

1. Microsoft

Industry:	Computer Software
Interview with:	Mrs. Nadine Andraos Chaer
Title:	Facilities Manager and Citizenship Lead
Date:	5th of May 2010

a. Company Overview

Microsoft is a multinational worldwide leader and one of the largest companies in the computer software and technologies industry for businesses and individuals. It was founded in 1975 by Bill Gates and Paul Allen and headquartered in Washington, USA. It has stretched its presence to over 90 countries in the world.

Microsoft's global mission is to help people and businesses worldwide realize their full potential. The company's core values are integrity, honesty, personal excellence, and continual self-improvement. Microsoft's teams worldwide consider themselves accountable to their different groups of stakeholders; customers, shareholders, partners, and employees through providing them with innovative IT solutions and striving for the highest quality deliverables (www.microsoft.com).

Microsoft East Mediterranean was launched in 1999 with establishing a representative office in Beirut to manage the company's operations in Lebanon as well as in Jordan, Malta, and Cyprus. This was followed by opening representative offices in these three countries in 2001, 2002, and 2003 respectively. Two years ago, Microsoft Beirut became a member of the NEPA subsidiary team that embraces North Africa, East

Mediterranean, and Pakistan offices with regional offices in Dubai and headquarters offices in Istanbul.

Ever since its inception in Beirut, Microsoft has embraced a local CSR program guided by Microsoft International, in order to create economic and social opportunities in Lebanon.

b. Interview Summary

- *Company's view of CSR*

According to Andraos, Microsoft considers that it holds an obligation towards the country in which it operates. Through CSR, the company translates this obligation into action in ways that exceed legal and regulatory requirements. CSR is thus a way of "giving back" through combining efforts for the betterment of the community. It is in fact a core value in Microsoft's culture that strives to act as a good citizen and aims at giving equal opportunities to everyone.

- *Strategic CSR versus Philanthropy*

Andraos notes that philanthropy is merely giving away through donations without actually taking into account the potential benefit to the society and the firm. Whereas strategic CSR refers to what the company is able to offer from its own expertise in order to create a long-term relationship with stakeholders particularly customers.

- *Scanning CSR opportunities*

The citizenship council, an internal unit of Microsoft Beirut and consisting of 5 members, coordinates the CSR activities of the NEPA team in general and represents Microsoft's ambassador in the Lebanese social field in particular. It conducts thorough research and identifies the social issues that can be addressed through Microsoft's efforts. Moreover, Andraos notes that Microsoft capitalizes on its excellent relationships and partnerships with NGOs. Beirut office receives thousands of proposals from social welfare organizations each year. In fact, NGOs play a crucial role in scanning the Lebanese environment and identifying the needs of the Lebanese people. Being a commercial corporation, Microsoft leaves this role to them as they possess the knowledge, outreach, and expertise in the social field.

- *CSR and Business Alignment*

Although Microsoft highly believes in partnering with NGOs, the company does not approve proposals for projects that are not in line with its core business practices. The company seeks alignment between the social issues identified by the citizenship council and that can be addressed through Microsoft's core resources and expertise, and the social needs proposed by the NGOs. After proposals are approved, the citizenship council holds an annual meeting in the months of May and June of each year in order to set a clear yearly plan through which the company is going to tackle the problem.

- *Microsoft's CSR Activities in Lebanon*

Corporate citizenship has been an ongoing process for Microsoft in Lebanon since its inception. Creating job opportunities, improving the youth educational level, in addition to spreading awareness about internet security are ongoing CSR projects Microsoft is currently focusing on.

- Computer Education and Job Creation: Under the Partnership for Lebanon[10] initiative, Microsoft partnered in 2006 with YMCA[11], Cisco, and Intel with the aim to create job opportunities in Lebanon. Jointly with local

[10] The Partnership for Lebanon was launched by U.S. business leaders in September 2006 to provide critically needed resources to assist the reconstruction efforts in Lebanon and to help build a better future for the Lebanese people (www.partnershipforlebanon.org).

[11] The Young Men's Christian Association is a worldwide movement that is committed to helping children, families, and youth through financial and moral assistance.

welfare associations, they created “Centers” in three main Lebanese welfare social organizations in Beirut (Arc en Ciel[12], Sin el Fil; Dar Al Aytam Al Islamiya[13], Beirut; and PICTA[14], Bourj el Barajneh) where they train people on basic computer technologies and software including ICT (Information and Communication Technology) skills and other tools that enable them to become help-desk assistants.

- Internet Safety: Microsoft has initiated in 2010 an internet security and safety program that aims at building the foundation for internet security in Lebanon in order to protect children and teen agers from internet hazards. Microsoft partnered with public and private schools to lecture students on online ethical behavior. This program also seeks to provide a cycle of awareness between children and parents who are encouraged to attend these lectures with their kids. Microsoft Beirut will work with the citizenship council on taking this initiative further throughout this year in order to spread more awareness.

- Employee Volunteering: Aside from the projects Microsoft undertakes, it grants employees two full working days per year that they can invest in any social activity they choose or they identify with. By way of illustration, some candidates visited the SOS village and engaged in activities with children. Others have chosen to visit the children cancer center to draw a smile on the patients’ faces.

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[12] A social welfare organization caring for the handicapped in Lebanon.

[13] A social welfare organization caring for the Lebanese orphans.

[14] The Professional Computer Association of Lebanon Information and Communication Technology Academy has 8 centers in Bourj el Barajneh, Bourj Hammoud, Baalbeck, Bint Jbeil, Nabatieh, Batroun, Qana and Marjeyoun

- Other initiatives: In addition to major projects, Microsoft Beirut is continuously and actively engaged in philanthropic activities through cash and software donations to reputable NGOs. The company is always ready to collaborate with social organizations that ask for training workshops on Microsoft's software. For instance, a team was sent from Microsoft to "Kafa" organization in order to train computer illiterate women on basic computer skills. Moreover, Microsoft Lebanon has partnered with The Lebanese Handicapped Unit to provide blind people with adapted products that enable them to use Microsoft technologies easily.

- *Measuring CSR Impact on Society*

Andraos reflects that the impact of CSR on society cannot be scientifically measured. However, she asserts that in projects such as Partnership for Lebanon, the company is able to assess the benefits reaped by the number of beneficiaries or trainees. Microsoft depends on the NGO it is partnering with in the preparation of detailed reports that outline the number of attendants, and the number of candidates that were able to find jobs by virtue of the trainings offered to them. However, Andraos notes that they are finding difficulty tracking the number of beneficiaries because of gaps in coordination and communication with the NGO.

- *CSR link to Internal Resources and Capabilities*

Andraos asserted that the company tries to capitalize on its internal strengths as much as possible in its CSR endeavors in order to ensure alignment between CSR practices and its core business. She explains that Microsoft is an IT company that aims at placing its expertise at the service of the community; it always seeks ways to exploit its existing resources for the social benefit. Andraos considers that the relationship between CSR and the company's resources goes into a one way direction whereby the latter are used to accomplish the first. CSR projects rarely require any reconfiguration or acquisition of resources and capabilities. She notes that CSR is not a research and development (R&D) function and most of the projects involve trainings on basic IT skills; in other words, they do not add to the staff's knowledge and expertise.

However, each CSR project is looked at as a learning process and it can lead in some instances to slight internal changes. For instance, Microsoft believes that people with special physical conditions should have an equal opportunity to access and use Microsoft products. Microsoft's partnership with The Lebanese Handicapped Unit is an application of the "Unlimited Potential" philosophy. On a global level, Microsoft had to introduce some changes to the production processes and to change the structure of some products so as to adapt to the needs of such people.

Inside the workplace, Andraos asserts that CSR is proving to be highly rewarding to employees who feel proud to be members of a socially responsible corporation. Further, CSR activities build internal awareness, encourage employees' engagement, and promote cross-group collaboration. All those factors together improve the staff's morale and sense of belonging which in turn translates into higher levels of productivity and performance.

The company also recognizes the positive influence CSR practices have on its public image and reputation. Andraos clarifies that CSR is not the primary reason for Microsoft's prominent reputation especially in Lebanon where the market is not mature enough to recognize and appreciate socially responsible actions; however, she acknowledges that corporate citizenship does enhance the company's image.

- *Microsoft's CSR Centrality*

According to Andraos, CSR is an integral component of the Microsoft's strategy. Two members of the citizenship council are fully dedicated to overseeing the planning and implementation of CSR projects in Lebanon. Moreover, CSR is embodied in the company's value proposition and that is to enable and empower people to use technology whatever their needs are and realize their potential regardless of their financial condition. "Unlimited Potential" is the company's inspirational mantra that drives its business and CSR practices.

- *Microsoft's CSR Specificity*

Andraos asserts that Microsoft's CSR practices in Lebanon do not help the company reduce its costs in any way; yet, they undoubtedly reap positive benefits to the firm for myriad reasons mentioned earlier. It is also an effective way to maintain and enhance its relationship with its stakeholders; namely, customers, NGOs, and the Lebanese government. Put in other words, CSR does not have a direct influence on the company's costs but has indirect advantages to the firm on multiple levels. She concludes that it is a worthwhile endeavor as the perceived benefits outweigh the actual costs.

