CSR IN DEVELOPING COUNTRIES THROUGH AN INSTITUTIONAL LENS

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ABSTRACT

Purpose – *The book chapter sheds light on specific institutional variables that have been shaping and molding corporate social responsibility (CSR) practices and expressions in the developing world. It argues that CSR strategies cannot be detached from context, and that institutional constellations exert serious pressure on CSR expressions in developing countries, which continue to take a largely philanthropic form. The chapter then dwells on how to transition from CSR as philanthropy to a more strategic approach and the important agency role of founders and top managers in enacting this transition.*

Approach – *This book chapter highlights the context-dependence of CSR practices and provides illustrations from the Middle East context and other developing countries. It adopts a mostly secondary review of available literature on the topic. It also outlines some guidelines about how to move beyond philanthropy that is largely prevalent in the developing countries to a more strategic approach, that is aligned with strategy*

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and core competence (inside-out strategic approach) or relevant and pressing social needs in the country (outside-in strategic approach).

Findings – *Institutional variables include cultural and religious systems, the nature of political systems, the nature of socioeconomic systems and priorities, as well as the institutional pressures exerted by other institutional actors, inclusive of development and welfare agencies, trade unions, business associations, and civil society organizations. National institutional environments such as weak and contracted governments, gaps in public governance and transparency, arbitrary enforcement of rules, regulations, and policies, and low levels of safety and labor standards affect how CSR is conceived and practiced in developing countries. Hence, CSR continues to be equated with philanthropy in the developing world, and substantive engagement with CSR is the exception rather than the norm.*

Social implications – *To take CSR to the next level in developing countries, we need to accord systematic attention to strengthening the institutional drivers of CSR, and putting more pressure on companies to move beyond philanthropy, rhetoric, legitimization, imagery, and public relations to substantive engagement in CSR and genuine attempts at change and development. Practical guidelines and implications in relation to how to transition to a more strategic approach to CSR are provided.*

Keywords: CSR; institutional lens; globalization; developing countries; Middle East

The concept of corporate social responsibility (CSR) has taken the world of business by storm in recent years, with globally ascending templates and expectations that firms need to exhibit more proactive engagement in the societies in which they operate. With the advent of globalization, CSR is gaining more traction and importance in developing countries as well, with the performance of companies increasingly judged along social, environmental, and economic impacts and bottom lines (Hardjono & van Marrewijk, 2001; Jamali, 2006). In addition to that, social issues and the society's needs have exceeded the capacities of governments to address them, particularly in developing countries (Jamali, 2006). CSR is therefore being accorded significant attention and increasingly posited as a crucial complement to balanced and sustainable development in both the developed and developing world (Jamali & Keshishian, 2009).

Although research on CSR in developing countries has generally been slower and more fragmented, CSR has been shown to have distinctive features or peculiarities in the developing world. CSR in this context has been characterized as wider in scope, less embedded in corporate strategies, and less politically rooted than in most high income countries (Baskin, 2006). Recent research in the African context highlights a grassroots understanding of CSR whereby local firms are expected to actively assist their surrounding communities (Frynas, 2005). CSR activity in developing countries is therefore portrayed as ongoing and extensive, although it tends to be less formalized, more sunken, and more philanthropic in nature (Amaeshi, Adi, Ogbechie, & Amao, 2006; Visser, 2008). It also draws on deeply engrained cultural/religious values and is primarily oriented toward local communities (Jamali, Zanhour, & Keshishian, 2009; Visser, 2008).

The book chapter starts by scrutinizing the peculiar expressions of CSR in developing countries. It then delineates specific institutional variables that have been shown to shape and mold the CSR practices and expressions in the developing world. In other words, the book chapter sheds light on how the institutional constellations of developing countries shape and mold the specific CSR expressions often encountered in these contexts. It argues that CSR strategies cannot be detached from context, and CSR in the developing world is invariably affected by the characteristics of the institutional environment. Examples of CSR practices from Lebanon, the Middle East, and other developing countries are provided to illustrate the context-dependence of CSR. Some guidelines are provided in closing in relation to how to transition from philanthropy to a more strategic approach to CSR in developing countries.

