

# LEBANESE TRANSPARENCY ASSOCIATION



## Corporate Social Responsibility in Lebanon

### The Lebanese Transparency Association

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## Introduction

Corporate social responsibility (CSR) at its best practice can be defined as the overall management process that accompanies all the efforts of an organization within the limits of a certain ethical conduct.

CSR starts internally within the organization as a set of beliefs and values of all the human resource.

In such a case the organization will naturally communicate those ethical values through:

١. Personal interaction level (Meetings, promotions, events, media gatherings)
٢. Corporate communications (press releases, webpage, print communications, product labels, advertising campaigns, brand building strategies, corporate logo)

In effect and as illustrated in Fig ١, these communicated beliefs will result in added trust towards the organizations' overall image and will potentially increase business and sustain development in the long run.

In the ideal case, CSR is conducted as part of and adapted to the business strategy and vision, which is normally defined by the top management. According to the St. Galler Management Concept (University of St. Gallen, Bleicher ١٩٩١), these principles should be realized by the strategical and operational management levels. The whole strategy is therefore conducted by the whole company and becomes a part of the company's identity.

To act socially responsible and to integrate CSR in a businesses' strategy has eventually the aim of increasing sales revenues and achieving profits, as opposed to purely philanthropic actions. Several studies confirmed that a

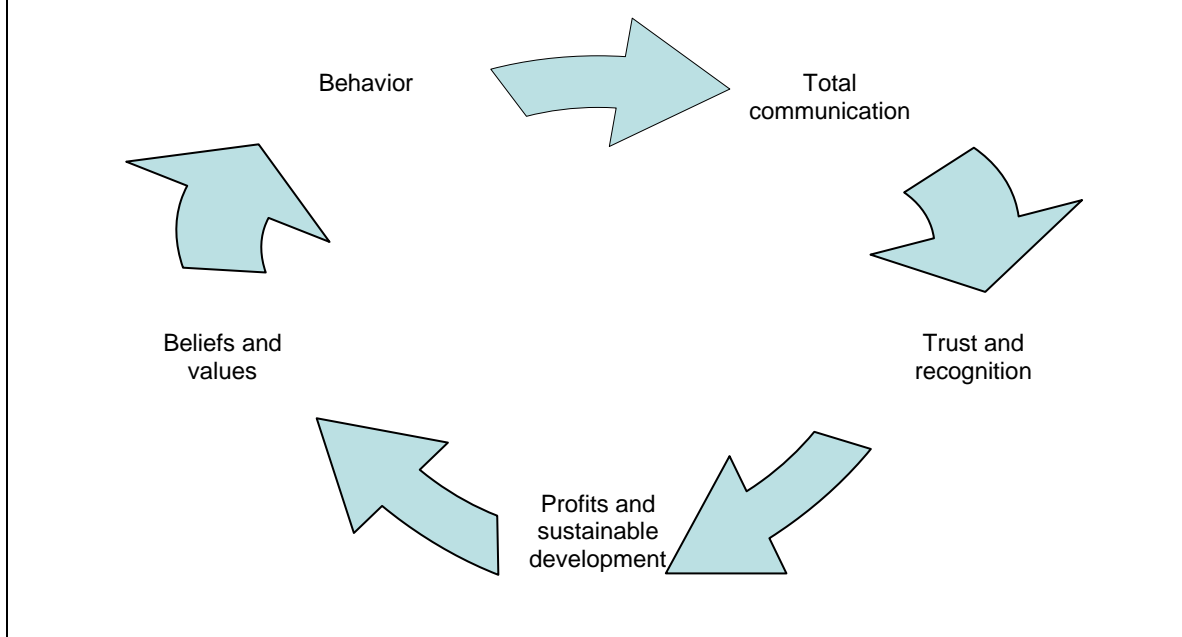
correlation between applied CSR and corporate financial performance can exist. Moses L. Pava and Joshua Krausz, for example, conducted ٢٠ studies between ١٩٧٢ and ١٩٩٢ summing up their findings as follows:

*“Our single most important observation is that, of ٢١ studies, ١٢ reported a positive association between CSR and financial performance, ١ reported a negative association, and ٨ reported no measurable associations. [...] While it is evidently true that not all studies report that CSR firms perform better than non-CSR firms, the overwhelming preponderance of the evidence indicates that CSR firms perform at least as well as other firms” (Pava & Krausz, ١٩٩٥).*

Other recent financial studies have also shown that investors are ready to pay more for shares in firms that have an advanced culture and sound practices in the fields of good corporate governance and CSR.

Besides the purely pecuniary aspect, CSR can lead to higher working morale, which can help to cut costs. One example is given by the *National Business Ethics Study* showing that employees are more likely to be loyal if they believed that their corporation conducted business in an ethical manner (Walker Information, ١٩٩٩). CSR might therefore also have an effect on attracting and building a productive workforce, lowering absenteeism and error rates, as well as increasing retention of employees. Consequently costs can be cut.

Improved environmental management as part of a CSR strategy helps in a similar way: By using the resources as economically and effectively as possible, operational cost can be cut drastically.

**Fig ١: source primary. CSR belief cycle**

### History and formation.

The modern concept of CSR has its roots in the early ١٩٩٠'s with various factors having contributed to its formation.

On the one hand, general public awareness towards social issues rose significantly since the ١٩٧٠'s, when consumers started to demand that companies be responsible in environmental and human rights issues.

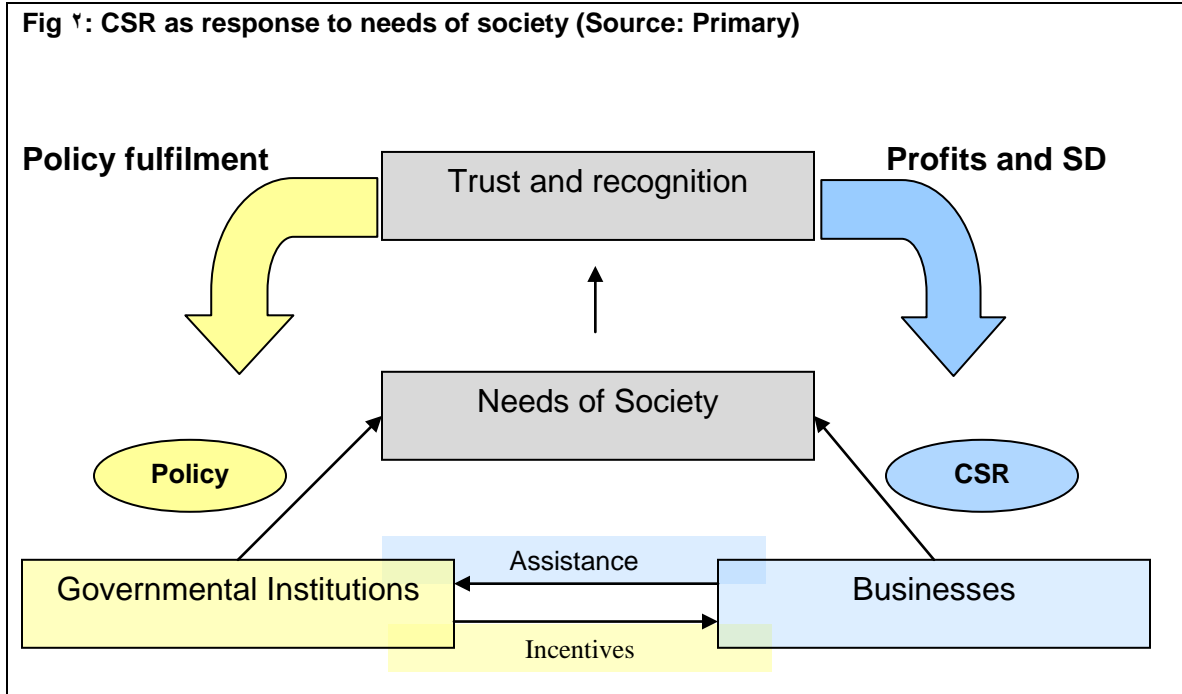
This movement was enforced with the well-publicized incidents of corporate misbehavior such as the oil-tanker accident Exxon Valdez in Alaska (١٩٨٩), the (child) labor scandals of Nike in Asia (١٩٩٠'s), and the bankruptcies due to falsifications of balance sheets by Parmalat in Italy (٢٠٠٣) and Enron in the United States (٢٠٠٢).