- *Microsoft's CSR Visibility*

Microsoft recognizes the impact of positive visibility on its image and reputation. As such, it devotes significant efforts to make its CSR efforts visible to its customers as well as to NGOs. Last year, for instance, Microsoft Beirut invited its corporate and individual customers in addition to schools it partners with to a conference that aims at introducing them to the company's CSR initiatives. Andraos adds that Microsoft holds yearly an NGO connection day in order to acquaint social organizations with the company's past and future CSR projects. It is worth noting that last year's attendants reached 75 NGOs. Finally, Andraos points out the NGOs role in enhancing Microsoft's CSR visibility through distributions of press releases.

- *Type of CSR Strategy Performed*

Andraos classifies Microsoft's CSR under the proactive category as the company tries to shape the needs of customers and trigger their interest in Microsoft's products especially through projects that highlight the indispensability of its deliverables in people's individual and professional lives. Nevertheless, she stresses the fact that it is very difficult to forecast future trends in Lebanon given the lack of studies and statistics on demographics and past trends, and the lack of awareness and maturity of the Lebanese consumer pertaining to CSR issues.

- *CSR Functionality*

Corporate social responsibility at Microsoft is closely tied to the Marketing functional area; this is normal according to Andraos because of the nature of the projects that involve maintaining good relationships with stakeholders and enhance the company's image and reputation.

- *CSR impact on Profitability*

Andraos states that Microsoft does not seek tangible profits from its CSR practices; the main driver behind the company's corporate citizenship is doing good to the community which is at the end of the day the primary source of the firm's profitability. However, she clarifies that when people are trained on using Microsoft tools and products, they will be able to perceive their benefits and see the need to continue using them. This in turn would hopefully increase the company's customer base.

- *CSR Challenges and Limitations*

The budget constraint poses a challenge to Microsoft when it comes to CSR activities in Lebanon. This is true because each year a CSR budget is allocated to the entire MENA region; when projects in Lebanon are very challenging due to lack of support from the government, the company looks for more appealing interventions in other countries. Again, Andraos emphasizes the importance of alignment between the government, the NGO partner, and the company.

The gap in the government laws and regulations is another major challenge that hinders CSR activities in Lebanon. More specifically, the political situation that has dominated the country for the last 5 years and the absence of a tenacious government have made it more difficult for companies to undertake bigger CSR projects.

Moreover, Andraos stresses the fact that there are no satisfactory research and studies conducted on the Lebanese market such as statistics on the inflation rate, unemployment rate, the population needs, etc. in order to identify better the issues that Microsoft can address.

- *Environmental Dynamism*

According to Andraos, people's needs and demands in the Lebanese context pertaining to CSR in specific are taking their time to be formed and shaped. It is a more or less static environment where companies are not being able to drive and trigger the CSR activity in Lebanon. To be able to work with the Lebanese civil society, firms need defined laws that can protect them and help them in their CSR endeavors. Companies are not the decision makers in this respect and they need support from the Lebanese ministries. Microsoft does its best to lobby for and spread awareness around the issues it is addressing but it is not being able to achieve the intended results especially with the Internet Safety project because of regulatory gaps.

- Path Dependency

Microsoft always seeks to maximize its project deliverables and to capitalize on achieved outcomes from past initiatives in order to sustain a long-term engagement with the community. For instance, Microsoft has built on the tremendous success of Arc en

Ciel as a Microsoft training facility and helped the organization become a Microsoft Authorized Refurbisher (MAR)[15].

2. HSBC

Industry:	Banking and financial services
Interview with:	Mrs. Sarah Jerejian
Title:	CEO Office Executive
Date:	6th of May 2010

a. Company Overview

HSBC is one of the leaders in banking and financial services in the world. The bank was established in 1865 with the aim of financing the growing trade between China and Europe and was named after its founding member, The Hong Kong and Shanghai Banking Corporation Limited. The group has expanded throughout the years with more than 8000 offices spread over 88 countries in Europe, America, Middle East, the Asia-Pacific region, and Africa. Headquartered in London, the world's local bank offers its clients a wide range of services from personal financial services, commercial banking, investment banking and private banking.

The HSBC group's mission is to lead in the target markets, to deliver an outstanding client experience through financial sales, services, and solutions. It strives to achieve a superior ethically-based long-term return to its stakeholders. On the internal level, HSBC devotes great efforts to foster highly-motivated teams that deliver excellent performance. This is in part accomplished through creating a challenging and rewarding work environment to employees (www.hsbc.com).

[15] Refurbishers supply refurbished computers and servers with genuine Microsoft software to businesses, consumers, and non-profit.

HSBC Middle East Lebanon was founded in 1946 under Central Bank List No. 7 to serve the Lebanese customers with an equal level of professionalism and excellence. HSBC Lebanon is headquartered in St. Georges Bay and has 4 main branches located in Dora, Ras Beirut, Verdun, and Zouk.

Corporate sustainability constitutes a core component of HSBC's business operations. In 2004 the HSBC group formed a corporate sustainability committee with the role to lead and coordinate the development and implantation of sustainability projects across the region.

b. Interview Summary

- *Company's view of CSR*

According to Jerejian, corporate social responsibility involves cooperating with local NGOs in order to promote social welfare within the countries HSBC is operating in. She adds that CSR is not only about donating money, but it also about devoting time and efforts to achieve social objectives.

- *Strategic CSR versus Philanthropy*

Jerejian observes that corporate sustainability is a more familiar term than strategic CSR to HSBC teams worldwide. It implies that sustainable development of businesses is needed in order to grow without putting future generations at risk. She adds that the bank will be operating in its environment for many years to come; hence, it should contribute to a more stable economy while managing the social and environmental impacts of the business through long term objectives. Philanthropy on the other hand refers to activities that impact the community only in the short term.

- *Scanning CSR opportunities*

HSBC is able to identify the right CSR opportunities to work on after it requests and thoroughly studies proposals from NGOs. The “Go Green” project is driven by the bank’s global movement that aims at reducing carbon footprint.

- *CSR and Business Alignment*

Jerejian asserts that HSBC tries to select CSR proposals that are aligned with the bank’s philosophy to grow economically while managing the impact on the society and the environment. Sustainable lending is one of the bank’s products that illustrate this marriage between the business and corporate sustainability. The bank proactively includes sustainability as a core part of its activities incorporating environmental criteria in its lending policies to encourage the clients to build environmental sustainable businesses. In 2008 for example, the bank offered its clients a solar water heater with every home loan that exceeds $100,000,000 in order to increase awareness about environmental sustainability.

- *HSBC’s CSR Activities in Lebanon*

HSBC practices corporate sustainability projects in three major fields; the biophysical environment, the educational field, and the community:

1) Environmental Activities: HSBC’s environmental interventions are driven by its global movement “The Earth is Turning Against Us” under the Climate Partnership that was launched by the HSBC Group in London in 2007 to address climate change. In addition to sustainable lending, HSBC Lebanon has been engaging in several activities that address environmental problems:

1.1) Mileage Policy: HSBC Middle East has set yearly mileage ceilings not to be exceeded by employees in the region in order to reduce energy consumptions. Members of the group report continuously the number of miles traveled to the regional head office in Dubai. Cross-borders meetings are handled through teleconferencing most of the times.

1.2) Events Sponsorship: Since the beginning of year 2009, HSBC has organized several beach cleaning events, marathons, and public awareness campaigns pertaining to ecological concerns. For instance, it held last year a concert that featured the singer Magida Al Roumi to raise awareness on the climate and environmental problems in Lebanon and the region. The Minister of Interior Ziad Baroud attended the event and HSBC's environmental advisor, Francis Sullivan was a guest speaker at the concert.

1.3) Go Green Project: A few months ago, HSBC Lebanon has initiated a new project under the name of "Go Green" that aims at cutting on paper waste. This initiative requires all employees and clients to request their financial statements online by virtue of a new internet banking facility. Jerejian adds that the Information Technology (IT) team has been highly involved in this project in Lebanon and the Middle East. They joined their efforts to upgrade the bank's systems and enable users to view and manage financial statements online. Jerejian notes that this project saves significantly on time and effort and has witnessed a high response rate from both employees and customers.

1.4) Other Internal Initiatives:

- HSBC promotes eco-friendly printing through reducing printing activity and using recycled paper. Recycling bins are also found in all areas of the bank.

- HSBC management educates its employees about sustainability through newsletters and emails on a regular basis.

- HSBC has adopted the smart sensible lighting technology that significantly reduces energy consumption.

2) Educational Activities:

In order to achieve its educational CSR activities, HSBC works closely with Injaz, a non-governmental organization that works to bridge the gap between education and the private sectors.