A NEW CSR PYRAMID FOR DEVELOPING COUNTRIES

Carroll (1991) suggests four facets or dimensions for CSR and frames them into a pyramid-like structure, entailing economic, legal, ethical, and philanthropic responsibilities (Fig. 1). The economic responsibility, situated at the base of the pyramid, gives priority to economic performance because businesses have to stay in existence and continue to be viable and profitable. Carroll explains 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,

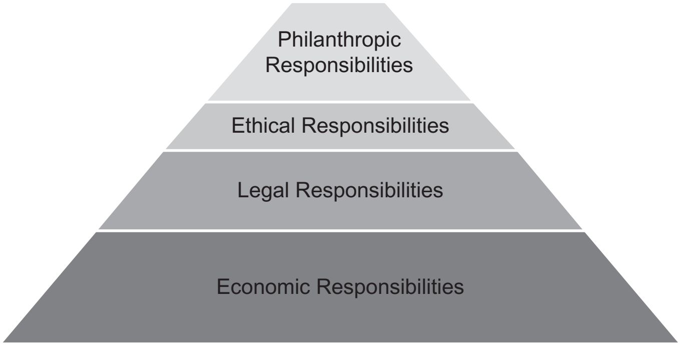

Fig. 1. Carroll's Pyramid of CSR (Carroll, 1991).

legal, and ethical responsibility. The legal component entails operating according to prevailing laws and regulations. The ethical responsibility is when corporations operate according to ethical expectations as in avoiding harm or discrimination. At the top of the pyramid are the discretionary responsibilities which are usually enacted at the discretion of a business and may encompass a variety of activities from giving to charities, orphanages, or addressing environmental issues or concerns.

In the context of developing countries, Visser (2008) reviews Carroll's (1991) CSR pyramid and suggests a new model that better reflects the practice of CSR in these contexts. Visser (2008) raises the question whether Carroll's pyramid that was conceived in the West is well-suited for developing countries. In his proposed hierarchy (Fig. 2), Visser (2008) illustrates the way CSR manifests itself in developing countries. In this model, economic responsibility is attributed the first priority which is in line with Carroll's conceptualization. Yet, the second obligation is discretionary responsibility or philanthropy followed by legal and ethical responsibilities. Visser (2008) explains the underlying logic for the new hierarchy proposed namely the pressing need for philanthropy in developing countries in light of the realities of poverty, unemployment, and shortage of foreign direct investment prevailing in these contexts. Hence philanthropy is often prioritized over legal and ethical responsibilities in the context of developing countries.

Other authors have also independently verified the priority accorded to philanthropy in developing countries, to the extent that CSR is often equated with philanthropy in developing countries (Jamali & Mirshak, 2007; Jamali & Neville, 2011). This has been attributed to cultural norms and

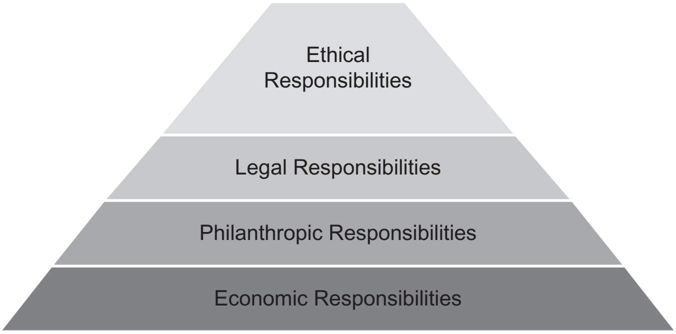

Fig. 2. CSR Pyramid for Developing Countries (Visser, 2008).

expectations in developing countries (Gao, 2009; Jamali & Mirshak, 2010), religious expectations (Jamali, Sidani, & El-Asmar, 2009) in addition to the difficult and pressing socioeconomic needs all of which put increased pressure on organizations to embrace philanthropic programs and interventions. Some authors have interpreted that legal obligations are situated after philanthropy in the pyramid because developing countries are characterized by weak judicial infrastructure and limited government capacity and regulatory enforcement (Khavul & Bruton, 2013; Newenham-Kahindi, 2011) which do not exert enough pressure on firms to behave responsibly unlike firms in developed countries which are subject to heightened scrutiny and regulatory pressure (Visser, 2008). Finally, ethics does not have the same influence on the CSR agenda in developing countries as it does in developed ones where it is attributed very high importance (Crane & Matten, 2007). Jamali and Mirshak (2007) argue that the legal and ethical dimensions are often glossed over in the developing countries (i.e., either ignored, taken for granted, or not accorded sufficient importance).

MOTIVATIONS FOR CSR IN DEVELOPING COUNTRIES

As illustrated above, philanthropy (derived from the composite Greek words "Phillen" or "Love" and "Anthropos" or "Human") continues to be the main expression or manifestation of CSR in developing countries. The concept of corporate philanthropy has many definitions in the literature (see Table 1).

Table 1. Definitions of Altruism, Charity, Philanthropy, and Strategic Philanthropy.