In response to public demands for greater accountability and transparency, companies started to publish “social reports” or “sustainability reports” and began

to recognize that intangible assets like reputation have a deep impact on the value of their business (ISO, ٢٠٠٥). The modern CSR phenomenon can therefore be seen as part of the response – predominantly in the developed countries.

However, CSR seems to have arisen as part of an initiative especially in developing countries due to an apparent lack of capacity of many governments to effectively provide social services and enforce their laws.

**Fig ٢: CSR as response to needs of society (Source: Primary)**



As shown in Figure ٢, CSR responds similarly as policy measures to a society's need. Businesses assist the government therefore to create a "better society" and receive incentives instead. (Developing countries)

### The Case of Lebanon.

The Lebanese economy can be described as an open and highly dependent on imports and trade in general. This results in a trade deficit, which narrowed from ٤.٠% in the ١٩٩٠s to ١.٣% in ٢٠٠٣. Especially in ٢٠٠٤ exports grew significantly with the opening of the Iraq market for Lebanese products. In addition tourism, as one of the key exporting areas, has increased strongly in ٢٠٠٤. Moreover, since September ١١ there is a general flow of Arab capital to the region of which Lebanon particularly benefits. In effect the Lebanese real GDP has been growing continuously since ٢٠٠١ and reached ٢,٥% in ٢٠٠٤ (EU Commission, ٢٠٠٥).

Foreign Direct Investment (FDI) constitutes only ١,٨% of its GDP. There are many reasons for the very limited inflow of capital and investment into Lebanon. One of them is corruption and lack of transparency. In other words, in order for Lebanon to reach a higher FDI ratio by providing a more investor friendly atmosphere is much needed.

This aim can be achieved by governmental action providing a transparent and reliable business environment to manage expectations on the one hand – whereas private enterprises on the other hand could contribute through their movement towards a consistent way of conducting business.

At this point it has to be stated that more than ٩٠ percent of FDI stays within the Triad, which consists of Europe, Japan and the USA – all leaders in CSR activities. Only about one percent reaches the least developing countries (UNCTAD, ٢٠٠١).

According to the World Investment Report (WIR) ٢٠٠٤ foreign direct investments to Lebanon have been increasing since ١٩٩٨ but still below the region's average.

However, the performance compared to its potential is still considered low because of the well publicised series of collapses, from Intra Bank and al Ahli bank to that of bank al Madina which later became a watchword for corruption

between the private and public sectors. One should also not forget certain scandals through the history of the Lebanese carrier Middle East Airlines before it was revived by The Central Bank of Lebanon. There is also the issues and reports on Casino Du Liban where the lines between the private and public sectors has been blurred. Also the examples of the Lebanese telephone mobile sector when the states auditing board rejected tenders and operating contracts as well as the way in which employees' services were terminated. These main examples have threatened the flow FDI into Lebanon and demonstrated the urgent nature of these topics being raised today in this regard.

Naturally the situation in Lebanon has its own special features. Most companies are small-scale enterprises and their administrations reflect their nature as "family" businesses. However, as our economy integrates with the world economy and as Lebanon joins the World Trade Organization (WTO) we will be forced to review the organization and structure of our businesses and productive institutions. The goal then should be to boost competitive capabilities which require opening and expanding our firms to investments outside the frame of the family. Therefore we must universalise the principals of transparency and define responsibilities of board of directors, while dealing with the issue of minority shareholders' rights.

**Fig<sup>r</sup>: business ownership distribution in Lebanon. Source primary**

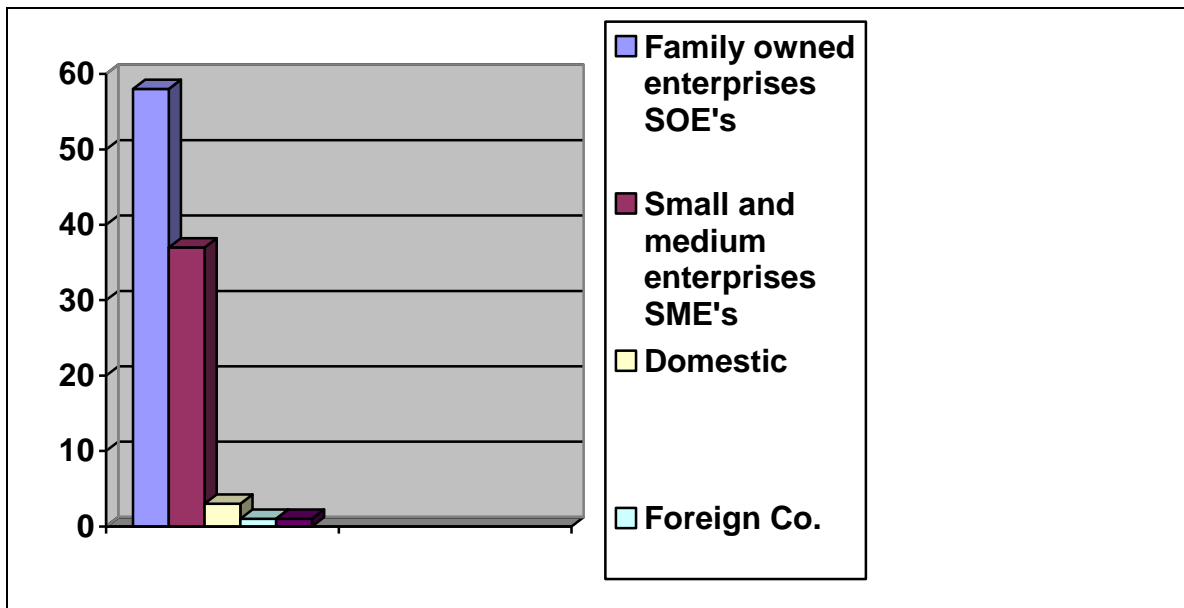
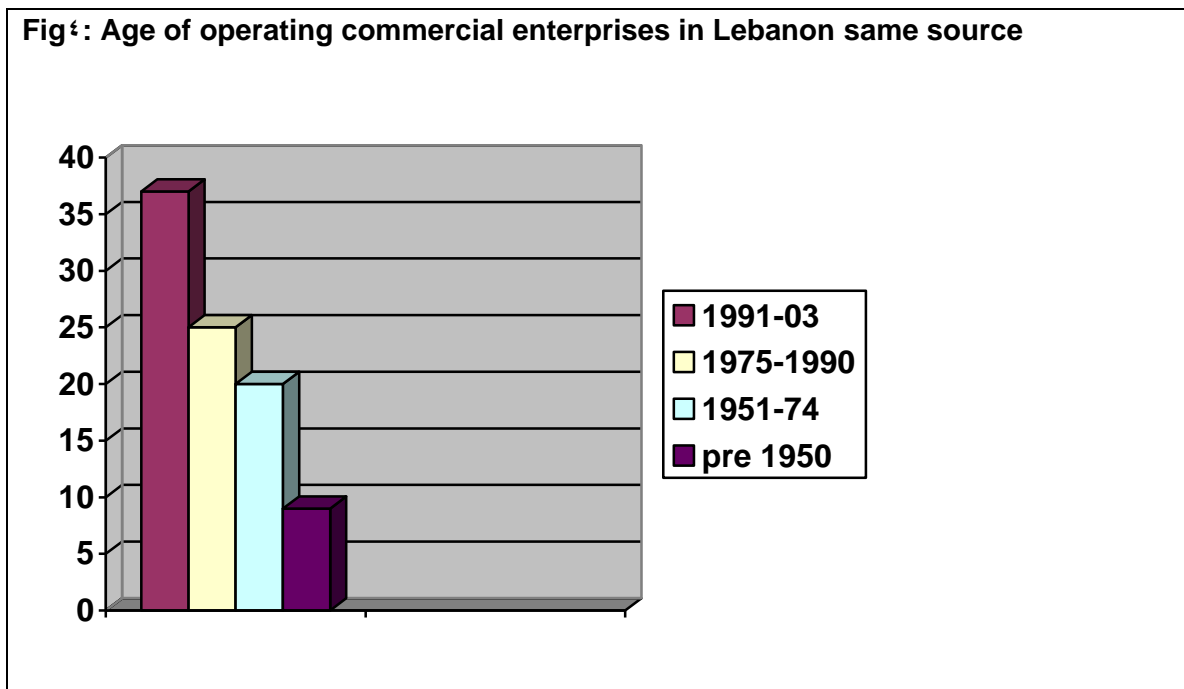


