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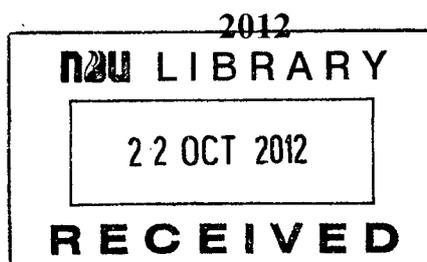
Bordeaux Management School
Institute of International Business

**Application of Corporate Social Responsibility of Multinational
Companies in the Middle East and North Africa region
and its importance
(The AXA Case)**

**A Thesis Submitted in Partial Fulfillment of the
Requirements for the Joint Degree of the Master of Business
Administration (M.B.A.) and the Master of Science in
International Business (M.I.B.)**

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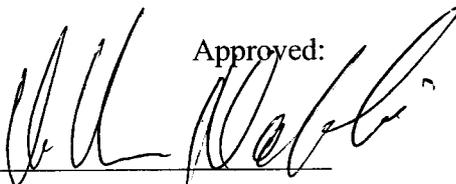
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**APPLICATION OF CORPORATE SOCIAL
RESPONSIBILITY OF MULTINATIONAL
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AFRICA REGION AND ITS IMPORTANCE
(The AXA CASE)**

BY

RANA ELIE SAAD

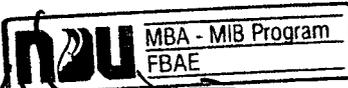
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DECLARATION

I hereby declare that this Thesis is entirely my own work and that it has not been submitted as an exercise for a degree at any other University.

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ABSTRACT

Nowadays, business is not just about making profit; it involves optimizing resources in order to maximize stakeholders' benefits. Today's global market relies on Multinational Corporations (MNC) whose ever-increasing impact on global economy made their Corporate Social Responsibility (CSR) policies more open to public scrutiny. The media, non-governmental organizations (NGOs), and activist groups have constantly questioned activities of MNCs in developing countries, particularly with regard to issues such as forced labor, bribery, and so on.

This present study focuses on these MNCs' CSR practices on the level of their subsidiaries in the MENA region (AXA in Lebanon). It argues that these practices are well organized and occupy a significant part of these MNCs' efforts, as they encourage their subsidiaries to be more involved and committed.

To be able to attain this study's objectives, a survey was administered to the MNCs' subsidiary's employees in Lebanon and an interview was conducted with the concerned figures in this company and the group. The results of the questionnaire were statistically processed using SPSS and thoroughly analyzed qualitatively and quantitatively, based on previous research.

Specific research questions were answered regarding the implementation of international CSR in the MENA while considering it a competitive advantage and specifying the areas of interest.

The latter compiled, helped in the development of the current status of international CSR in the MENA and more specifically in an MNC's subsidiary in Lebanon. Thus recommendations and future prospective were identified.

Keywords:

Multinational Corporations, Corporate Social Responsibility, MENA region, Stakeholders, Implementation

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LIST OF ABBREVIATIONS

ACAL	Association of the Insurance Companies in Lebanon
BE	Business Ethics
BiTC	Business in the Community
BOD	Board Of Directors
BRIC	Brazil, Russia, India and China
CC	Corporate Citizenship
CCRO	Chief Corporate Responsibility Officers
CDP	Carbon Disclosure Program
CEO	Chief Executive Officer
CERES	Coalition for Environmentally responsible Economies
CP	Corporate Philanthropy
CSO	Civil Society Organizations
CSP	Corporate Social Performance
CSR	Corporate Social Responsibility
CSRS	Corporate Social Responsiveness
DJSI	Dow Jones Sustainability Index
EEB	Energy Efficiency in Buildings
ESG	Environment, Society and Governance
FDI	Foreign Direct Investment
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GEP	Global Economic Prospects
GM	General manager
GRI	Global Reporting Initiative
ILO	International Labor Organization
IMF	International Monetary Fund
ISCT	Integrative Social Contracts Theory
KPI	Key Performance Indicators
MB	Management Board
ME	Middle East
MEDLA	Middle East and Latin America

MENA	Middle-East and North Africa
MGD	Millennium Development Goals
MNC	Multinational Company
MNE	Multinational Enterprise
NGO	Non Governmental Organization
OECD	The Organization for Economic Co-operation and development
SBU	Strategic Business Unit
SLF	Société Libano-Française d'Assurances et de Réassurances
SME	Small and Medium Enterprises
SRI	Socially Responsible Investment
TNC	Transnational Company
UAP	Union des Assurances de Paris
UNGC	United Nations Global Compact
WB	The World Bank
WBCSD	World Business Council for Sustainable Development
WCCG	World Council for Corporate Governance
WECD	World Commission on Environment and Development
WTO	World Trade Organization
WWF	World Wildlife Fund

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CHAPTER 1

INTRODUCTION

1.1 GENERAL BACKGROUND ABOUT THE TOPIC

*"In terms of power and influence you can forget about the church, forget politics. There is no more powerful institution in society than business... The business of business should not be about money, it should be about responsibility. It should be about public good, not private greed." - Anita Roddick, **Business as Usual***

This is what the business environment is all about when it comes to good practices and healthy trade, where business ethics managed to obtain an undisputable reputation of fundamental and inevitable. Business ethics have proven to be the most vital foundation of companies many decades if not centuries ago; Ethics emerged at the most primitive times of humanity, way before technology, when Aristotle, Socrates and Plato were drawing the philosophy of life and societies.

Business ethics went through a lot of changes and developments through the last recent years with a lot of infamous events that influenced every aspect of the business world and its components. These events contributed to the integral incorporation of ethics in business and thus stressed on the importance of Corporate Social Responsibility (CSR) to those who are trying to achieve a certain level of sustainability having no other choices but to highlight their ethical and responsible practices and being ready to undertake the consequent scrutiny of the marketplace and stakeholders.

During the 18th century Adam Smith – philosopher and economist - articulated the classical economic model of business which suggested that an adequately tolerant interaction of individuals and organizations in the marketplace could easily meet the needs and expectations of society at large. Smith acknowledged that the free market did not always perform perfectly and he stated that marketplace participants must act truthfully and fairly toward each other if the agreed standards of the free market are to be achieved. In the following century, the Industrial Revolution caused a radical change,

especially in Europe and the United States, where many of the principles set by Smith were supported as the introduction of new technologies induced a more efficient production of goods and services. The latter contributed to the improvement of the standard of living with an increase in job opportunities, wages, corporate power and wealth. During the late 19th century a new philosophy called "Social Darwinism" was adapted by most of the businesses and societies and relied on the principles of natural selection and survival of the fittest. This encouraged successful corporations to adopt brutally competitive strategies while ignoring its impact on employees, the community, or the larger society; nevertheless, the majority of this century's tycoons were among the greatest philanthropists, but at the individual level not on the behalf of their companies. These same companies that were providing them with enough wealth to practice philanthropic activities were operating in exploitative manners according to today's standards. Large corporations using such methods became greatly criticized by the beginning of the 20th century, they were regarded as being too powerful and practicing antisocial and anticompetitive practices which encouraged the formulation and enforcement of related laws and regulations such as the Sherman Antitrust Act (1890) and the Clayton Antitrust Act (1914), usually associated to the "social gospel" movement which promoted greater attention to the working class and the poor. The business concept was revolutionized between 1900 and 1960 as it gradually started to assume additional responsibilities besides obeying the law and making profit.

In the 1960s and 1970s, societies faced a period of unrest following a series of drastic events such as Teamsters' leader Jimmy Hoffa fraud conviction, conspiracy and jury tampering, and scandals among defense contractors and corporations. At the same time employees and employers began to have a real adversarial relationship which drove corporations to establish codes of ethics and thus the CSR movement came to light. The 1980 saw turmoil, conflict, greed, great poverty and great prosperity. Aids, terrorists, crack, and homelessness were headlines. Financial fraud surfaced through the savings and loan scandal and loyalty to employers decreased dramatically. Wall Street introduced insider trading and junk bonds. There were assassination attempts, Chernobyl, Mount Saint Helens, and the Exxon-Valdez. The 1990s were the time when technology truly began to become a part of everyday life in business, communication, recreation, and

basic human interaction. Exxon paid \$ 4.84 Billion dollars in fines and cleanup of Valdez oil spill. Outgrowth of global opportunities for companies, unsafe work practices, child labor issues and environmental issues began gaining prominence and financial mismanagement made the news. The economic growth of the 2000s had considerable environmental consequences, raised demand for diminishing energy resources, and was still shown to be vulnerable as demonstrated during the Global Financial Crisis of the late 2000s¹. Ultimately financial mismanagement problems, intellectual property theft, cybercrime and personal privacy surfaced especially that E-commerce was witnessing a huge development. Passage of Sarbanes Oxley Act (SOX) of 2002 attempted to control the financial mismanagement issues eroding the integrity and confidence of corporations and their stakeholders.

The civil rights movement, consumerism, and environmentalism altered society's expectations of business emphasizing on equal employment opportunity, product safety, worker safety, and the environment. Accepting the idea that great power assumes great responsibility, the business world tended to be more proactive in controlling societal problems and participating in solving them even if they didn't contribute to their creation; thus corporations are supposed to go beyond their economic and legal commitments and undertake responsibilities related to the betterment of society. This view of corporate social responsibility is the prevailing view in much of the world today.

CSR has become universally recognized due to globalization- the worldwide movement toward economic, financial, trade, and communications integration implying the opening of local and nationalistic perspectives to a broader outlook of an interconnected and interdependent world with free transfer of capital, goods, and services across national frontiers²- which is defining business in the scope of ethics, responsibility and accountability; as a matter of fact corporations thrive to compete at a much higher level trying to mark their territories and achieve a deeper penetration into the most valuable and essential markets. CSR is the key to today's success and tomorrow's sustainability.

¹ Roubini, Nouriel (2009). "10 Risks to Global Growth". Forbes.

² <http://www.businessdictionary.com/definition/globalization.html>

Sustainable development has become one of the most sought-after achievements. Business sustainability demonstrates resiliency over time – businesses that can endure shocks due to their intimate connection to healthy economic, social and environmental systems. “These businesses create economic value and contribute to healthy ecosystems and strong communities”³.

Economic growth and environmental problems have been strongly linked and described as antagonist components of the current business world, thus stricter environmental regulation hinders economic growth creating unavoidable developmental trade-off, inhibiting business opportunities. However, scarcity of resources at the different levels triggered the awareness towards sustainable development which is managed to revolutionize the ideology of environmental protection, social wellbeing and economic development simultaneously.

“For the business enterprise, sustainable development means adopting business strategies and activities that meet the needs of the enterprise and its stakeholders today while protecting, sustaining and enhancing the human and natural resources that will be needed in the future.”⁴

The above definition, proposed by the World Commission on Environment and Development (WECD), clearly highlights that a business have to meet the needs of the enterprise as well as its stakeholders, including shareholders, lenders, customers, employees, suppliers and communities who are affected by the organization’s activities. In addition, it underlines the dependence of business on natural and human resources, physical and financial capital which accentuates the necessity of adequate use of resources as they must not be exploited or destroyed.

However, sustainability must be integrated into the core management of a company, especially when it comes to decision making. The below figure shows the elements of

³ <http://lexicon.ft.com/Term?term=business-sustainability>

⁴ Business Strategy for Sustainable Development: Leadership and Accountability for the 90s. (1992). International Institute for Sustainable Development in conjunction with Deloitte & Touche and the World Business Council for Sustainable Development.

sustainable decision making that should be adopted by every corporation looking for achieving a better and stronger structural operating process.

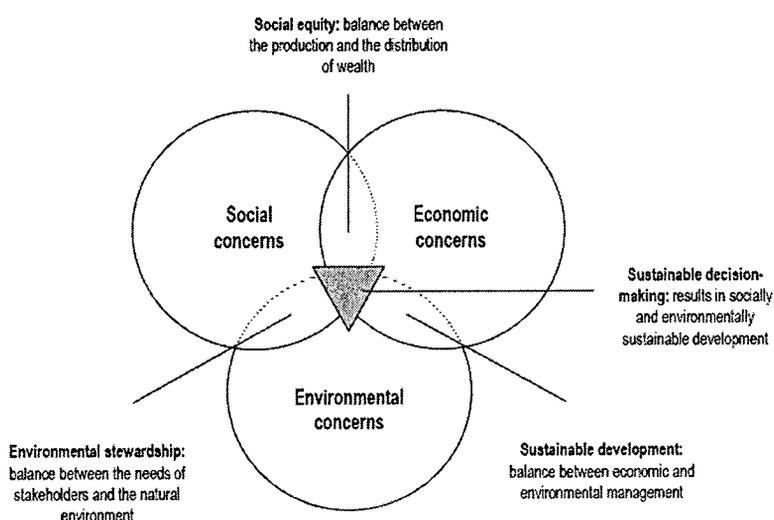


Figure 1.1: Elements of sustainable Decision Making

Source: McPhail, K. (1998)

Nowadays, any loophole is immediately highlighted by rivals in the market's current fierce competition. Shell was the subject of a scandal in 2004 when "The New York Times reported that internal Shell documents and other data indicated that Shell had overestimated its proven oil reserves in Oman by as much as 40%"⁵ which was behind a massive wave of complaints regarding the company's transparency and integrity.

However, ethics can be costly when it comes to business, thus incentives are sometimes highly needed. This is accurately represented by the many cases of oil companies operating in Asiatic and African developing and totalitarian countries such as Total in Burma and Angola where they are driven by economic incentives that are behind their apparently socially responsible behavior.

"If a corporation cannot operate without contributing to human rights violations, it should stay out. If a corporation chooses to locate in Burma, it faces demanding positive duties, since rights are disregarded by government and ineffectively advanced by the international community. These positive duties depend on the relative power of the

⁵ <http://www.dailystar.com.lb/Business/Middle-East/Apr/17/Shell-scandal-points-to-exaggerated-estimates-of-oil-reserves.ashx#axzz1rXJJgRHO>

corporation; the more powerful the more extensive the duties. A corporation such as Total Oil in Burma, which is a major player in its oil industry, thus has extensive duties to promote human rights in that country... A survey of oil service firms operating in Angola suggests that, in practice, oil company policy on CSR is mainly driven by economic incentives (it is good for business) rather than by ethical considerations (it is the right thing to do). The lack of accountable public institutions in Angola, and the central position of oil firms in the Angolan economy, provides a case for demanding greater CSR activities from multinational firms operating in the country.”⁶

In fact, business nowadays has more purposes than to just maximize profits to owners and shareholders; it should ethically optimize its resources in order to enhance profitability and increase its value to stakeholders instead of just operating within the letter of the law. Every decision has to take into consideration long term business value and thus businesses are expected to possess good ethical values and act socially responsible, knowing that not every unethical behavior is illegal; this is insured by gathering an adequate combination of responsibility at the different levels of the corporation’s hierarchy.