Term	Definition	Scholar
Altruism	• Actions benefiting the actor less than the recipient	Piliavin and Charng (1990)
	• Altruists are defined as individuals who give more to others than to their own outcomes	Liebrand (1986)
	• Altruistic behavior (a) must benefit another person, (b) must be performed voluntarily, (c) must be performed intentionally, (d) the benefit must be the goal by itself, and (e) must be performed without expecting any external reward	Bar-Tal (1985–1986)
	• Altruistic behavior in organizations is any work-related behavior that benefits others regardless of the beneficial effects of such behavior for the benefactor	Kanungo and Conger (1993)
Philanthropy	• Corporate philanthropy is a tool used to indicate that the product offered by the firm is reliable and that it can be trusted and a signal of its quality and the firm's concern for their customers	Fisman, Heal, and Nair (2006)
	• Philanthropy is an unconditional transfer of cash or other assets to an entity or a settlement or cancellation of its liabilities in a voluntary non-reciprocal transfer	Godfrey (2005)
	• Donation of resources to support organized efforts intended for defined beneficial social purpose attempting to investigate and address the underlying causes to make a tangible positive change in the social conditions that cause the problem	Leisinger (2007)
Charity	• An unconditional short-term relief	Leisinger (2007)
Strategic Philanthropy	• A context-focused philanthropic approach requiring companies to use their unique attributes and core skills and competence to address social needs in the corporate context, thus promoting a convergence of interests between business and society and the reconciliation of social and economic goals	Porter and Kramer (2006)

Leisinger (2007, p. 35) for instance defines philanthropy as "donation of resources to support organized efforts intended for defined beneficial social purposes." Bar-Tal (1985–1986) defines philanthropy as altruistic behavior that is performed intentionally and voluntarily to help or benefit others without expectations of external rewards. One variation of this predominant conception of philanthropy is the notion of strategic philanthropy introduced by Porter and Kramer (2006), which posits a context-focused philanthropic approach requiring companies to use their unique attributes and core skills and competence to address social needs in their corporate context, thus promoting a convergence of interests between business and society and the reconciliation of social and economic goals. However, as will be illustrated below, strategic philanthropy goes against the grain of current philanthropic practice in developing countries (Jamali, 2007).

Charity or Zakat[1] are sometimes considered to be important drivers for CSR, particularly in Muslim countries. Other important drivers include the advent of globalization, the increase in international trade, governments' incapability to satisfy the needs of the society (Jamali, 2006) as well as international codes and standards pressuring organizations to embrace CSR (Jamali, 2010; Visser, 2006). This is quite evident in a survey conducted by Baskin (2006) which revealed that emerging markets are increasingly adopting ISO 14001 and the Global Reporting Initiative's Sustainability Reporting Guidelines. Consistent with Newell and Muro's (2006) findings, this is more evident in multinationals' subsidiaries than in local companies as the former are pressured to achieve global consistency and adopt the same CSR standards as their mother companies in developed countries (Jamali, 2010).

However, motivations for CSR may be quite complex and varied, such as for example aspirations relating to gaining competitive advantage, stabilizing the work environment, managing external perceptions, and maintaining employee satisfaction (Frynas, 2005). Another driver for CSR would be peer pressure with firms trying to emulate their competitors (Sánchez, 2000). It is also noteworthy that subsidiaries of global companies operating in developing countries are more likely to engage in CSR activities as a result of the pressure exercised by their headquarters (Jamali, 2010; Newell & Muro, 2006). Lund-Thomsen (2004) identifies three main types of CSR schemes practiced by firms in developing countries; performance management, impression management, and involuntary compliance. Firms also engage in CSR practices as an attempt to gain national and international legitimacy (Sánchez, 2000). For example, philanthropy helps firms build strategic relationships with key institutional stakeholders such as

Table 2. Motives Shaping CSR in Developing Countries.

Scholar	Motive
Frynas (2005)	• Gaining competitive advantage • Stabilizing the work environment • Managing external perceptions • Maintaining employee satisfaction
Lund-Thomsen (2004)	• Performance management strategy that reflects a genuine commitment to improve social and environmental conditions • Impression management strategy through which business leaders claim that they are committed to CSR but do little in practice • Involuntary compliance whereby firms are forced to improve the context in which they are operating if they wish to survive
Sánchez (2000)	• Desire for national and international legitimacy • Peer pressure that compels firms to clone their competitors and endorse comparable philanthropic practices
Baskin (2006)	• Acquiring a "license" to operate and survive through improving the competitive context and the purchasing power of their customers
Newell and Muro (2006)	• Desire to penetrate global markets through conforming to buyer demands and consumer concerns outside the country • Pressure exercised by headquarters in developed countries to adopt the same CSR approaches in developing ones
Visser (2006)	• International codes and standards
Jenkins (2005)	• Accessing new markets

governments, media, consumers, and the public at large and provides an important license to operate in developing countries (Baskin, 2006) particularly in the context of poverty and inequalities. As for international legitimacy, Newell and Muro (2006) identify the desire to penetrate global markets as another driver for companies to adopt CSR. In their attempt to globalize, companies need to comply with international standards, conform to buyers' demands and answer to consumers' concerns in external markets. As noted in Jamali (2007), companies face intense pressure to regain public trust and stay competitive in a global economy. These complex motivations for CSR in developing countries are illustrated in Table 2.