Fig4: Age of operating commercial enterprises in Lebanon same source





## CSR in Lebanon – Case Study Findings

### ١. Methodology

LTA's aim was to provide a realistic picture of the current state of CSR in Lebanon. Therefore ٤٠ businesses were selected to be surveyed and interviewed. The selection of firms to be contacted was made according to and with the assistance of the listing of the ١٠٠ largest employers in Lebanon, in the July ٢٠٠٥ special edition of the business magazine *Lebanon Opportunities*. In addition, LTA chose other corporations to be added, based on LTA's own discretion and in an effort to sample SME's (Small and Medium Enterprises).

The findings of this study are derived from ٤ parts:

- Part I** – Sample Group and UN Global Compact
- Part II** – Sample Group and CSR Reporting on the internet homepage
- Part III** – General Findings of the Questionnaire and Interviews
- Part IV** – Cases

In Part I of the case study the corporations were assessed based on the Global Compact membership.

In the second part of the study, Part II, the analysis consisted of assessing the company's homepages on their CSR activities. The topics researched were the existence of CSR reports, or in case no CSR reports were published, if CSR related topics and activities were communicated on the homepage.

Even if there was no CSR communication on the company's homepage, LTA sent to all of the companies examined in Part I and II a questionnaire to find out if CSR activities were carried out, and if so to be provided with more detailed information. The questions asked were

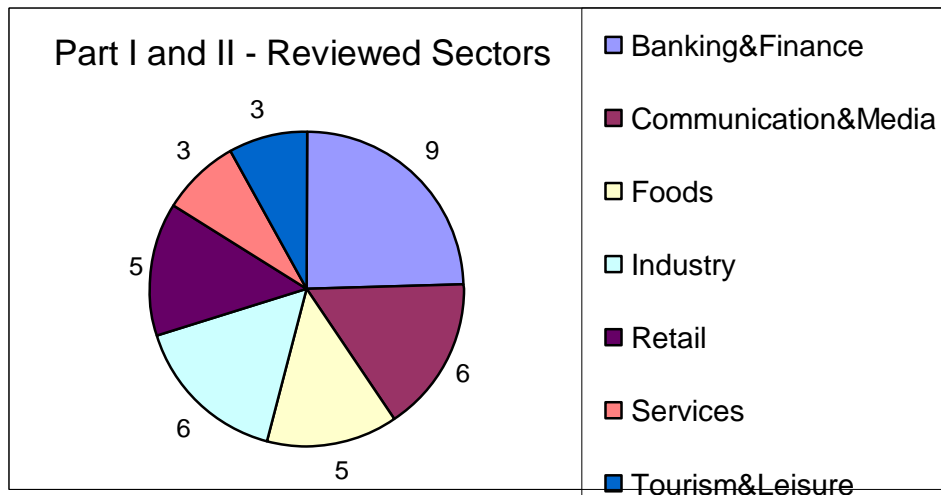
١. whether the respective companies had developed a CSR program,
٢. when it was launched,
٣. which CSR activities were carried out
٤. whether there was a yearly CSR budget allocated,
٥. if and how the CSR measures were communicated to the general public,
٦. How the CSR decision makers judge the current situation of CSR in Lebanon themselves,
٧. if and how the CSR activities of the respective firms had changed during the time before the Lebanese war up to the present,
٨. Which measures the Lebanese government could take to improve the Infiltration of CSR topics within the corporate milieu.

## ٢. Analyzed Firms

### *Analyzed Firms in Part I and Part II*

For the first ٢ parts, LTA chose ٣٧ companies (Part I and II Sample Groups-see appendix ١ for the list of these companies).

The analysis covers businesses from ١٠ sectors:



Sector	Number of Corporations
Publishing	1
Banking&Finance	9
Communication &Media	7
Food and beverage	6
Industry	6
Retail	5
Services	3
Tourism &Leisure	3

Tab ٢: Part I and II - Reviewed Sectors

### Analyzed Firms in Part III

In order to deepen the findings of Part I and Part II, questionnaires were sent to all of the above mentioned companies. LTA was able to generate ٢٩ replies from ٤٠ businesses to whom the questionnaire was sent (see appendix ٢).

The participating companies have either (١) re-sent LTA the filled-out questionnaire, (٢) were interviewed personally or (٣) answered that they do not apply CSR.

Besides the private sector, ٣ non-profit organisations have been interviewed: Fondation Saradar, Help Lebanon and AVS (Association for Volunteer Services).

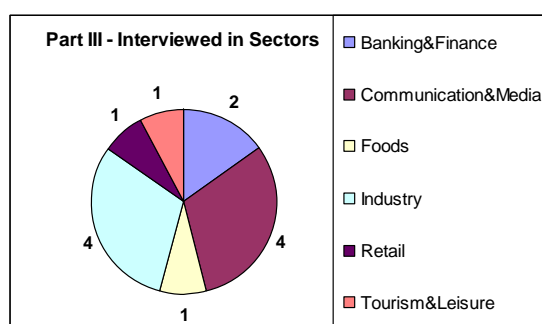


Fig ٢: Part III–Interviewed in Sectors (Source: Primary)

٢: Part III – Interviewed in Sectors

Sector	Number of Corporations
Banking & Finance	٢
Communication & Media	٤
Foods	١
Industry	٤
Retail	١
Tourism & Leisure	١

### *Analyzed Firms in Part IV*

LTA chose following companies to illustrate its findings:

Case ١, Best Practice: Schtroumpf restaurant

Case ٢, Traditional Lebanese Business: Khalil Fattal & fils

Case ٣, Multinational Corporation: Holcim

Case ٤, Outsourcing of CSR: Fondation Saradar, Help Lebanon, AVS

## **٢. Findings**

### **Part I – Sample Group and UN Global Compact**

The UN Global Compact was initiated in the year ٢٠٠٠ as a voluntary corporate citizenship initiative involving business, labour, civil society organizations and governments. Its aim is to promote responsible business practices in order to contribute to a more sustainable global economy.

Today, ٢,٢٣٦ companies participate in the initiative by agreeing to internalize the Compact and its ١٠ Principles in the areas of human rights, labour standards, environmental practices and anti-corruption:

#### **Human Rights**

**Principle ١**: Businesses should support and respect the protection of internationally proclaimed human rights; and

**Principle ٢**: make sure that they are not complicit in human rights abuses

#### **Labor Standards**

**Principle ٣**: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

**Principle ٤**: the elimination of all forms of forced and compulsory labor;

**Principle ٥**: the effective abolition of child labor; and

**Principle ٦**: the elimination of discrimination in respect of employment and occupation.

### Environment

Principle ٧: Businesses should support a precautionary approach to environmental challenges;

Principle ٨: undertake initiatives to promote greater environmental responsibility; and

Principle ٩: encourage the development and diffusion of environmentally friendly technologies

### Anti-Corruption

Principle ١٠: Businesses should work against all forms of corruption, including extortion and bribery.

Tab ٤: The ١٠ Global Compact Principles (Source Global Compact, ٢٠٠٥)

By assessing the Lebanese participation in the Global Compact, it became evident that none of Lebanon's businesses included in the sample are registered. However, two businesses of LTA's Sample Group are indirectly members through the membership of their headquarters (both of them are branches of Multinational Companies). Yet, compared to other Arab countries, Lebanon is no exception: Only five states<sup>١</sup> of the region are represented in the Global Compact by a total of ٤٢ enterprises. This corresponds to ٢% of the allotment.

