AMERICAN UNIVERSITY OF BEIRUT

UNDERSTANDING CORPORATE SOCIAL RESPONSIBILITY IN LEBANESE FAMILY-OWNED BUSINESSES

by
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AN ABSTRACT OF THE PROJECT OF

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Title: Understanding Corporate Social Responsibility in Lebanese Family-Owned Businesses

There have always been companies which, on their own initiative, have fostered values which lead them to act responsibly with their workers, clients, and society as a whole; what we call Corporate Social Responsibility (CSR). In the 21st century, organizations are actively pursuing CSR initiatives based around values of long term planning, sustainability, reputation and ethics. These social roles a corporation is expected to play have a strong impact on the company and its external environment.

Family businesses in general are found to be socially responsible and careful at addressing social concerns. Their practice of CSR is incorporated in the firm's culture due to the family aspect in the business. The reasons underlying their tendency to behave responsibly range from their public image and reputation, the family name, their ethical and moral duty, relationships with stakeholders, external pressure and competition, exploitation of profits and using it as a PR and marketing tool.

In the Lebanese context, family businesses are found to be philanthropic in nature, practicing genuine CSR rather than following a strategic CSR objective integrated in the firm's mission and vision. This project will highlight the main drivers for Lebanese family businesses to act corporately socially responsible by gaining insights in the forms and manifestations of their current implementation of CSR practices. Recommendations will then be underlined with the purpose to improve CSR practice in family businesses in Lebanon.

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CHAPTER 1

INTRODUCTION

> There is no way to avoid paying serious attention to corporate citizenship: The costs of failing are simply too high…There are countless win-win opportunities waiting to be discovered: Every activity in a firm's value chain overlaps in some way with social factors – everything from how you buy or procure to how you do your research – yet very few companies have thought of this. The goal is to leverage your company's unique capabilities in supporting social causes, and improve your competitive context at the same time. The job of today's leaders is to stop being defensive and start thinking systematically about corporate responsibility
>
> Michael Porter, Professor, Harvard Business School (Hohnen, 2007)

Corporate Social Responsibility has gained attention worldwide and set the stage to a new framework in the way business is to be conducted. Today, businesses are facing increased pressure to be socially responsible. With the growing visibility of businesses corporate activities, customers' purchasing behaviors and perceptions are changing; delivering good products is no longer the only thing customers ask for. For that, companies are becoming more aware of their obligations towards the different groups involved in the business, shareholders, employees, clients, suppliers and the society at large. The focus on the role business plays in the society is encouraging companies to become more engaged with CSR and adopt a CSR agenda.

The private sector should play an active leadership role in the implementation of CSR (Nelson, 2004). Businesses need to adopt an integrated and strategic CSR approach, beyond merely a philanthropic one. When companies used to talk about CSR, they tended to associate it with philanthropy. Nowadays, companies are more aware of the importance of CSR and the effects it has on the company's overall performance. Incorporating waste management, low

carbon emissions and recycling initiatives into the company's operationsas core components will yield a sustainable growth.

Belal (2001) raises the concern about the need for more CSR research in developing countries. So far CSR studies have been conducted in the context of developed countries. Therefore, exploring the context of CSR in Lebanon is of added value to the understanding of the current CSR practices and manifestations of CSR in a developing country.

A. Research Objectives

This research aims to review the literature pertaining to CSR, and family businesses, as well as understand and justify family businesses behavior in regards to CSR. In general, family firms have the tendency to be socially responsible due to several reasons underlined in the literature. This research will seek to evaluate the practice and understanding of CSR in the Lebanese context of family businesses, identify the key drivers behind their commitment to CSR as well as the characteristics that may result in family businesses acting irresponsibly, and shed the light on the perceived benefits and challenges of their CSR implementation. Recommendations will then be underlined with the purpose to improve CSR practice if family businesses in Lebanon.

B. Research Questions

The following questions were investigated:

1. What is Corporate Social Responsibility?
2. What are the characteristics of family businesses?
3. What are the main differentiating attributes of CSR in family businesses?

4. What are the main challenges to the practice of CSR in family businesses?

5. Are Lebanese family businesses practicing CSR? Is it a philanthropic CSR or a strategic CSR?

6. What are the key drivers behind Lebanese family businesses CSR practice?

7. What are the benefits and challenges of CSR for Lebanese family businesses?

8. What kind of recommendations can we give to family business owners in Lebanon to improve their practice of CSR?

CHAPTER 2

LITTERATURE REVIEW

While the term CSR may appear to be relatively new to the corporate world, the literature reveals that the evolution of the concept itself has taken place for some time. In the 1960s, Keith Davis set the stage for this debate questioning: "Can business afford to ignore Corporate Social Responsibility?" and "What does the business owe to society?" (Davis, 1960)

A. The Corporate Social Responsibility

1. Key Drivers for Corporate Social Responsibility

The need for a sustainable world economy has emerged where markets, labor and communities are able to function together creating a synergy of ethics and cohesive society. The public expectations of business have increased. The public sector is failing to keep up with these expectations in regards to improvement of the living conditions. Clearly, the public needs are exceeding the government capabilities to fulfill them. Companies are now expected to do more than merely provide jobs and contribute to the economy through taxes and employment (Jamali, Safieddine and Rabbath, 2008, Haigh and Jones, 2007).

Due to the globalization effect and corporations serving as global providers, competition has increased and the barriers to entry into new markets have been reduced. With increased power comes increased responsibility (Jamali,2008).

Business scandals and unethical ways of doing business have shaken public confidence in business. They have raised transparency and trust issues, leading to the rise of social activism

to promote social and environmental change. In the public perception, businesses need to be more open, more accountable and be prepared to report publicly on their performance in social matters (Haigh and Jones,2007).

Corporations have progressively recognized the benefits of CSR and its positive implications on the business and society as a whole. If CSR is about business or makes good business sense, businesses contribution and collaboration is a win-win situation (Ismail, 2009).

2. *Defining Corporate Social Responsibility*

For the past decades, the debate over the relationship between business and society has focused on CSR. Definitional issues regarding CSR have remained debatable. It has been used in so many different contexts that it has lost its meaning. Lacking content and structure, it has come to mean all things to all people (Carroll and Shabana, 2010).

Not all businesses act socially responsible and the traditional view argues that it is not the job of businesses to be concerned about social issues, whereby their primary objective should be to maximize profits and create wealth with the best interests of the shareholders and within the boundaries of law (De La Cruz and Sua'rez, 2005). However, corporations are now expected to consider other measurements of corporate performance, beyond merely financial performance.

The corporate social responsibility view proposes a broader range of obligations towards society; organizations have moral, ethical, and philanthropic responsibilities in addition to earning a return for investors and complying with the law. According to Carroll (1999), "corporate social responsibility involves the conduct of a business so that it is economically profitable, law abiding, ethical and socially supportive. To be socially responsible then means that profitability and obedience to the law are foremost conditions when discussing the firm's ethics and the extent to which it supports the society in which it exists with contributions of

money, time and talent". Moon (2002) also makes the point that CSR "is only one of several terms in currency designed to capture the practices and norms of new business-society relations. There are contending names, concepts or appellations for corporate social responsibility" (Carroll, 1999).

Definitions of CSR

- "The social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that a society has of organizations at a given point in time" (Carroll and Buchholtz, 2003).

- The European Commission defines CSR as a concept whereby companies "integrate social, environmental, ethical and human rights concerns into their business operations and core strategy in close collaboration with their stakeholders."The European commission addressed CSR benefits in the interest of enterprises and in the interest of the society as a whole (European Commission, 2011).