2.1) Young Arab Entrepreneurs Program: HSBC Lebanon participated in 2010 in an ongoing entrepreneurship program that was initiated by Injaz for young Arabs between 15 and 17 years old. Four Lebanese schools have been competing against each other over a 12 week period whereby they have to find an innovative entrepreneurship idea and set their own company. It is a three month commitment whereby HSBC adopted one of these schools and has been hosting its 28 students in the bank for three hours every week to teach them the proper behavior in the workplace, cooperation, and team building. Moreover, 5 volunteers from HSBC staff have been providing the students with guidelines throughout their entrepreneurship project. Jerejian observes that such a project enables students to discover their own abilities; it engages them in all phases of business creation from finding an innovative idea, seeking funding, and founding their own company, to selling the product or service, generating profits, repaying the shareholders with dividends and even liquidating the company. This way, they are being taught leadership, accountability, and entrepreneurship.

2.2) Cash Flow Board Game: HSBC has worked with Injaz on funding and developing a board game that teaches children how to deal with their allowance. The game is being distributed in schools across the Middle East and will be circulated in Lebanese schools by the end of year 2010. Staff from HSBC will volunteer and distribute the game to 300 students. The aim of the game is to create awareness of money and finance among children.

2.3) Omar's Goats Book: HSBC created a book for children from 6 to 8 years old named "Omar's goats". Volunteers from HSBC distributed and read English and Arabic versions of the book to students in several schools. The book creates awareness about environmental issues. Jerejian notes that a school in Saida has requested more copies of the book to include it in its curriculum.

2.4) University Scholarships: HSBC donated last year around 50,000,0000$ to each of the Lebanese American University (LAU) and to the American University of Beirut (AUB) as scholarships that would enable competent students to pursue their studies in high caliber universities.

3) Community Activities: During last Ramadan, HSBC organized 4 "iftars" for orphans. Again, staff from the bank volunteered to make activities for kids such as face painting, coloring, etc. The bank also supports charitable organizations; for example it funds lunches for needy people. The bank's CEO spent a day at SOS village trying to understand how they manage their operations and sharing with them his knowledge and expertise.

- *Measuring CSR Impact on Society*

HSBC assesses the impact of its corporate sustainability projects through the number of beneficiaries and number of volunteers. Moreover, the bank stresses the "Direct Impact" philosophy whereby it follows up on every social initiative or donation from the beginning until the end in order to track its progress and ensure that it achieved the intended benefits. For example, when the bank funds a lunch for needy people, the money donated is used on the spot to purchase the supplies and provisions, cook the food and serve the people.

- *CSR link to Internal Resources and Capabilities*

HSBC has a widespread presence in the region and the world and capitalizes on its large network of relations and communication. Moreover, its brand name is the most valuable in the banking sector in Lebanon which, according to Jerejian, facilitates its CSR endeavors and adds value to the projects undertaken.

When asked about how CSR can influence the bank's internal resources and capabilities, Jerejian noted that volunteering in CSR projects foster team work and enhance cooperation among the bank's employees. Moreover, it surely enhances the image and reputation of the organization. However, it is not the main reason behind the bank's reputability. She explains that customers do not select their preferred bank because of its social responsibility behaviors but based on other criteria such as convenience, service, and most importantly the interest rates the bank offers.

With regards to the "Go Green" project, Jerejian observes that the IT Team has been highly involved in its execution. For that, IT members have attended several specialized training sessions that have enabled them to implement the migration from paper statements to e-statements. This project has definitely increased the know-how and expertise of the team.

- *HSBC's CSR Centrality*

Jerejian asserts that corporate sustainability is a main component of the bank's mission and values. The HSBC group currently aims at making its business greener with the belief that small changes can make a big difference.

- *HSBC's CSR Specificity*

The "Go Green" initiative is the only project that can be considered specific to HSBC since it decreases the costs of the bank in terms of time and paper consumption.

• *HSBC's CSR Visibility*

HSBC relies on press releases in magazines and newspapers in order to make its CSR practices visible. It also advertises its corporate sustainability on its website. More importantly, HSBC publishes annual CSR reports to the media and to shareholders. Internally, HSBC's socially responsible activities are visible enough to employees as they are always encouraged to engage in such initiatives and they regularly receive educational emails on community and environmental sustainability.

• *Type of CSR Strategy Performed*

Jerejian considers that the corporate sustainability strategy at HSBC is both reactive and proactive. With respect to environmental activities, the bank is trying to react to ecological problems in Lebanon and participate in reducing the harm. As for educational activities, they are proactive initiatives that shape the needs of the youth that are regarded as future potential customers for the bank.

• *CSR Functionality*

Jerejian, the Executive Assistant to the CEO works jointly with the Marketing Manager to plan and oversee CSR projects. Jerejian believes that corporate sustainability is closely connected to the marketing functional area. She notes that it is not a marketing function per se but it embodies some of the marketing characteristics especially that it has an indirect impact on the bank's reputation. More specifically, CSR at HSBC is an element of the marketing communications function.

• *CSR impact on Profitability*

Jerejian notes that the bank perceives CSR as more beneficial to the community than it is to the business. As a socially responsible organization, HSBC spends to "give back" and to improve the community and CSR does not add to the profits. Moreover, CSR does not play a role in attracting more customers in the banking industry. Jerejian adds that the bank's CSR initiatives are tied to its profits; the higher it generates profits, the more it engages in CSR projects.

Nevertheless, she acknowledges that although the main driver behind projects such as "Go Green" is to lessen environmental harm, they reduce time and paper consumption costs. Whether CSR initiatives reduce costs or not, Jerejian comments that corporate sustainability is a worthwhile endeavor for the significant positive impact it has on the society.

- *CSR Challenges and Limitations*

Jerejian believes that the Lebanese consumers in the banking industry in specific do not give much consideration to corporate community support; they are mainly focused on the interest rates offered as mentioned earlier. She notes that more awareness about social and environmental concerns is needed in Lebanon.

Moreover, the Lebanese citizens's main concern is to feed their families and perhaps issues related to the environment for example are last on their list. As a responsible organization, HSBC has an obligation to spread more awareness among Lebanese people; yet, the extent to which it can influence the community is limited by the economic and political instability in the country. Nevertheless, Jerejian highlights the fact that children are becoming more conscious and anxious about ecological problems than their parents which is a promising implication for the future.

- *Environmental Dynamism*

Jerejian believes that Lebanese people have not raised the bars in the CSR context and that the Lebanese environment is static because of the challenges and limitations discussed earlier. However, NGOs are playing an increasingly significant role in triggering CSR initiatives in the country.

• *Path Dependency*

HSBC always compares each year’s achievements the previous year’s results while respecting the budget allocated to corporate sustainability by Dubai regional office.

3. Morgan International

Industry:	Educational and Training Services
Interview with:	Miss Christine Fawaz
	Miss Nina Elia
Title:	Regional Marketing Manager
	Marketing Director
Date:	7th of May 2010

a. Company Overview

Morgan International is a leading regional provider of educational and training service. First established in Beirut in 1995 and given the increasing the demand in the market, it expanded throughout the past 15 years in 29 countries in the Middle East, North Africa, India, and parts of Europe. Morgan International offers its clients a wide range of programs for designations in Accounting, Auditing, Finance, Logistics, Marketing and Human Resources thanks to a professional team of certified instructors and post-graduate degree holders.

The company is dedicated to guaranteeing that the company is always at the forefront of its field and is continually improving its offerings and extending its reach. It services thousands of candidates per year in programs such as CPA, CFA, CMA, CIA, CTP, PHR, Professional Diploma in Marketing, and Essential Skills including workshops and in-house training (www.morganintl.com).

Morgan International has perceived an undeniable need to go beyond professional training in order to raise standards and reach out to the community. As such, it has fully embraced CSR program since November 2009, adopting a corporate philanthropy strategy that aims at providing the youth with education and job opportunities.

b. Interview Summary

- *Company's view of CSR*

Fawaz defines CSR as helping the community from the company's line of business. It is about giving back to the people that are actually generating business for the company. She emphasizes that companies should engage in initiatives that are in line with the business activities; this way, they can make use of their experience in their own line of business to benefit the society.

- *Strategic CSR versus Philanthropy*

According to Fawaz, strategic CSR involves aligning with an NGO in the same field of business and setting long-term objectives. It does not mean doing good deeds and "bragging" about them, it is about having a good cause that drives a long-term plan.

- *Scanning CSR opportunities*

Morgan International search for CSR opportunities was driven by its objective to partner with non-governmental organizations that have the same mission and vision in the education field.

- *CSR and Business Alignment*

At Morgan International, CSR and business go hand in hand; this is how they initially defined corporate social responsibility. According to Fawaz, in order to maximize its positive influence on the community, it is crucial to align the CSR strategy with the company's core business activities.

- *Morgan's CSR Activities in Lebanon*

Since inception, Morgan International had engaged in philanthropic activities such as cash donations to social organizations and organizing activities for the children cancer center in Beirut. However, in the past two years, and while observing organizational CSR initiatives in developed country such as the United States, Morgan International has decided to benchmark to global best practices and to take its CSR activities into a new direction.