Country	Number of Participants
Bahrain	١
Egypt	٣٥
Morocco	١
Qatar	٣
United Arab Emirates	٢
<b>Sum</b>	<b>٤٢</b>

Tab ٥: Global Compact Members, Arab Region

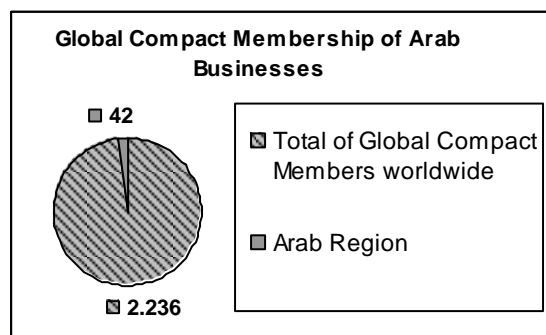


Fig ٤: Global Compact, Arab Region

## **Part II - Sample Group and CSR Reporting on the corporate Webpage**

The major fields of CSR comprise and affect all stakeholders of an enterprise, i.e. employees, customers, suppliers, community and environment. Likewise, LTA assessed the Sample Group's homepages on (١) whether CSR activities in these fields were published, (٢) if a CSR report existed, and (٣) which CSR fields were chosen.

<sup>١</sup> Bahrain (١), Egypt (٣٥), Morocco (١), Qatar (٣), United Arab Emirates (٢)

As a benchmark LTA uses the hypothesis of Gerhard Hammerle (introduced in his thesis) on CSR and Multinational Companies (MNCs), published in ٢٠٠٣, in which he evaluated the CSR activities of ٩٨ MNCs.

### **(١) Publication of CSR Activities on the corporate webpage**

The assessment of the Sample Group's homepages showed that only ١٢ out of ٤٠ companies were dedicating a part of their homepage for CSR related topics or activities. This corresponds to ٣٠%, meaning that ٧٠% of the reviewed companies did not publish CSR activities on the web.

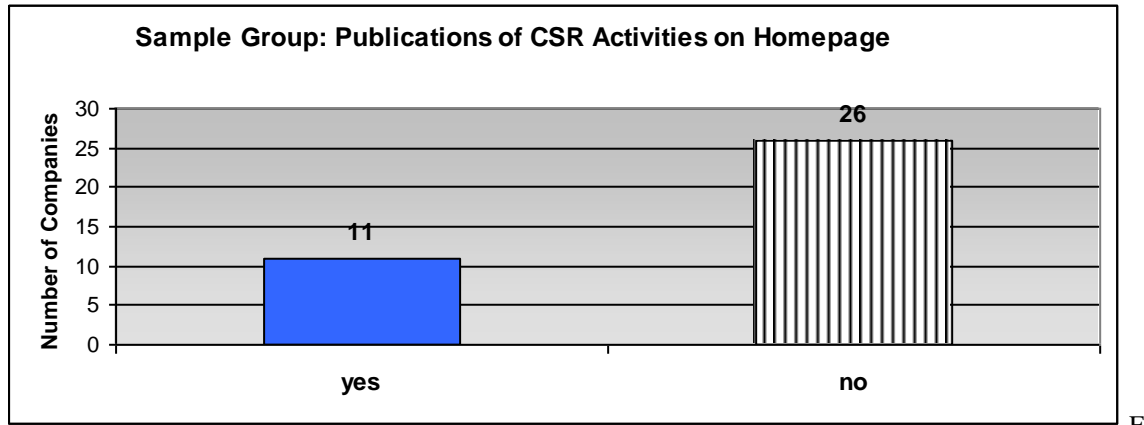


Fig ٥: Sample Group: Publications of CSR Activities on Homepage (Source: Primary)

Taking a look at Hammerle's study, the opposite was the case: while ٨٥% of the evaluated MNCs mentioned CSR activities in their corporate webpage, only ١٣% did not publish anything on the topic.

### **(٢) Publication of a CSR report on the Homepage**

None of LTA's examined companies published a CSR report on their homepage, nor was the issue brought up in one of the online annual reports. In the benchmark analysis of Hammerle's ٣٨% did have an online CSR report, or integrated the topic into the annual report.

### **(٣) Chosen CSR topics**

Corporations can act socially responsible towards its employees, costumers, community, suppliers and the environment.

As far as it concerns the Sample Group, the dominating topic was the businesses' community, which was chosen by 8 out of 12 companies. Employees and the environment were the next important issue, with both being indicated by 4 out of 12 companies, whereas consumer activities were just considered by 1 company's CSR activities.

The major part, with 6 out of 12, indicated to work either with NGOs or NPOs to realize their CSR activities.

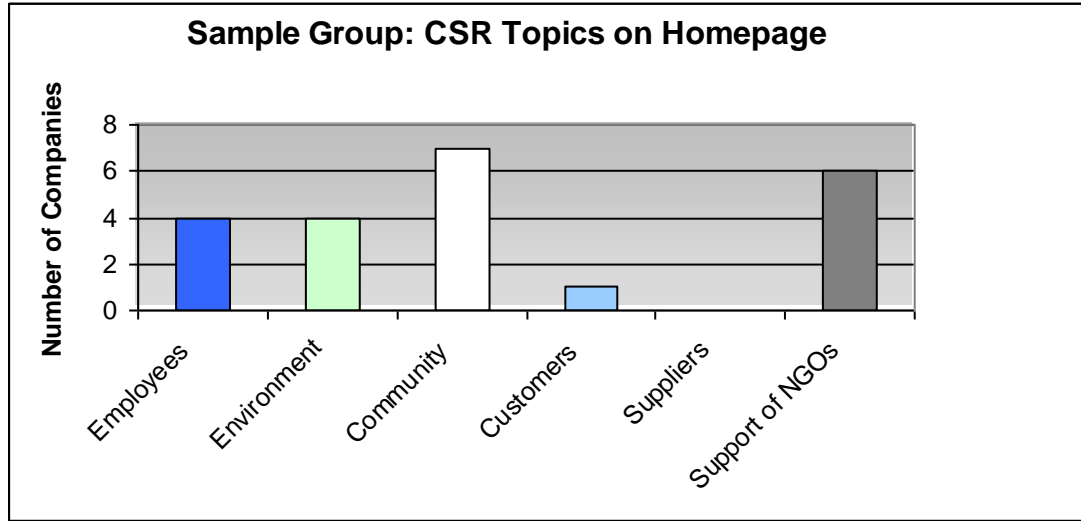


Fig ٦: Sample Group: CSR Topics on Homepage (Source: Primary)

As shown in (٣), most of the companies show a social responsibility towards their employees mainly by providing additional health care, scholarships or trainings and career building. When it comes to being socially responsible towards the other stakeholders, Lebanese businesses that were sampled, show rather philanthropic, spontaneous and unstructured actions instead of having a clear CSR vision and strategy. LTA found these random CSR actions have stemmed from individual initiatives that were affected by Local social norms and customs of the decision makers' own local environment.

### Part III – General Findings of the Questionnaire and Interviews

The questionnaire was sent to each of the ٣٧ assessed businesses of Parts I and II; LTA was able to generate feed-back from ٢٠ out of these ٣٧ companies.

### **A. CSR Practitioners versus Non-Practitioners**

The first intention was to assess whether the information on the internet gave a realistic picture, or if some of the businesses applied CSR but did not use their homepage to communicate their activities. LTA therefore asked the Sample Group explicitly if CSR was conducted or not. The picture was relatively balanced: while ١٣ (٥٢٪) of the ٢٥ firms confirmed to carry out CSR activities, almost the same amount, ١٢ (٤٨٪), indicated not to apply CSR at all.