- The World Business Council for Sustainable Development (WBCSD): "Corporate Social Responsibility 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"

Another definition of CSR refers to it as "the mode of business engagement and value creation, allowing to meet or even exceed legal, ethical, and public societal expectations" (Jamali, 2011).
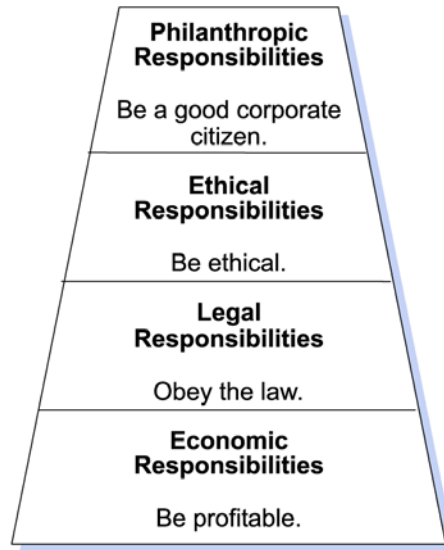
Figure 1: Carroll Pyramid of CSR
Source: Carroll (1999)

Carroll's pyramid of CSR is an example of the early models and probably the most well-known model of CSR (Visser, 2007). The responsibilities in the pyramid move from the economic and legal outlook towards more socially oriented ones of ethical and philanthropic responsibilities (Figure 1). The different components in the pyramid help managers see the different types of obligations that society expects of businesses. Economic responsibility lies at the bottom and is regarded as top priority. The business has to be profitable. The shareholders and employees are the most affected in this group by providing high returns for investors, jobs and fair wages for workers, and promoting new technology. The legal responsibility is second in the hierarchy whereby businesses are expected to conduct business within the framework of law. Following it is the ethical perspective and it involves avoiding questionable practices. Businesses are to operate in the right manner. At the top of the pyramid is the discretionary perspective. It involves the philanthropic acts in terms of giving back to the community and being a good corporate citizen (Carroll, 1999).

In a nutshell, CSR is the right thing to do from the moral perspective and doing things right from the strategic perspective (Jamali, 2011). At the core of the CSR debate is the idea that corporations should transfer from a state of mere compliance to a mode of engagement, from harm minimization to value creation (Luetkenhorst, 2004).

3. *Internal vs. External CSR*

Two corporate approaches towards CSR have been identified: The internal and external. The difference between these two approaches is their focus on different stakeholder groups. The internal dimension focuses on the CSR practices with respect to internal stakeholders, employees being the key. The external dimension focuses on the external stakeholders, such as customers, suppliers and the community (De Colle and Gornella, 2003).Table 1 below shows the different programs in order to differentiate the internal from the external CSR.

Internal CSR	External CSR
Human Resources practices	Community development programs
Health, Safety and Environmental practices	Sponsorships
Codes of Conduct	Donations
Fulfilling and Motivating Work Environment	Contributions to Civil Society Organizations
Employee Development Programs	Educational programs at various levels
Local Content Policies	Supply-chain management
Assessing and Increasing the Social and Environmental Impact	Involvement in the development debate
Environmental Management Systems	
Product Responsibility	

Table 1 : Internal vs. External CSR
Source: http://www.undp.org.tt/csr/CSRMappingReport.pdf

4. *Motives behind Corporate Social Responsibility*

In the literature, it was found that different motivations may cause the business to act socially responsible. Findings by Keith Davis (1973) suggest that long-run self-interest, the company's public image, the pressure from legal system and socio-cultural norms, and the opportunity to identify and exploit profits from social problems are the primary reasons to engage in CSR activities that benefit society. A survey conducted on a sample of Norwegian companies to examine corporate motives for engaging in social initiatives shows the top 3 CSR motivations being: (1) to improve the firm image; (2) to be recognized for moral leadership; and (3) to serve long-term company interests (Brønn and Vidaver-Cohen, 2008). Graafland, Kaptein, and Mazereew (2010) classified these motivations into extrinsic, such as financial motives, and intrinsic ones, such as the perception of CSR as a moral duty. Baron (2001) finds the belief that profit maximization, altruistic reasons and the avoidance of external pressures are the main motivators to adopt CSR practices.

Other scholars investigated whether CSR has an ethical motive as an intrinsic value in doing the right thing and an obligation to act for social betterment, or an instrumental motive to maximize profit and achieve economic goals and studied the relationship between the ethical focus and the financial performance for family businesses (O'Boyle, Rutherford and Pollack, 2010). Companies have a responsibility to produce goods and services to satisfy customers' needs and make profits. There can be no lasting business without a certain profit and economic viability level. However, the company should not focus solely by the economic function; it can also address specific social problems to be socially responsible towards stakeholders and the society as a whole (Smith and Nystad, 2006). Substantial amounts of studies show that high

levels of family involvement in the business leads to more ethical focus (Dyer and Whetten, 2006, Aronoff and Ward, 1995).

5. *Corporate Philanthropy vs. Corporate Social Responsibility*

Corporate philanthropy (CP) is synonymous with the monetary and non-monetary contributions, corporate sponsorship of community and non profits events, and donation of material or services in kind (Carroll 1979). It helps in creating goodwill with the different stakeholders as well as in building the company's image and reputation. As per Carroll (1991), "philanthropic responsibilities encompass those actions that are in response to society's expectation that businesses be good corporate citizens".

Businesses usually confuse corporate philanthropy and corporate social responsibility though these two strategies recommend different approaches. CSR is perceived to be defensive, in terms of preventing risks and harm. However, CP is perceived to be essentially affirmative, with the purpose of "donating money and other corporate resources to social causes" (Hohnen, 2007).

In terms of decision involvement, CP is usually an executive decision whereby the owners or executive management decide how much to donate, to whom, and when. CSR on the other hand is a company effort, an overall attitude, involving every department and every employee in the business whereby a CSR strategy should be put in place to make sure everyone understands it and contributes to it. This is why CP is found to be more limited in scope.

B. The Family Business

1. Defining Family Business

Definitions of a family business vary, but their main focus is on family's engagement in the business in terms of ownership or management (Chua et al., 2003). Family businesses do not only vary in size, but they also differ in the degree of family involvement in the business. Some families get involved in the day to day running of the firm, while others seek the involvement of non-family managers and have a more hands-off approach. They also vary in terms of longevity, from early stage businesses to multi-generational firms (The UK Family Business, 2008).

In his book, Ernesto Poza (2007) defines family business as the "enterprise in which an entrepreneur or next-generation CEO and one or more family members significantly influence the firm."

They influence it through their:

- Participation: The nature of involvement in the family business whether in the management board, being an active shareholder or part of management.

- Ownership Control: Rights and responsibilities of family members whereby two or more members of a family or partnership of families are involved in the business.

- Strategic preferences: direction set for the enterprise by family members and the intent of continuity across generations.

- Culture: set of values rooted in the firm as a result of family influence and family relationships involvement (Poza, 2007).

The issue of how the ownership is to be passed on within the family association is crucial to a family business. It is only correct to refer to a company as a family owned business if the family is intending to pass on ownership to its next generation. Therefore, start-up and

owner-managed companies are not yet considered family owned businesses unless the intention is there ("The UK family business," 2008). The classic model of family business demonstrates the intersections between families, management and owners, as follows:
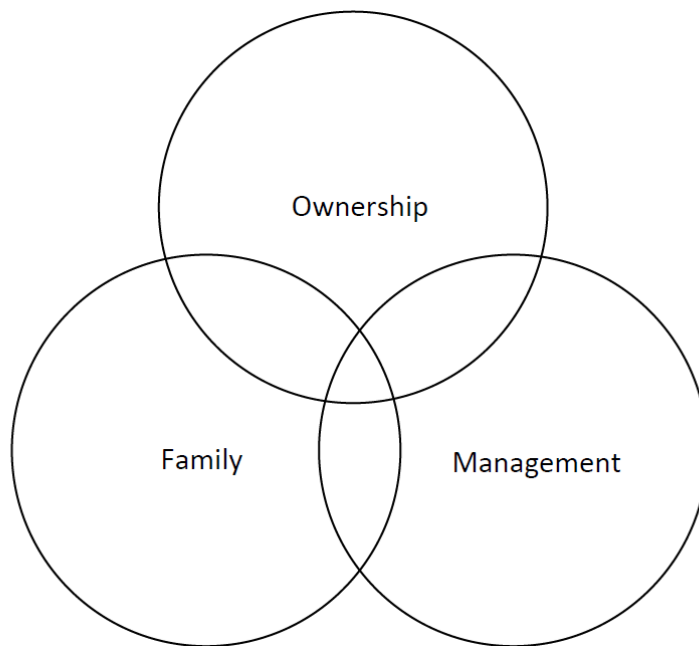
Figure 2: 3 Circle Model of Family Business
Source: Poza (2007)

2. *Characteristics of the Family Business*

What differentiates family businesses from non-family businesses is the presence of the family in the business. What makes a family business unique is primarily the family's influence on the company's objectives, strategies and structure (Chua et al., 2003). The firm can be an owner managed firm, a one man show business or family managed whereby at least 2 family

members take control of the ownership and management of the firm. For bigger firms, non-family members get involved in the management but the family still holds voting power. The largest firms can still be family-controlled. The competitive advantage as a result of the interaction of family, management, and ownership, especially if the family bonds are strong, differentiates the family businesses from their counterparts ("The UK family business," 2008).