Higher authorities within the organization should possess the beliefs and demonstrate the values that they want to see their employees have by obeying to the corporation’s code of ethics and to their cultural and social agreed values. With great authority come great power and a greater chance of unethical behavior where decision makers would overlook their values in order to reach their goals thus “Ethics is not just talking about the right thing. It is doing what is right in every decision that is made”⁷, the latter is actually accountable through companies’ CSR practices.

CSR proved to be the most valuable intangible asset a firm can acquire today; stakeholders’ response to such responsible behavior offers a unique competitive advantage to socially responsible companies. CSR’s understanding depends on the cultural background and contextual perception of corporations, their society and the

⁶ Kolstad, I. (2007). Corporate Social Responsibility of Multinational Corporations. CMI Chr. Michelsen Institute. Bergen Norway

⁷ Griffin, Ricky W. (1993). Management 4th Edition. Geneva: Houghton Mifflin.

world at large. The definition of CSR itself has evolved over time and is a contested concept (Moon, 2002b). It is viewed by the World Business Council for Sustainable Development (WBCSD) as “the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life”(WBCSD, 2002). For the European Commission, CSR is “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (EC, 2001). However, this will be thoroughly discussed in Chapter 2.

Nonetheless, this controversial initiative went through different evolving phases before setting on universal definitions and understanding; they are illustrated in Figure 1.2.

	Phases of Corporate Social Responsibility	CSR Drivers	CSR Policy Instruments
CSR ₁ 1950s–1960s	Corporate Social Stewardship Corporate philanthropy—acts of charity Managers as public trustee-stewards Balancing social pressures	Executive conscience Company image/reputation	Philanthropic funding Public relations
CSR ₂ 1960s–1970s	Corporate Social Responsiveness Social-impact analysis Strategic priority for social response Organizational redesign and training for responsiveness Stakeholder mapping and implementation.	Social unrest/protest Repeated corporate misbehavior Public policy/government regulation Stakeholder pressures Think-tank policy papers	Stakeholder strategy Regulatory compliance Social audits Public affairs function Governance reform Political lobbying
CSR ₃ 1980s–1990s	Corporate/Business Ethics Foster an ethical corporate culture Establish an ethical organizational climate Recognize common ethical principles	Religious/ethnic beliefs Technology-driven value changes Human rights pressures Code of ethics Ethics committee/officer/audits Ethics training Stakeholder negotiations	Mission/vision/values statements CEO leadership ethics
CSR ₄ 1990s–2000s	Corporate/Global Citizenship Stakeholder partnerships Integrate financial, social, and environmental performance Identify globalization impacts Sustainability of company and environment	Global economic trade/investment High-tech communication networks Geo-political shifts/competition Ecological awareness/concern NGO pressures	Intergovernmental compacts Global audit standards NGO dialogue Sustainability audits/reports

Figure 1.2: Evolving phases of CSR

Source: Dunn (2007)

Despite the absence of a universally accepted definition of CSR, there is no doubt that it concerns the way a company governs the relationships with its various stakeholders; it is manifested at different levels as well as it is promoted by various actors as shown in Figure 1.3.

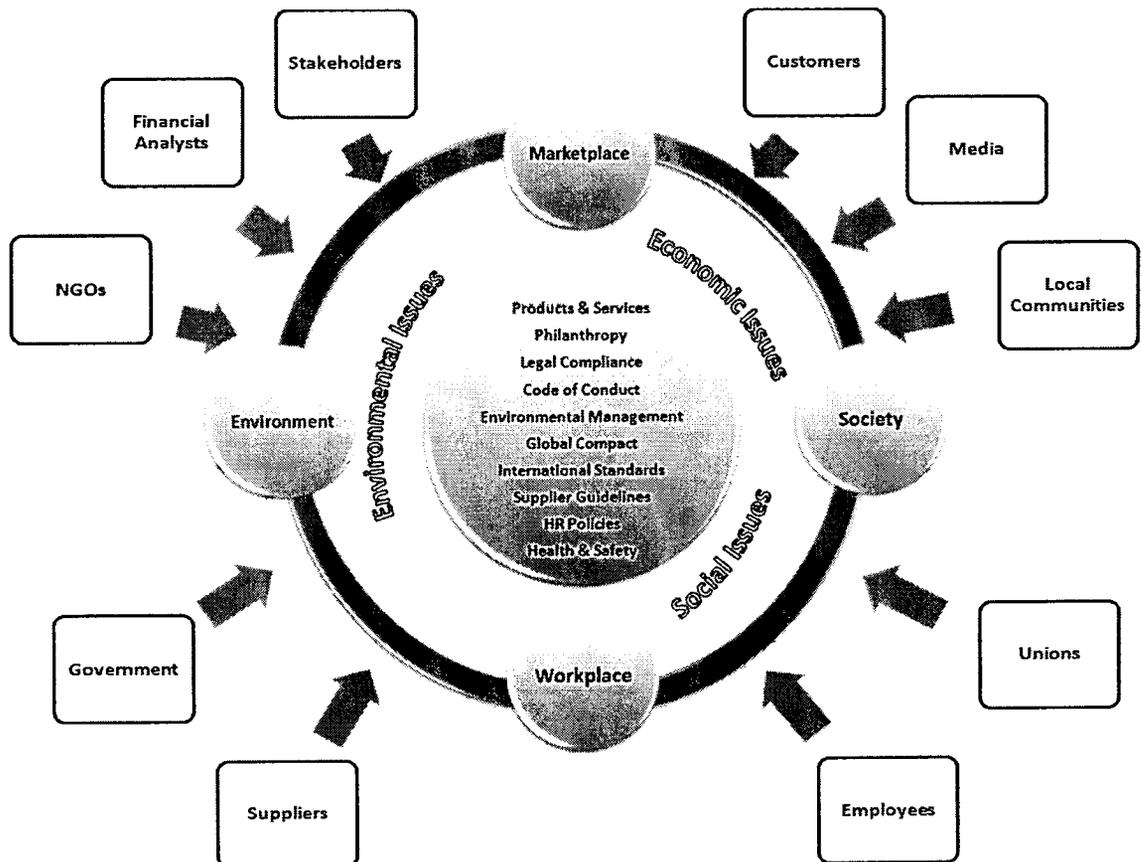


Figure 1.3: CSR components at the level of involved stakeholders

According to most researchers, a stakeholder is an individual or group that is affected by an organization's procedures, policies, and activities. Some, such as employees and owners, possess legal rights and expectations; others may not have legal rights, but may perceive that they have moral rights related to the organization's operations.

All companies, especially large corporations, have multiple stakeholders. Stakeholder groups are classified as primary and secondary stakeholders.

Primary stakeholders have direct interest/stake in the organization: shareholders, employees, customers, business partners, communities, future generation, the natural and the environment. Secondary stakeholders, in contrast, are public/special interest groups that do not have a direct stake in the organization but are indirectly affected by its operations: state, government, regulatory bodies, civic institutions, special interest groups, trade, industry, media and competitors.

The above illustrates the general spectrum of CSR. This newly introduced business concept is the subject of many studies nowadays especially that it has been linked to almost every corporate giant in almost every industry. As it constitutes a vital component of today's business institutions and their operations, this present study was the answer to the following empirical void.

1.2 NEED FOR THE STUDY

The fall of Enron and WorldCom stimulated greater scrutiny of today's business practices of publically recognized corporations. Thus, CSR managed to become a critical component of MNCs' existence especially that they are the most prone entities to public surveillance and accountability in today's dynamic market. However, most CSR research yet investigated CSR practices at the domestic level of MNCs, their home countries, disregarding at the other end, host countries which represent a new challenge to every company when deciding to go global.

The unethical behavior that some companies try to cover up is not tolerated anymore, as societies are increasingly discovering the importance of sustainable development and CSR.

A need existed to extend research on CSR to MNCs' host countries, in particular developing countries in the MENA region in order to understand the impact that an MNC can have on its subsidiaries in such countries. This study contributes to a better understanding of the implementation and applications of CSR practices and strategies of MNCs in the MENA region especially in Lebanon, as well as discovering the difference

in the degree of awareness and concern in such entities at the management level and the extent of employees' responsiveness to the concept of CSR.

1.3 PURPOSE OF THE STUDY AND RESEARCH QUESTIONS

What is the ultimate overall spectrum of the implementation of CSR of MNCs when it comes to the mother company compared to its subsidiaries? How do they determine the subsidiary's performance? Do they adapt their strategies to the host market?

To what extent the MENA region is a receptive medium for CSR development? What are the CSR levels that MNCs focus on in the MENA region? Can CSR management and application be considered a competitive advantage in the MENA region as much as in other regions? How does each pillar influence the commercial status of the entity as a whole?

Where do employees fit in the company's CSR practices? Do they relate to their management in terms of belongingness to CSR activities and plans? What is the degree of awareness among these internal stakeholders? How deep does their commitment reach in terms of CSR appreciation?

This study tries to deeply penetrate and dissect CSR in the MENA region and this new trend's significance when it comes to meeting the latest standards of commercial trading and marketing.

In order to be able to better classify CSR and its different pillars, the particular case of AXA Middle-East (subsidiary of AXA group) which is one of the leading insurance and financial institutions in the region and in the world was thoroughly analyzed as an example of an MNC's subsidiary operating in Lebanon which is situated in the MENA region.

The objective of this thesis is to show how an MNC's subsidiary behaves in a MENA region host country, in terms of CSR as a strategic choice for the well being of the company and its stakeholders. This will be achieved by conducting an interview with the CSR Officer of AXA group's MEDLA region unit and with the CSR Officer of AXA ME in Lebanon, in order to compare and qualitatively identify the differences as for the perception and implementation of CSR. On the other hand, a questionnaire was

developed to be a quantitative measure of CSR perception and stakeholders' expectations; this study only examined perceptions of internal MNC's stakeholders - employees - who are implementers of the management's CSR strategies while being subject to these practices' impacts.

All combined, a broad picture could be drawn about CSR of an MNC in one of its subsidiaries in the MENA region for a better understanding of today's position of such markets towards such strongly embraced initiatives.

1.4 INTERNATIONAL PERSPECTIVE

The fast changing time zone that the world is living in, along with the rising problems that populations worldwide are facing i.e. ozone depletion, global warming, child labor, discrimination, poverty; are emphasizing on the importance and capabilities of CSR in enhancing today's world for a better tomorrow. Stakeholders are getting more powerful due to their increasing attentiveness with the fast pace of globalization and international trade.

In parallel, the growing number of international criteria and standards that corporations are being compelled to abide by, in order to fit in the market and try to outperform their competitors, are getting more stringent and demanding especially when it comes to MNCs which have to deal with several different cultural expectations and principles.

Regardless of the company's nationality, industry and influence, CSR has become a powerful tool that such entities have to use efficiently in order to survive today's fierce competitions.

In addition, the study highlights MNCs and their subsidiaries' practices which is an indicator of the universal significance of CSR; above all, the studied case is one of the most influential and powerful MNC in the world, AXA occupied the 14th spot on the Fortune's Global 500 World's largest corporations for 2011.

1.5 BRIEF OVERVIEW OF ALL CHAPTERS

The introductory chapter is a brief overview of the subject. Chapter 1 introduces the main concepts existentially linked to corporate social responsibility: business ethics,

sustainability and globalization. It exhibits CSR through its different evolving stages while highlighting the most important historical events that contributed to its development. Then it situates CSR in today's world and underlines its importance as well as involved stakeholders. In this chapter, the researcher determines the need for this present study by defining the research questions which guided him towards reaching the purpose of discovering CSR implementation of an MNC in its subsidiaries in the MENA region. Finally, the international perspective of this topic and this thesis as well are identified.

Chapter 2 reviews the literature related to the topic of this present study. It starts by setting a clear definition of a Multinational Corporation (MNC), its considerations and suggested organizational models. It then tackles the main concern of this thesis which is CSR as for its diverse affiliated concepts, theories and definitions. As well as it determines the different stages of CSR that a corporations encounter at each level of commitment and involvement. Then it exhibits CSR's benefits and shows a sample of MNCs associated with CSR which should be formulated, implemented and evaluated according to the suggested model. Later, this chapter summarizes CSR into today's booming Triple Bottom Line concept. In addition, since the studied case is an insurance company and to be able to better assess its position, the researcher chooses to briefly elaborate about the insurance dimensions, its status in the MENA region and Lebanon in particular and its relationship with CSR. Finally, some previous researches about CSR in the MENA region and CSR and MNCs are used as a support for the researcher's projected findings and discoveries.

In chapter 3, the researcher determines the chosen methodology that is most appropriate to this study's objective. This thesis relies on quantitative and qualitative approaches, questionnaires and interviews respectively, linked to the studied case. The compilation of the researcher's observations along with the results of the interviews with the concerned figures at AXA and the outcomes of the questionnaire administered to the company's employees constitutes the support and justification of this study's suggested hypothesis in

case of validation. This chapter discusses the selected variables (independent and dependant), instrumentation as for primary and secondary data as well as the chosen utilized statistical package, which the researcher chose to be SPSS as it is most compatible with the type of chosen data and variables. Then it discusses the pilot test and determines the conceptual framework used for the analysis of the findings.

Chapter 4 introduces the MENA region and Lebanon's economic and societal background in order to better situate this study's expectations and results. Then it describes the case of interest, AXA, and compares the group to its Lebanese subsidiary at the different corporate levels while emphasizing on CSR. It later displays the descriptive statistical outcomes, discusses them and establishes their relationship with the researcher's hypotheses to finally support or reject them. These compiled findings are interpreted and analyzed in the aim of identifying the current status of CSR in a MENA region's MNC's subsidiary.