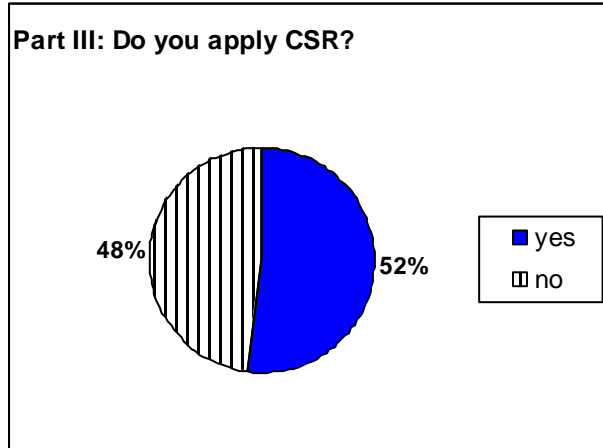


Fig ٧: Part III – Do you apply CSR? (Source: Primary)

Compared to the previous findings in Part II, it can be verified that those, who mentioned on their homepages their CSR activities, effectively conduct CSR activities.

However, this means that although ١٣ companies applied CSR, only ٨ used their homepage to communicate their activities.

### **B. Findings of ١٣ Interviews**

#### **CSR Programs, Activities and Communication**

In a second step the ١٣ CSR conducting businesses answered LTA's questionnaire on which the following findings are based:

٨ out of the ١٣ interviewed businesses stated that they have a CSR program with a yearly allocated budget.



In the case of the other 6 businesses CSR was mainly conducted without a strategic framework. The CSR measures were based on ad-hoc management decisions, responding to mostly outside-driven and repeatedly irregular demand for socially responsible action. CSR was hereby carried out without a yearly allocated budget but was derived either from the marketing and the human resources budget or directly from the revenues.

Three of the 8 businesses with a CSR strategy, established their CSR programs before 2000. In 2002, 4 companies launched their CSR programs. However, in two of these 2002 CSR strategies the companies have decided to join an already existing CSR program of a third business, by contributing mainly financial means. Another program was founded very recently in 2006.

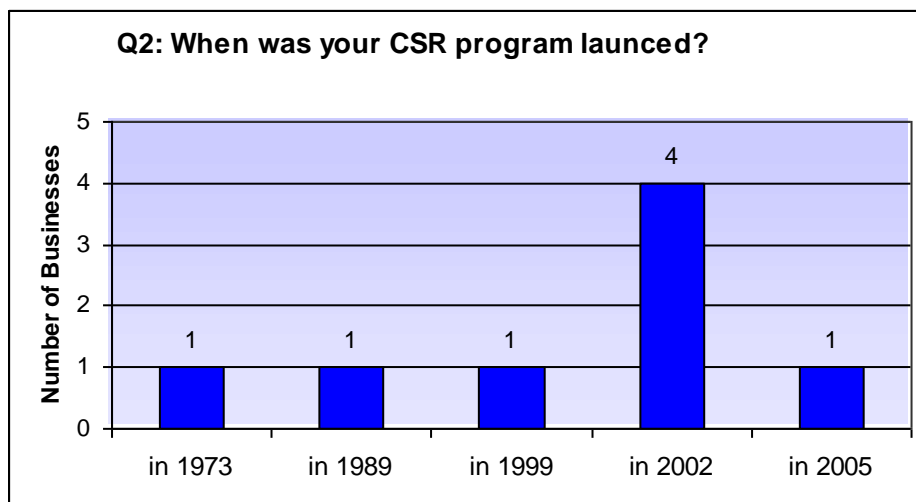


Fig 8: Q2, When were your CSR activities launched? (Source: Primary)

The most popular CSR measures which were utilized by the all 12 companies were *Scholarships and Education* (6), *Environment* (4), *Donations* (4), *In-Kind Donations* (3) and *NGO Support* (3). Others were concerning *Community Provisions*<sup>7</sup> (2), *Sponsorships* (2), *Support of Cultural Events* (2), *Corporate Volunteering* (1), *Employee Programs* (1) and *Suppliers* (1).

<sup>7</sup> Construction work

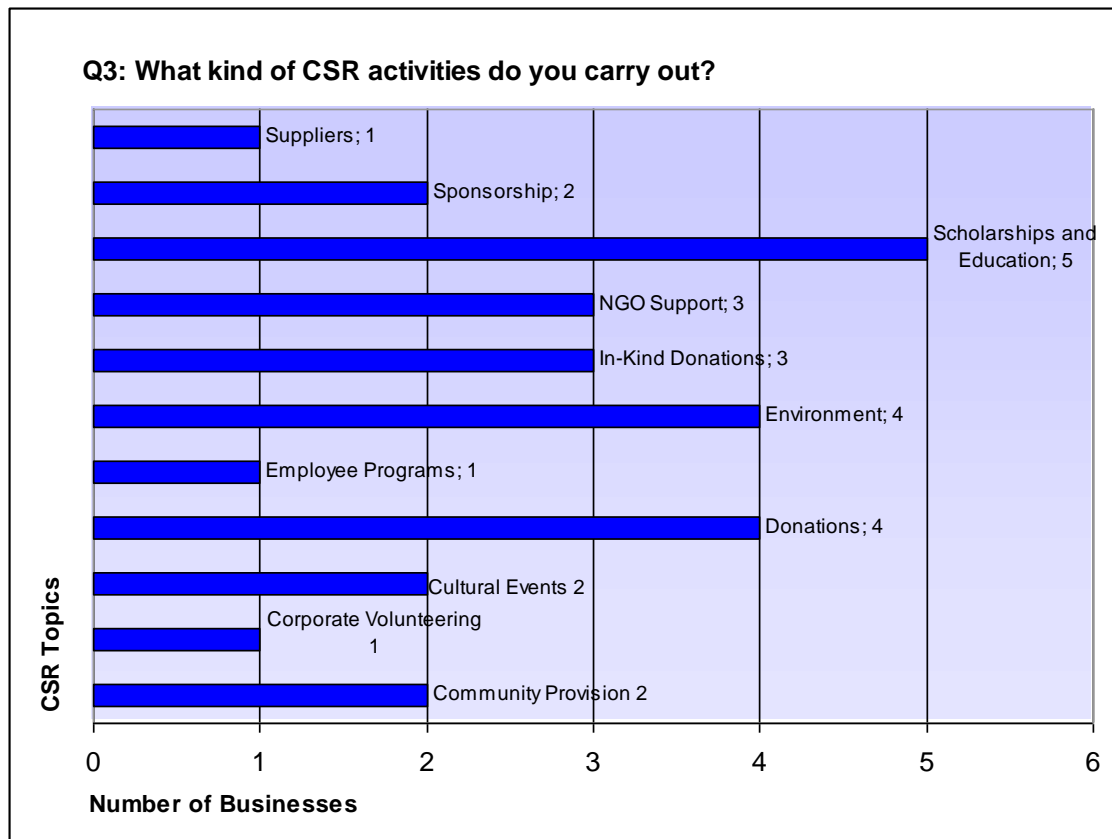


Fig 1: Q3, What kind of CSR activities do you carry out? (Source: Primary)

While 9 of the interviewed companies shared their social efforts with the public, 4 businesses admitted not to use any media vehicles to publish their CSR activities. Moreover, some of the businesses did not see any sense in communicating their CSR efforts. This led us to deduce that the link between CSR activities and corporate PR is not yet recognised as it should be within the Lebanese businesses.

The ones who did however, primarily use their *Homepage* (^) and *Press Releases* (°). Other communication tools were *Press Conferences* (ʏ), *Advertisement and [Media] Campaigns* (ˆ), *CSR Reports* (ˆ), *Newsletters* (ˆ) and *TV* (ˆ).