In 2009, the company partnered for the first time with an NGO and joined forces with LoYAC (Lothan Youth Achievement Center) that focuses on education and that is in line with the company's core value. Through this partnership, Morgan aims at assisting LoYAC with their ultimate mission to develop the youth into leaders while educating students on corporate social responsibility in the region.

1) Educational Program:

- Instructors from Morgan faculty volunteer to offer courses to young students between 16 and 25 years old at LoYAC. Courses are offered over 2 cycles per annum with 2 courses each. The duration of every course is from 2 to 4 months. Students are taught soft skills and presentation skills in addition to the English language whenever needed.

- Morgan selects 2 candidates based on their performance and grants them a summer internship.

- Morgan also grants 2 other candidates scholarships that allow them to pursue a professional certified program inside Morgan based on the student's preference and ambition.

- In exchange for the free educational services students are offered, LoYAC requires them to engage in community service.

2) CSR Awareness Campaigns: Fawaz noted that their CSR practices, also in line with LoYAC mission, involve educational campaigns that aim at increasing the level of awareness about the concept itself and develop new generations that recognize the indispensability of community service before entering the corporate world. The company launched this year a competition in one reputable university in Lebanon that requires students to find creative ways to generate funding for LoYAC. It is worth noting that members of the winning team get the chance to meet and discuss the importance of CSR with a Lebanese minister in addition to an iPad for each. The 2nd prize is a scholarship at Morgan. The company also aims at introducing this competition to more universities down the road along with workshops that explain the concept of CSR to the youth.

- *Measuring CSR Impact on Society*

Fawaz noted that it is still early to measure the impact of their CSR on the community; this is their first project and the first batch of students hasn't graduated yet. She also points that it is a new initiative for LoYAC as well.

- *CSR link to Internal Resources and Capabilities*

Through its new CSR program, Morgan capitalizes on its expertise in the education and training field. Thanks to its competent and proficient instructors, it is able to extend its reach and to offer the community high quality educational services.

Nevertheless, Elia explains that training young students differs from servicing professionals. Instructors had to work together on modifying the curriculum, and adapting the material in a way that fits the younger audience. Moreover, they have to use creative and interactive teaching tools to make the experience more fun and interactive to students.

In addition, the marketing team is learning how to segment markets, differentiate needs, and address new targets. It is also building a new understanding of how the Lebanese youth thinks and what they ask for in the educational arena on one hand and how to help them reach their objectives on the other . Apart from that, Elia asserts that it is still too early to assess other effects on the internal resources.

- *Morgan's CSR Centrality*

Fawaz considers that their CSR program is highly central to the firm since it is directly linked to Morgan's mission and vision to remain a leader in educational and training services. This alignment is what drives the company's current and future interventions.

- *Morgan's CSR Specificity*

Morgan's CSR practices cannot be considered specific to the firm as they do not aim at decreasing its costs. Also, they do not generate benefits to Morgan solely. Students trained at LoYAC can always choose to enroll in other educational institutions.

- *Morgan's CSR Visibility*

Elia indicates that CSR is highly visible inside the organization. Before partnering with LoYAC and committing to the current program, the marketing department circulated the proposal across all departments and obtained approval from all parties. In fact, everyone was enthusiastic about this initiative and offered their help and support.

Fawaz adds that Morgan is trying to enhance positive visibility on the external level through advertising its partnership with LoYAC on its website. The company also approaches other business organizations and invites them to contribute as well through offering internships, courses, or even cash grants to LoYAC.

- *Type of CSR Strategy Performed*

Fawaz classifies Morgan's CSR strategy as proactive because it shapes the needs of academics and enlightens them about the importance of certified programs in building their career.

- *CSR Functionality*

CSR at Morgan is part of the marketing department. Fawaz, the Regional Marketing Manager was the first to seek an NGO that is in line with Morgan's corporate mission vision and to work on a CSR initiative under a strategic approach. Jointly with Elia, the Marketing Director, they follow up on the project's implementation and progress. They both consider it as a marketing functionality as it helps Morgan advertise its name in the market and promote its public relations. However, the company's CSR requires collaboration from other departments such as the instructors' faculty and the business development that sends staff to train students on presentation skills.

- *CSR impact on Profitability*

The main driver of our CSR project is to prepare the youth to enter the corporate world with more confidence, better abilities, and proper awareness about CSR. Fawaz states that the company is not seeking to increase its bottom line throughout this project. Instead, it intends first to build a strong relationship with LoYAC. She notes that Morgan will not have immediate impact on profits but their CSR project will definitely portray a positive image of the company. Elia adds that the company hopes to see current students at LoYAC becoming Morgan clients on the long run. The company would like to witness an increase in its bottom line thanks to similar projects but it is very difficult to assess the impact on profits at this early stage of the project especially that much more awareness about CSR is needed in this part of the world.

- *CSR Challenges and Limitations*

Elia asserts that the main challenge in the CSR context is the lack of awareness among the Lebanese people pertaining to social and environmental issues. “CSR is last thing on their mind”. She also refers to the fact that socially responsible efforts are little on individual as well as corporate levels. Companies can definitely offer more.

Moreover, Elia indicates that the culture in this part of the world does not support CSR projects especially when they involve partnerships with NGOs. In fact, people in Lebanon question the intentions of the firm when it engages in social and environmental activities; they have a misconception that it is associating with a social organization to increase profits and build reputation.

- *Environmental Dynamism*

With the increasing need for higher education in people’s careers, Morgan has witnessed greater demand for more diversified and specialized programs. However, in the CSR context, the Lebanese environment can be seen only as static; in order to stimulate more CSR initiatives on a corporate level, we need more awareness and education on the concept of CSR. We also need more interaction and support from the government.

- *Path Dependency*

According to Fawaz, this project is a new learning process to Morgan International. It will definitely facilitate similar future initiatives especially that the firm has already developed and adapted its material and ways of teaching to suit the young academic students. However, since it is Morgan’s first strategic CSR initiative, how this project can exactly benefit the company in other activities is sill ambiguous. Nonetheless, according to Elia, after starting executing this program and realizing the drastic lack of awareness of what CSR is, they recognized the importance of launching awareness campaigns in parallel. So, one project has led to the other.

CHAPTER VI

ANALYSIS, CONCLUSIONS, AND RECOMMENDATIONS

A. Introduction

This chapter attempts to analyze the findings of the three cases that were explored in the previous chapter and to present broad conclusions about the orientation of strategic CSR in Lebanon and the significance of such a practice to large organizations operating in the Lebanese context. The chapter also offers general synthesized recommendations that could be useful for further research in the academic field and to business executives who aspire to advance CSR practices in Lebanon. It is important to note that the recommendations are derived from both current successful practices and scant initiatives that need to be nurtured. Acknowledging present thriving strategic CSR interventions would enable the organizations scrutinized in this study to benefit from one another's experiences.

B. Analysis

1. Company's Definition of CSR

All three organizations recognize that they hold an obligation towards the community that goes beyond the legal and economic requirements. They believe that CSR is a way to "give back" to the society and to promote social welfare. Although the view of both Microsoft and HSBC of CSR emphasizes its philanthropic aspect, the way they define CSR has a strategic inclination. They appreciate to some extent the difference between philanthropy and strategic CSR. While the philanthropic approach focuses on short-term objectives, strategic CSR or corporate sustainability as referred to by the HSBC group, requires an alignment of social objectives with the company's core business activities and expertise in order to achieve long-term CSR goals and maximize the impact on the community. Among the three, Morgan's view of CSR seems to emphasize the strategic aspect the most as the company ensures that all its CSR initiatives are aligned with its line of business. Figure 17 classifies the definitions adopted by the three organizations respectively.

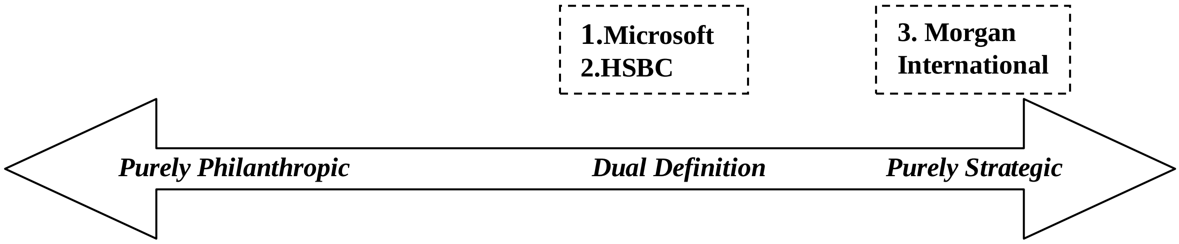

Fig. 17. Case Studies' Definitions of Corporate Social Responsibility

2. Scanning CSR opportunities

Apparently, there is a tendency for large companies in Lebanon to capitalize on their relationships with NGOs and to rely on them in identifying the social issues that need to be addressed. Microsoft and HSBC select the right opportunities after screening and filtering a large number of solicited and unsolicited proposals from NGOs. Nonetheless, some initiatives are driven by global movements and initiated by the company's headquarters as is the case with HSBC's environmental programs. Few initiatives are tailored to address social issues specific to the Lebanese community such as the internet safety program that seeks to create a safer internet society for children. Morgan International, on the other hand, bases its selection of CSR programs on its mission to be a leader in the professional academic field. Partnering with an NGO that has the same objectives was ideal for the realization of its CSR objectives.