Lastly, chapter 5 puts under the spotlight the most significant findings that are analyzed, and consequently judges them against the assembled literature review as the researcher is able to better identify the relevance of the findings at this particular stage. Then, the researcher displays the main limitations of this study and identifies associated managerial implications. This study comes down to the most important part at the end of this chapter, where the researcher tries to offer the most functional and constructive recommendations.

CHAPTER 2

REVIEW OF LITERATURE

2.1 INTRODUCTION

“Corporate Social Responsibility refers to the active involvement of business in socially aware activities, or the reduction of potential negative impacts of business activities on workforce and environments.”⁸

This is what makes CSR (Corporate Social Responsibility), the most controversial component of Business Ethics (BE), the center of attention of most, if not all entities operating in the business world and especially Multinational and Transnational Corporations (MNCs and TNCs).

These corporations are the major players controlling the field and at the same time, they are most prone to aggressive competition that sometimes has no boundaries, given that MNCs have to deal with different challenging ethnicities and cultures. This is where CSR fits as a catalyst to the reaction of the diverse markets with such fast growing firms.

Being socially responsible extends beyond what is optional; it has to create benefit for all the company’s stakeholders: any group that has a vested interest in the operations of the firm including employees, suppliers, shareholders, customers, the government, local communities, and society as a whole.

According to the Stakeholder Theory, developed by R. Edward Freeman in his book “*Strategic Management: A Stakeholder Approach*”, a business must identify all its stakeholders’ interests and adequately manage them.

It is a theory of organizational management and business ethics that addresses morals and values in managing an organization reaching to the bottom line of the “Principle of Who

⁸ Forsyth, T. (2005). *Encyclopedia of International Development*. Routledge.

or What Really Counts." Company's vision must keep in mind all possible beneficiaries' interests.

Corporate responsibility is the idea that management has broader responsibilities than just making a profit; it consists of a systematic identification of all the parties that could possibly be affected by the company's performance. However, a more basic notion needs to be clarified and understood. MNCs are the major players in current globalized market, top 100 MNCs control about 20% of the world production and around 70% world trade (Dunne, 2011).

2.2 MULTINATIONAL CORPORATIONS (MNCs)

The following section concentrates on MNCs for what they stand for in current market. It offers a concrete description of such entities, their considerations and their globally suggested and recognized models. It starts with a brief description and definition of the world's perception of MNCs.

2.2.1 DESCRIPTION OF MNCs

An MNC or a Multinational Enterprise (MNE) is a firm that outreached geographical boundaries from its so called home country and spread its operations to several foreign countries called host countries. An MNC is generally headquartered in its home country or country of origin which gives it its nationality and background culture.

This business model is usually traced back to the Dutch East India Company (VCO) founded in 1602. By 1669, this chartered company exhibited the world's greatest success story by becoming the world's richest private company yet, with over 150 merchant ships, 40 warships, 50,000 employees, a private army of 10,000 soldiers, and a dividend payment of 40% on the original investment. In the same spirit, a third concept comes to mind when talking about international business and trade. TNCs are MNCs that are less bounded by borders and do not associate with a determined nationality or country.

There are over 40,000 MNCs currently operating in the global economy, with around 250,000 overseas affiliates running cross-continental businesses. In 1995, the top 200 MNCs had combined sales of \$7.1 trillion, which is equivalent to 28.3% of the world's

GDP (Gross Domestic Product)⁹. Many MNCs could be identified in current market such as Apple Inc., AXA, BMW, ExxonMobil, Google, Microsoft, Procter & Gamble, Starbucks, Sony, Wal-Mart, Coca-Cola and L'Oreal who are lead members of the CDP (Carbon Disclosure Program) Supply Chain Program (CDPSC Report, 2012).

The World Trade Organization (WTO), the International Monetary Fund (IMF), and the World Bank (WB) are the three institutions that underwrite the fundamental regulations of economic, monetary, and trade relations between countries.

Nevertheless, the decision of going international does not come randomly. It should be well structured and studied since the international market is more delicate than the domestic market since it involves a larger variety of stakeholders as shown in Figure 2.1.

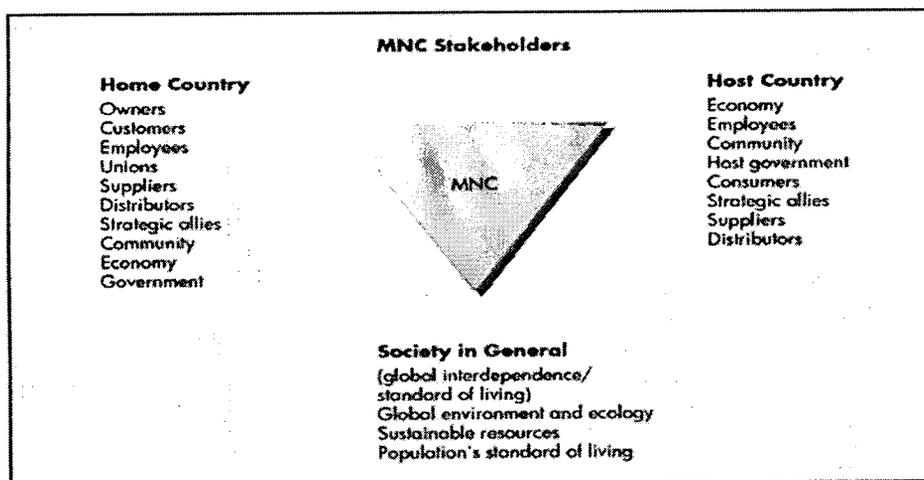


Figure 2.1: MNCs' Stakeholders

Source: Stanwick, P. & Stanwick, S. (2009)

Such initiatives could be a reaction driven by Reactive/Defensive arguments where a company tries to outlive or inhibit its competitors' globalization success abroad which could be translated into a more important progress back home. As well as it could be an attempt to overcome trade barriers and profit from better production and operation environment; when the home country intensify restrictions and governments increase regulations' rigidity, companies are compelled to internationalize their operations. In parallel, the decision could be merely Proactive/Aggressive where companies try to profit

⁹ Encyclopedia of Business. (2012) Second Edition.

from lower production/labor costs and lower taxes, avoid exporting expenses and make higher profits, benefit from new resources and new market opportunities. The size of the firm depicts the strategy that should be adopted when globalizing: size of the marketplace, existing local/foreign competitors and cultural preferences and taste diversities of consumers. It is very challenging to succeed as the company becomes exposed to greater environmental risks, a more exhausted management, less flexibility and responsiveness at the local level and could lose authenticity through denationalization.

Many possibilities could be considered for the business globalization; this could be accomplished by establishing facilities abroad, mergers, acquisitions or hostile takeovers.

The following part describes the main concerns that should be taken into consideration when going global or dealing with an MNC.

2.2.2 MNCs' CONSIDERATIONS

As mentioned before, the establishment of an MNC should be thoroughly studied. Responsibilities and relationships should be well defined at every structural level of the company. The adaptation of customized process is very crucial as for planning, decision making, evaluation, budgeting and production. The shared values and beliefs influence and synchronize the organization's members behavior, thus the organizational culture is the basic common ground for its members. Therefore MNCs should be subject to the following considerations:

- a. Distribution of work and harmonization of tasks which increases the efficiency. This notion is known as Taylorization of jobs or "scientific management" developed by Frederick Taylor in the 1880's.
- b. Centralization¹⁰ or Decentralization¹¹ of the decision making process.
- c. Preference of Global Efficiency where production is with a minimum of waste, lowest expense and no unnecessary effort and leads to the highest ratio of output to input, or Local Responsiveness in the presence of adaptation of products,

¹⁰ Decision-making and planning are central and concentrated at the top of the command chain

¹¹ Decision making and planning are distributed and closer to local conditions and lower in the command chain (local autonomy)

services, and ways of conducting business at the local level, to the local institutional context, culture, needs, opportunities and constraints, or vice versa. Global Efficiency is more likely to be achieved in a more centralized chain whereas Decentralization stimulates a higher degree of local responsiveness (Girod et al, 2010).

- d. The type of expansion: Subsidiary - daughter organization controlled by the higher Parent or Mother Company and is legally separated from it, the parent company usually controls the subsidiary by the shares of the capital they detain/- Holding – country/regional holdings at the top of a subsidiaries multilevel network of which the holding detains shares of the capital, it usually doesn't have commercial/production functions ; mostly only financial and accounting functions - Division/departments - part of the company but they are not legally but separated from a management point of view only.
- e. Activities should be very well structured: Strategic Business Unit (SBU). It could be a separate structural part of the organization but surely has a distinct external market which is different from another SBU. SBUs are merely for strategy-making purposes where the diversity of products and markets are genuinely reflected. However, it could create distraction and inefficiency among competitive SBUs.

After all the above-mentioned considerations, an MNC has to choose and adopt the most appropriate strategic model, depending on its objectives and structural organization. The below section demonstrates all the different alternatives.

2.2.3 MNCs' MODELS

MNCs treat the world “as an undifferentiated worldwide marketplace” (Stanwick, 2009); nevertheless they should adopt a certain strategic model when going global depending on their goals and capacities.

1- The world global functional organization

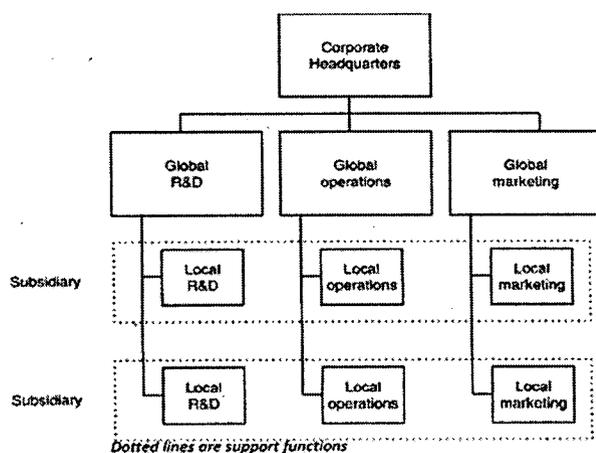


Figure 2.2: The world global functional organization

Source: Schaaper (2011)

Decision making, planning, all the essential functions (marketing, production, R&D...) controls are centralized in a hierarchical descending structure operating in a single business with standardized products. This model provides large economies of scale, high level of global efficiency and coherence as well as a fast flow of know-how transfer within the firm's structural chain. On the other hand, it requires a strong need for integration for every subsidiary in every host country; the decision making process is taking place far from the local market of the host country which effects its accuracy and flexibility and at the same time triggers a low local responsiveness.

2- The geographical organization

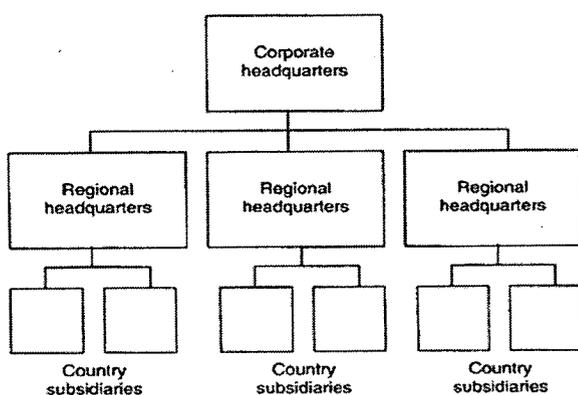


Figure 2.3: The geographical organization

Source: Schaaper (2011)

In contrast to the World Global Organizational Structure, this model is characterized by a decentralized decision making process where coordination takes place at the level of every subsidiary in every country along with the presence of an intermediate regional Head Quarter/ Country Holding. The flexibility and high adaptation potential to local markets increase the local responsiveness. However, the multiple simultaneous decision making could disperse along the different subsidiaries could cause duplication. It makes it hard to fulfill global clients' needs and desires with the absence of economies of scales diminishing global efficiency.

3- The single business matrix organization

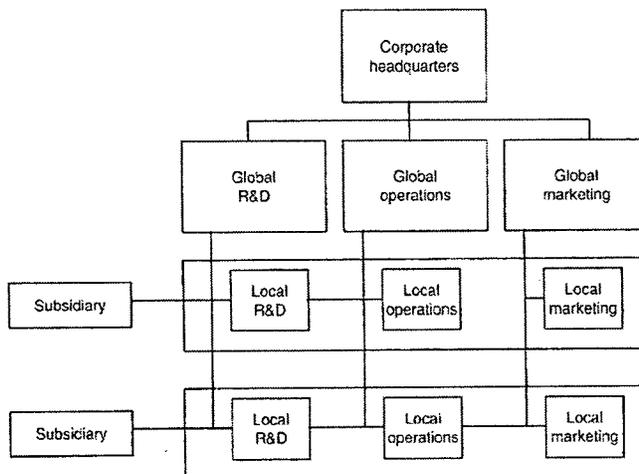


Figure 2.4: The single business matrix organization

Source: Schaaper (2011)

Global functional decision making is centralized at the Head Quarter such as marketing, production and accounting. The regional/country managers abroad have identical responsibilities regarding every subsidiary in every country. This creates “dual power putting middle managers under the pressure of double higher management and thus creating ambiguity of responsibilities and conflicts. At the same time, this model generates global efficiency through vertical global way of thinking and analyzing, and high local responsiveness through horizontal local execution.

4- The multi-business product division organization

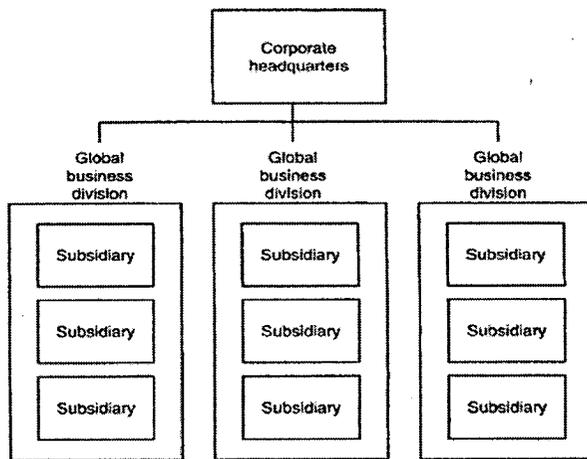


Figure 2.5: The multi-business product division organization

Source: Schaaper (2011)

This model is composed of several independent SBUs where the organization is dominated by the product dimension of each SBU which has its own organizational structure allowing for each one to adapt its customized and best suitable context to better accommodate with the market and the competition; this accentuates global efficiency and decrease local responsiveness. But when an MNC posses many SBUs in the same country, there might be an overlap on benefits and strategies.