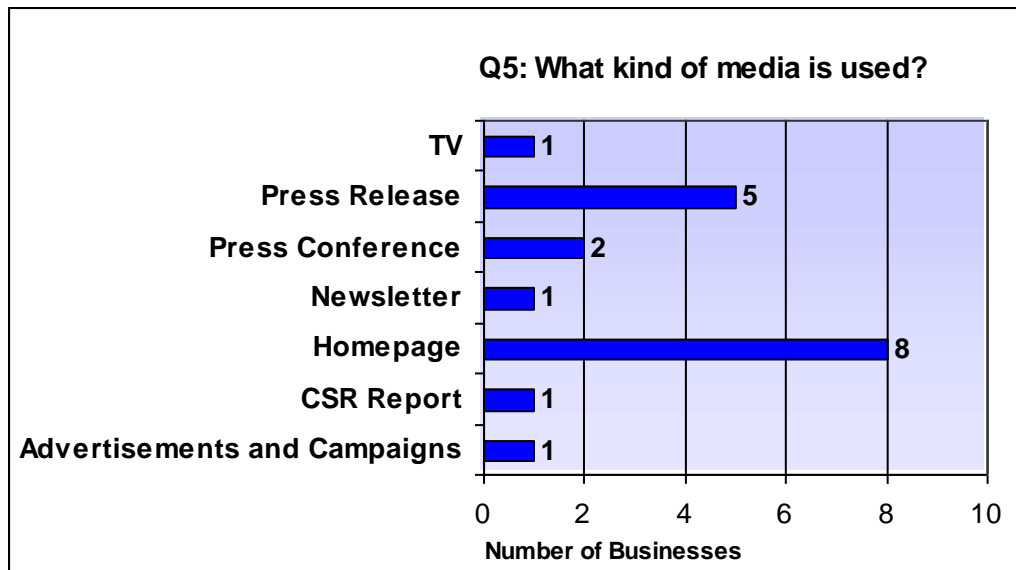


Fig 10: Q5, What kind of media is used [to publish your CSR activities]? (Source: Primary)

### CSR Time Line

LTA's aim was to assess the business' CSR commitment throughout the periods before, during and after the Lebanese war, as well as after the assassination of Prime Minister Rafiq Hariri.

The interview partners who were in the position to respond to the first question, about *CSR before 1990*, were invariably traditional Lebanese businesses. According to their specifications, their CSR measures did principally not changed throughout the years. In other words, if they used to give out scholarships before the war, they kept on doing it consistently until the present.

*During the Lebanese war*, however, most of the companies felt responsible in an exceptional way since the government was partly not able to provide basic infrastructure. Stakeholders like neighbouring communities and employees were benefiting from measures like electricity supply from the company's premises, additional funds, or alternative job creations in case a factory had to be closed. As far as LTA could find out, the contributions were rather philanthropic with a view to do their best to improve living conditions for all kinds of stakeholders.

*In the post-war period*, the strategic concept of CSR began to spread slowly within the country. But even in Europe and the US the idea of integrating social responsibility within a company was a new concept by that time. As shown in

Figure 4, 7 out of 8 companies who established a CSR strategy indicated to have developed their CSR program after 1990. While the traditional firms mostly said that their strategy did not change compared to their regular actions before and after the war, others began to realize that something like CSR exists which could help to develop their business and reputation. One of LTA's interview partners mentioned that CSR became more feasible since 1998, after the first elections since the Lebanese war, when public authorities were re-created.

Unfortunately Lebanon had to absorb another shock in February 2000 with the *assassination of former Prime Minister Rafiq Hariri*. LTA's question was whether this unfortunate event had an impact on the existing CSR activities and programs. Surprisingly, none of the businesses who answered this question said to have changed their strategy after February 2000. The reasons indicated were either that (1) the activities were planned in advance with an allocated budget for it which has not been cut after the assassination, or (2) that political shocks did not affect the business' CSR activities, or (3) that despite all the economic insecurities caused by this event, there was the willingness to show some continuity and therefore to keep on with the way of conducting CSR and business in general.

#### Current State of CSR and Improvement through Public Support

The interview partners were also asked about their personal opinion towards the current state of CSR in Lebanon and how the Lebanese government could help to improve the present situation.

There was a broad consensus of qualifying CSR in Lebanon as *primitive* (1) and *random* (2). However, a majority foresaw a positive development for CSR, saying that *awareness* towards the issue was *rising* (3).

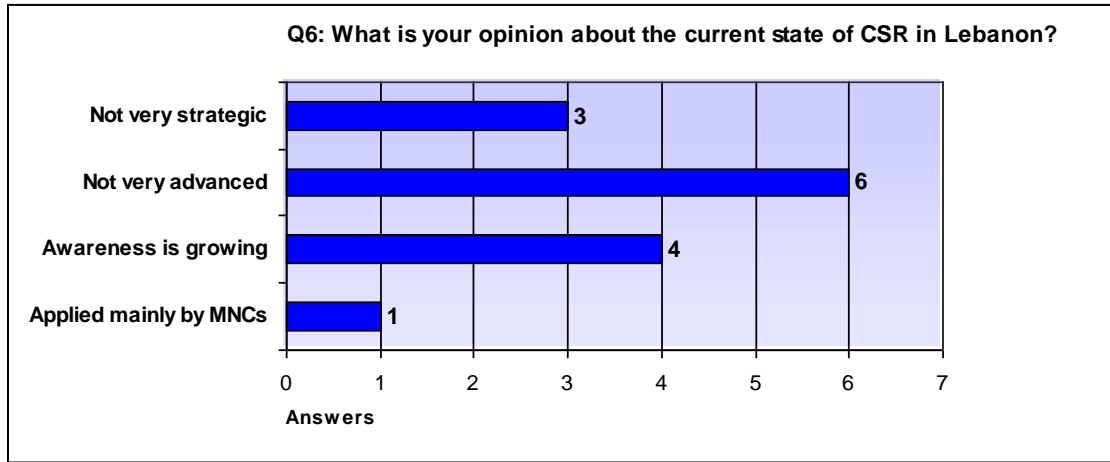


Fig ١١: Q٦, What is your opinion about the current state of CSR in Lebanon? (Source: Primary)

When asked about what the government could do to improve the situation of CSR in Lebanon, the most important measures were seen in *awareness campaigns* (٤) and *tax exemptions* (٤) on CSR activities. Secondly governmental institutions could help building *and foster CSR networks* (٢).

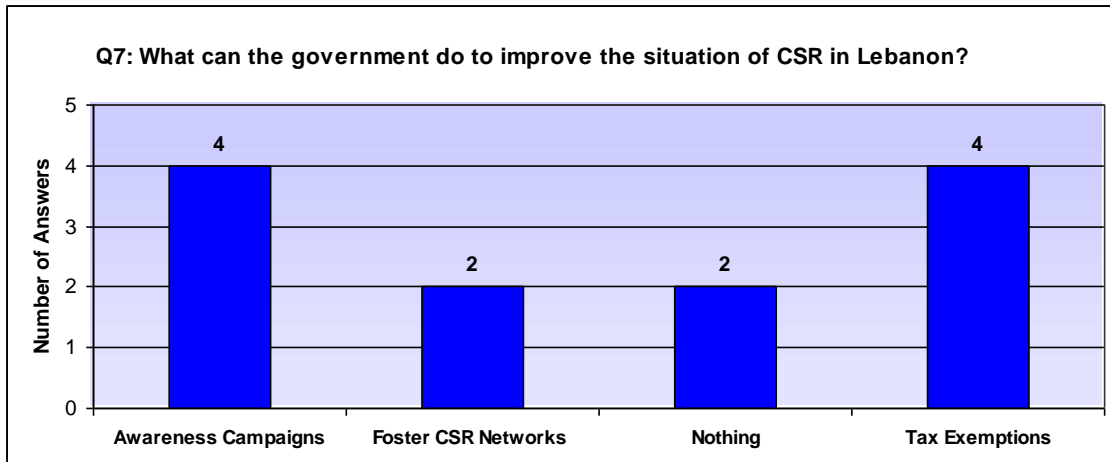


Fig ١٢: Q٧, What can the government do to improve the situation of CSR in Lebanon? (Source: Primary)

To sum up, CSR and CSR alike measures have existed in Lebanon, even before it was acknowledged and converted into a modern management tool.

Traditional Lebanese firms, who applied CSR even before the Lebanese war, have hardly adapted their measures to the present situation. Instead, they continued to support the same stakeholders in the same or very similar way as

they were used to before, and set exceptional social responsible actions during the war.

Most of the recent CSR implementations are based on marketing decisions with the aim to increase the companies' reputation and turnover.