Statistics show that only 30% of all family-owned businesses survive into the second generation, 12% make it to the third generation, and only 3% of all family businesses continue to operate at the fourth generation level and beyond, the rest being either sold or closed down.(Barclays Wealth, 2008). As the number of family members involved in the family business rises, it is assumed that the complexity increases. The Barclays survey of family firms suggested that most have no definitive plans about what to do with the firm in the future, with 61% of owners saying they had made no decision about what would happen when they step down. 16% of the remaining had already decided on a successor, 13% plan to sell the business, while 10% plan to close it down (Barclays Wealth, 2008).

Many family members get integrated into their family business from a very young age, which increases their level of commitment and prepares them to run their family business in the future. As a result, many family members identify with the company and are usually willing to work harder and reinvest part of their profits into the business to allow it to grow in the long term. Families involved in a business make it a priority to pass on their accumulated experience, knowledge, and skills to the next generations. Yet, transferring management to the next generation is difficult mainly due to the inability of family members to isolate family matters from business matters. Reliability and pride play a role as well in the business commitment towards their employees, customers, suppliers, community etc. (IFC Corporate Governance,

2012). The family name and reputation are associated with the products or services the family

businesses provide; therefore they strive to deliver better quality products and build lasting

partnerships (Erdem, 2010).

3. *The Size of the Family Business Sector*

According to some estimates, family businesses account for 70% to 90% of global GDP

(Barclays Wealth, 2008). In the United States, family owned businesses contribute 64% of the

GDP and employ 62% of the workforce, and are responsible for 78% of all new job creation. In

Europe, about 70% to 80% of businesses are family owned and they account for 40% to 50% of

employment (Poza, 2007). In the Middle East, over 80% of businesses are either owned or

controlled by families (PWC, 2010). It is estimated that family businesses worth more than $1

trillion will be handed over to the next generation within the next 5 to 10 years. The majority of

family enterprises in the Arab world, as in most developing economies, are young emerging

small to medium size enterprises (SMEs) in the first and second generation (Fahed-Sreih, 2006).

C. The Family Business and Corporate Social Responsibility

Scholars have recently studied the issue of CSR in the field of family business (Duh and

Milfelner, 2010). Families are united over generations by their values and emotional bond. With

time, families are realizing their growing need to fulfill a social role and have responsibility

towards the community and its development (Grant Thornton, 2001). Studies comparing the

performance of family businesses and non-family businesses have focused on variables such as

sales growth, job satisfaction, return on assets and innovation with little attention on firms'

corporate social performance indicators, where conflicting positions appear in the literature

regarding the subject (Westhead and Cowling, 1997). Some have suggested that family

businesses are not likely to act in a socially responsible manner, while others have shown that social performance of the family business protects the family's assets (O'Boyle, Rutherford and Pollack, 2010).

The first perspective of family business corporate social responsibility suggests that family businesses may indeed act irresponsibly. The findings of a study by Morck and Yeung (2004) show that family businesses tend to invest more in their self-interest than in the development of their countries. These families may get involved in unethical behaviors for the sake of protecting their interests, even if at the expense of the broader society, therefore they are unlikely to practice CSR. Nepotism is usually found in family businesses whereby management is perceived as not engaging in fair play. This affects negatively the work environment, job satisfaction and employee motivation and performance (Kets de Vries, 1993). Family businesses are usually found to be less formal that other businesses, therefore most likely they do not have any formal code of ethics. Knowing that a positive relationship exists between having a formal code of things and the perception of behaving ethically, family businesses may not be able to exert any form of control over their unethical behavior (Riordan and Riordan, 1993). Other characteristics and behaviors would result in the family business in acting socially irresponsible such as putting the good of the family as the primary objective before that of the business, having difficulties in adapting to the market, not following a proper succession process and facing difficulties in handing over power (Handler and Kram, 1988; Neubauer and Lank, 1998).

A study by De la Crus Deniz Deniz and Cabrera Suarez (2005) on a sample of Spanish family businesses concluded that these organizations are not homogeneous in terms of their orientations towards CSR and established that the differences are not associated to biographical characteristics. They have identified three clusters for the family businesses. The first cluster

represents the classic approach towards CSR, whereby firms are perceived to be profit focused and not socially driven. They believe they do not have the resources to solve social problems and CSR is not considered as an added value to the firm. Family businesses that fit into this cluster are found to be on average 34 years old and are still a first generation family business. The second cluster groups the second generation family business which adopts the socio-economic approach towards CSR, believing that some degree of CSR can bring some benefits to the company though they second the first cluster on the concept that they do not have enough resources to solve social issues. The third cluster comprises third generation owners who believe that they do have the capabilities to solve social issues and maintain good relationships with the community even though CSR is perceived as a cost to the firm. The authors suggest future research to look into family values and culture for possible explanations of family businesses CSR behaviors.

The second perspective reported that family businesses had embraced the CSR concept much more than before whereby 41% of the businesses included in the studied sample of family-owned SMEs had a formal policy regarding their responsibilities towards the environment such as pollution, 29% had formal donation plans to charity institutions, 15% applied a formal policy of choosing ethical suppliers known for their fulfillment of social responsibilities (Thornton, 2001). In a study of Malaysian family businesses, it is found that these companies practice a philanthropic approach towards CSR due to the nature of their practices such as contributions to orphanage and educations (Zulkifli, Hasan, Saleh and Zainal, 2009).

Several case studies on family business philanthropy synthesize the primary motives behind acting socially responsible lie in the family and religious values or the commitment to an industry that has been favorable to a business. Family businesses are aware of the debt they owe

to the community and believe they should give something back. They want to be perceived as good neighbors and members of the community. The three key drivers for family business CSR philanthropy are values, marketing, and peer pressure. The greater likelihood of family businesses being philanthropic is due to certain distinctive features, values and principles that are inherited in such businesses and which distinguish them from non-family businesses. The commitment to long-term stewardship, stability and continuity support the philanthropic nature of family businesses (Breeze, 2009). Jamali et al. (2009) in a study on SMEs in developing countries exerted a spontaneous commitment to philanthropy as the result of altruistic behavior towards employees and communities.

A number of works has suggested that ethics is an important outcome of family involvement and may lead to competitive advantage in family firms (Adams, Taschian, and Shore, 1996; Aronoff and Ward, 1995; Chrisman, Chua, and Sharma, 2005). It is found that higher level of family involvement in the business is associated with higher level of ethical focus(O'Boyle, Rutherford and Pollack, 2010). The reputational impact justifies this notion whereby a high level of family involvement leads to members identifying themselves with the business. "I think there is more passion involved in a family business; as a family business owner you identify and take a bit more interest in the causes you have been supporting because it is your money and it is your company and your whole reputation as a family and as a business is important to you" (Breeze, 2009). They see the firm as an extension of their family, therefore unlikely to engage in unethical practices that would damage the family business reputation and more likely engage in favorable practices that would reflect positively on the business. The family members of the company are cautious to be perceived as acting unethically or not behaving responsibly towards the community. Therefore, they believe that the impact of a

perceived lack of ethical conduct is far more serious than any business loss. They are keen to preserve the company's reputation, in other sense the family's reputation, leading to better product quality and ethical behaviors. Therefore, having the family name associated with the family business increases sensitivity to corporate social responsibility (Donnelley, 1964). "They and their potential partners know that when they give their word, the family livelihood and reputation for multiple generations are at stake" (Miller and Le Breton-Miller, 2003). Perrini (2006) supports the concept of family reputation as well concluding that family businesses may act responsibly out of fear of harming the family's reputation and image. Therefore, they become concerned in providing better quality, giving back to the community and building strong partnerships with stakeholders; all these for the sake of the company's reputation and values. Dyer and Whetten (2006) looked at whether CSR has a different approach in family businesses than in their counterparts based on ethical dimensions. Their findings support family businesses as being more socially responsible where family businesses are more adept at addressing social concerns. Also, the degree of family involvement in the company is found to be affecting the degree of acting ethically; higher degree of family involvement leading to higher degree of ethical practices.