5- The multi-business geographical organization

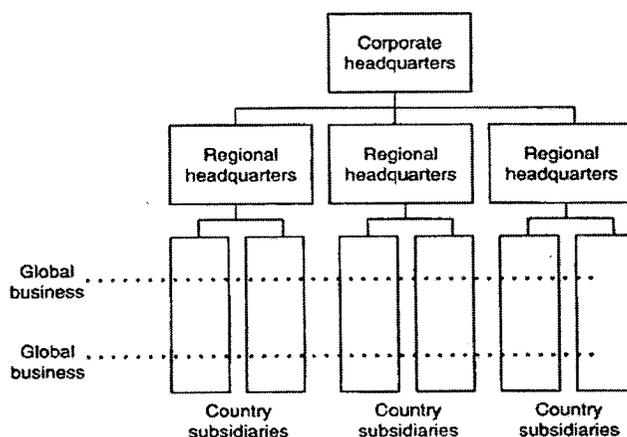


Figure 2.6: The multi-business geographical organization

Source: Schaaper (2011)

This structure is composed of several independent SBUs where the geographical dimension dominates the organization. Depending on the host country, each SBU has its own operational and strategic optimizing its activities and increasing local adaption and responsiveness. Global functions have a support character only while resources and competencies are not fully optimized.

6- The multi-business matrix organization

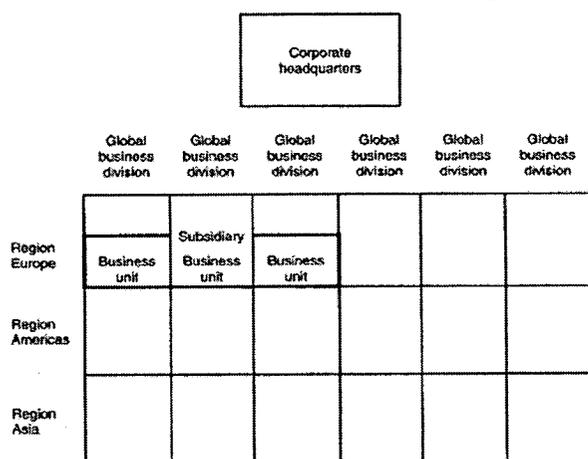


Figure 2.7: The multi-business matrix organization

Source: Schaaper (2011)

This organizational matrix combines several independent SBUs where every subsidiary reports to its regional and SBU and global functional managements which creates synergy between different SBUs. Adopting this model helps achieving a balance between global efficiency and local responsiveness, as solutions are treated locally and globally at the same time. However, matrices create an overlap in responsibilities at different levels; conflicts, additional expenses and lack of coordination might aggravate.

7- The transnational organization

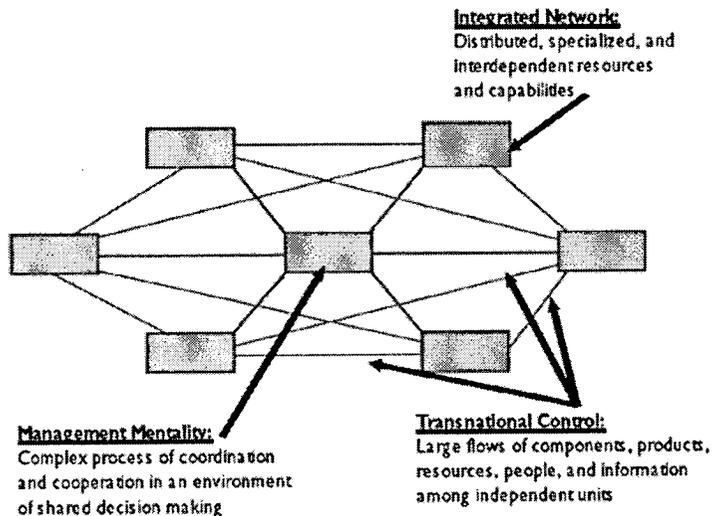


Figure 2.8: The transnational organization

Source: Schaaper (2011)

Think global, act local (Executive Insight, 2009), a transnational organization is a network of reciprocal interdependent units that works on multidimensional information systems: it is not dominated by a product dimension, a geographic dimension or a functional dimension. It consists of a massive ongoing flow of resources, products and labor among the units and the countries which requires a complex coordination based on strong corporate values and high internal understanding and synchronization.

Consequently, no matter what strategy and structure an MNC adopt, international development brings immense benefits to corporations. In turn these firms have to keep up with today's market's trends and tendencies. Globalization and the awareness of stakeholders are emphasized on the latest concern of the majority of the world: Sustainable Development and CSR.

2.3 CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility is considered to be a complex model. One of the factors responsible for limited conceptual understanding of CSR is the complexity and absence of consensual definitions of the concept (Perrini, 2006; Idemudia, 2008; Gulyas, 2009). Although the concept of CSR is extensively discussed in theory and practice a universal definition of CSR is yet to come into sight. CSR is relatively perceived by different

individuals as many argue that there are several definitions of CSR. This section starts by differentiate its diverse affiliated concepts, theories and definitions. In addition, it defines its several stages and levels while demonstrating its benefits and highlighting its most famous commitment elements and stories. It later defines the process of formulating, implementing and evaluating CSR of MNCs. This section ends with the Triple Bottom Line notion which is highly relevant to today's understanding of CSR. The process of understanding and defining CSR starts by the differentiation between the several concepts that are commonly associated with it; the latter is covered by the following section.

2.3.1 CONCEPTUALIZATION

The elusiveness of CSR widened the range of its conceptualization; linking CSR to several concepts and terms interchangeably used.

1-Corporate Social Performance (CSP)

A lot of researchers tried to define CSP; starting with Sethi (1979) who provided some categories that help in the assessment of CSP, then Carroll (1979) who introduced the three-dimensional CSP model that drew CSP as an integration of CSR, social issues and philosophies of social responsiveness without any clear definition of the concept.

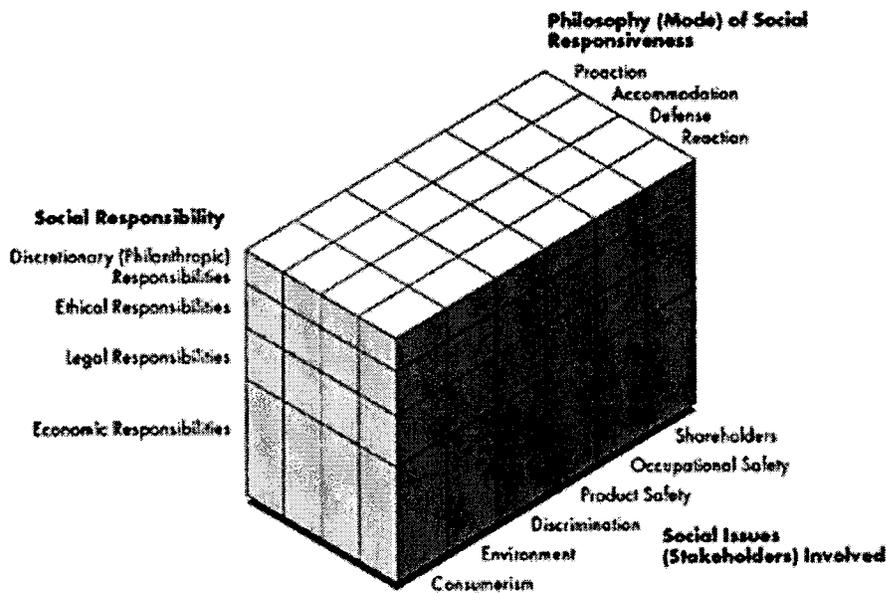


Figure 2.9: Carroll's CSP Model

Source: Carroll, A. & Buchholtz, A. (1998)

Accordingly, CSR has been treated as an essential component of CSP by many of the researchers who focused on CSP such as Carroll (1979), Sethi (1990), Swanson (1995), and Wartick & Cochran (1985) who traced the evolution of CSP by putting under the spotlight three components of CSR: economic responsibility, public responsibility and social responsiveness. As well as they particularly highlighted the interaction among the principles of CSR, the process of social responsiveness and the outcomes of corporate behavior.

However, CSP started to be precisely defined by the early 1990s with Wood (1991) who described it as *“a business organization’s configuration of principles of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm’s societal relationships”*.

Thus, the institutional, individual and organizational principles of CSR constitute the first layer of Wood’s three-layer CSP model, creating the need to measure and assess CSP. This model disseminates the social behavior of corporations towards their responsibilities from an organization-centered perspective with employees, environment or the

community; keeping in mind that such activities could be undertaken for the benefits of shareholders or top management level under the cover of stakeholders' benefits. Consequently, the below model was built on the assumption that such behavior is partly triggered by the firm's interests, nonetheless the social outcomes measurements of the corporate activity are initiated from a firm perspective.

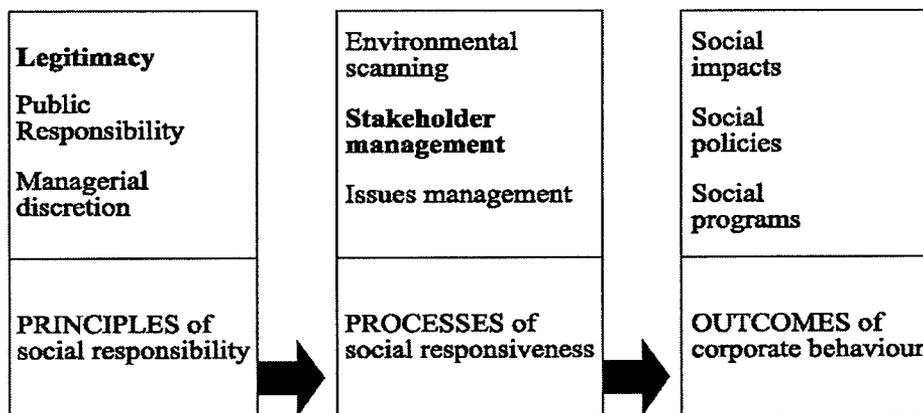


Figure 2.10: Wood's corporate social performance model
Source: Wood, D. (1991).

The implementation of Wood's framework situates business in corporate social behavior for the following reasons:

- a. Corporate social behavior is related to the business's primary and secondary activity and gives back a positive business response.
- b. Corporate social behavior is an element of corporate philanthropy.
- c. A corporation works on influencing particular stakeholder segments.

The growing urge for CSP and CSR assessment led Wood and Jones (1995) to further elaborate on Wood's model, to find that the type of measurement involved (i.e. reputational measures, corporate crime...) depends on the particular stakeholder to be addressed. As they finalize their observations by the following: "*Although the measures*

*that have been used so far have focused on particular areas of CSP...they have limited use in depicting how and why specific stakeholder relationships occur and develop*¹².

2-Corporate Citizenship (CC)

CC has been closely compared to CSR especially by Carroll (1998) who gave CSR and CC the same definition: economic, legal, ethical and philanthropic responsibilities of a corporation. Differences became clearer with some researches i.e. Birch (2001) who perceived CC as an improved extension of CSR, arguing that CC puts business in the public culture's frame involving employees, management and all the organization's stakeholders; whereas CSR considers social responsibility as an external affair. Some others i.e. Matten & Crane (2005), McIntosh, Leipziger, Jones & Coleman (1998) claimed that CC is not a conceptual improved extension of CSR. McIntosh et al. (1998) proposed the definition that CC "involves a mutually reinforcing relationship between individuals and communities".

They considered CC a variation from minimal citizenship that could be developed into strategic citizenship where corporations form "a healthy relationship with its communities by "doing the right thing" and displaying humanity" as shown in Figure 2.11.

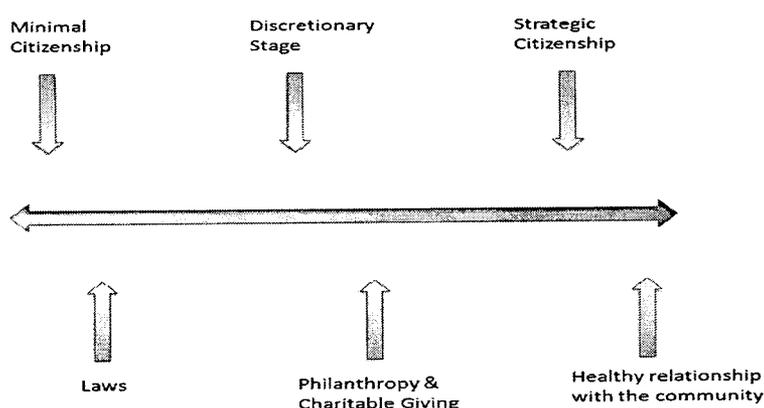


Figure 2.11: Corporate Citizenship's Spectrum

¹² Wood, D.J. and Jones, R.E (1995)

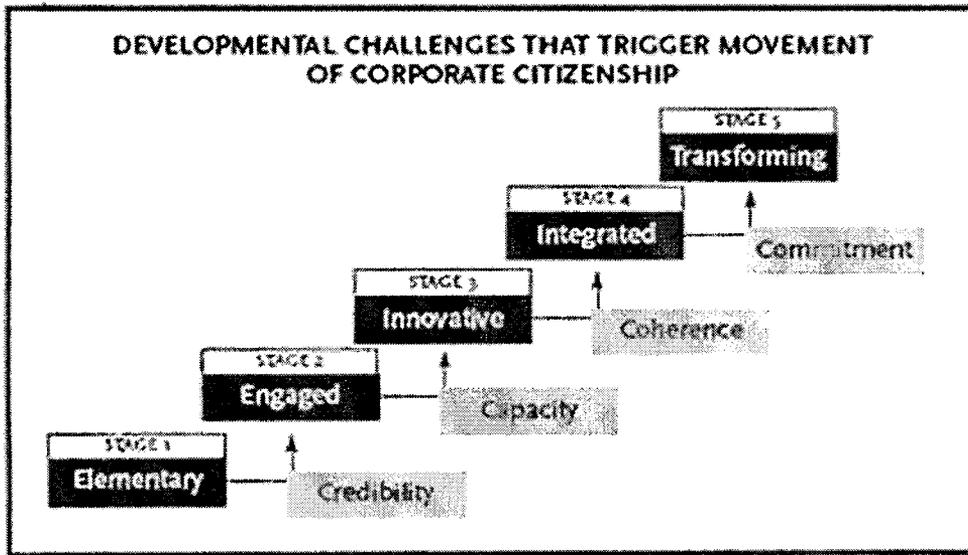


Figure 2.12: Developmental changes that trigger the movement of Corporate Citizenship
 Source: Boston College Carroll School of Management (2009)

As a matter of fact The Boston College Center for Corporate Citizenship's Research developed a framework of the 5 stages of development of CC showed in Figure 2.12 along with the different factors that drive a company from one level to the next, arrayed against 7 dimensions¹³:

1. **Citizenship Concept:** How is citizenship defined? How comprehensive is it?
2. **Strategic Intent:** What is the purpose of citizenship?
3. **Leadership:** Do top leaders support citizenship? Do they lead the effort?
4. **Structure/Operations:** How are responsibilities for citizenship managed?
5. **Issues Management:** How does a company deal with issues that arise?
6. **Stakeholder Relationships:** How does a company engage its stakeholders?
7. **Transparency:** How open is a corporation about its financial, social and environmental performance?