INSTITUTIONAL FACTORS SHAPING CSR IN DEVELOPING COUNTRIES

Institutions can be defined as constraints or relational contracts that guide human activities and structure human interaction (North, 1994). They are made up of formal constraints (e.g., rules, laws, constitutions), informal constraints (e.g., norms of behavior, conventions, codes of conduct), and their enforcement characteristics (North, 1994, p. 360). According to Boxenbaum (2006), institutional environments are forces that exert pressure on firms to adopt similar CSR constructs to other firms in the same societal context. In the simplest way possible, institutional environments comprise the variety of national institutions (e.g., political institutions, economic institutions, and cultural institutions) that invariably mold the behavior of firms, including their actions and interventions in the domain of CSR.

Many authors in fact attribute the differences between CSR of firms in developing countries and their counterparts operating in developed nations to the nature of institutional environments and constellations. The literature specifically alludes to the contracted and retracted role of governments in developing countries (Amaeshi et al., 2006; Frynas, 2005) which often creates environments that are ripe for abuses given limited legal and regulatory enforcement (Khavul & Bruton, 2013; Newenham-Kahindi, 2011). Other actors also do not seem to pull their weight including business associations and nongovernmental organizations (NGOs) (Jamali & Neville, 2011). According to Ite (2004), lack of national management and planning coupled with the absence of an enabling environment have significant implications for CSR performance and the sustainability of CSR initiatives in developing countries.

The next section will try to flesh out in more detail the specific characteristics of the institutional environments of developing countries that are likely to influence both the design and ensuing expressions of CSR in these contexts. It will also illustrate why these various influences exert serious pressure, and are likely to mold the specific manifestations of CSR in developing countries in significant ways. These include cultural and religious systems, the nature of political systems, the nature of socioeconomic systems and priorities, as well as the institutional pressures exerted by other institutional actors, inclusive of development and welfare agencies, trade unions, business associations, and civil society organizations.

Cultural and Religious Beliefs

Many authors have argued that CSR is intricately tied to cultural traditions and norms (Visser, 2008) and that religion is a major cultural factor driving the specific expressions of CSR in developing countries. A survey conducted by Vives (2006) on more than 1,300 small and medium enterprises (SMEs) in Latin America revealed that one of the most prominent motivations for CSR practices is religion. Similarly, a study by Amaeshi et al. (2006) suggests that the CSR of African firms is highly influenced by sociocultural factors such as ethnic religious beliefs and charity. Recent research from the Lebanese context shows that CSR is largely catalyzed by personal and religious motivations, leading to philanthropic CSR expressions and orientations (Jamali, Zanhour, et al., 2009). Philanthropy is particularly practiced in countries where charity constitutes part of the local culture (Dharshi & Gaist, 2010). For instance, the Islamic religion, based on the Quran, requires that every free and financially able Muslim make charitable donations to the needy people; this is called "Zakat" or obligatory charity (Jamali, Safieddine, & Rabbath, 2008; Katsioloudes & Brodtkorb, 2007). Since the religion of Islam has a significant influence on how organizations do their business, CSR in many instances is confused with Zakat (Qasim & Ramaswamy, 2011) and therefore, CSR is demonstrated through arms' length philanthropy to NGOs and social welfare institutions. Also, according to Yin and Zhang (2012), an interesting cultural factor driving CSR in China is the Confucian cultural tradition that refers to benevolence, philanthropy, and humaneness and where social rules and norms dictate legitimate behavior (Wang & Juslin, 2009; Yin & Zhang, 2012).

Political Systems

The nature of political systems can also encourage or dis-incentivize businesses from integrating social and ethical issues (Dartey-Baah & Amponsah-Tawiah, 2011). The literature shows that political reforms toward democracy, improved corporate governance, and higher standards for ethics in business are positive drivers for CSR (Malan, 2005; Roussow, Van Der Watt, & Malan, 2002). In addition to that, CSR is attributed more importance when elected officials are interested in the concept and its practical implications (Bonardi, Hillman, & Keim, 2005). In fact, political institutions can shape CSR efforts of firms based on the key values and norms that characterize the nature of relations between business and government. They also influence whether managers will embrace CSR practices or not and the nature of CSR initiatives. By way of illustration, governments may require foreign firms to pay additional taxes but can also exempt them from doing so in order to encourage foreign investment or to incentivize CSR actions and programs (Detomasi, 2008; Jenkins, 2005). Governments in fact often represent major sources of uncertainty for firms in relation to CSR because they often control critical resources and opportunities that shape firms' industry and competitive environments (Baron, 1995).