Uhlaner (2004) study on a sample of Dutch firms explores the nature of the relationship between family businesses and the different stakeholders. It is found that the family character of the business generally impacts employee, client, and supplier relationships. The philanthropic activity in these organizations is also found to be limited in scope, a collection of small acts of kindness towards employees, suppliers and customers, for the purpose of maintaining good relationships with them. The variables taken into consideration and which are found to have a significant effect on the findings are reported to be: company tenure, generation of the owner;

community size; company size; and presence of the family name in the business name. Based on this study and another one of Belgian companies tackling the social tendency behavior of family businesses, it is found that family businesses build personal relationships with their stakeholders. The owners as well express greater personal commitment to the business and tend to build direct contact with clients and other stakeholders, whereby they consider these close relationships advantageous to the success of their business (Donckels and Frohlick, 1991). Niehm et al (2008) argue that the creation of relational ties between the family business and stakeholders, in other words social capital, results in intangible assets to the firm such as loyalty, trust, reputation and reciprocity. If the family business has strong social capital then it will most likely invest in CSR practices and act for the benefit of its stakeholders. A BYU Marriott School of Management study shows that public companies with family influence tend to engage in socially responsible initiatives due primarily to understanding the importance of the stakeholders in the business and considering them partners. "What we find is that family firms are often more aware of issues surrounding their stakeholders because the founder has established a personal relationship with customers, or with a distributer, or a supplier, in addition to shareholders," said John Bingham, associate professor of organizational leadership and strategy. The stakeholder partnerships is a matter of pride to the family business, especially that the family name is involved. "These family businesses take it personally," said Gibb Dyer, professor of organizational leadership and strategy. "The name of the family is directly connected with the business so if the business does something to hurt the community or damage the environment, it tends to reflect badly on the family" (BYU Marriott School, 2005).

Other studies associate family businesses with values such as product quality, respect of stakeholders, culture and family values, continuity, integrity, sacrifice to support the company

financially, reputation, long-term orientations involvement with the community, family sacrifice to support the company financially. These characteristics constitute a competitive advantage for family businesses to better compete in the marketplace (Miller, Le Breton-Miller and Scholnick, 2007; Arregle et al., 2007; James, 2006). Therefore, acting socially responsible for a family business and avoiding harmful practices are motivated by (1) the personal commitment of family owners to both do well and do good towards the society and environment, and (2) to preserve the company's reputation and the good name of their family (Azmat and Waddell, 2009).

D. A Closer Look at the Lebanese Context

1. CSR: A Philanthropic Focus

The research addressing the philosophy and practice of CSR in developing countries, such as Lebanon, is limited (Jamali and Mirshak, 2007). As per a study conducted by Jamali and Mirshak (2007), CSR in Lebanon is philanthropic, comprising the contributions and donations that companies make. Companies interviewed in the study are aware of the importance of the community and recognize it as an important stakeholder yet the nature of their CSR activities is focused on charitable giving, where it is perceived to be a voluntary initiative exercised by the owners of the companies. "Without exception, all the executives interviewed adhered to a voluntary action or philanthropic type conception of CSR. When asked about the type of CSR performed, all companies consistently referred to philanthropic type activities and programs"(Jamali and Mirshak, 2007).

2. Family Businesses: The Backbone

In Lebanon, the most dominant type of business is family business.The private sector contributes 75% of the aggregate demand and family businesses constitute 85% of the private

sector, accounting for 1.05 million of 1.24 million jobs. Despite the turmoil of war and its impact

on the family businesses as any other businesses, Lebanese family businesses exhibit

perseverance, follow a path of self-reliance and express optimism. It is perceived in Lebanon that

starting up a family business is a way to improve a family's social standing (Fahed-Sreih, 2006).

CHAPTER 3

RESEARCH METHODOLOGY

The research methodology is exploratory in nature. As mentioned in the Introduction, there is a need for CSR research in developing countries as it still lacks clear understanding of CSR practices; research is still in its preliminary stages in the region. Digging deeper into the CSR practice of family businesses recommends even more research and investigation. This study aims at providing insights into today's CSR implementations of Lebanese family businesses, their drivers behind CSR and the perceived benefits and challenges in their practice of CSR in Lebanon. This research study relies on secondary data, comprehensive review of the literature pertaining to CSR, family businesses and the reasons underlying their tendency to be socially responsible. Moreover, a qualitative approach is introduced consisting of eleven semi-structured interviews with owners of prominent Lebanese family businesses with the purpose to assess their awareness and practices in regards to CSR. The reason for using semi-structured interviews is for keeping the interview conversational, whereby the interviewee is aware of the general topics to be covered during the interview but he/she is not constrained with the sequence of questions proposed.

To be defined as a family business, at least one of the following three criteria has to be met:

1. Ownership has passed at least once to the next generation within the same family;

2. The family influences the business through their control on the Board of Directors owning at least 30% of the total shares;

3. One or more of the founder's children has the intention of taking over the business

The companies participating in this study are well known Lebanese family businesses, covering the first and second generation of family businesses, chosen based on their industry

sector. The profile of the sample selected is shown in table 2. The owners of these companies were interviewed to better understand how they personally perceive CSR and whether being member of a family running a business affects how socially responsible the firm is. It was not an easy job to meet with these owners; many times interviews were rescheduled because of urgent meetings. All interviews were tape recorded, with the interviewees' consent.

Company	Industry sector	Year established	Number of employees	Geographic reach	Generational age
FB 1*	Real Estate	1958	700	Regional	First
FB 2	Power generation	1944	350	International	Second
FB 3	Supermarket	-	200	Local	Second
FB 4	Industrial gaz	1954	500	International	First
FB 5	Transport	1945	500	International	Second
FB 6	FMCG	1946	2400	International	Second
FB 7	Food & Beverages	1986	800	Regional	Second
FB 8	Construction	1975	400	Local	First
FB 9	Watches	1927	100	Local	Second
FB 10	Paints	1956	130	Regional	First
FB 11	Fashion retail	1974	350	Local	First

* FB = Family Business

Table 2: Sample Profile of Selected Lebanese Family Businesses

The interview questions were derived from the literature whereby the focus was on the drivers for family businesses to practice CSR(Table 3).They were divided into two major sets. The first set covers questions about to the company in general and the family involvement in the business (About the Company, Family Involvement and Ownership). The second set is directly linked to CSR and is divided into five subsets (Understanding and Practice of CSR, Causes and

Effects of CSR, Communication and Monitoring of CSR, Benefits and Challenges of CSR, and

Future Prospects).

Table 3: Interview Questions
___

About the Company
1. Industry sector
2. Company establishment
3. Company size (number of employees)
4. Geographic reach (Local, regional)

Family Involvement and Ownership
5. How many generations have had ownership in the company?
6. What percentage of the company is family owned?
7. How many board members? Any of them non-family?
8. Number of fulltime family employees working?
9. Family name in the business name (yes or no)

Understanding and Practice of CSR
1. What is your conception and understanding of CSR? How do you define it?
2. How important is it to be CSR?
3. What are the company's values? Are they the same as family values? Are they communicated to the stakeholders?
4. What are the company's informal practices that fall under the scope of CSR? (monetary and non-monetary contributions, corporate sponsorship of community and nonprofits events, donations of material or services in kind)
5. How important is to be philanthropic in regards to CSR?
6. Do you have any more formal practices of CSR? Do you have a formal CSR budget?
7. Do you have a CSR strategy? Is it incorporated in your corporate strategy? Do you have a formal CSR policy or code of ethics?
8. Does the company focus more on internal CSR rather than external? Or vice versa?

Causes and Effects of CSR
9. Does being a family business affect the firm's ethical behavior?
10. What drivers you to be socially responsible? (Please rank the below by order of importance, 1 being the most important, 12 being the least important)
    Possible answers:
    - Family values and norms
    - Ethical / Moral duty
    - Religious values
    - Competition
    - External pressure
    - Reputation / Public image
    - Family name

- Sustainability and development
- It's the new hit! Everyone is starting to do it so I should do it approach
- Exploit profits
- PR/marketing tool
- Stakeholders' perceptions
- Relationship with stakeholders (personal relationship)

11. What is the effect of CSR on the company's social capital?
12. Lacking any CSR approach, what would be the effect on your company's reputation?
13. Are the below characteristics applicable to the business?
    - Nepotism
    - Putting the family good before the business
    - Difficulties in adapting to market changes
    - No proper succession process and handing over to the next generation

Communication and Monitoring of CSR

14. How is CSR being communicated to the different stakeholders? (employees, suppliers, customers, shareholders) (meetings, manual if any)
15. How is CSR monitored, how do you make sure that principles and rules are followed?