3. CSR Themes and Activities

The three cases have selected one or more themes that drive their CSR initiatives. HSBC engages in diversified CSR activities that aim at social betterment. Currently, its focus is directed towards both environmental and financial education interventions. Microsoft and Morgan International, on the other hand, adopt projects that are mainly related to their core business activities but do support some activities that may slightly deviate from the main theme. For instance, as an IT company, Microsoft works on improving the social conditions through increasing computer literacy and internet safety awareness. In addition, it involves its employees in community service and engages in cash donations. Morgan International is implementing a purely educational project that matches its corporate mission. However, it organizes events that seek to raise awareness about CSR in general. Table 7 summarizes the social programs initiated by every company and classifies them under their respective themes.

Table 7. Social Interventions and Themes

Company	*CSR Interventions*	*Theme*
Microsoft	- Offering IT and computer literacy trainings and creating job opportunities - Launching an internet safety awareness program - Training blind people on Microsoft adapted products - Donating software to social welfare institutions	IT development
	- Donating money to charitable organizations - Volunteering to community service	Community service
HSBC	- Switching from paper statements to e-statements - Sustainable lending - Controlling the miles traveled by HSBC employees - Promoting eco-friendly printing through reducing paper printing and using recycled papers. - Sponsoring events that increase awareness on environmental problems and solutions - Adopting the smart lighting sensible technology - Creating Omar's Goat book, an educational book that encourages children to protect the environment	Environmental
	- Participating in the planning and implementation of the Young Arab Entrepreneurship Program - Creating and distributing a cash flow board game among school children - Granting scholarships to university students	Educational and learning
	- Engaging in community service activities such as lunches and Iftars for orphans and needy people	Community service
Morgan International	- Offering the youth courses and trainings on soft skills - Granting students scholarships and internships at Morgan - Launching campaigns that seek to increase awareness on the meaning and importance of CSR	Educational and learning

4. CSR and The Five Dimension Framework

Following Burke and Logsdon's framework (1996), each CSR activity is classified under its respective dimension in order to study the potential relation between each social program, value creation, and profitability (*See Table 8*).

- *Microsoft*

Most of Microsoft's initiatives are highly central to the firm as they are directly tied to its business activities and deliverables; in other words, they translate its mission and value proposition to provide the world with the most innovative IT solutions and help everyone realize their potential.

IT training, donation of software and adapted products are specific to the firm as they enlighten the Lebanese community about Microsoft's products and enable them to conceive of their benefits. This way, they increase the base of their potential customers and incorporate the entire benefits since Microsoft is the only provider of such software tools. By contrast, when Microsoft trains people on basic ICT skill, they will seek entry position in small to medium enterprises (SMEs). Thus, this objective cannot be considered specific to the company.

Although Microsoft perceives its social programs as proactive because they attempt to shape and create the need for the company's software tools, they do not anticipate future trends and address emerging concerns ahead of time. Yet, training blind people on Microsoft's adapted products is rather a proactive dimension especially that the perception of Lebanese towards people with special physical conditions is changing. Less privileged people are proving themselves to be active in the corporate field and Microsoft is capitalizing on this trend to cater for this category of the Lebanese community. Such an initiative meets all five dimensions proposed by Burke and Logsdon (1996).

Apparently, all Microsoft's activities are voluntary as they transcend the legal and economic requirements. They are also visible to internal and external stakeholders as they are communicated internally to employees, and externally through press releases, partnerships, conferences, etc.

- *HSBC*

In the second case study, HSBC has adopted the five dimensions in its "Go Green" initiative that aims at switching from paper statement to e-statements. Such a project is highly central and specific to the firm since it is at the core of its internal operations and banking activities. The bank does not share the benefits of such a project with any other competitor since it reduces its paper costs and increases efficiency by easy and fast delivery to the client. It is a proactive initiative that anticipates rising environmental concerns in the region. The project is highly visible internally and externally as it requires changes in the internal operations and in the way customers receive their statements. Like all other CSR initiatives summarized in Table 7, it is voluntary as it exceeds what is required from the bank.

Sustainable lending, entrepreneurship programs, and the cash flow board game are central to the bank since they are aligned with the bank's nature of business. They are proactive as they all anticipate future trends. Through incorporating environmental criteria in lending policies, HSBC is taking into account prospective pressure to integrate ethical considerations into investment analysis which has become a legal act in countries such as the United Kingdom. The entrepreneurship program and the board game are both programs that aim at shaping the minds of the youth and encourage them to become investors on the long run.

Controlling miles traveled by employees and adopting smart lighting are both specific to HSBC as they reduce its energy consumption and traveling costs; however they are not related to any of its core business activities. The other initiatives are voluntary and visible but belong to a pure altruistic approach.

- *Morgan International*

Morgan International educational program is highly central to the organization as a leader in providing certified educational programs in the region. However offering soft skills trainings at LoYAC and internships at Morgan cannot be considered specific to Morgan. Candidates can select other educational institutions to pursue their higher studies or other organizations to build their careers in. On the other hand, granting students scholarships at Morgan is a more specific and proactive initiative as it may encourage them to enroll in other more advanced certified programs.

Launching CSR awareness campaigns is a highly proactive move since it builds generations that appreciate and understand the meaning of corporate social responsibility. As a result, on the long run, the Lebanese people will be more interested to become customers of socially responsible organizations. Furthermore, as future potential business owners and managers, they will be predisposed to embrace and implement CSR – an undeniably growing trend.

Table 8. CSR Interventions classifications under Burke and Logsdon's Five Dimensions

Activity / ***Dimension***	***Central***	***Specific***	***Proactive***	***Voluntary***	***Visible***	
					Internally	***Externally***
Microsoft						
IT training	✓	✓	------	✓	✓	✓
Job creation	✓	------	------	✓	✓	✓
Internet safety program	✓	------	------	✓	✓	✓
Software donations	✓	✓	------	✓	✓	✓
Training on adapted products	✓	✓	✓	✓	✓	✓
Cash donations	------	------	------	✓	✓	✓
Volunteering	------	------	------	✓	✓	✓

"Table 8 – Continued"

Activity / ***Dimension***	***Central***	***Specific***	***Proactive***	***Voluntary***	***Visible***	
					Internally	***Externally***
HSBC						
Mileage Control	------	✓	------	✓	✓	------
Switching to e-statements	✓	✓	✓	✓	✓	✓
Sustainable lending	✓	✓	✓	✓	✓	✓
Smart lighting	------	✓	------	✓	✓	------
Omar's Goat book	------	------	------	✓	✓	✓
Entrepreneurship Program	✓	------	✓	✓	✓	✓
Cash flow board game	✓	------	✓	✓	✓	✓
University scholarships	------	------	------	✓	✓	✓
Events sponsorship	------	------	------	✓	✓	✓
Community service activities	------	------	------	✓	✓	✓
Morgan International						
Offering internships and basic skills trainings	✓	------	------	✓	✓	✓
Granting scholarships at Morgan	✓	✓	✓	✓	✓	✓
CSR awareness campaigns	------	------	✓	✓	✓	✓

5. Business and Social Convergence of Interests

Whether the projects undertaken are directly aligned with the business activities or not, companies recognize their mutual benefit to the community and the business (*See Table 9*). However, they assert that the main driver behind their CSR practices is to promote social welfare and improve the Lebanese community's quality of life. Nevertheless, it can be observed that several initiatives attempt to influence the competitive context in which the studied companies are operating. For instance, based on Porter and Kramer models (2002; 2006), through the "Go Green" project, HSBC has identified aspects of its value chain that can be modified in order to mitigate environmental harm.

The three companies try to influence the input and demand conditions through their respective IT and educational focused strategic approach. For instance when HSBC teaches the youth to become entrepreneurs, it creates new potential investors and clients. Microsoft trains computer illiterate people on its software tools to increase its potential customer base and create loyal clients on the long run. Through partnering with other IT companies such as Intel in philanthropic activities, Microsoft reduces its CSR costs and promotes industrial clusters.

Other initiatives such as granting university scholarships as is the case with HSBC and launching CSR awareness campaigns as is the case with Morgan International do not directly impact profitability but enhance the companies' reputation and public relations. Internally visible CSR interventions are likely to improve employee morale and productivity in the three companies under study.