Ite (2005) identifies corruption, poor governance, and the lack of accountability to be the main hindrances for CSR in Nigeria, causing exacerbated poverty and unemployment. Poverty at the same time is a driver for corruption since people living in poverty need to supplement income, sometimes by illegal means. Also, the existing weak institutional frameworks of developing countries with limited freedoms and a tradition of autocratic rule are also often associated with corruption (Makdisi, 2009; Wu, 2009) and have serious implications for CSR initiatives (Ite, 2004; Khavul & Bruton, 2013; Newenham-Kahindi, 2011). Conversely, political instability can constitute a major hindrance to the advancement of CSR in developing countries as it weakens the governmental capacity and its influence on public policy and CSR. Jamali and Neville (2011) show that political instability along with economic stagnation is a major challenge facing CSR in the Lebanese context. Instability in public policy specifically implies sudden changes in governmental regulations pertaining to taxes, trade, and ownership that add to the costs of compliance and engagement with CSR (Werhane, Kelley, Hartman, & Moberg, 2010).

Socioeconomic Priorities

CSR is also invariably affected by the socioeconomic environment and socioeconomic constellations of nations and nation states. In this respect, whereas the CSR priorities in Western countries are typically allocated to consumer protection, fair trade, green marketing, and climate change concerns (Amaeshi et al., 2006), CSR in developing countries is driven by the serious socioeconomic aggravations that often pressure firms to address priority social issues and gaps, including poverty alleviation, health care provision, infrastructure development, and education (Amaeshi et al., 2006). Economic conditions also affect the way people and organizations frame what is ethical versus what is not and define the types of issues to be addressed. For instance, in Africa where the majority of families earn their living from an income that is as little as 1$ per day, child labor often stops being perceived or characterized as unethical but as a legitimate avenue and supplement which is needed for sheer survival (Dobers & Halme, 2009).

Economic recessions or instability and the limited ability of firms to plan systematically and over the long term are also factors shaping the CSR orientations of firms in developing countries (Jamali & Mirshak, 2007; Jamali & Neville, 2011). High levels of inflations in developing countries may also stand in way of investments in CSR. For example, smaller firms and SMEs may not be able to invest in their human capital and hire new employees or invest in creative community issues and services (Werhane et al., 2010).

Economic, social, environmental, health-related, or industrial crises can also act as a turning point for CSR in the context of developing countries. Catastrophic events such as tsunamis and earthquakes particularly trigger the philanthropic kind of CSR whereby organizations make money donations and participate in relief work (Fernando, 2007). According to Seeger, Ulmer, Novak, and Sellnow (2005), crisis usually induces quick positive change as it inspires organizations to redefine the situation and capture the CSR opportunities behind the dramatic events. It also pushes organizations to be more supportive and cooperative, and make future and long-term plans to grow and renew. In fact, implementing postcrisis CSR offers organizational brands a sort of insurance that helps them restore their image to a great extent through redirecting their efforts and taking swift socially responsible actions (Seeger et al., 2005; Werther & Chandler, 2005).

Other Institutional Constellations and Actors

CSR efforts in the developing world are also invariably shaped and molded by the strength of the pressure felt and exerted by other institutional groups and constituencies, including development agencies, governmental entities, trade unions, business associations, international NGOs, and local NGOs; the latter being incapable to solely promote CSR and usually lacking adequate resources (Jenkins, 2005; World Business Council for Sustainable Development, 2000). In addition to these various stakeholders, Vivarta and Canela (2006) identify the "media" as a key stakeholder fostering CSR in both developed countries as it has been exerting pressure on businesses to reconsider their impacts on society and environment. International and national NGOs also play a role in the sense of putting pressure on companies to abide by international or national human rights laws, environmental laws, and sustainability laws. Civil society often thrusts private organizations to justify their actions to different stakeholders, namely consumers, shareholders, and society at large. Civil regulation is the most common and effective type of stakeholder activism in developing countries, although it is not uniformly strong and effective across developing country constellations (Fig. 3).