Benefits and Challenges of CSR

16. What are the benefits with being socially responsible? What benefits are more and less important? Why?
17. What are the challenges for your company when it comes to CSR? Rank them by importance to you. How does your company cope with these challenges?

Future Prospects

18. Which direction are you taking concerning CSR? What are your upcoming objectives and goals?

CHAPTER 4

FINDINGS

A. Introduction

As mentioned before, the research addressing the philosophy and practice of CSR in developing countries is still limited. Further research in regards to the practice of CSR in Lebanon is worth investigating; the curiosity behind knowing whether Lebanese family businesses in particular still practice a philanthropic CSR or have become more aware of the importance and long-term benefits of CSR and started acting more strategically.

The following chapter explores the empirical results based on the findings collected from a sample of eleven interviews conducted with owners of prominent Lebanese family businesses (see Appendix). The objectives were to highlight the type of current CSR practices by Lebanese family businesses, along with identifying the primary drivers behind Lebanese family businesses acting socially responsible. Moreover, this study aims at understanding the benefits and challenges of being socially responsible in the family business context in order to give recommendations for improving CSR practice in Lebanon.

B. Understanding and Practice of CSR

In a first attempt to understand the conception of CSR and how do Lebanese family businesses define it, they have all agreed that CSR is a broad field and linked it closely to ethical practices and giving back to the community. "*CSR is a broad field. It is basically giving back to the community especially in those communities where we work, where we employ people and create jobs, where our business is. It is a great chance to give back, try to make a difference and make the country a better place*" (CEO, FB6). "*It is tightly related to*

ethics; your responsibility extends beyond conducting business to include your community and your environment" (Board Member, FB3). CEO ofFB5 had a different say when it comes to CSR, she believes that "*we are living in a corrupt country, keeping my company away of this corrupt environment is by itself a social responsibility.*" Most of the companies interviewed used the term CSR and corporate philanthropy interchangeably. Their understanding of CSR comprises all the philanthropic contributions that the company voluntarily does above and beyond its regular activities and operations; with companies unanimously emphasizing the importance of philanthropic CSR to the company's social image and reputation. CSR, in their personal understanding, is tightly linked to company donations to different charities and NGOs in the country as well as sponsorship of community and nonprofit events (Table 4). "*I believe in the causes I take part of. CSR is a way to pay back, it's our commitment to the society*", CEO of FB2 insisted.

These companies do practice some form of CSR, other than contributions and donations, especially FB10, though these practices are not based on a preset CSR strategy. They are done on an ad-hoc basis and based on what is believed to be the right thing to do. Sometimes they do not only conform with the law and regulatory stipulations but perform to higher standards. These acts make them "good and better citizens". "*We are a small community, and any behavior you do in the community impacts immediately your work. They are interrelated and separate at the same time. We do not only provide healthcare for our employees, as per the law, we go beyond that. We provide healthcare to his family as well*" (General Manager, FB1). Chairman of FB7 stressed that "*our norms are high and we do believe in superior standards. We are born in the food business, we do it best. Our commitment to our employees by continuously training them and providing them with the*

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best work environment is what sets us apart from the competition. We are ISO 2008-9001 certified, however our standards are higher than that". General Manager of FB1 explained that *"we concentrate on openness with our customers always delivering what they ask for. When it comes to our employees, we highly preserve their rights. We also believe that each employee deserves development either through training programs or through educational support."* Furthermore, CEO of FB5 considers itself a "*learning organization*", fostering an educational culture among its employees. The company moreover took part of several recycling initiatives and has been awarded a certificate from "Association T.E.R.R.E. Liban" attesting that it has saved 3 trees. "*We took part in several recycling efforts, but they were for a limited period*" (CEO, FB5). FB4 by itself is providing CSR products and services, promoting Liquefied Petroleum Gas (LPG), which is the greenest among other fuel products, saves energy and is environmentally friendly. "*LPG can be up to five times more efficient than traditional fuels, resulting in less energy wastage and better use of our planet's resources*", clarified Managing Director of FB4. He added "*if we transform 120 buildings to gas consumption in Lebanon, it is as if we planted 600,000 trees.*" The recent boom in CSR benefited the company, "*by coincidence we started working in LPG. In 1957, no one was thinking green. We used it later on for a green purpose. Everybody is now going green, CSR is picking up and it's impacting our work*". Still, the company doesn't follow a clear CSR strategy, "*we are so busy with our current expansion plan; we should go more strategic soon.*" CEO of FB10 also explained that the different activities the company does such as water purification initiatives, the biodegradable bags, waste management and recycling initiatives are part of the company's vision to go strategic. "*We didn't get there, but we will soon*" (CEO, FB10).

Some companies interviewed do have a CSR budget, but this budget is purely for philanthropic efforts. A percentage of profit is extracted for charity purposes. None of these companies have a CSR strategy or any formal CSR policy. "*We are getting there; our company is now a member of United Nations Global Compact initiative. We are aware of our social responsibility towards all our stakeholders, it will take us some time, but we are committed to integrate UNGC principles to our everyday operations*" (CEO, FB8).

All interviewed companies agreed that the company values and the family values are interchangeable. "*There is an interrelationship between family values and business values and that is why you cannot really separate them as you may think. The family values are transmitted to the business and later the business would also have a certain system and culture that is reflected on the family*" (Board Member, FB3). Only half of the companies interviewed have their company values written and shared in a formal code of conduct with their stakeholders, the others communicate them informally, "*it is the way we do business; we communicate our values by practice*" (General Manager, FB1).

Most of the interviewed companies tend to focus more on internal CSR rather on external CSR. They firmly believe that the employees are the backbone of the company, with time they become part of the family; "*I see the employees more than I see my own family, they have become my family. I listen to them, engage with them and make sure that they are continuously motivated at work*" (Chairman, FB7).

Table 4: CSR initiatives by Interviewed Family Businesses

Company	CSR Activities	Examples
FB 1	- Donations to different charities	- Founder of Islamic Association for Specialization & Scientific Guidance, Sanabel Foundation, Lebanese Autism Society, Saint Jude
	- In-house donations	- Help walk-in needy people
	- Employee health and safety procedures	
FB 2	- Donations to different charities	- Children Cancel center, Tamanna, Ajialouna
FB 3	- Donations to different charities	- Charities in the neighborhood, not specified
FB 4	- Environmental conservation (LPG system)	
	- Donations to different charities	- Heartbeat, Hassan Khaled Association
	- Sponsorship events	- Not specified
FB 5	- Donations to different charities	- Donated a building for Makassed School , Heartbeat
	- One time recycling initiative(charity based)	
FB 6	- Donations to different charities	- Braveheart, Children Cancer Center
	- Sponsorship events	- Not specified
FB 7	- Donations to different charities	- Heartbeat, Children Cancer Center
FB 8	- United Nations Global Compact member	
	- Donations to different charities	- Islamic Association for Specialization & Scientific Guidance, Al Mabarrat
	- Employee health and safety procedures	
FB 9	- Donations to different charities	- Charities in the neighborhood, not specified
FB 10	- Rotary water purification initiative	
	- Awareness campaigns	- Invited students from different schools to learn about non-toxic paint formulation
	- Biodegradable bags certificate	
	- Waste management recycling	- Use waste reduction in all premises
	- The use of non-toxic paints	
	- Partnerships with NGOs	- Lebanese Red Cross

FB 11	- Volunteerism	- Barouk Forest Wall-Mural: Garden cleaning and beautifying wall with a forest mural
	- Donations to different charities	- Children Cancer Center
	- Sponsorship events	- Beirut Marathon: Sponsored underprivileged children to participate in the marathon in order to promote open air activities
	- Awareness campaigns	- Eco-friendly radio campaign that gave listeners practical tips for safe-guarding the environment
	- Volunteerism	- Planted 500 trees at the Tannourine Cedars Forest Nature Reserve in the collaboration with the Lebanese AFDC (NGO)
	- Donations to different charities	- Charities in the neighborhood, not specified
	- Sponsorship events	- Tammana's yearly event, James Blunt concert at Biel

C. Causes and Effects of CSR

Thirteen drivers for family businesses to practice CSR were identified in the literature (see Appendix).Companies interviewed were asked to rank there drivers from 1, being the highest to 13, being the lowest drive that would trigger them to be socially responsible. Based on the data collected, the top five drivers were spotted (Table 5).