Table 9. CSR Interventions and Value Creation

	Value Created	
	To the society	***To the business (profitability)***
Microsoft Interventions		
IT training	*Improving IT education level*	*Increasing customer base and market share*
Job creation	*Improving the quality of life by decreasing the unemployment rate*	*Creating a better context by improving the quality of potential candidates*
Internet safety program	*Creating a safe internet society for children*	*Increasing sales of Microsoft Internet tools*
Software donations	*Improving IT education level*	*Promoting adoption of Microsoft tools*
Training on adapted products	*Improving IT education level*	*Tapping a new market and creating new products*
Software donations	*Improving IT education level*	*Promoting adoption of Microsoft tools*
Training on adapted products	*Improving IT education level*	*Tapping a new market and creating new products*
Cash donations	*Improving the quality of life*	*Promoting corporate image and reputation*
Volunteering	*Improving the quality of life*	*Improving employee morale and productivity*
HSBC Interventions		
Shifting to e-statements	*Mitigating environmental harm by reducing carbon footprint*	*Promoting operational efficiency and reducing costs*
Entrepreneurship Program	*Promoting the youth leadership and entrepreneurial skills*	*Creating a better context by creating new potential investors*
Sustainable lending	*- Mitigating environmental harm by encouraging entrepreneurs to build environmentally sustainable businesses* *- Reducing businesses energy costs through energy efficiency*	*- Promoting corporate image and reputation as a sustainable organization.* *- Creating a better context by attracting investors that value green projects* *- Decreasing the default risk through helping businesses reduce energy costs and eventually increase profits*
Cash flow board game	*Improving financial education level*	*Creating a better context by shaping the minds of children and creating potential markets on the long term*

"Table 9 – Continued"

	Value Created	
	To the society	**To the business (profitability)**
HSBC (continued)		
Mileage Control	*Mitigating environmental harm by reducing carbon footprint*	*Reducing traveling costs*
Smart lighting	*Mitigating environmental harm by reducing carbon footprint*	*Reducing energy consumption costs*
Eco-friendly printing	*Mitigating environmental harm by reducing carbon footprint*	*Reducing paper clutter and paper costs*
Events sponsorship	*Increasing awareness on environmental issues*	*Promoting corporate image and reputation*
Omar's Goat book	*Increasing awareness on environmental issues*	*Promoting corporate image and reputation*
University scholarships	*Improving the education level*	*Promoting corporate image and reputation*
Community activities	*Improving the quality of life*	*Promoting corporate image and reputation*
Morgan International Interventions		
Courses and trainings	*Improving the education level*	*Increasing sales of certified programs and creating a better context by improving the quality of potential candidates*
Internships and scholarships	*Improving the education level and creating job opportunities*	*Increasing sales of certified programs and creating a better context by improving the quality of potential candidates*
CSR awareness campaigns	*Increasing awareness on the importance of CSR and encouraging entrepreneurs and organizations to embrace it*	*Promoting corporate image and reputation*

6. Measuring CSR Impact

Impact of CSR on society is measured through the number of beneficiaries reported by the NGOs the companies partner with. However, there are no clear standards or benchmarks by which the impact can be assessed. Moreover, companies are not very persistent with regards to following up on the results. On the bottom line side, none of the three companies scientifically measure the quantitative impact of CSR interventions on the internal operations and profits. The three companies assert that their CSR interventions aim at benefiting the society and their impact on profitability is not measured or tracked.

7. Philanthropic vs. Strategic Activities

Following the Five-dimension model of Burke and Logsdon (1996) and Porter and Kramer's models (2002; 2006) and based on previous discussions, a clear distinction can be drawn between philanthropic activities that have a mere short term positive effect on the community and CSR activities that incorporate strategic dimensions combining long term social and economic benefit. Although the three companies do not link their interventions to profitability, some initiatives have an incontrovertible direct impact on the bottom line and can generate a clear flow of financial returns. Other interventions cannot be classified as totally strategic – but rather strategically oriented. Although those activities create value for both the society and the business, they do not improve salient areas of the competitive context of the firm as contended by Porter and Kramer (2006). In addition, they are not guided by the firm's mission and core business activities; in other words they lack the centrality dimension advanced by Burke and Logsdon (1996).

For instance, Microsoft's attempts to increase computer literacy through continuous trainings across several regions in Lebanon have a clear influence on its customer base. Enlightening people about the substantial benefits of using Microsoft tools will eventually attract more customers. Increasing internet safety awareness is another strategic CSR instrument to highlight the need of the company's internet safety programs in children's environments. In addition, training blind people on adapted hardware taps totally new markets that may not have previously realized their right and ability to use such products. Through such initiatives, Microsoft improves the context in which it is operating and increases its market share.

Promoting eco-friendly printing and controlling traveling mileage are attempts to reduce environmental harm and to decrease operational costs creating value for the environment and for the bank; however they do not directly serve HSBC's mission and objectives. By contrast, including environmental criteria in the lending decision process demonstrates greater alignment between the bank's environmental program and its core activities. In addition, it creates a better competitive context by attracting investors that value green projects.

Launching financial educational programs to the youth and children constitute proactive attempts that shape the minds of individuals who are likely to become customers. HSBC will eventually seize opportunities on the long run and increase its market share. Switching to e-statements is highly strategic as it aims at cutting on costs and increasing operational efficiency leading to a better customer service. It also capitalizes on the dramatic spread of internet use among the Lebanese people and the pressure exercised on the Lebanese government to expand faster broadband and facilitate access to internet services.

Finally, Morgan’s pure educational programs that are highly aligned with its mission highlight the importance of its certified programs for students who wish to build a successful career. Launching CSR awareness campaigns enhance Morgan’s strategic initiatives and serve their purpose but are not rooted at the corporate mission; thus they are classified as strategically oriented.

In sum, centrality is a necessary condition for CSR initiatives to be classified as strategic. CSR activities must be central to the firm whereby they fit its mission and objectives (Burke and Logsdon, 2006). In addition, as a sufficient condition, they should improve the firm’s competitive context, increase its market share, and enhance its market position (Porter and Kramer, 2006). Table 10 classifies the CSR interventions of the three cases.

Table 10. Classification of CSR Interventions – Philanthropic versus Strategic

Company / CSR Nature	*Philanthropic*	*Strategically Oriented*	*Strategic*
Microsoft	Donating money to charitable organizations		Increasing computer literacy, donating software, and creating job opportunities
	Volunteering to community service		Increasing internet safety awareness
			Training blind people on Microsoft adapted hardware products
HSBC	Sponsoring events that increase awareness on environmental problems and solutions	Controlling miles traveled by employees	Migrating from paper statements to e-statements under the "Go Green" project.
	Creating Omar's Goat book, an educational book that encourages children to protect the environment	Promoting eco-friendly printing through reducing paper printing and using recycled papers.	Participating in the planning and implementation of the Young Arab Entrepreneurship Program
	Engaging in community service activities such as lunches and Iftars for orphans and needy people	Granting scholarships to university students	Creating and distributing a cash flow board game among school children
		Adopting the smart lighting technology	Incorporating environmental criteria in lending policies (Sustainable lending)
Morgan International		Launching campaigns that seek to increase awareness on the meaning and importance of CSR	Offering young students courses and trainings on soft and presentation skills
			Granting students scholarships and internships at Morgan

8. CSR Functionality and Type of Strategy

Based on Fang, Huang, and Wei-Ling Huang (2010) classification of CSR strategies, Microsoft and Morgan International classify their CSR strategies under the proactive category that shapes and satisfies the needs of their stakeholders so that they become leaders in their industries. HSBC's environmental programs are reactive to ecological problems whereas its financial educational programs are proactive attempts to shape the minds of the youth and turn them into HSBC loyal customers.

Consistent with Taghian (2008) proposition, the three companies perceive CSR as closely tied to the marketing functional area. It aims at maintaining excellent relations with stakeholders and thus involves public relations, marketing communications, and advertising. Nevertheless, CSR may play a more generic function as suggested by Lattemann, Schneider, and Kupke (2007) because it can be associated with other functional areas such as IT, human resources, finance, etc. For instance, the "Go Green" project undertaken by HSBC is integrated in the bank's value chain as it requires changes on multiple levels.

9. CSR Link to Internal Resources and Capabilities

The three companies match their CSR strategies to their resources and capabilities. They realize what they are capable of offering to the community and they optimize their resources in order to maximize social benefits. However, they do not conduct a thorough analysis of their strengths and weaknesses in order to identify CSR initiatives they can adopt. They are already aware of their strengths and capitalize on them. Moreover, they do not use CSR as a tool to "fix" or overcome internal problems. As such, they consider the relationship between CSR and resources to be unilateral whereby the company's expertise is employed to accomplish CSR objectives; this is especially true with Microsoft whose basic ICT trainings do not add to the company's expertise.

However, CSR initiatives at HSBC and Morgan International have been contributing to the know-how of the firm. The educational program at Morgan International requires faculty members to modify the curriculum and adapt the offerings to suit students of a young age. On the long term, such an intervention may open the doors for the company to develop new certified programs for school students and become a leader not only in the professional field but also in the world of young students. This may become the new trend that reflects the ongoing education inflation.