The contrasting institutional environments of developed and developing countries will undoubtedly affect CSR expressions and manifestations in significant ways. They also help account for why CSR takes unique expressions in developing countries that are often different from the CSR

Developed countries	Developing countries
Cultural Factors: ▪ Religion detached from business practices	*Cultural Factors:* ▪ Religious beliefs ▪ Personal beliefs
Political Factors: ▪ Absence of corruption ▪ Powerful government	*Political Factors:* ▪ Corruption ▪ Poor governance ▪ Political instability ▪ Lack of accountability
Economic Factors: ▪ High income (GNI per capita: $12,616 or more) ▪ High GDP ▪ Wealthy country ▪ Economic progress	*Economic Factors:* ▪ Low income (GNI per capita: $1,035 or less) ▪ Low GDP ▪ High inflation ▪ Economic stagnation
Social Factors: ▪ Minority rights ▪ Environmental concerns ▪ High literacy rate ▪ Protection of property rights ▪ Better healthcare plans ▪ Powerful and advanced media technologies	*Social Factors:* ▪ Poverty ▪ High unemployment rates ▪ Education ▪ Women rights ▪ Crisis response ▪ Illiteracy ▪ Poor infrastructure ▪ No protection for property rights
CSR Priorities: ▪ Consumer protection ▪ Fair trade ▪ Green marketing ▪ Climate change	*CSR Priorities:* ▪ Poverty alleviation ▪ Health care provision ▪ Infrastructure development ▪ Education ▪ Child labor

Fig. 3. Contrasting Institutional Environments of Developed and Developing Countries (World Bank, 2009, 2013).

encountered in Europe and the West. This constitutes a very fruitful lens of research and analysis that is certainly worth further consideration. The next section provides illustrations from developing countries, touching on these various institutional factors and how they have affected the CSR manifestations in specific developing contexts.

ILLUSTRATIONS FROM DEVELOPING COUNTRIES

CSR is becoming increasingly prominent in various emerging countries and is manifested through several initiatives with a predominant focus on philanthropy. CSR has spread globally and faced with different political institutions, economic constraints, and historical legacies; it has acquired distinct identities across different institutional settings. The various studies presented throughout this book chapter unequivocally lend support to the salience of context and institutional constellations in relation to how CSR is conceived and practiced. Particularly the studies highlight how CSR continues to be intricately tied to cultural and religious considerations, and how the contracted roles of governments and civil society affect the progress and evolution of CSR. They also highlight how political and economic instabilities invariably reflect on CSR planning and engagement.

To illustrate further, examples from different developing countries are provided below. For example, in 2002, the national stock exchange of Brazil created a national Corporate Sustainability Index that requires Brazilian companies to disclose information on ESG (Environmental, Social, and Governance) issues and ranks them based on their reporting performance (Malini, 2006). However, this wider scope of CSR has been observed among highly visible American and European firms that relocated some of their operations into emerging economies (Mandurah, Khatib, & Al-Sabaan, 2012; Vogel, 2005). Although a large number of local firms in Malaysia, South Africa, and South America are indeed aware of CSR issues and are dedicating significant efforts to act as good citizens, their CSR practices are manifested mostly through philanthropy (Frynas, 2006). In fact, philanthropy is attributed highest priority in this part of the world (Jamali & Mirshak, 2007; Visser, 2008).

In relation to the Middle East, CSR has received some attention lately, although overall it is still in an embryonic phase. CSR in the Middle East builds on deeply rooted traditions of philanthropic giving that are well engrained across the region. Philanthropy in the Arab region continues to be rooted in strong religious and cultural traditions and in broad social values of empathy or compassion for fellow human beings (Jamali & Sidani, 2012). Giving and helping continue to have positive connotations across the region, and are largely inspired from various Islamic principles such as unity, justice, balance, trusteeship, and benevolence and from basic concepts and tenets of the Islamic religion. Islamic philanthropy in other words provides a strong foundation for CSR in the region, and constitutes a pivotal tradition of voluntary giving that falls outside the realm of presumed Western largesse (Jamali & Sidani, 2012).

However in recent years, traditional forms of Islamic philanthropy have just started to cross-fertilize with new, more institutionalized forms of giving advocated through Western concepts and advances pertaining to CSR. The unfolding of these change dynamics will be very interesting to observe as the region moves forward beyond Arab Spring, and new collective institutions are built that preserve the sanctity of freedom, democracy, and human rights (Jamali & Sidani, 2012). Hence, despite its strong rooting, CSR continues to be rather embryonic in the Middle East at this point, consisting of philanthropic gestures and overtures, rooted in religious considerations, and/or having a propaganda or public relations orientation (Jamali, Sidani, et al., 2009; Mandurah et al., 2012). CSR is also mostly practiced as individual arms' length philanthropy, with minimal business planning or systematic engagement.