Especially the CSR measures which were not conducted within the scope of a CSR strategy are mainly unstructured and hardly ever integrated into the corporate identity and the day-to-day business. But even as regards the businesses who have a CSR program – or, regularly occurring CSR activities – very often did not integrate CSR within their business strategy or day-to-day business.

Consequently CSR is still in its initial phase with sufficient space to improve.

#### **Part IV – Cases**

A successful CSR strategy should be one pillar of a company's corporate identity. Moreover, a sustainable CSR policy should not consist of unplanned or sporadic actions but should be a constant strategy imbedded in the overall business vision. Hence, the prerequisite of a successful CSR strategy is the commitment of a firm to be socially responsible in all of its actions: way of conducting business, employment policy, environmental protection, community contributions. As a guideline the following roadmap for a successful implementation of CSR can be used:

١. Include CSR in the Mission, Vision and Values Statement of the Corporation
٢. Integrate the CSR principles in their organisation culture values
٣. CSR is included in the Corporate Governance rules of a corporation.
٤. CSR is an Executive Management Responsibility
٥. CSR is part of the strategic planning
٦. CSR is placed under general accountability of the corporation
٧. CSR is integrated within the communication, education and training programs of the corporation
٨. CSR is included within the employee recognition and rewards

## ٩. Social and environmental auditing and reporting cover CSR

Tab ٦: Key Strategies of Implementing CSR (adapted from Hani Hourani/ BSR White Paper, ٢٠٠٥)

In Part IV of the case study four businesses have been selected to illustrate how CSR has been implemented:

### **Case ١, Best Practice - Schtroumpf**



Schtroumpf is a medium sized Lebanese company established in ١٩٨٤. Today Schtroumpf owns two restaurants, in Jounieh and Beirut.

In ١٩٩٩ the company launched its environmental CSR program “Go Green”.

Fig ١٢: Homepage Schtroumpf (Source: Schtroumpf, ٢٠٠٥)

Today, ٢٠% of Schtroumpf's marketing budget is dedicated to this annual environmental project, which is carried out in cooperation with other Lebanese businesses, universities and three ministries. Students are asked to participate on a three-day forum including field trips and a contest based on an environmental theme.

The reason why LTA chose Schtroumpf as best practice is the fact that the CSR theme has been perfectly embedded into the company's business strategy, its day-to-day business and its corporate identity.

To give some examples:

- According to the idea of environmental protection, Schtroumpf decided to use ١٠٠% recycled paper for the paper delivery packaging, napkins and hand towels.
- For the waste to be recycled, employees sort it into plastic, metal and glass.

- For the renovation of the Beirut restaurant the company decided to re-use available material from the building.
- Schtroumpf tries to create awareness towards the environmental issue among its guests. It uses table mats with short environmental protection messages and decorative natural elements in the restaurants.
- The first page of Schtroumpf's homepage is used to spread with the very visible link "our social responsibility" to the Go Green project a clear CSR message.

The day-to-day business is therefore always confronted with the environmental issue. Additionally, Schtroumpf uses its cross-sectoral partnerships to benefit from a strong network. Moreover, Schtroumpf addresses with its CSR strategy directly without serious spreading losses or expenses its main target group, college and university students. "Go Green" communication activities are therefore addressed only among the students and through the homepage, without communicating it actively to a broader audience. The winning design of the "Go Green" competition is yet proactively promoted in all following media campaigns.

### **Case ٢, Traditional Lebanese Business: Khalil Fattal & Fils (KFF)**

One of the most traditional firms, founded in ١٩٢٦, is Khalil Fattal & Fils.



Fig ١٤: Homepage Khalil Fattal&Fils (Source: Khalil Fattal, ٢٠٠٥)

During the Lebanese war, in ١٩٨٧, George Fattal founded the non-profit organisation "Our Lady of Hope Foundation for Education and Teaching" which was since then in charge of all CSR activities of Khalil Fattal & Fils.



The three main drivers behind the foundation were need for the creation of jobs, the improvement of the overall economic situation, and assistance for Lebanese families.

Therefore the “Our Lady of Hope Foundation” decided to emphasise on three main issues: assistance of students (٦٠٪ of the foundation’s budget), assistance to artistic and cultural activities (١٠٪) and other activities (٣٠٪). The main focus lies therefore on the support of under-privileged Lebanese families by providing scholarships to university students (٥٠٠ USD/person/year) and to students of the primary and secondary system (٤٠٠ USD/person/year). In ٢٠٠٥ about ٨٠٠ grants are given out. Its financial sources are Khalil Fattal & Fils, as well as a cultural fund-raising event which is held once a year.

Although communication measures and press relation could be enhanced further, since the media is only integrated into the program once a year during the fund-raising event, two very positive aspects should be mentioned.

For one, on the company’s homepage an extra rubric “community affairs” can be found. It gives all the details about the foundation’s activities, making clear that the NPO is in charge of all of the company’s community activities.

Secondly the “Our Lady of Hope Foundation” publishes its own annual report which is distributed among all participants and recipients. It is therefore the only example in the Part III Sample Group providing such an essential information to the general public.

### Case ٣, Multinational Corporation: Holcim



Holcim Lebanon, founded in ١٩٢٩, is affiliated to Holcim Ltd Group – one of the world leaders in cement and construction materials production, headquartered in Zürich, Switzerland.

Fig ١٥: Homepage Holcim Ltd (Source: Holcim Ltd, ٢٠٠٥)

Holcim Ltd is a member of UN Global Compact, therefore strongly committed to the issue of CSR.

As a local branch Holcim Lebanon adopts its CSR activities according to a company-wide strategy adjusting its program to specific local needs. Doing so, Holcim Lebanon uses ٦ pillars for its CSR activities:

١. *Business Conduct*: All staff members sign a written commitment to the business principles of Holcim, including the business' Corporate Governance, Corporate Social Responsibility, Sustainable Environmental Performance, Competition Rules, and Principal Agent Problems (Moral Hazard) like Corruption or Insider Trading.
٢. *Employment Practices*: Holcim Leban is an equal-opportunity employer, offering social benefits to employees and having ٩٨% of the employees unionized.
٣. *Occupational Health & Safety* aiming at ٠% accidents.
٤. *Community Involvement*: ٣٠٠,٠٠٠ USD per year are allocated for the following community CSR activities:
  - Two water-provision projects in and near Chekka.
  - Open Doors policy which offers tours through the plants for all citizens and local authorities.
  - Stakeholder Dialog with local citizens, authorities and environmental NGOs has been initiated.
٥. *Customer and Supplier Relations*: All suppliers are assessed on their level of sustainability programs.
٦. *Monitoring and Reporting Performance*: Continual evaluation of programs and activities along with the issuing of a Sustainable Development Report (٢٠٠٥ first issue).

This way of conducting CSR was the most formalized that LTA could find within the Part III Sample Group.

Holcim Ltd and Holcim Lebanon therefore are a good example of how a MNC conducts CSR in the way it makes sense most: first to formalize a strategy which can and has to be used by each branch in adaptation to the local market.

### **Case ٤, Outsourcing of CSR: Fondation Saradar, Help Lebanon, AVS**

With interviewing three NPOs, *Association for Volunteer Services (AVS)*, *Fondation Saradar* and *Help Lebanon*, LTA was able to find another perspective how CSR can be affected.