The "Go Green" project undertaken by HSBC stands out in this respect. Automating statements can be classified as a part of enterprise resource planning (ERP) that seeks to manage the firm's resources namely tangible assets and materials and facilitate the flow of information between all internal functions and the connection to external stakeholders. This project has introduced an internet-based platform that allows all the bank's employees to view and manage statements on the system and that enable employees to check their invoices on their personal computers wherever they are located.

A successful implementation of the project depends on several factors. First and most importantly, it relies on new technical skills and know-how acquired by the IT team. Second, top management needs to embrace the new changes and communicate them effectively to employees across all levels. Training employees of other departments on the system will be needed. Third, the new changes need to be communicated to external stakeholders, namely the clients while explaining to them the benefits of switching to e-statements.

Revisiting Hart's model (1995) that focuses on environmental social responsibility, HSBC has taken into account the biophysical problems and constraints, and has accordingly identified how it can acquire new resources that will eventually endow the firm with a cost advantage over its competitors.

10. CSR as a Dynamic Capability in the Lebanese Context

Microsoft and Morgan International perceive their CSR ventures as learning processes that benefit them in future CSR projects implying path dependency. For instance, after building excellent relationships with Arc en Ciel, Microsoft enabled the institution to become an authorized refurbishing center creating further benefits to the society. In the case of Morgan International, the educational program is enhancing the company's abilities to identify the needs of the youth and perhaps design new programs to be offered at both LoYAC and Morgan International in the future. The process of adopting e-statements at HSBC has a greater influence on the internal competencies of the firm as discussed earlier.

Therefore, it can be inferred that CSR strategies in these companies can lead to new capabilities as is the case of Morgan International, to new competencies and routines in the case of HSBC and to more beneficial CSR programs in the case of Microsoft. Furthermore, the three companies are trying to influence the social culture which according to Fang, Huang, and Wei-Ling Huang (2010) constitutes the right capability for proactive CSR strategies.

However, one final question remains: to what extent dynamic capabilities are needed for these firms to achieve their CSR objectives in the Lebanese context? In fact, none of the studied cases perceive CSR as an opportunity to modify their internal resources. The three companies realize that the Lebanese environment is not rapidly changing in terms of CSR concerns and demands and there is no need for swift reconfiguration of resources. Although NGOs are playing a major role in activating CSR practices, the Lebanese CSR context is rather static due to several factors revealed in this study:

- Referable to political instability in Lebanon, the civil society is suffering from regulatory gaps without which companies cannot achieve the intended outcomes through their CSR interventions.
- The lack of official statistics, demographics and psychographics analysis of the Lebanese society makes it difficult for organizations to anticipate emerging trends and social gaps and plan future CSR projects.
- The majority of the Lebanese customers are not well educated on what CSR is and the benefits associated with the concept. Due to this lack of awareness, CSR does not constitute a criterion in their purchasing decision and loyalty to organizations.
- Because of the dominant economic situation in the country, the Lebanese people are mainly concerned with feeding their families. Socially responsible behavior on an individual level is last on their daily life agenda.
- In the Lebanese cultural context, the real intentions behind CSR practices are questioned and associated with corporate wealth creation.
- Companies operating in the Lebanese market are limited to tight CSR budgets allocated by their respective headquarters implying that the size of CSR projects depends on the company's profitability.

C. Conclusion

The empirical findings demonstrate a shift in the ways CSR is practiced in Lebanon. While some initiatives remain altruistic in nature, other CSR interventions are taking a more strategic orientation in their selection and execution. Apparently, corporate social responsibility has started to take a more meaningful role in the Arab world and Lebanon in particular. Based on the study's findings, organizations are engaging in new CSR projects that align their self-interest with the larger social good and their philanthropic practices with their internal resources and competencies as the resource-based view of the firm implies.

Nevertheless, the strong sense of social responsibility that is blossoming in the context of a developing country needs a more enabling environment to develop and reach a more mature stage. While CSR is more established in developed countries, it is undergoing a far slower progress in Lebanon due to political and economic instabilities that divert the attention of both organizations and individuals to issues of basic survival and endurance.

Moreover, although each CSR project constitutes a learning experience, organizations are not able to treat their potential initiatives in this respect as strategic tools that enable them to overcome internal weaknesses, foster internal strengths, annihilate external threats, seize external opportunities, and in turn gain a competitive advantage over their rivals. They still perceive CSR as mainly beneficial to the society rather than the firm, or at least this is the impression they wish to convey to the public. In fact, the study reveals that the size of CSR activities depends on the company's profitability meaning that CSR is not viewed as a stream of revenue. This reflects the long-lived controversy over the impact CSR has on shareholders' wealth.

Considering the challenges and limitations existing in the Lebanese context, organizations are not able to take their CSR initiatives to the next level. They still consider CSR as a marketing and communications tool that aims at enhancing the company's reputation and public relations. It is evident though that part of the CSR projects highlighted in the interviews enables the firms to acquire new competencies while achieving both social and economic goals. Yet, strategic socially responsible practices in Lebanon do not necessitate dynamic learning and do not create dynamic capabilities given the disabling factors that leave the Lebanese environment falling behind in terms of CSR awareness, advancement, and innovation.

D. Recommendations

1. Suggestions for Future Research

To the academic community, the concept of strategic CSR in the Lebanese context provides an opportunity to study not only the CSR projects and their impact on the society but also to explore further the internal activities that occur within the organization during the execution phase. As such, more detailed case-based examination is required to understand more deeply the extent to which CSR projects require internal changes and cross-functional integration. This would necessitate more meetings with managers of different departments.

Selecting a larger sample would likely help researchers observe patterns across companies and industries and generalize their findings. Further research about industrial background and corporate social performance in Lebanon is useful to synthesize specific recommendations for each industry separately.

As the government should provide the private sector with an enabling environment that motivates organizations to engage further in CSR practices, conducting a comprehensive research on the situation of the Lebanese government and the current role it is playing in the CSR context helps researchers advance comprehensive recommendations to governmental officials and politicians. Ideally, the study can be complemented with an overview of the Lebanese social, political, and economic situation.

Finally, further research should examine the concept of dynamic capabilities in developing countries before attempting to link it to CSR. Developing a clearer understanding of why the concept does not apply to emerging economies in the first place would emphasize why CSR in particular cannot play the role of a dynamic capability in such contexts. Naturally, an empirical study on dynamic capabilities in Lebanon and the region would be needed as well to complement the theoretical research.

2. Recommendations to Companies

For companies to develop viable, value-adding, and self-sustaining strategic initiatives, they need to adopt a context-focused approach and embrace strategic guiding principles that aim at maximizing shared value.

As such, companies are first recommended to cultivate needed talents through initiatives that go beyond merely educating and creating job opportunities for the less privileged people. They should work on creating a robust supply of skilled candidates. For instance, in addition to training computer illiterate people, Microsoft can target college students to prepare them for an IT career.

Second, organizations should think in terms of creating first-time consumers and repeat purchases; in other words they have to work on developing new markets that would benefit from their products and increase their bottom line. It is also important for companies to involve their employees as well as their customers in their CSR practices. This can be done through internet forums and newsletters that highlight the objectives of the company and the mutual benefits reaped by all involved parties.

Reducing environmental footprint is critical with the drastic environmental and climatic changes the earth is undergoing. However, it does not constitute a specific intervention for the banking and education industries for example. As such, organizations should focus their CSR initiatives and integrate social dimensions into their own deliverables. Banks such as HSBC can tap neglected markets through offering micro-credits and small saving plans catered to low income people.

More importantly, “What gets measured in organizations is what gets done” (Heslin and Ochoa, 2008, p. 141). Firms need to develop clear targets and metrics in order to monitor and measure CSR outcomes in terms of social benefits and financial gains. For instance, Microsoft can apply more rigorous procedures to track both the increase in the number of registrations after each training project and the number of trainees that were able to find jobs.

In addition, firms should devote more efforts to influence the Lebanese culture and change the perception they have of large organizations as money giants. They need a totally different mindset inside and outside organizations. This requires renouncing the idea that CSR is a public relations campaign and tackling a real social problem through innovative solutions. Socially responsible practices will not enhance a company’s competitiveness unless considered as important and relevant by the public. While CSR is gaining momentum in Lebanon thanks to multinationals’ global programs, CSR initiatives can be made more relevant if tailored to the needs of the local community.

As regards dynamic learning, considering CSR as a research and development instrument is perhaps unrealistic in a developing country where economic and political complexities hinder the learning and development of organizations. However, a systematic pursuit of strategic CSR practices will definitely enable the firm to enhance internal intangible resources such as know-how, expertise, and increased productivity.

Finally, “embedding sustainable principles at the heart of an organization will not change the world overnight” (Hawkins, 2006, p. 28). It is important to acknowledge that organizations will not be able to address the concerns of each and every stakeholder group. Therefore, they are urged to refrain from diversified ad-hoc activities that will burden them with avoidable costs and focus on specific CSR interventions that capitalize on their strengths and competencies.