Consistent with other developing countries, institutional gaps and voids continue to slow down the progress of CSR in the Middle East. For example, Hopkins (2007) notes the absence of governmental involvement and support for CSR while Rettab, Brik, and Mellahi (2009) note the absence of institutions incentivizing and catalyzing CSR in the Middle East. This is often exacerbated in some Arab countries by ineffective juridical systems, which make corporations and individuals feel vulnerable in relation to unethical behavior. This weakness in institutional infrastructure supporting CSR has also been noted in Turkey, which has generally been characterized by weak social performance (Ararat, 2005). For all these reasons, many authors consider CSR in the Middle East to be mostly driven by exogenous factors, including the CSR practices of MNCs. Jamali (2010) however shows that even the CSR of MNCs in this part of the world is often diluted and fails to meet expectations.

Narrowing down the scope to the Lebanese context, a study by Jamali in 2007 showed that CSR is still mostly practiced under the umbrella of philanthropic contributions made by companies over and beyond their mainstream contributions. Also, another study by Jamali and Mirshak

(2007) reveals a discretionary conception of CSR showing that CSR practices are limited to the voluntary philanthropic action domain, sidelining legal and ethical dimensions. Similarly, Jamali, Zanhour, et al. (2009) note spontaneous commitment to philanthropy among SMEs in Lebanon stemming from a sense of benevolence vis-à-vis employees and local communities. Moreover, these philanthropic contributions are altruistic in nature and often distanced from core competence on one hand, and from contextual needs and analysis on the other (Jamali, 2007). Governments across the region continue to play a rather marginal role when it comes to CSR (with UAE and KSA (Kingdom of Saudi Arabia)) as possible exceptions at this point in time).

MOVING BEYOND PHILANTHROPY IN DEVELOPING COUNTRIES

As previously discussed, CSR initiatives in developing countries are molded by the specific institutional constellations characteristic of the developing world including weak drivers for CSR, limited CSR advocacy/awareness raising, nascent community organizations, and limited regulatory capacity coupled with a variety of macroeconomic constraints (Jamali & Mirshak, 2007). Despite the fact that many companies in developing countries have been trying to design appropriate CSR initiatives and dedicating enormous efforts to improve their practice in this regard; however, many still conceive of CSR in the realm of philanthropic efforts that are separate and distanced from the firm's strategy and values. As such, social issues and social involvement continue to be marginalized, or treated as peripheral in terms of importance and priority, rather than integrated in firm strategic forecasting and planning efforts (Porter & Kramer, 2011).

It is possible to conceive such CSR strategic integration efforts along two tracks. Inside-out strategic alignment is when a company considers its core competence, and tries to align its CSR with its core competence and business strategy. One good example is Microsoft which aligns all its CSR interventions with its IT core competence and expertise. Another way to think of strategic alignment is to consider outside-in strategic alignment, whereby a company considers its outside environment systematically, and tries to align its evolving CSR strategy with pressing concerns and key priorities in that context. This can be considered strategic from a contextual perspective, rather than a purely internal firm perspective. To the extent that company efforts respond to strategic priority issues and needs in their communities, they can be considered strategic in that respect as well (Porter & Karmer, 2006).

Some form of strategic alignment (whether inside-out or outside-in) is a must and will propel CSR forward being mere philanthropy in the developing world. As noted by Husted and Allen (2007), a more systematic pursuit of CSR can ensure enormous social progress while adding corporate value simultaneously. The basic notion of strategic CSR is the alignment of philanthropic contributions with business goals, allowing the reconciliation between social and economic benefits (Porter & Kramer, 2003). Strategic philanthropy has been also later defined in a broader sense as context-focused philanthropic approach requiring companies to use their unique attributes to address relevant social needs in their corporate context; the latter seems to refer to an inside-out strategic alignment. For example, if unemployment and education are high priority social issues in the Middle East context, companies should direct their CSR efforts to address these social issues specifically.

The most advanced conception of strategic alignment currently available is the notion of creating shared value (CSV) suggested by Porter and Kramer (2011). As illustrated above, these authors have been refining their conception of strategic alignment over time. CSV advocates for a deeper appreciation of the actual societal needs in a particular context and a wider understanding of the true foundations of a company's productivity. The concept of shared value is defined as "policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates" (Porter & Kramer, 2011, p. 66). For instance, Kraft in Guinea had worked on training farmers to produce better quality cashew; this development program falls under the strategic CSR umbrella whereby the firm was able to improve the farmers' income and enhance the quality of the product it sells to its customers (Werhane et al., 2010). Also, recent studies of cocoa farmers in Côte d'Ivoire revealed that shared value investments can raise the farmers' incomes by more than 300% while fair trade can only increase their incomes by 10–20%. Fair trade mostly focuses on redistribution, whereas shared value focuses on expanding the value created by helping stakeholders increase their efficiency, product quality, yields, and sustainability and involving all the players of the supply chain (Porter & Kramer, 2011).