¹³ <http://www.bcccc.net/index.cfm?pageId=2009>

3-Corporate Social Responsiveness (CSRS)

Frederick¹⁴ (1978) labeled CSRS as “the capacity of a corporation to respond to social pressure”. Then Sethi (1979) suggested that social responsiveness is more advanced than CSR and Carroll et al. defined it as “the action phase of management responding in the social sphere”.

Cochran (1985) examined social responsiveness as the prominence from social obligations to social response processes. CSRS came as a solution to problems faced when it comes to the execution and assessment of CSR.

Frederick (1994) referred to CSR as “philosophical-ethical vagueness” and considered social responsiveness to be “action-oriented realism”.

Vercic and Grunig (2000) argued that corporate responsiveness is about the way companies fulfill their responsibilities once they meet their obligations towards shareholders and not only stockholders whereas corporate social responsibility questions the audience of the company’s obligations: stockholders or broader publics.

In fact, a lot of scholars find it suitable to replace CSR by CSRS since they find the latter more tangible, attainable and advanced compared to the philosophical discourse of CSR.

4-Corporate Philanthropy (CP)

L’Etang (1994) attempted to differentiate between CP and CSR; she viewed CP as an indicator of the corporate generosity and beneficence through corporate voluntary actions where recipients of such activities generally cannot demand such actions. Corporate philanthropy is fully dependable on the corporation’s altruism. However, CP and CSR are often equated by researchers in the management literature i.e. Porter and Kramer (2003) and Smith (2003).

Thus, most of the companies today are being oriented towards CP trying to emphasize their “philanthropic spirit” in their attempt to make the world better.

¹⁴ Cited in Wartick & Cochran (1985)

Sony Corporation of America, the U.S. subsidiary of Sony Corporation, is a leading manufacturer of audio, video, communications, and information technology products for the consumer and professional markets. Even with annual sales / Sony Corporation Consolidated of \$87 billion (Fiscal Year ended March 31, 2011), CP is boldly highlighted on their website.

“SONY IN AMERICA: Working Together to Make a Difference... *Our commitment extends to helping local communities, fostering better educational systems, funding research to cure devastating diseases, supporting the arts and culture, helping disadvantaged youth, protecting and improving the environment and actively encouraging employee volunteerism...Together with our employees, Sony in America is working to improve our communities and the world around us*”¹⁵.

5-Business Ethics (BE)

As discussed previously, BE is an inevitable notion when talking about CSR; especially that some researchers consider CSR as a part of BE.

The unavoidable truth is that BE existed way before CSR and that it triggered that awareness orienting corporations towards being socially responsible. According to Broadhurst (2000) “CSR is under the umbrella of business ethics” as illustrated in Figure 15 and corporations are compelled to implement their own socially responsible initiatives due to the awareness of complex corporate compliance in the dimensions of BE.

¹⁵ <http://www.sony.com/SCA/philanthropy.shtml>



Figure 2.13: Business Ethics and CSR positioning

Source: <http://aqoonkorodhsi.com/aqoon.php?Aq=15227412>

The market is now focusing on an overwhelming Globalization which inhibits any attempt of truth misrepresentation or fact distortion.

As a matter of fact Broadhurst labels Shell as an example of the effort putted by the majority of MNCs complying with business ethics' agreed guidelines, serving as a model of voluntary corporate reform designed to bridge gaps between principles and practice both nationally and internationally. Shell's global initiatives were rewarded with the World Environment Council Gold Medal for International Corporate Environmental Achievement in 2001. Beschorner (2006) believed that CSR is an application of ethical norms and Zenisek saw CSR as “the degree of ‘fit’ between society’s expectations of the business community and the ethics of business”¹⁶.

He further designated the nature of the fit which is both behavioral and attitudinal.

After the examination of the CSR’s matrix of related concepts, the following section details the theories and models of interest, which allows the researcher to better construct the most suitable framework for the purposes of this study.

¹⁶ Zenisek, T. (1979). Corporate social responsibility: A conceptualization based on organizational literature. *Academy of Management Review*.

2.3.2 THEORIES AND DEFINITIONS

When it comes to strictly defining Corporate Social Responsibility, various discussions surface to the top. Howard Bowen's 1953 publication *Social Responsibilities of the Businessman* is considered as the first book on CSR in the modern era by many researchers such as Carroll (1979) and Kantanen (2005). Nevertheless, after more than five decades of research on this topic, its conceptualization is still ambiguous (e.g., Arthaud-Day, 2005; Carroll, 1979; Clarkson, 1995; Friedman, 1970; Jones & Goldberg, 1982; Sethi, 1996, 2002, 2003). For example, Manakkalathil and Rudolf (1995) defined CSR as "the duty of organizations to conduct their business in a manner that respects the rights of individuals and promotes human welfare"¹⁷, which lacks descriptive accuracy and in turn makes it hard to better integrate operations. Wood (1991) stated that "the basic idea of Corporate Social Responsibility is that business and society are interwoven rather than distinct entities".

The first typical understanding of CSR is the achievement of balance between economic and social aspects of corporations.

However, CSR is focused on the process of corporate economic activities in particular, not the balance achieved by economic performance and social performance.

¹⁷ Manakkalathil, J., & Rudolf, E. (1995). Corporate social responsibility in a Globalizing market. SAM Advanced Management Journal

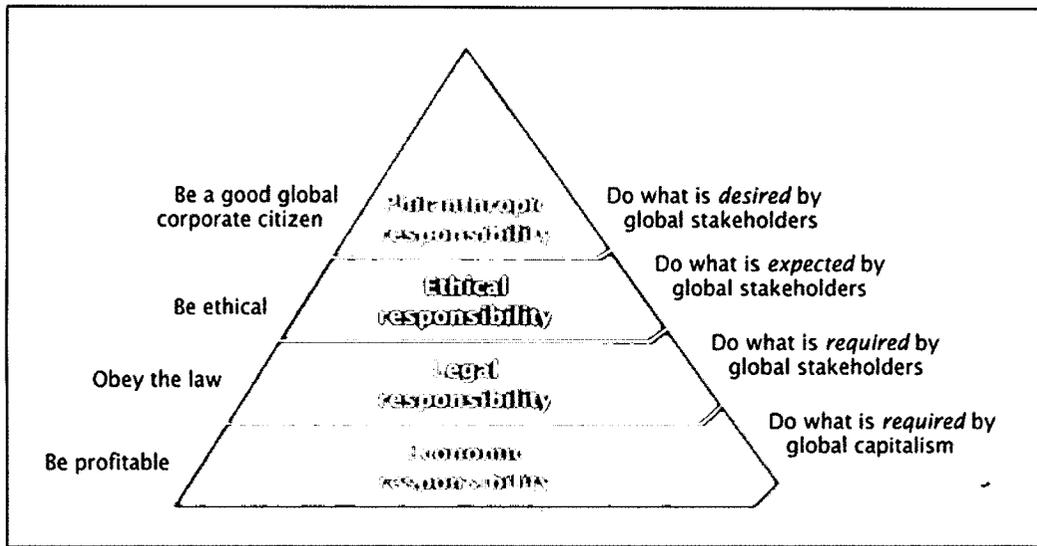


Figure 2.14: Carroll's (1979) CSR pyramid

Source: Carroll, A. (1979)

Subsequently, a second model comes to mind, which is Carroll's global CSR pyramid (1979) that divides the CSR concept into four levels: Economic, Legal, Ethical and Philanthropic; However, this type of approaches cannot evaluate the complicated relationship between corporations and society as it considers society the driving force of CSR.

Economic responsibility - required of all companies - is the most basic level indicating the importance of profitability in a business which is giving back to the society by powering the cycle of need/want and jobs. The Legal responsibility - required of all companies seeking to be socially responsible - structures the behavior of the company within the law no matter where the operations are taking place. The Ethical responsibility - expected by society over and above economic and legal expectations - pushes the company to practice what is right rather than just what is legal. The highest level is the Philanthropic Responsibility - desired of corporations - which is doing what is desired by global stakeholders. Ethical and Philanthropic (discretionary) responsibilities tend towards the corporation's own judgments and perceptions; this is where Carroll failed to better elaborate a straightforward definition.

Thirdly, Davis (1973) uttered a classic definition of CSR as “the firm’s consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm... to accomplish social benefits along with the traditional economic gains which the firm seeks”¹⁸. Once more, this suggestion was criticized, considering corporations’ engagement in public policy contributes to the empowerment of corporations, and thus jeopardizing public interests.

Fourthly, CSR is viewed as a distribution of added value. A theory of CSR accounting considers that the added value should be distributed among all stakeholders and not only stockholders. The most basic element of CSR is the economic cycle which produces the economic values. Corporations are required to conduct activities in a socially responsible way in order to develop a sustainable and consistent socioeconomic system. The essential point of CSR is thus considered to be the incorporation of social fairness, ethic, environmental and human rights in the management process in order to clarify their accountabilities to the stakeholders.

A study conducted by Melsa Ararat (2006) on CSR in the MENA region started by asking the designated authors-partners to define CSR, each from his own point of view given different home countries and cultures. Table 2.1 shows the different point of views of native researchers coming from a selection of different countries from the MENA region.

Country	Definition
Egypt	The World Bank definition “Corporate social responsibility is the commitment of business to contribute to sustainable economic development by working with employees, their families, the local community and society at large to improve their lives in ways that are good for business and for development”.

¹⁸ Davis, K. (1973). The case for and against business assumption of social responsibilities. *Academy of Management Journal*.

Jordan	<p>The World Bank definition</p> <p>“Corporate social responsibility is the commitment of business to contribute to sustainable economic development by working with employees, their families, the local community and society at large to improve their lives in ways that are good for business and for development”.</p> <p>Business for Social Responsibility (BSR) definition</p> <p>“CSR is operating a Business in a manner that meets or exceeds the ethical, legal and social expectations that a society has of business.”</p>
Lebanon	<p>Author’s own definition</p> <p>“CSR is the overall management process that accompanies all the efforts of an organization within the limits of a certain ethical conduct”</p>
Morocco	<p>Result of a national survey</p> <p>“CSR is a set of concrete commitments on specific objectives so as to combine economic performance and prevention of social, societal risks, governance risks and/or environmental risks”</p>
Palestine	<p>Author’s own definition (Ararat 2005)</p> <p>“Institutionalized corporate practices and behavior driven by the acceptance of “moral obligation” and “accountability” for the consequences of corporate activity for all of the stakeholders and society at large”</p>
Turkey	<p>Author’s own definition (Ararat 2005)</p> <p>“Institutionalized corporate practices and behavior driven by the acceptance of “moral obligation” and “accountability” for the consequences of corporate activity for all of the stakeholders and society at large”</p>
UAE	<p>Definition borrowed from a local business leader (Hussain 2004)</p> <p>“CSR is a contract between an organization and society where the organization is obligated to avoid unethical practices that would harm society and in turn is given permission by the society to pursue profits.”</p>

Table 2.1: CSR definitions according to selected cultures from the MENA region

Source: Ararat, M. (2006)

It is nearly impossible to confine CSR to a limited definition. The debate is ongoing about its dimensions and nature; whether it consists of a continuum, or multidimensional concern, or purely a set of social issues.

CSR could be broadly simplified to the idea of the responsibility of businesses to contribute to building a better society. This responsibility should include the company's ideology as well as its operational flow. While playing its role in the society, corporations should evaluate the society's response to its behavior.

However, CSR is not a random and unstructured plan of action. It has to comply with many guidelines and standards especially when MNCs are involved. International CSR is more complex than domestic CSR due to the presence of additional stakeholders involved in the firm's activities. Consequently decisions should simultaneously consider domestic stakeholders' benefits as well as those of the host country's stakeholders. For the purpose of the study, implementation of CSR of MNCs is primarily considered.

2.3.3 CSR STAGES

Several ranking models are used by corporations who try to situate themselves and identify their own degree of commitment to CSR. In today's market, companies start by being compliant to the minimum requirement of their existence in their environment. As they evolve, they become more engaged and innovate in terms of CSR to finally integrate the concept in their core values and reach a transformative stage of CSR's existential presence in their operations.

At a more operational level, Wayne Visser proposed more detailed models to better assess a company's CSR commitment.

Economic Age	Stage of CSR	Modus Operandi	Key Enabler	Stakeholder Target
Greed	Defensive	Ad hoc interventions	Investments	Shareholders, government & employees
Philanthropy	Charitable	Community programmes	Projects	Communities
Misdirection	Promotional	Public relations	Media	General public
Management	Strategic	Management systems	Codes	Shareholders & NGOs/CSOs
Responsibility	Systemic	Business models	Products	Regulators & customers

Table 2.2: Key Characteristics of CSR stages

Source: Visser (2011)

It includes five stages that develop the context of CSR practices in a typical company and analyze the underlying rationale in order to describe better each phase.