Strategic thinking is about identifying alternatives and selecting the right choices. When businesses exert their resources and talents to identify the social issues that they are able to address, they will have a profound positive influence on society. Organizations operating in the Lebanese context need to show more perseverance and commitment to the strategic approach of corporate social responsibility in order to transcend the prevalent difficulties. They should be able to realize their own hidden potentials that can outpace the corporate social performance of any other governmental or philanthropic institution.

3. Recommendations to Government Officials

In order to enable and encourage companies to embark on more meaningful and successful CSR projects, the Lebanese government could embrace several initiatives. First, it is important for government officials to understand the strategic implications of CSR and the link between socially responsible behavior and competitive advantage in order to take the correct enabling actions.

As an initial step, the Lebanese government could consider tax exemption on CSR spending so as to dampen the shareholder/stakeholder conflict and reduce costs associated with CSR projects. Eventually, when strategic interventions start to be financially rewarding for the organization, the government is recommended to create a policy framework that sets minimum standards for good social practice and promotes responsible behavior by businesses.

Lebanese ministries such as education, labor, social affairs, environment, etc. should work on monitoring and ensuring the genuineness and legitimacy of CSR practices in order to facilitate the ontogenesis of practices from pure philanthropy to strategic integration. This entails companies to include information on their CSR policies, implementation, and results in the annual financial reports. Ultimately, an audit system should be put in place to evaluate CSR activities and assess their impact on the business in financial terms such as return on investment (ROI) and on the society in terms of number of beneficiaries.

Finally and most importantly, CSR cannot be promoted through the afore-mentioned governmental interventions without educating the public and the private sector about the meaning and usefulness of socially responsible behavior in tackling social problems. Government leaders should join hands with NGOs and educational institutions in order spread CSR awareness and raise public support through publicity and campaigns.

In a developing country such as Lebanon, taking an active role in nurturing CSR practices represents an opportunity for the Lebanese government to improve the economic, social, and environmental conditions. While the private sector should play a leading role in activating and accelerating the growth of CSR in Lebanon as it owns a great potential in addressing social issues, shared value cannot be achieved without an enabling environment that promotes cross-sector collaboration.

APPENDIX I

LETTER SENT TO COMPANIES

Dear Sir/ Madame,

I am a Master in Business Administration (MBA) student at the American University of Beirut (AUB). Currently, I am working on my thesis, which is about Corporate Social Responsibility (CSR) in a strategic context. The reason for choosing the topic is that many organizations worldwide have realized the importance of aligning their CSR practices with their core business activities. My research aims at scrutinizing to what extent companies operating in Lebanon embrace CSR under the strategic umbrella.

My study comprises a primary research component in which I aim to interview leading companies in Lebanon who are active in CSR. The primary benefit that your company could gain from participating in such a study is that it will help you in communicating your CSR initiatives to a select public who is interested in the topic and its applications in the region and worldwide. Please note that the option of remaining anonymous will also be accommodated.

In light of that, I would really appreciate it if you can grant me an interview with a key person in your reputable company who is directly involved in CSR activities. Kindly find attached a confirmation letter that is signed by my first reader Dr. Dima Jamali.

Awaiting your earliest reply,
Nancy Sarieddine

APPENDIX II

SEMI-STRUCTURED IN-DEPTH INTERVIEW GUIDE ON STRATEGIC CSR APPLICATIONS IN LEBANON

Theme

1. Defining Corporate Social Responsibility

1- How do you define corporate social responsibility?
2- What makes a good company?
3- How did you start your CSR practices?
4- What are the main drivers behind your CSR practices?
5- How have your CSR practices changed over time?
6- Why is CSR indispensable nowadays? In Lebanon in specific?
7- How do you envision the firm's CSR policies that will emerge in the future?
8- What are the benefits of CSR? To the community? To the firm?

2. Strategic CSR

1- How do you define strategic CSR?
2- How do you perceive the difference between corporate philanthropy and strategic CSR? (Benefits, processes, etc.)
3- Do you incorporate CSR into your strategy? How close is it to your mission and objectives?
4- What are your strengths? Weaknesses?
5- How do you capitalize on your strengths to achieve your CSR objectives?
6- How do you eliminate your weaknesses through CSR initiatives?
7- How do CSR projects add to or enhance your strengths?
8- What are social/environmental issues that affect your internal processes?
9- How do your CSR activities differentiate you in the world?
10- Does if have the same impact on your competitive position in Lebanon?
11- As a developing country, did the Lebanese consumers raise the bars regarding what they demand from firms?
12- What are the main challenges you face while planning CSR projects? While implementing your CSR plans?

13- Are your CSR activities monitored and benchmarked? How?

14- Are your CSR activities reported to stakeholders? How?

15- How do you classify strategic CSR?

(1) Reactive strategy that involves responding to certain stakeholders' demands.

(2) Accomodative strategy that maintains market present position through taking action to influence demands of major stakeholders.

(3) Defensive strategy that involves anticipating future demands and satisfying them in advance.

(4) Proactive strategy that shapes the needs of its stakeholders and satisfies them to become a leader in the industry.

16- What department and who is responsible for your CSR planning? Where is CSR planning is focused within the company? Is CSR a marketing function or a cross-functional capability?

17- What are examples of strategic CSR projects you have undertaken in Lebanon?

2.1- Strategic CSR 5 main characteristics

1- To what extent do you exceed the legal requirements in terms of customer safety, employee relation, environmental issues, etc.? (Voluntarism)

2- How close are your CSR policies to your firm's mission and objectives? (Centrality) (e.g. gas-inflated air bags, first introduced by TRW)

3- Do you undertake CSR activities that are specific to the firm? (Specificity) (i.e. CSR activities bring benefits that are specific to your firm and no other firm. e.g. technologies that enable the firm to generate its own energy)

4- To what extent you anticipate future trends when it comes to social issues? (Proactivity)

5- To what extent your CSR activities visible to your consumers and employees? What are the customers' reactions to your CSR initiatives? What about employees? (Visibility)

6- Do you select your strategy based on your resources and capabilities?

2.2- The Link between Competitive Advantage and Corporate Social Responsibility

1- Among the following inside-out linkages, on which do you concentrate the most?

Product safety	Worker safety and labor relations
Conservation of raw material	Financial reporting practices
Recycling	Transparency
Transportation impacts (e.g. gas emissions)	Education and job training
Energy and water usage	Layoff policies
Utilization of natural resources	Disposal of obsolete products
Pricing Practices	Customer privacy

2- How do your CSR activities impact external resources (potential candidates, natural resources, customers, etc.)?

3- What are the social issues you tackle in your CSR activities?

4- What are the social issues that match your business practices?

5- What is your value proposition? Does it include any CSR dimension? (Value proposition: statement of what you promise the customers to deliver them)

3. CSR and the Resource-based View of the Firm

1- What are you core resources? Tangible/intangible?

2- How do your resources contribute to your competitive advantage?

3- What are the resources you depend on to achieve your CSR objectives?

4- Do you have to acquire new resources in order to achieve your CSR objectives?

5- Do you have to upgrade existing resources in order to achieve your CSR objectives?

6- Do you consider your resources used for CSR activities (CSR-related resources) hard to copy by competitors?

7- What impact do CSR projects have on your resources?
8- How have your resources changed after you started pursuing strategic CSR?
9- To what extent do you allow your employees to get involved in CSR projects? How does this influence their productivity?

4. CSR and Dynamic Capability

1- How dynamic is the internal environment of your organization? Do you have a flat or bureaucratic structure?
2- How dynamic is the Lebanese environment? (Consumer awareness/needs, ecological changes, etc., NGOs demands, etc.) and how dynamic is your industry in specific?
3- How do you satisfy the changing needs of customers?
4- How do you respond to the changing demands regarding social and environmental issues? To what extent do you consider that you have to possess flexibility and fitness in order to manage your resources swiftly as soon as a concern rises?
5- What are the capabilities that allow you to use your resources effectively in the pursuit of your CSR initiatives?
6- What new capabilities have you acquired after you started pursuing strategic CSR?
7- How do strategic projects enhance your capabilities?
8- How did your strategic CSR practices influence your reputation in Lebanon?
9- Did they have an impact on the morale of your employees?
10- Did you notice any impact on the quality of candidates that apply to join your company?
11- Is the success of a CSR project dependent on the success of previous projects? In other words, the knowledge, know-how, etc. acquired from earlier CSR activities affect the success of future CSR projects?
12- What are the challenges posed in Lebanon and the industry that prevent you from pursuing your CSR initiatives?

5. The Link between CSR and Profitability (Value Creation)

1- Are you able to reap valuable economic benefit from your CSR activities?
2- How do you link CSR projects to profitability? How do you assess their future economic benefits?
3- Are your CSR investments worthwhile compared to the benefits returned?

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