Ethical/ Moral duty

Family values and norms

Reputation/ Public image

Sustainability and development

Family name

Table 5: Top 5 Drivers Identified (by order of importance)

The primary drive identified by the interviewed companies was the ethical and moral duty. It is perceived to be the main cause for acting socially responsible. "*Our contributions and donations make us ethical people. It is our moral duty towards our family and community to be ethically responsible*" (Managing Director, FB9). Family values and norms rank second. "*50 years in doing business is built on the firm's ethical behavior, based on our family values*" (Managing Director, FB4). Family values and ethical behavior are correlated. Being ethical and doing the right thing is perceived to be rooted in the family's culture. "*I do it this way because this is how I was raised*"(Chairman, FB7). Reputation and public image ranks third with two companies ranking it as their first and foremost reason for being socially responsible. "*It is very important to be socially responsible and more important for family businesses because it has to do with the reputation, and family businesses spend a lot of time in building a good reputation*" (Board Member, FB3). On the other hand, CEO of FB6 ranks reputation the lowest among others, giving it a 6. The company's philanthropic activities are done low profile; "*on CSR level, all the contributions that we do we try to keep anonymous*" *It is the way we do business, we communicate it by practice. We want our reputation to be defined by how we do business*" (CEO, FB6). Sustainability and development ranks fourth on the list, although two companies, FB5 and FB8, ranked it as first choice. "*I think long term; I feel I want to hand over a solid ground for the next generation*" (CEO, FB5). CEO of FB8 clarified that CSR is a long term commitment; it is the strategy that will help the company attain sustainable growth and continuous development. The fifth primary cause for CSR is found to be the family name. Companies that have the family name in the business name ranked this drive among the top five most important drivers. "*Especially in the real estate business, most of the time people are buying trust; the trust is in the name. Everything we do*

is related to protecting this name" (General Manager, FB1). Most of the companies that do not have the family name in the business name showed irrelevance. *"Our family name is not associated with the business and we don't promote that"* (CEO, FB6).

As for the other drivers in the list, religious values was indicated as top priority by two of the interviewed companies; they consider it part of their "Zakat", an Islamic practice which entitle the Muslim to pay a fixed portion of his wealth to charity. *"God is our partner in the company, our support. It is our religious duty to give back; religious values to us are our drive to be good people"* (Managing Director, FB4). However, other companies rated religious values as the least influential. *"I do not relate, and this is going to shock you. It's not that I am not religious. But I do believe that religious people do not practice what they preach"* (CEO, FB10). In an interview with Dr.Josiane Fahed-Sreih, Associate Professor of Management at the Lebanese American University and Director of the Institute of Family and Entrepreneurial Business, she revealed that her *"experience in the region shows that they [family businesses] are involved in philanthropic CSR, probably to a bigger extent than Lebanon, mainly due to religious reasons, for "Zakat" purposes. In Lebanon, the influence of religion is of lesser extent."*

The relationship with stakeholders, in other words social capital, and the stakeholders' perception of the business are perceived to be important as well. The interviewed owners do believe that family businesses in particular build personal relationships with different stakeholders due to the family aspect in the business. CEO of FB2 revealed that these relationships are very critical to the business. Being good with the employees will strengthen the bond with them and will make them feel part of the family. As well, when the different stakeholders perceive the company as actively involved in social

responsibility activities, they tend to relate more to it. "*People would come to this company and buy apartments that do not exist. I have no doubt that the impact of our social behavior was a tipping point in the decision making. Clients perceive us as good people; this is what CSR is all about*" (General Manager, FB1).

Most of the companies interviewed that practice purely philanthropic CSR, in terms of donations and contributions to different charities in the community, do not do it for a marketing purpose. They tend to keep their philanthropic work low profile. One of these companies had a different say about it. Managing Director of FB4 believes that marketing their philanthropic initiatives encourages others to do it and at the same time it serves a PR of the company. As for the companies that took it one step further towards a more strategic implementation of their CSR practices, FB 10 and FB11, do market for it for the purpose of raising awareness. "*We started a subtle green campaign. We never said that the company went green, we are on the way but still we didn't get there. We always make it a point to honor our promises. I am using it as a marketing tool but I am not abusing it. If I do it in the right way, then why not. Let people see the good in it*", clarified CEO of FB10. "*Let them take the good example. Don't follow on paper and billboards, do it in practice. Some are not at all applying what they are claiming.*"

External pressure, in terms of Government's role in respect to CSR level in Lebanon, is noted to be an indirect cause for practicing CSR. The companies interviewed believe that family businesses are bridging the gap that the Government is creating. The passive role of the Lebanese Government is pressuring private companies to make a change. "*There is a need and the government is not fulfilling the need. The Government is not providing any support or incentive for private companies to go green. We do it voluntarily*" (CEO,

FB8).General Manager of FB1 added, "*I believe we are here with a purpose, there is a feeling that we should shoulder the issues that the Government cannot handle. If a successful businessman doesn't do it, who will do it?*"

Few of the companies interviewed keep an eye on competition when it comes to CSR since most of these companies support a philanthropic nature of CSR. What the competition is doing doesn't affect how much a company intends to donate; it is purely based on the causes they believe in and the profits they make. The more they make, the more they contribute. The companies that are taking it one step further do follow up with their direct competitors. "*We tend to always be up to date with our competition; we can't afford to stay behind*" (General Manager, FB11). "*I look at what they [competitors] do but I don't follow, I lead*" (CEO, FB10).

Exploiting profits and the idea that some companies might do it because everyone is doing it ranked the least. Some companies do believe that CSR can increase profits but others look at it from a cost perspective. Linking profit growth to abstract variables in regards to CSR might be hard to measure; still it is perceived by some to have a long term benefit to the firm in terms of improved efficiencies and increase in employee loyalty. "*It's not only about doing it, we should do it right. If the company is not convinced of the benefits in being socially responsible then it shouldn't do it*" (CEO, FB8).

Some characteristics that are found in the family businesses, which the literature talked about, might result in businesses being irresponsible. Four characteristics (nepotism, putting the family good before the business good, difficulties in adapting to market changes no proper succession process) are used to see if they are applicable in the Lebanese context. Nepotism is not commonly found in the companies interviewed because the number of

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family members working in the businesses is small and in managerial levels. However, some companies do practice it when it comes to their philanthropic CSR, whereby family members might be given advantage over non-relatives in terms of donations. Nevertheless, General Manager of FB1 admitted that they do face it in their business, "*we spend time in making these family members qualified, educate them, we do not let go of them. Nepotism is there and it affects the efficiency at work.*" He added, "*the black sheep of the family can always be part of the business and be accepted for his bad behavior because he is part of the family.*" Chairman of FB7 had a different point of view; he clearly explains that unless the family member is qualified to hold this particular position then the company would be better off without him. "*Once the company starts to favor family members, this will directly affect the efficiency of your non-family workers*" (Chairman, FB7). Most of the interviewees agreed that family good and business good are interrelated; it all depends on the situation and timing. Managing Director of FB9 even said that the "*family good is the business good and vice versa*". In adapting to market changes, most of the companies assessed it as a difficult process, especially when it comes to family businesses. "*When it is a family business, the tendency to change and do auto criticism and auto evaluation may not be serious. It is very hard to be objective. And what we need in times of change is an objective evaluation. Unless you are forced to change, you will prefer to stay in your comfort zone*" (General Manager, FB1).CEO of FB5 also mentioned that "*once we decide to change many factors get in the way, one of which is the family attitude*". Only two companies find no difficulty whatsoever in adapting to changes, at the contrary. "*We are highly adaptable, we are born this way. We are Lebanese; we are born with the sense of adaptation*" (Managing Director, FB4). In terms of succession planning, none of the companies is following any proper succession process.