The first level is the Age of Greed labeled *Defensive CSR*, where limited practices are undertaken as a reaction to protect shareholders' interests only. Thus, activities most commonly involve employees and revolve around casual issues such as pollution. CSR is used to hedge against penalties and to protect the company's reputation. The next level is the Age of Philanthropy or *Defensive CSR*, where donations and sponsorships constitute the company's main form of social and environmental support through foundations, funds and causes. Later on, when a company develops its understanding of CSR to the Age of Misdirection or *Promotional CSR*, their CSR activity becomes invested for marketing purposes to enhance the brand, image and reputation of the company: they are seen as PR elements. This level is followed by the Age of Management or *Strategic CSR*, where CSR activities are related to the company's core business through execution of codes and implementation of social and environmental management systems. At this

stage, CSR practices are subject to cycles of development, implementation, auditing and reporting. And finally, the ultimate achievement is reaching the Age of Responsibility or *Systemic CSR*, where a company starts to create its own business model radically adapted to socially responsible processes, products and services; As well as, participating in the support of progressive national and international policies.

Hence, CSR activities when properly practiced for the right reasons, aligning business strategy with stakeholders' well-being optimize the outcomes of these interconnected environments.

2.3.4 CSR'S BENEFITS & COMMITMENTS

Being socially responsible is not only a stakeholder approach to operational organization, it brings numerous benefits to the business at different levels:

- i. Enhance operational effectiveness which optimizes the use of resources especially that scarcity of resources' dilemma is increasingly on the rise.
- ii. Engaging and investing in the community and respecting stakeholders' intelligence provide lower production and transportation costs which enhances the corporate risk profile and global reputation and thus reduces risks associated with the presence of today's market's multitudinous players.
- iii. Customers' tendency towards more socially responsible produced goods and services considering sustainable development could be employed by companies to enhance their reputation and protect their brand identity and consequently maximizing profits. This could create the opportunity for new market penetrations and expansions.
- iv. Enhanced Government relations and engagement in regulatory and financial reforms transferring the company into a leadership position.
- v. Internal CSR practices increase employees' retention, motivation and skill development.

“Recent corporate scandals and increasingly international context have raised important issues on the roles and responsibilities of organizations”¹⁹. CSR has proven itself to be a potent indicator of the business health; the slightest slip can cause a huge damage to the corporate image and thus to its place in the market; as well as the well studied CSR contribution can make a star out of a company.

“The Body Shop” illustrates an immense degree of dedication to CSR as an integral component of their existence in the international market starting with their core organizational values: against animal testing, support of community trade, activating self-esteem, defending human rights, raising awareness, involvement in charity via The Body shop foundation, environmentally friendly production i.e. using soy ink.

“Tyson Foods” are committed to relieve and ultimately end childhood hunger.

“Haagen-Dazs” created a microsite to raise awareness about the extinction of Honeybees:

“Honey bees are responsible for pollinating one-third of all the foods we eat, including many of the ingredients that define our all-natural ice creams, sorbets, frozen yogurt and bars.”²⁰

These following two MNCs present another example of a major company linking CSR to its core mission.

“H&M” were pioneers in introducing organic cotton into conventional everyday clothes and managed to sustain a reputable CSR profile. However, in 2010 when accusations of destroying unsold clothes, GM contamination of organic cotton and the unreasonably cheap items they offered, speculations started to amplify about their degree of sustainability.

“Nike” was bombarded with accusations of sweatshops by the end of the 1970s. After years of global anger and massive stock price decrease, they started internal auditing in 2002 by building an in-house monitoring staff that reportedly performed about 600 factory audits in two years, including repeated visits to those with the most problems;

¹⁹ Brammer, S., Williams, G. and Zinkin, J. (2007). ‘Religion and Attitudes to Corporate Social Responsibility in a Large Cross-Country Sample’, *Journal of Business Ethics*, Vol 71 Issue 3.

²⁰ <http://www.helpthehoneybees.com/>

Nike, Inc.'s compliance program is now accredited by FLA²¹. They even expanded the grading process that today includes environmental safety and health issues.

On the other hand, Hewlett-Packard (HP) was joined in 2004 by Del, IBM, Cisco Systems, Microsoft and Intel, among others, to establish a uniform standard of CSR procurement “Electronics Industry Code of Conduct” (EICC) outlining standards to promote industry criteria for globally socially responsible business. It has five sections: Labor, Health and Safety, Environmental, Management System and Ethics.

CSR strategies, implementation and management reflect the company’s effort to better accommodate its activities to today’s market’s highlighted components. Nevertheless, the most crucial element is its management and effective implementation, which are represented by the following section.

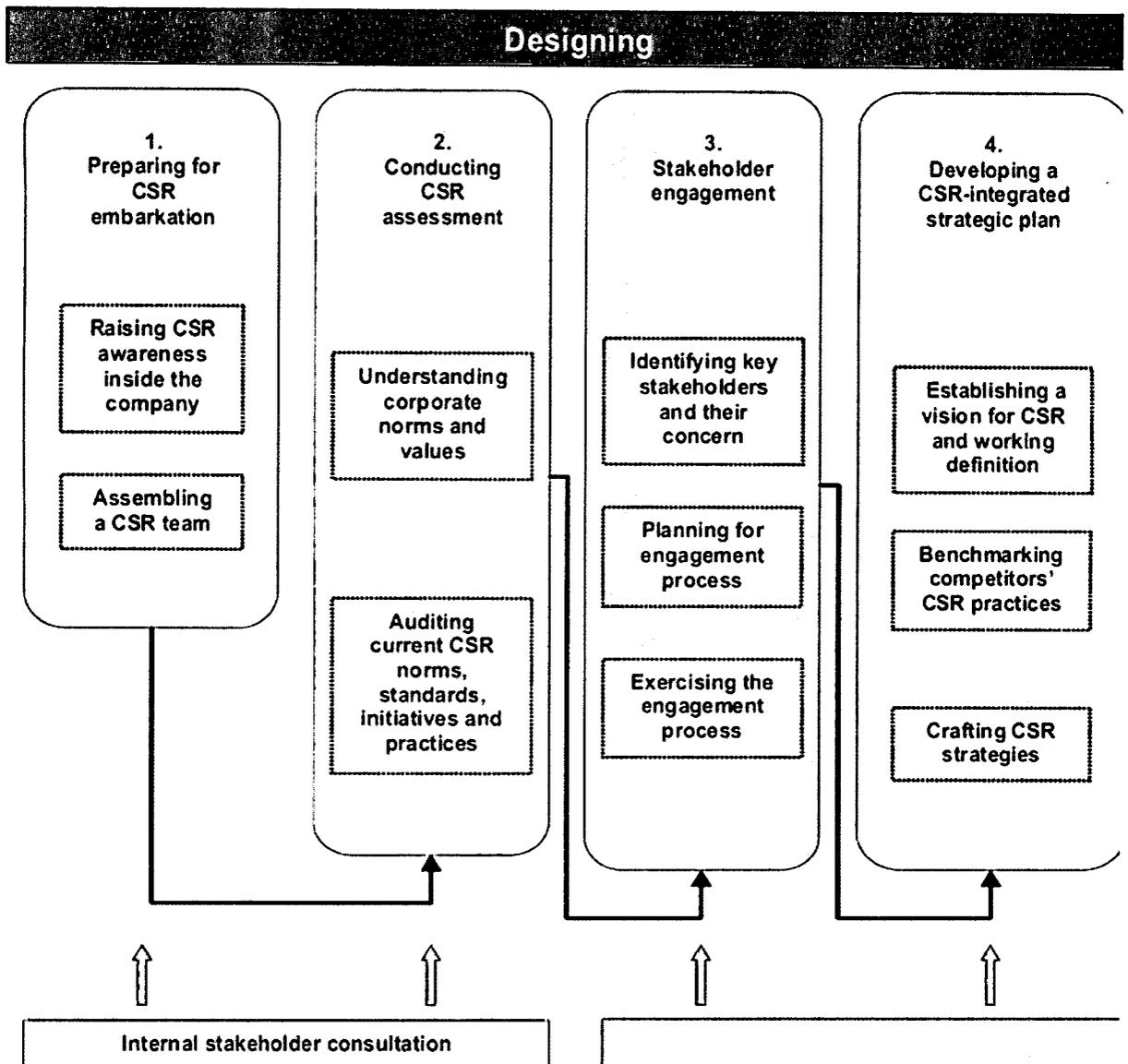
2.3.5 FORMULATION, IMPLEMENTATION & EVALUATION OF CSR IN MNCs

According to Baron (2009) large firms experience pressure to be involved in CSR from a host of sources, including customers, investors, governments, NGOs and social activists. Furthermore, this pressure plays a major role in determining CSR strategy and performance (Baron, 2007).

Whether the management of CSR is in the hands of a Marketer – who can use CSR to improve customer loyalty and differentiate MNCs’ products – or the Chief Executive Officer (CEO) – who can effectively employ CSR with his committed support – or even in the hands of leading legal figures – who can succeed in regulating ethics - when a company decides to engage and become socially responsible, it should adopt a customized strategy depending on its operational context and situation on the market. Even though some of the most familiar CSR actions are aesthetic and used to construct and ideal image of the company, some firms take it more seriously and try to effectively balance values, interests and costs of operating.

²¹ <http://www.fairlabor.org/affiliate/nike-inc>

The integration of CSR needs to be at the heart of the decision making and strategic management. Committing to customers, employees, community and environment is an appropriate beginning to CSR practices and their incorporation in the company's strategy. Although most corporations practice CSR by trial and error²², a strategic framework is needed to design CSR activities, implementing and evaluating them; the latter is suggested in Figure 2.15.



²² Helmer (2005) and Panapanaan et al. (2003)

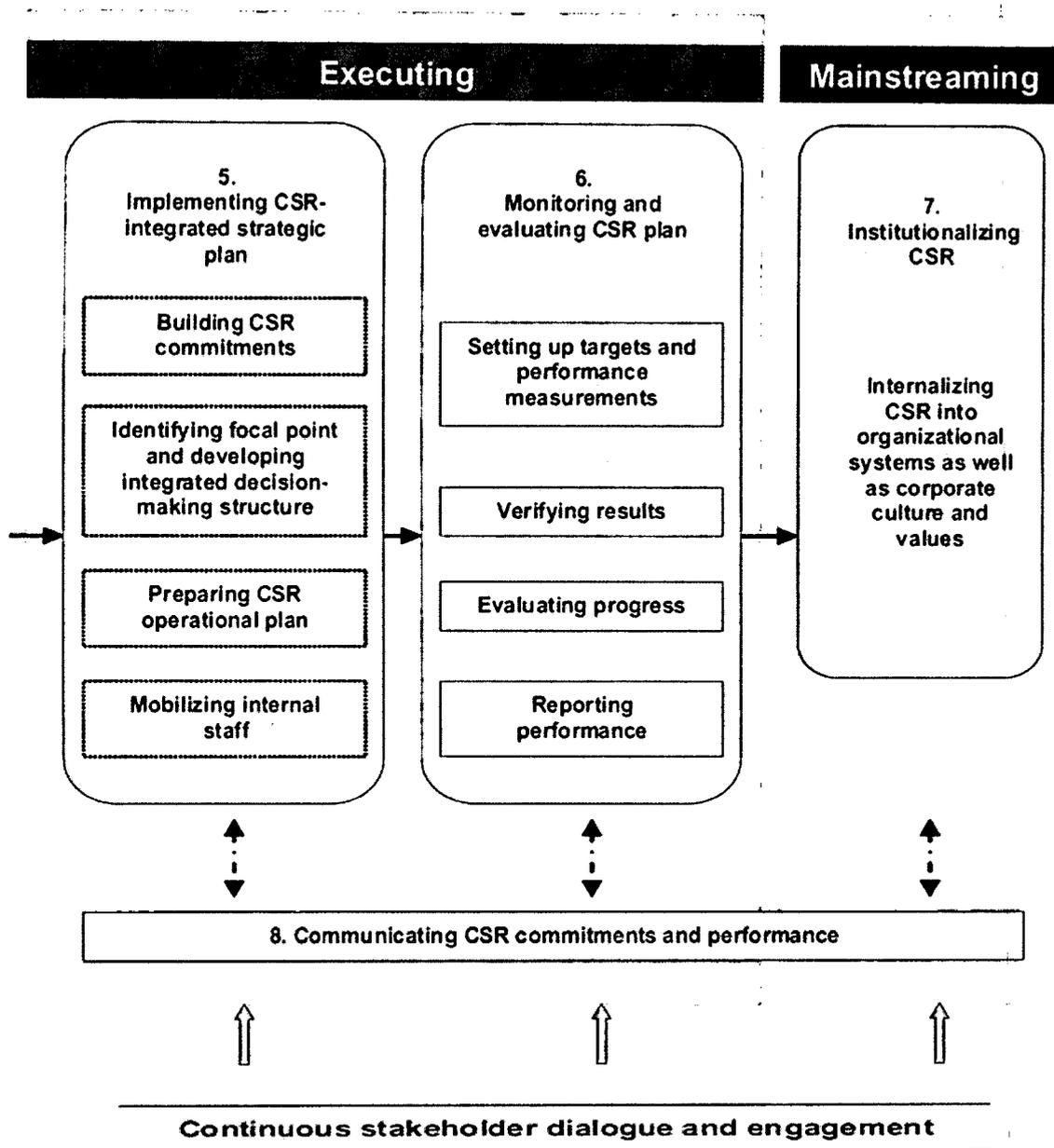


Figure 2.15: Framework for embedding CSR into strategic practices
 Source: http://www.unescap.org/tid/publication/indpub2565_chap3.pdf

The initial starting phase is “Designing” which includes several consecutive checkpoints that the company should overcome while getting ready for implementation of the progressing plan of action: develop a working definition of CSR and raise awareness, develop a specialized CSR team to initially identify legal requirements, relate current values and norms to audited current CSR standards and practices, recognize key stakeholders and engage their aspirations in the planning process, research what others are doing and evaluate the value of recognized CSR instruments in order to decide on direction, approach, and focus areas and thus create personalized CSR strategies

Reaching the “Executing” phase is starting the actual implementation of the preset CSR commitments: develop an integrated CSR decision making structure, prepare and execute CSR business plan, set measurable targets and identify performance measures, engage employees and all other involved parties, establish efficient mechanisms for addressing problematic behavior, create internal and external communication plans and most importantly make these commitments public. At the end of this stage, performance must be measured and reported internally and externally so that all stakeholders feel concerned and be able to better observe outcomes.

Finally “Mainstreaming” consists of identifying improvement opportunities, develop existing strategies to better accommodate the updated status of the company and internalize CSR on the organizational and cultural levels of the corporation.