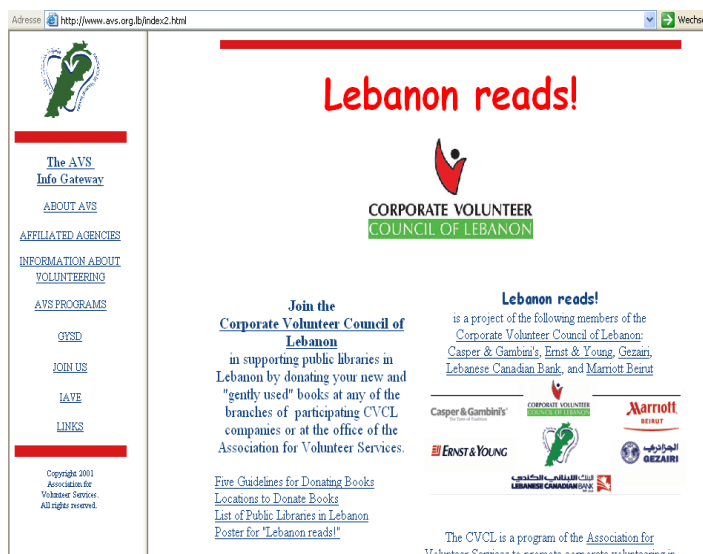


Fig ١٦: Homepage AVS (Source: AVS, ٢٠٠٥)

AVS (Association for Volunteer Services) is a Beirut based NGO for volunteering. In ٢٠٠٤, AVS established the Corporate Volunteer Council of Lebanon (CVCL) under the patronage of Mr. Marwan Hamade, the former Minister of Economy and Trade.

AVS offers various volunteering programs, one especially developed for Corporate Volunteering, called “Lebanon Reads”. Its aim is to collect books for public libraries. Participating companies act as both, “book donators” as well as “collectors” – anyone who would like to donate a book is invited to drop them at any of the branches of the participating company or at the AVS office. By the time being, five companies support the program.



Fondation Saradar was created in ٢٠٠٠ as a Group Saradar spin-off, in charge of two different programs: an internal

program for Saradar employees called “Access to Education and Health Programme” and an external

Fig ١٧: Fondation Saradar (Source: [Saradar](#), ٢٠٠٥)

program “Saradar IT Programme (SITP)”, a mobile IT training center.

SITP is integrated in a caravan travelling throughout the country to provide free computer training courses to disadvantaged members of the Lebanese society. As for the funds various firms contribute as long-term program partners. Besides this the foundation cooperates with municipalities and other NGOs.



Help Lebanon is one of the most traditional NGOs in Lebanon, active since ١٩٧٨. Ever since its existence, Help Lebanon was responding to various problems, such as education or psychological help for Lebanese children traumatized from the war.

Fig ١٨: Help Lebanon (Source: [www.archnet.org](http://www.archnet.org), ٢٠٠٥)

Today, Help Lebanon is concentrating on two topics: environment and the embellishment of specific neighbourhood city-shapes. With the help of two main sponsors (both are Lebanese companies) and various artists, the living standards of the communities of Karam al-Zaytun and colline des hirondelles were upgraded considerably because of the colourful painted facades.

All of the above mentioned NGOs are financially supported by corporations. For businesses who do not wish to build up their own CSR program this could be a reasonable alternative. However, companies who “source their CSR activities out”, should still integrate this way of acting socially responsible into their business strategy.

## **Conclusion.**

Although it has been ١٥ years since the end of violence, Lebanon is still officially going through a process of reconstruction which has been facing a lot of obstacles because of corrupt and unethical practices in both the private and public sectors.

Political driven constraints and the influence of corrupt politicians that defines the nature of corruption in Lebanon have also slowed the reconstruction process which in turn slowed the efforts of promoting good corporate governance among the Lebanese firms.

However, we have been noticing recently an increase in awareness from the public to the negative impacts of corruption and lack of transparency on the domestic economy. They realise that there is a direct relationship between good corporate governance, fighting corruption, transparency, and increase in FDI.

CSR as a concept and as a practice in Lebanon, we have found is dependant on the level and situation of Corporate Governance. In Lebanon it is inevitable that the issue will continue to rise in importance as a need and as a recognised potential within private sector decision makers and corporate consultants.

The assassination of former Prime Minister Rafiq Hariri, which was a huge shock to all Lebanese society, has caused a rather unprecedented effect which was evident through the communication of few firms in the Lebanese market.

Many companies have noticeably changed in the manner to which they communicate to their market by adopting a new language that speaks to the collective thought of Lebanese society. Many companies followed the general Lebanese mood. (For example messages such: *Independence Vs. Dependence* and *Say no to war*).

By becoming more sensitive and by quickly adapting and following the current mood, companies are realizing that they function within a community and that they should be more sensitive to its need.

Hence, an awareness campaign on CSR targeting the private sector is needed and is essential to improve the state of CSR in Lebanon.



## **Appendix I**

### List of Companies Interviewd in Sample I and II:

ABC, Aishti, AlBinaa, Alfa, Aramex, Banque Audi, Banque de la Mediterranee, BLOM Bank, Bonjus, Brasserie Almaza/ Heineken, Byblos Bank, Ciment de Sibline Sal, Dar el Founoun, Executive Magazine, Fransabank, Future Television, G. Vincenti & Sons, Geo Projects, Hawa Chicken, Holcim Liban, HSBC, Indevco, Intercontinental, Khalil Fattal & Fils Sal, Khatib & Alami-consolidated Engineering Company, Lebanese Broadcasting Corporation International, Lebanon Fast Food, Liban Post, M.O. Gandour & Sons, Middle East Airlines, MTC Touch, NOCC (Network Operations and Consultancy Center), Patchi Sal, Red Bull, Sanita Sal, Schtroumpf, SGBL, Société National D'Assurance, Spinneys, Tetra Pak.



**Appendix II**

## List of Companies Interviewd in Sample III:

The ٢٩ participating companies in the second round of the assessment are ABC, Aishti, Albina, Brasserie Almaza/ Heineken, Bonjus, Byblos Bank, Dar el Founoun, Executive Magazine, Future Television, G. Vincenti & Sons, Hawa Chicken, Holcim Liban, Indevco, InterContinental, Khalil Fattal & Fils Sal, Khatib & Alami-consolidated Engineering Company, Lebanese Broadcasting Corporation International, Lebanon Fast Food, Liban Post, M.O. Gandour & Sons, Geo Projects, MTC Touch, NOCC (Network Operations and Consultancy Center), Red Bull, Sanita Sal, Schtroumpf, SGBL, Societe National D'Assurance, Tetra Pak.

## Appendix III

### Questionnaire

#### **“Corporate Social Responsibility (CSR) in Lebanon”**

٢. Do you have an existing CSR program?
٣. When was it launched?
٤. What kind of CSR activities do you carry out?
٥. Do you have a yearly allocated budget for your CSR activities?  
If not, from where do you obtain the funding?
٦. Are your CSR activities communicated to the public in any way? If so, how often and what kind of media is used?
٧. What is your opinion about the current state of CSR in Lebanon?
٨. What can the government do to improve the situation of CSR in Lebanon?
٩. LTA is assessing the state of CSR throughout the following periods:
  - i. CSR before the start of the civil war
  - ii. CSR during the civil war (١٩٧٥ – ١٩٩٠)
  - iii. CSR after the civil war (١٩٩٠ – February ٢٠٠٥)
  - iv. CSR after the assassination of PM Rafiq Hariri (February ٢٠٠٥ – Present)In your opinion, did the scope and nature of CSR activities change over the above indicated periods?

## LTA MISSION & APPROACH

### ***The Mission***

The Lebanese Transparency Association aims to curb corruption in its various forms in different sectors of society and state. It also aims to promote the principles of transparency and accountability, establish the rule of law, and strengthen respect of basic rights as declared in international charters and the Lebanese Constitution.

### ***The Approach***

LTA resorts to any means necessary to improve the quality of public life and to empower civil society in promoting the values of integrity and transparency. Further, LTA may use any legal initiative or activity to achieve this goal, including but not limited to: organizing workshops, seminars, conferences and lectures; publishing studies, suggesting new or revised laws; issuing and distributing periodical or non-periodical publications with other specialized parties; monitoring corruption, preparing reports, raising awareness and educating the Lebanese public about their rights and duties relating to corruption.

Further examples of LTA methods include:

- Raising citizens' awareness about their rights, corruption, its causes, consequences and its cost at all levels within society.
- Empowering the youth to reject corruption and participate in promoting transparency and accountability
- Improving the Lebanese legislation related to transparency, accountability, or corruption
- Coalition building with similar organizations whether international, public or private institutions committed to combating corruption
- Cooperation with the media encouraging it to unveil the truths, strengthen integrity and promote transparency in the practices of public and private institutions