"*Family bylaw should be written for our children when they intend to join the business. We are the second generation, so far we are doing fine, but we are concerned about the third generation*" (Board Member, FB3).It is important to point out that more than half of the companies interviewed do not have a formal code of ethics. They communicate what is right and what is wrong informally to their employees.

D. Communication and Monitoring

Some of the interviewed companies do not communicate their philanthropic activities to their stakeholders. As mentioned previously, these donations and contributions are done voluntarily. As for the monitoring of these philanthropic activities, it is either being done by the owner of the company or an employee at the company is responsible to monitor the outgoings of these donations. It is purely being done on a voluntary basis, wherever there is a need. As for the companies that do practice some sort of strategic philanthropy, FB6 and FB8, as in becoming more strategic in their giving and focusing their contributions in order to increase the effectiveness of their philanthropic work, and other form of CSR practices, they do communicate it mainly to their employees and clients. "*Internal communication is of essence to make your employees aware of what you are doing and adopt your initiatives and endorse them. We communicate through the media, such as press releases and advertisements, to our clients and sometimes we don't*" (CEO, FB10). However, they do not have any monitoring system, in terms of assessing the return on investment of these various activities.

E. Benefits of CSR

1. The "Good Citizen"

The local community support is found to have some sort of personal satisfaction, whereby the donor feels good about his behavior and the way he is impacting the community at large. "*Throughout the years when you see these young men and women and how this person was impacted after they got their scholarships and the quality of life they gave to themselves, to their children and to the community. The ripple effect is huge*" (General Manager, FB1). "*It is the good you are doing to your community. You are transmitting a culture to your people, a culture of good, to all your stakeholders, which fosters ethical behavior*" (Managing Director, FB9).

2. Company Image

Commitment to social responsibility is perceived by most of the companies interviewed to benefit the company's image and reputation. "*When you are socially active in the community, and since our family name is linked to our business, this will have a positive effect on our company's reputation. People believe in 'good people, good company'*" (Board Member, FB3).

3. Company Morale

"*If you are charitable outside, you are charitable inside*" (CEO, FB10). Companies agree that the commitment to high ethical standards will have employees more engaged and committed to their work because they feel proud of their company. "*When you are good to your employees, treat them right, respect them, train them, provide them with the health care needed, make them feel part of the family, definitely this will motivate them and will make*

them loyal to your company. We have employees that have been with us since the company

was established, over 30 years" (CEO, FB8).

4. Client Satisfaction

When the company meets customer needs with better quality and at the same time be
environment friendly, ensuring a better living to the community, will drive customer
satisfaction. "*Through today's competition, delivering good products is not the only thing*

customers ask for but also a socially responsible company. Thus increasing our CSR

involvement is beneficial" (General Manager, FB11).

5. Sustainability

"*Sustainability cannot be attained if you are not socially responsible. When you have*

a commitment to build a lasting impact in your community, this makes u sustainable" (CEO,

FB10). Sustainability is perceived as the most important benefit to the companies that intend

to take CSR one step further, into a more strategic implementation, rather than a purely

philanthropic initiative.

F. Challenges of CSR

1. Creating a CSR Strategy

The first challenge brought up was the idea of how to become more strategic in the

CSR implementation. Companies raised the issue of awareness when it comes to adopt

serious CSR measures in order to profit the company and the community. Some companies

showed concerns that it is money and time consuming; however, they admitted lack of

awareness of CSR long term benefits.

2. Role of Government

Some of the companies showed concern regarding the government requirements and incentives in regards to CSR. They believe that the Government should have an active role in promoting CSR, at least by providing incentives for companies to be socially responsible. "*The way things are going with companies suffering from the heavy burden of taxes I don't see it [strategic CSR] coming very soon. But if the government works out a system where you can take away from your taxes, I think companies would do much more on the CSR level.*" (Chairman, FB7)

3. Corruption

All companies raised the notion of corruption, governing the society as well as the government. "*Everyone is asking for it [LPG] for several reasons. First, it is almost the same price as any other fuel product. Second, it is environment friendly. But because of corruption, people prefer to stay on fuel, it facilitates unethical practices*" (Managing Director, FB4). CEO of FB2asked, "*for the company to be socially responsible, it should prevent corruption. But, what do you do if you are living in a corrupted country?*"

4. Other Priorities

"*Now companies are more aware of CSR but it doesn't come as a priority to them*" (Board Member, FB3). It is true that some of the companies showed long term vision when it comes to CSR, but the truth is that most of the companies in Lebanon think more short term because of the political instability in the country. "*As Lebanese, we don't have peace of mind*" (Managing Director, FB4).General Manager of FB1 added, "*Lebanon has been in a very slow cycle in the past few years [after the assassination of PM Rafic Hariri], we stopped developing new projects, limiting the growth of the company therefore limiting employment.*"

Benefits	
1.The "Good Citizen"	All companies
2.Company Image	All companies
3.Company Morale	FB 1-2-3-6-7-8-10
4.Client Satisfaction	FB 2-6-7-8-10
5.Sustainability	FB 5-6-8-10
Challenges	
1.Creating a CSR Strategy	All companies except FB 9
2.Role of Government	FB 1-3-4-5-8-9-10
3.Corruption	FB 3-4-7-11
4.Other Priorities	FB 4-5-6-9

Table 6: Referrals to Each Benefit and Challenge

G. Future Directions

All companies with no exception showed high interest in adopting a more strategic
CSR implementation in their companies, understanding that it will take them time to get
there. However, they are ready to make a step forward. They are aware of the strategic
interest to incorporate CSR into their operations and agreed that it should be thought of more
carefully so that it can be transmitted to their stakeholders and be implemented in their daily
work. They also intend on doing more philanthropic work in the future.

CHAPTER 4

DISCUSSION

Lebanese family businesses are found to be socially responsible, practicing merely philanthropy with the focus on donations to different charities and sponsorships events. They are aware of the concept of CSR but still their CSR initiatives are limited to philanthropy, which support the findings of Jamali and Mirshak (2007). Few companies are working on becoming more strategic in their practice of CSR but still they are very few.

Our findings contradict the results stating that family businesses are socially irresponsible. The different challenges referred to in the literature, which may result in the family business acting irresponsibly, are not all noticeable in these businesses. Nepotism, highlighted by Kets de Vries (1993), is found only in one of the companies interviewed, whereby the rest admit that they do not favor family over non-family members. Most of these companies do not put the family good before the business; they are perceived to be interchangeable depending on the circumstances whereby the good of the family becomes the business good and vice versa. However, findings support Handle and Kram (1988) and Neubauer and Lank (1998) results that family businesses face difficulties in adapting to market changes as well as they do not follow a proper succession process. Nevertheless, the interviewed companies explained that these two characteristics do not get in the way of their philanthropic work and social responsibility behavior towards their stakeholders.

The findings as well contradict De la Crus Deniz Deniz and Cabrera Suarez (2005) about the 3 clusters' approaches to CSR as a result of different generational age. The companies interviewed, from first and second generation, are found to be homogenous in their view of CSR.

There were no key differences between the first generation approach to CSR and the second generation. Still, Lebanese family businesses do fit in the third cluster whereby owners believe that they do have the capabilities and resources to solve social problems, however still perceive it as a cost to the firm due to lack of awareness about the long term benefits of CSR.

The key drivers for Lebanese family businesses to be socially responsible are found to be: Ethical and moral duty, family values and norms, reputation and public image, sustainability and development and family name. This research disagrees with the marketing and peer pressure drivers being the most important behind CSR as per Breeze (2009). Marketing is ranked 9on the list and peer pressure, in terms of competition, is ranked 11. Breeze (2009) and Perrini (2006) as well highlighted the importance of reputation in family business, which is in light with our findings whereby reputation ranked third on the list, among the top 5 key drivers. As for ethics, it is ranked the first which support Aronoff and Ward (1995) and Chrisman, Chua and Sharma (2005) findings that ethics is the most important outcome of family businesses. Donnelley (1964) focused on the importance of the family name for family business when it comes to CSR. Family name is as well found in the top 5 key drivers, ranking the fifth on the list, in companies where the company name is the same as the family name.

Uhlaner (2004) and Donckels and Frohlick (1991) found that family businesses build personal relationships with different stakeholders which fosters CSR behavior. Lebanese family businesses owners admitted that they do build personal relationships with their stakeholders but this driver is not perceived among the most important motives behind their CSR initiative.