CSR Evaluation didn't seem to be attractive to researchers as much as CSR itself, there is a few who tried to establish an assessment tool for CSR and its practices.

Wartick and Wood (1998) underlined three factors that they judged structural for managing CSR: creating a code of ethics, decreasing stimulation for misdemeanors, and increasing the risk of exposure.

Hopkins (2003) offered an measurement instrument - Corporate Responsibility Index through Internet Consultation of Stakeholders (CRITICS) - which MNCs could use to evaluate their CSR strategies based on 20 criteria judged to be the most indicative according to Hopkins: ethical audit, a code of ethics, employees' access to this code of ethics, training pertinent to the code of ethics, whether a company has a statement of

mission and values of corporate responsibility, the extent to which the company contributes to projects for the local community...

Most of MNCs rely on internal audits (i.e. Social Accountability 8000 - the most popular international standards), external certification (i.e. Social Accountability 8000 certification, Dow Jones Sustainability Index, Fortune Reputation Ranking, Domini 400 Social Index) or international initiatives (i.e. ISO 26000, The Global Reporting Initiative (GRI), The Account Ability 1000 series, the UNGC).

The majority of researchers stresses on three effects when evaluating MNCs' CSR approaches: social effects, environmental effects and economic effects or simply "The Triple Bottom Line" discussed here after.

2.3.6 THE TRIPLE BOTTOM LINE

Today's CSR is commonly centralized around three key elements known as three pillars which are considered the main contemporary concerns: People, Planet, and Profit.

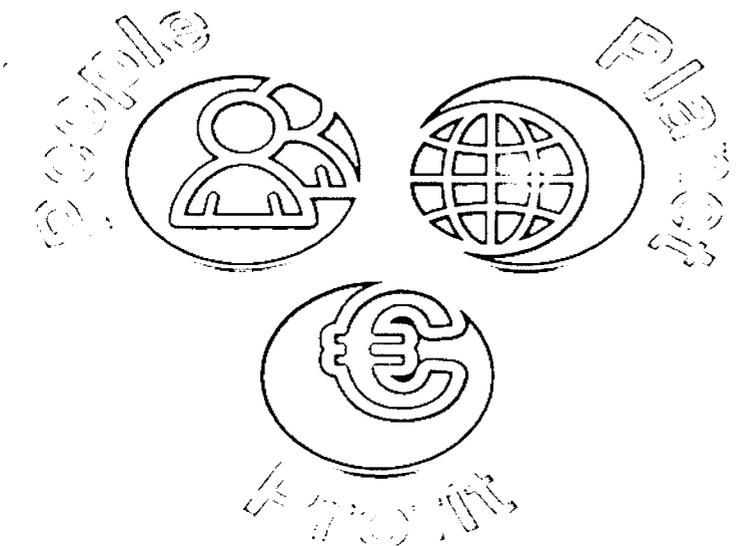


Figure 2.16: The three pillars of the Triple Bottom Line

Source: <http://cdn.tutebox.com/wp-content/uploads/2011/01/afb-People-Planet-Profit.jpg>

Evidently, a corporation's "Bottom Line" was maximizing profits, in 1981 Freer Spreckley's *"Social Audit: A Management Tool for Co-operative Working"* introduced the revolutionized *"Triple Bottom Line"* version of it. The triple bottom line abbreviated TBL, TBT, 3BL or 3P is the latest adapted categorization of CSR, represents a continuum of values characterizing organizational success in creating a sustainable development and a more adapted approach to their extended environment. This concept focuses on the company and its stakeholders as it considers that a corporation should maximize its stakeholders and own profits while looking for the well being of its community and its environment. Its importance is exponentially increasing as it is becoming subject to many international guidelines and reporting standards i.e. The EcoBudget standard for reporting ecological footprint; organizations need to achieve an impressive balance between TBL and thus realizing sustainability which is an existential aspect for corporations nowadays. 3BL consists of three elements:



Figure 2.17: The Triple Bottom Line's conceptual illustration

Source: <http://sustainability.maricopa.edu/what-is-the-triple-bottom-line/>

- I. **Profit** is the building block of the Bottom Line's concept. Focusing on this element came from the bottom line of the income statement which was the center of attention of managers who were purely concerned with the corporation's profit level. This covers the sufficient economic performance that should be able to generate income, compensate operating costs, provide profits to shareholders and ensure financial continuity for the company. During the past, the sole concern of management was the bottom line, which was converted into profit maximization. However, in the modern business world, additional lines were integrated to better situate the organization into its dynamic environment.
- II. **People** were introduced as the second element of the modernized "Double Bottom Line" driven by the realization that the organizational survival cannot rely on increasing profits only. It includes the corporation's community and employees as the first immediate influential surrounding; the organization must work on treating its employees with respect and appreciation in order to increase its employees' retention rate and benefit from their skills. Then the organization's stakeholders which constitute the larger circle of people who should be satisfied as they can control the company's reputation and place in the market providing it with its distinctive identity and increasing sales. This category is usually impressed by CSR practices reflecting the company's efforts to realize social well-being and fairness. Sarah A. Altschuller's article "*Investors Release New Guide to the California Transparency in Supply Chains Act*"²³ underlines the importance of disclosure of CSR's human right concerned activities to stakeholders and its influence, as it became present in most countries' legislations and the subject of numerous officially authorized guidelines.
- III. **Planet** is the final addition to the Bottom Line concept which now includes the environmental status of organizations. Businesses should take care of their environment making sure that their operations don't damage it; a protected environment helps achieving a sustainable development as no entity could exist

²³ <http://www.csrandthelaw.com/2011/11/articles/legislation/investors-release-new-guide-to-the-california-transparency-in-supply-chains-act/>

without an environment. This is behind the recent awareness of green production, recycling, reusing and green marketing.

Today's emphasis on the Planet component of the Triple Bottom Line is enormous. Several international organizations and associations are raising concern about the global environmental health. An article posted by Amy Boyd²⁴ on The Carbon Disclosure Project's (CDP) 2011 analysis of the Global 500, shows that "the companies who were the most strategically focused on accelerating low-carbon growth that returns from January 2005 to May 2011 that doubled the Global 500 as a whole, with returns totaling over 85%, compared to the 42.7% returns for the index". The latter proves that managing resources and incorporating environmental accountability in the core business operations is responsible of higher returns and better market consideration.

As a matter of fact, environmental problems and policies' awareness is on the rise in the Developing World in particular, where the poor economic situation is a distraction.

The traditional environmental health issues - lack of safe water, inadequate sanitation, and poor waste management, consequential environmental pollution (water, soil, and air) – and the rapid industrialization's negative outcomes are the component of the "Brown Agenda" – most critical and immediate problems faced by developing countries' cities - of today's urban developing world, which is subject to major mismanagement and massive pollution.

A lot of initiatives were taken in order to help decrease the impact of such a negative setting; since 1972 the World Bank is financing urban developing projects to enhance business cases in developing countries which are more prone to environmental threats.

Social threats are driving MNCs to account for every decision and every action; thus CSR is progressively utilized as a risk management tool against stakeholders' developing intelligence and globalization that is increasingly spreading transparency. However, risk management is commonly known to be the main occupation of insurance companies.

²⁴ <http://www.lawandenvironment.com/2011/09/articles/sustainability/the-carbon-disclosure-project-2011-big-business-finds-big-returns-in-managing-carbon/>

Since the present study emphasizes on the status of CSR in an insurance company, the following section offers a brief presentation of this industry.

2.4 THE INSURANCE INDUSTRY

This part defines the insurance industry as for its dimensions and current status in the MENA region and especially in Lebanon, to finally reveal its potential relationship with CSR and its prospective.

2.4.1 INSURANCE DIMENSIONS

Insurance, in law and economics, is a form of risk management primarily used to hedge against the risk of a contingent loss. It is a guarantee contract that protects the financial well-being of an individual, company or any other entity against different kinds of losses and accidents. Simply, it is when a person/company transfers the risk of loss (due to fire, theft, accident, professional indemnity, construction, etc.) to an insurance company in exchange for money (called premium). The insured is the person/company buying the cover and the insurer is the one offering the insurance. Agreeing to the terms of an insurance policy creates a contract between the insured and the insurer. In other words, the economic concept of insurance consists that the insurer offers an insured policy that covers particular risks and the insured pays a premium in return. The insurer invests this premium and pays back to the insured in case of any loss covered by the policy. The insurance company assumes all financial responsibility associated with the client's losses. Some forms of insurance are required by law, while others are optional.

It is commonly known that insurance dates back to 2000/3000 B.C and firstly appeared in Ancient Babylonia. Traders and merchants were responsible for the goods that they were transporting, and in case of a loss (theft or fire) they would have to pay the sender/receiver an amount of money. Risk management, the practice of appraising and controlling risk, has evolved as a discrete field of study and practice and developed into the most preferred protection against any quantified risk.

Nowadays, due to globalization, terrorist attacks and international threats, the insurance industry witnessed an outstanding development over the last decades. Particularly in the USA, during the second half of the 1950s, Congress allowed insurance companies to

underwrite more than one type of insurance i.e. life, auto, fire, marine, health, travel, third party liability. These types are generally divided into two main categories: Life and Non-Life/General. In addition, the federal law prohibited financial institutions from entering the insurance sector, however, the Gramm-Leach-Bliley (GLBA)²⁵ Act of 1999 legislated that banks, brokerages, insurance firms and other types of financial institutions can join together to provide their customers with a more comprehensive range of services; the latter took place under the form of several mergers and acquisitions that drove globalization of financial institutions and insurance companies in parallel. The insurance industry plays an imperative role in the financial system by providing indemnification of financial risk in the economy and also serves as an institutional investor for both capital and money market instruments.

The introduction of new investment versions of Life insurance, offered the capabilities to insurance companies to compete against other financial services institutions i.e. mutual funds, investment advisory firms. As a matter of fact, when examining an insurer, its financial strength and stability are the most critical considerations, as for poor abilities reflect poor investment opportunities, encumber growth and predict incapability against claims. Many factors affect the performance of an insurance company: leverage, level of dependence on reinsurance - practice where an insurance company (the insurer) transfers a portion of its risks to another (the reinsurer) - , liquidity, profitability, rate fluctuations and demographics. But insurance companies have little disclosure policies and tend to keep all substantial information classified.

The insurance industry is highly competitive as there is little difference between an insurance company and another; most large corporations offer similar array of services. The main differences are portfolios; each company differs from the other as per its portfolios' size and influence. Individual customers are not companies' main concern, while large corporate clients possess a higher bargaining power.

It would help to mention that the Insurance and Reinsurance industry shifted its attention to profit after the financial crisis as they no longer can absorb underwriting losses from

²⁵ <http://epic.org/privacy/glba/>

investment income. Besides, the series of natural disasters that the world has undergone these last few years increased the loss ratio of the biggest global Insurance companies. The most famous case is “the 324-year-old insurance market” Lloyd's of London who paid out £4.6bn in disaster claims after earthquakes in Japan and New Zealand, storms in the US and floods in Thailand - total claims estimated at £1.4bn - and Australia. Total catastrophe claims for the global industry reached \$107bn (£67bn) in 2011. In an article posted on The Guardian.UK, Richard Ward, Lloyd's CEO, said “Make no mistake, 2011 was a difficult year for the insurance industry given the scale of the claims, a loss is unsurprising, but it reflects what we're here to do: help communities and businesses rebuild after disaster.”²⁶

2.4.2 INSURANCE IN MENA & LEBANON

Analysts and researchers agree that the MENA region holds an enormous potential for market growth especially that this sector can greatly contribute to its financial and economic growth, however the main constraints are the lack of legal reforms and the unstable political situations that most of the region's countries have been facing for the last few years. The insurance sector - that should be well understood especially that the division between life and general insurance spending is around 35%/65% which represents the opposite of the western region - is experiencing a low development, particularly for long term insurance. This unsatisfying slow rate is due to many factors, that were thoroughly discussed in a 2010 World Bank report – that examined the market before the series of unfortunate events responsible of worsening the region's economic situation - which associated the latter to the absence of mandatory insurance in key areas, the predominant presence of the state in some countries, gaps in regulation and supervision, unsupportive tax regimes, fragmented market structures, a chronic lack of suitably skilled people, as well as the absence of products that conform with cultural/religious preferences, especially in the case of life insurance.

Indeed, Mr. Bahous, CEO of MIG Holding, stressed on the important opportunities of this industry in the GCC area considering that the rest of the region is undergoing major

²⁶ <http://www.guardian.co.uk/business/2012/mar/28/lloyds-london-catastrophe-loss>

financial and political problems; as well as he believes that “The GCC is also in a better position than many of the Western countries where the financial crisis is huge”²⁷.

Khaled Abu Nahel, COO–Non Life operations was one of the major speakers at "The 4th Damascus insurance Forum" (2012) where discussed the importance of the realization of the impact of the financial crisis on the region’s market as it facilitates seizing the unusual faced uncertainties and helps creating enhanced regulatory rules and corporate governance which are a potential solution. The most crucial part of the whole process is that today’s insurance market’s players have to adapt and adjust their operations according to “the new realities of the market that were changed by the crisis”²⁸.

Although the MENA region includes several countries that are running very large current account surpluses, and is home to substantial asset pools, there is a lack of capital that is available to insurers. This is reflected in the local insurers’ tendency to focus on straight-forward risks – compulsory motor third party liability (CMTPL), voluntary motor insurance (CASCO) and fire/property insurance. It is also reflected in the tendency for retained premiums (gross premiums less outwards reinsurance) to be relatively low.

The MENA region is divided into four categories of markets as follows²⁹:

- A. Jordan, Morocco and Tunisia: this category was able to expand the insurance industry led by the private sector, at a faster pace given a more developed supervisory and regulatory capacity and the presence of overcapitalization but with an efficient usage. Retention levels are still low by international standards (except for Morocco) but are not unreasonable for emerging markets with large peak risks and undeveloped household markets.
- B. Algeria, Egypt, Libya and Syria: the insurance sector of this category is under transition from long periods of nationalization where an efficient number of competitors is present but with high levels of concentration causing chronic under-pricing and losses. Retention levels tend to be higher than for the more

²⁷ <http://businesslife.net/en/Cover-Interview/insurance-industry-heads-back-to-basics.html>

²⁸ <http://businesslife.net/ar/Reinsurance/going-beyond-the-era-of-crisis.html>

²⁹ The World Bank (2010)

conventional markets reflecting abnormally high levels of capitalization and residual government guarantees.