To deliver shareholder value while also promoting societal value is certainly desirable for business corporations yet difficult to enact in practice.

This is predominantly the case in developing countries where the drivers of CSR tend to be weak and where the environment does not enable and facilitate shared value creation. Fox (2004, p. 29) therefore suggests that in the context of developing countries, a more "holistic and development-oriented" approach should guide the current CSR agenda. It is quite fundamental to acquire deeper knowledge of the market and it is necessary to promote strategic partnerships among private companies, governments, and NGOs. CSV is an appealing notion but its implementation in practice is difficult and requires proactive engagement and planning on the part of firms, coupled with a grounded understanding of the context in which they work.

Burke and Logsdon (1996) suggest four dimensions to enhance strategic alignment namely centrality, specificity, proactivity, voluntarism and visibility. Centrality is a measure of the closeness of fit between a CSR policy and the firm's mission and can provide direction for the CSR by revealing whether the given decisions are consistent with the company's objectives (Burke & Logsdon, 1996). Specificity refers to the firm's ability to internalize the benefits of a CSR program, rather than simply creating collective goods, which can be shared by others in the industry, community, or society (Rumelt, 1980). Proactivity reflects the degree to which behavior is planned in anticipation of emerging economic, technological, social, or political trends and in the absence of crisis conditions (Burke & Logsdon, 1996). Visibility denotes both the transparency of an industry's activity and the firm's ability to gain acknowledgment from stakeholders. These are also important guidelines/criteria to gradually transition away from a purely philanthropic approach to CSR to a more strategic one.

What is important to note in relation to the above is that there is significant room for managerial discretion and sense making and interpretation efforts when firms decide to make the leap beyond philanthropy and enhance strategic alignment. This is consistent with recent institutional theory accounts which recognize that there is significant variation in how organizations respond to institutional pressures and significant room for agency, choice, proactiveness, and self-interest in responding to institutional pressures (Scott, 2008). These strategic agentic responses seem moreover particularly salient in conflicted or ambiguous institutional environments (Scott, 2008), typically characteristic of the developing world. In other words, rather than characterizing organizations as passively conforming to the demands of their institutional environment, there are recent streams that recognize and acknowledge the role of managers and leaders in taking CSR forward to the next level.

CONCLUSION

This book chapter has demonstrated how the CSR expressions in developing countries continue to be organically intertwined with the institutional structures, environments, and challenges encountered in developing countries. It has illustrated how several institutional constellations can play a role in slowing down CSR initiatives in developing country contexts. While CSR research has mostly focused at the firm level, it is also of primordial importance to consider contextual factors when analyzing CSR because CSR does not occur in a vacuum. CSR is in fact invariably situated at the nexus of national and international institutions, consisting of governments, NGOs, legal, social, cultural, and religious traditions. Matten and Moon (2008) aptly use the term "National Business Systems" (NBS) to refer to the complex local or national institutional structures that shape and mold CSR in both the developing and developed world.

Moreover the book chapter has primarily tried to illustrate the specificities of the national institutional constellations of developing countries that reflect on CSR engagement and expressions, including weak and contracted governments, gaps in public governance and transparency, arbitrary enforcement of rules, regulations, and policies, and low levels of safety and labor standards. It is in the light of this peculiar institutional infrastructure that CSR continues to be equated with philanthropy in the developing world, and substantive engagement with CSR is the exception rather than the norm. To take CSR to the next level in developing countries, we need to accord systematic attention to strengthening the institutional drivers of CSR, and putting more pressure on companies to move beyond philanthropy, rhetoric, legitimization, imagery, and public relations to substantive engagement in CSR and genuine attempts at change and development (Dobers & Halme, 2009; Jamali & Mirshak, 2007; Zhang, 2008). From here stems the importance of strategic CSR that focuses on aligning CSR with core competence and strategy (inside-out strategic alignment) or with the most pressing needs of the context (outside-in strategic alignment). In both cases, there is a significant role for top managers and founders as stewards of their organizations, to exercise strategic choice, and look at CSR as a new opportunity for learning and strategic alignment for deploying the full range of resources at the disposal of their firms, rather than pure arm's length philanthropy and benevolence.

NOTE

1. Zakat is an Islamic concept referring to the obligation on Muslims to pay 2.5% of their wealth to specified segments in society, particularly the poor and the destitute. Zakat is one of the five pillars of Islam.

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