Social capital is perceived to be an important resource and capability for the Lebanese family businesses. As Niehm et al (2008) argued social capital results in intangible assets, such as loyalty, trust and reputation. Social capital with their relationships and networks seems to

explain business operations financial success in the Lebanese context. As noticed, family

businesses tend to build personal and strong relationships with different stakeholders, it is innate

to any family business. Therefore, this strong network makes businesses aware of their

obligations towards these different groups involved in the business. In this study, stakeholders'

perceptions and relationship with stakeholders rank 6 and 7 simultaneously, definitely among the

important drivers considered in their practice of CSR.

CHAPTER 5

CONCLUSION

The research conducted sheds light on the current understanding of corporate social responsibility in Lebanese family businesses in an attempt to evaluate the implementation of CSR in selected Lebanese family businesses, identify the drivers behind their CSR practices and highlight their perceived benefits and challenges of CSR in the Lebanese context.

There is little evidence of strategic planning in terms of program development; most of the projects are funded on an ad hoc basis which results in lack of business sustainability. Philanthropy is still seen to be prevalent in Lebanon, with some companies making efforts towards a more strategic implementation of CSR in the future. There is as well limited reporting of CSR related activities whereby sometimes they do it but they do not recognize it. The involvement of the Government in the practice of CSR in Lebanon is still perceived to be limited whereby the Government is expected to play a proactive role in setting up regulations and incentives encouraging companies to adopt such initiatives. The communication and monitoring systems are still weak, depending merely on informal feedbacks. There has been an increasing awareness about the concept of CSR but still companies do not seem to recognize the significant benefits and business opportunities behind a strategic CSR implementation.

A. **Recommendations**

In Lebanon, we are still in the awareness phase; companies are becoming more conscious about the role of CSR. The recommendations for a proper implementation of CSR are:

1. The private sector is expected to lead this change, towards a sustainable future. Therefore, taking CSR a step forward in Lebanese family businesses requires leadership, stronger commitment and strategic planning on behalf of the companies' owners, realizing that it might change the way business is conducted. Social concern and business are no longer seen as two independent responsibilities. CSR initiatives need to be integrated in the business strategy, recognizing CSR as a source of competitive advantage leading to sustainable results to the business and the community at large. For real change to happen, every member of the family business needs to adopt CSR and endorse it in their everyday operations.

2. Companies are urgently asked to publish their code of conduct which comprises the principles and values of the company and to have it embedded in the organization culture. This should be the base for the creation of a CSR strategy for the company.

3. There are standards that provide awareness, guidance, support, and measurement in regards to implementation of CSR initiatives, such as the United Nations Global Compact initiative. It can be the first step for companies to become more socially integrated.

4. Family businesses need to reach out and partner up with members of the civil society, especially NGOs which are engaged in social and environmental development activities.

B. **Research Limitations and Implications**

The research conducted is subject to a number of limitations. First, the sample is relatively small and may not be representative of the wider population of Lebanese family businesses, therefore a larger sample would grasp a more detailed understanding of CSR practices in Lebanon and results can be more accurate. The findings and conclusions of a small

number of participants may introduce interpretational biases as it may not reflect a common understanding of CSR in Lebanese family businesses.

Due to time constraints, the selection of the participants was not random. They were rather approached through personal connections, since the interviews had to be conducted with owners of well-established family businesses; still different industries were chosen to be as much representative as possible.

The banking sector was not included in this study, it is perceived to have a more systematic approach to CSR than other sectors in Lebanon; a comparative analysis between the banking sector and other sectors would be interesting to see.

APPENDIX

TABLES

Company	Interviewee position
FB 1	General Manager
FB 2	CEO
FB 3	Board Member
FB 4	Managing Director
FB 5	CEO
FB 6	CEO
FB 7	Chairman
FB 8	CEO
FB 9	Managing Director
FB 10	CEO
FB 11	General Manager

Table 7 : Interviewee Position

Table 8: Drivers for CSR

| |
|---|
| Family values and norms |
| Ethical/ Moral duty |
| Religious values |
| Competition |
| External pressure |
| Reputation/ Public image |
| Family name |
| Sustainability and development |
| It's the new hit! Everyone is starting to do it so I should do it approach |
| Exploit profits |
| PR/ Marketing tool |
| Stakeholders' perceptions |
| Relationship with stakeholders (personal relationship) |

Table 9: The ranking of CSR drivers-all interviews

Interview	1	2	3	4	5	6	7	8	9	10	11
Family values and norms	2	3	4	3	4	1	2	5	2	8	3
Ethical/ Moral duty	1	1	3	2	2	2	3	2	1	1	4
Religious values	13	12	11	1	6	3	1	9	9	13	12
Competition	12	11	10	12	11	12	11	10	11	7	6
External pressure	8	10	8	11	8	8	12	8	12	6	9
Reputation/ Public image	3	2	1	6	3	5	4	4	4	3	1
Family name	4	4	2	4	5	9	8	3	3	9	2
Sustainability and development	5	9	5	5	1	4	5	1	7	2	5
it's the new hit!Everyone is starting to do it so I should do it approach	11	13	13	13	13	13	13	13	13	12	13
Exploit profits	10	8	12	10	12	10	10	12	6	11	7
PR/ Marketing tool	9	7	9	7	9	11	9	11	5	10	8
Stakeholders' perceptions	7	6	7	8	10	6	6	6	10	4	10
Relationship with stakeholders (personal relationship)	6	5	6	9	7	7	7	7	8	5	11

1= Highest and 13= Lowest

Table 10: The Ranking of CSR Drivers (in %)
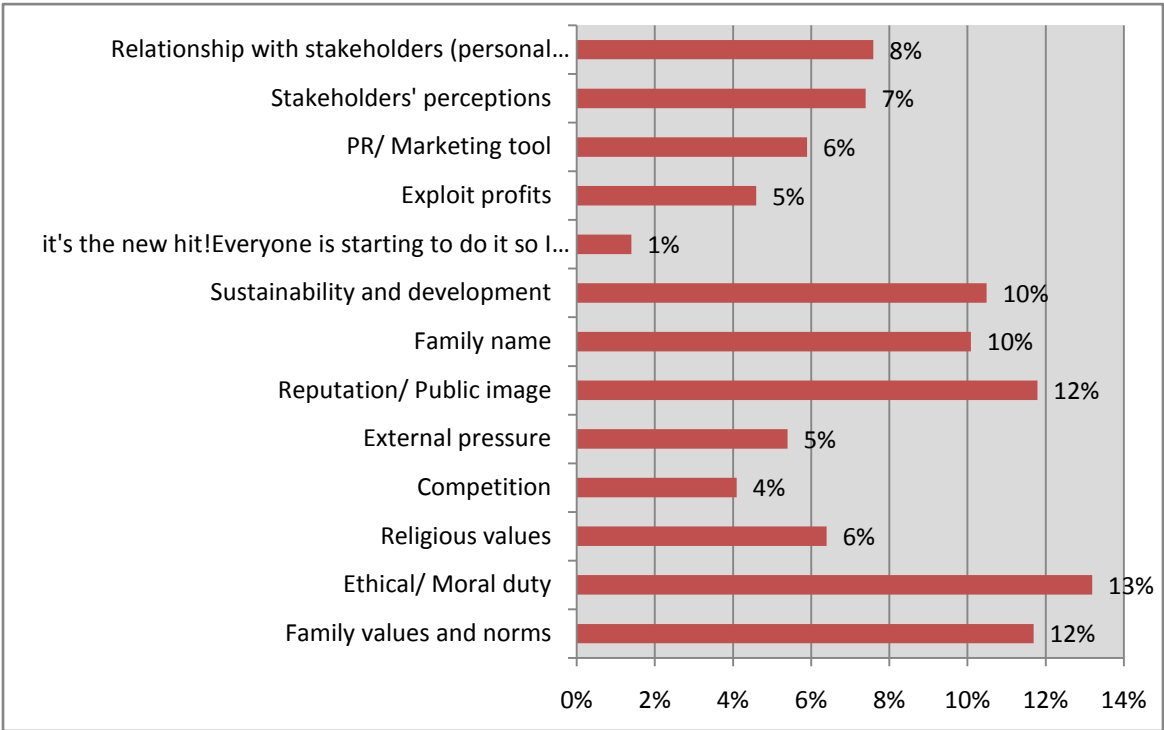
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