- C. Bahrain, KSA, Kuwait, Oman, Qatar, and UAE: this cluster of countries is better known as the GCC rich countries with small populations (except KSA), high average income and generous social transfer systems. Their number one concern is income diversification, concentrating on financial services, education, tourism, and property sectors. Insurance market players tend to be numerous relatively to the size of their markets (except UAE and KSA), concentration levels are healthy: two tier systems with relatively efficient leaders and numerous small fronting, struggling or inactive insurers. Retention levels average 50%, revealing a compromise between relatively high capitalization and a number of very large peak risks. In contrast to UAE, Qatar has a strong preference system and 95% of premium is placed with the 3 largest national insurers, aggravating the competitive level amongst the smaller players. The Kuwaiti government self insures which effectively puts a good part of potential premium flows out of the reach of the market.

The last category is Lebanon, treated as a special case in the majority of reports - for the purpose of the study; an emphasis is put on Lebanon's case – as Lebanon has had an unregulated market for over 60 years and has provided much of the insurance expertise and investment in the Levant and KSA as new formally regulated markets have opened up. Prior to the civil war, Lebanon was practically the insurance center of the Arab world, spending more per capita than almost any other country in the region. The insurance legislation is very outdated to the extent that in 2003 only 25-30% of car owners had insurance, given that the law of compulsory third party insurance was passed in 1977 but enforced in 2003. Low entry requirements led to a fragmented and marginally efficient structure including a significant number of inoperative licenses and 'brokers in disguise'. In 1992, there were 113 licensed insurance companies of which 79 were actually operating, reaching 86 by 1997. Efforts are increasingly employed to reinforce regulations. An amendment of the insurance law in 1999 (enforced in 2001) required companies to raise their capital from US \$ 200,000 to US \$ 1.5 M, restricted premiums to 10 times the capital and required the presence of a B++ or higher rated reinsurance

companies. Currently 10 of Lebanon's 54 insurance companies control the market and account for 64.7% of the combined life and non-life market, while the top 20 firms represent 86.4% of aggregate premiums. High levels of competition are seeing some firms cut prices to levels that may affect liquidity and their ability to pay future claims.

As well as in 2004, the Insurance Control Commission (ICC) hired an independent company to conduct a complete audit of the sector which led to recapitalization of some companies and the upgrade of used technologies.

Lebanon's insurance industry has shown resilience in the face of the global economic downturn, and has emerged on the other side with double-digit premium growth. Reports released by the Association of Insurance Companies in Lebanon (ACAL) showed a 17% increase in premiums relative to the same period the previous year for a total of \$623.2 M. During the first half of 2011 medical and life categories recorded the biggest growth rates, with increases of 29% and 24%, respectively. Of total premiums, medical accounts for 33% followed by motor insurance with 25.7% and life premiums with 23.1%. Total benefits and claims paid in the same period increased by 10% to \$258.5M. Medical claims accounted for 44.4% of total payments, followed by motor policy payments of 30.3%. Lebanon's insurance penetration rate is 3.1% of GDP, occupying the first place in the MENA region for the fifth consecutive year and 48th worldwide. As a matter of fact, premiums generated by 50 Lebanese insurers in 2010 constituted 11% (10.7% in 2009) of the total premiums generated by all 308 Arab insurers; as well as they held the fourth highest market share in premiums generated, following firms in the UAE (20.3%), Saudi Arabia (16.7%), and Morocco (13.7%).

In 2011 Al-Bayan magazine's annual survey of the insurance sector in Lebanon showed that Medgulf maintained its first place with \$100.8 million in non-life premiums, followed by Bankers with \$79.7 million, AXA Middle East with \$71.6 million, Libano-Suisse with \$56.8 million and AROPE with \$54.9 million, as the top five non-life insurers. There were seven advances and five declines in the rankings among the top 20 insurers, while eight other insurers' rankings remained unchanged.

The top 10 insurers controlled 63.8% of the market in 2011 compared to 64.3% in 2010, 65% in 2009 and 64.4% in 2008, while the top 20 insurers represented 84.8% of

premiums compared to 85.4% in 2010, 86% in 2009 and 85.3% in 2008. The aggregate non-life premiums of the top 10 insurers reached \$554.7M in 2011 compared to \$519.8 M in 2010, \$464.8 M in 2009 and \$380.4 M in 2008. The insurance sector's premiums still represent a very small percentage of the country's GDP. A study conducted by Booz & Co. and The World Economic Forum came out with the main recommendation of Peter Vayanos: "For regulators to take immediate action to conduct an assessment of their country's insurance sector against these enablers of growth and chart a course that will address the identified gaps, while taking into account local circumstances"³⁰.

On the other hand, many studies offered a set of recommendations that could boost the insurance industry's development acceleration in the MENA region. The most significant recommendations are the following: introduction of mandatory insurance lines, privatization of government owned insurers, employing non capital techniques to force rationalization of insurance sectors with too many small and inefficient players, removing tax distortion, taking steps to stabilize motor third party liability markets (typically the largest line of business), strengthening reporting and disclosure, regulating banc-assurance, improving consumer protection and establishing regional centers of excellence for skills development.

2.4.3 INSURANCE & CSR

Economically speaking, economic output is divided into physical goods and intangible services. The service sector includes information and telecommunication services, financial investment services, and professional, scientific and technical services, healthcare and social assistance, and arts, entertainment and recreation services. The service sector in general, contains numerous CSR implementation opportunities. The Service industry increasingly provides job opportunities, since many of its sectors are labor intensive. The social productivity's improvement and service industry's own fast development induce a noticeable shift of labor into the service industry. Providing equal

³⁰ http://www.booz.com/me/home/what_we_think/40007409/40007869/42004865

employment opportunities while maintaining the level of production and managing staffs and community, is the industry's most significant social responsibility.

Services are invisible products which cannot be produced and stored in advance, thus the time of service must be short enough to meet the customer's demand, and the quality of service must be conform to consumer's judgment standard. Consequently, providing a consistent quality and superior standard of service is one important social responsibility towards customers.

This sector creates and relies on the latest technological outbreaks thus it should use and promote green and environmentally friendly technology.

In particular, the insurance industry is not confined to manage risks but its activities extend to identifying and seizing opportunities. Sustainable development within ethical and environmentally friendly operations, especially with the impacts of climate change and the related awareness, are the headliners of insurance companies. As to health care orientations, when insurance companies help spreading awareness in societies, good health levels increase within the society which in turn decrease the claims level to companies. This is a challenge to the whole industry as most of the opinions remain reserved when it comes to its integrity and transparency. Most of the analysts and clients regard insurance companies as entities who take advantage of others' miseries and try to benefit from it. Thus being socially responsible is considered to be more an excellence in this industry which faces massive criticism.

Taking responsibility of treating employees fairly, delivering customers ethically, respecting diversity, complying with transparency, preserving the environment and spreading awareness in society are among the many responsibilities an insurance company, among others, can assume.

2.5 PREVIOUS RESEARCH

When examining CSR of an MNC in the MENA region, previous research could constitute a strong backbone for this present study. However, this combination wasn't the subject of many preceding researches; the following two main subjects were highlighted in the suggested context of their researchers: CSR in the MENA region and CSR of MNCs.

2.5.1 CSR IN THE MENA REGION

Limitations on the development of CSR include the general assumption that it consists solely of philanthropic activities, and that Small and Medium Enterprises (SMEs) do not understand the correlation between CSR and core business strategies.

It is heavily argued that CSR is becoming a vital component of today's business and especially in the MENA region, where economies are trying to emerge from the setbacks caused by "The Arab Spring"; it is the quality of governance that will be the key issue (Cordesman, 2011).

When considering Carroll's conceptualization to be the superlative explanation of CSR and thus directly relating the latter to the society, cultural differences come to underline the divergence in the concept comprehension in different societies. An analytical framework is needed to assess better the differences in the role and expectations of society in CSR starting by defining differences in societal cultures using Hofstede's (1984, 1991) dimensions. As a start, Geert Hofstede's defined culture as "the collective programming of the mind which distinguishes the members of one group or category of people from another". This collective mindset includes knowledge, beliefs, art law, morals, and customs.

Melsa Ararat, a member of the Faculty of Management at Sabanci University and the director of Corporate Governance Forum of Turkey (CGFT) hosted by Sabanci University and founded jointly by Sabanci University and TUSIAD (Turkish Industrialists' and Businessmen's Association), used the above to conduct a thorough study about "Corporate Social Responsibility Across Middle East and North Africa" ; an attempt to

synthesize the reports prepared by a variety of authors, proactive participants living and working in their homeland in the MENA.

Katz, Swanson and Nelson (1999) elaborated on how Hofstede's cultural dimensions control a society's CSR plan concluding that activism of stakeholders (including society at large) can be grouped around five social spheres: Consumerism, Environment, Treatment of employees, Government involvement in society and Role of business in community.

These propositions are determined by the following perspectives:

Dimensions Propositions	Power Distance	Uncertainty Avoidance	Individualism	Masculinity
Consumer Activism	Low	Low	High	Low
Environmental Activism	Low	High	Low	Low
Employee Activism	Low	High	Low	High
Governmental Activism	Low	Low	-	Low
Community Activism	Low	Low	Low	Low

Table 2.3: Relationship between Cultural Dimensions and Stakeholders' Activism

Hofstede's perception of the MENA region suggests the following results upon which Ararat was able to better analyze the situation, treating The Arab World and Turkey as two different clusters represented in Figure 5.18.

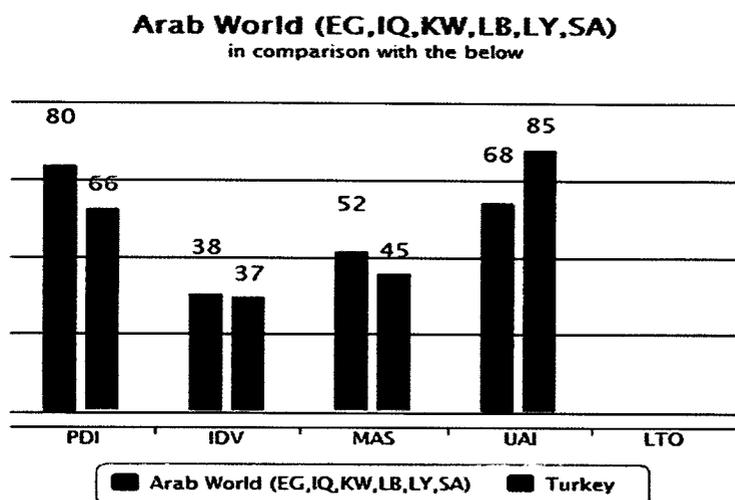


Figure 5.18: Hofstede's perception of the MENA region's cultural dimensions

Source: <http://geert-hofstede.com>

Its findings were based on many frameworks that helped develop a better understanding of CSR implementation's potential in the MENA region.

CSR activities in the MENA region are primarily philanthropic focusing on education, healthcare and research. They represent a way that corporations use to “to reduce the social tension, gain legitimacy and create a safer environment to conduct business”. These actions are ought to be fulfilled by governments, but due to that lack of focus of such elements, companies are compelled to fill the gap while performing some of their duties towards the society in particular. “Reports reveal that CSR in the region is generally driven by rational choices of business or political choice rather than by societies' expectations or pressure from below”.

The results of the study show the common drivers of CSR in the region. Ararat's findings explain that nowadays, corporations in the MENA region are motivated to be socially responsible due to the awareness towards voluntary disclosure and transparency, the increasing international and local competition which is behind the race to better productivity and efficiency, International business relations that is putting under the spotlight all the companies' activities (i.e.: relations with European Union), internationally recognized standards and Codes of Conducts (i.e.: BSCI in morocco and

Turkey). As well as, the new wave of governmental reporting and disclosure requirements, labor law, Corporate Governance Codes and regulations coupled to the international campaigns, awards and ratings, programs and projects (i.e.: UNGC, UNDP programs), Civil Society Organizations (i.e. Green Peace) that are influencing the consumer's preferences towards ethical trading.

CSR activities are treated as business cases where Business organizations and business funded Civil Society Organizations (CSOs) are more active in promoting the concept than Grassroots Civil Society Organizations (GCSOs) - locally based, significantly autonomous, volunteer-run, formal nonprofit (i.e., voluntary [third sector, civil society]) groups that manifest substantial voluntary altruism as groups and use the associational form of organization and, thus, have official memberships of volunteers who perform most, and often all, of the work/activity done in and by these nonprofits³¹.

Local corruption, unregistered economy and restriction of freedom cripple the course of action of most organizations and companies.

However, she refuses to directly relate the region's behavior to Philanthropy stating that charity admits the presence of the less fortunate which is not the case of CSR. To sum up Ararat's work, the region's common tendencies underline the "exogenous" nature of CSR's drivers: "*CSR practices of multinational companies and their joint ventures, laws and regulations imposed upon by international agreements, activist work of international NGOs, rational choices driven by the desire to be associated with the EU, academic research and management education etc*" given that the region's societies focus on companies' reputation and image rather than on their actual social involvement and performance while overlooking the difference between ethical behavior and law obedience.

Globalization comes back to the spotlight as the primary driving force behind the compliance to CSR in the MENA region, as the openness of the market and the international trade's rise are exercising a direct pressure on companies to behave ethically

³¹ Smith, D. (2009) Boston College, USA

and take responsibility of their belongingness regardless of their cultural background and beliefs.

Ararat focuses on women's role and participation in societies where most of the countries are subject to Islamic doctrine inhibiting women from participating in social life, the business world and adequately fulfilling their potentials which is behind the slow influence of the society on business. Encouraging the involvement of women in social life "as demanding customers, concerned parents for the future of children and as members of organized labor" as well as focusing on their education, is the most essential component of realizing CSR's prospective in the region.

Ararat concluded:

"It will take some time before the local societies will play a significant role in driving the "CSR" in the region. This change will involve a shift in values towards universal values, a process which will continue to be driven by democratization and globalization."

Similarly, the background paper that was used as a contextual guidance for the 1st "Corporate Social Responsibility and Corporate Citizenship in the Arab World" Conference on November 21st and 22nd, 2007 in Cairo, Egypt - the first Arab and the first African country to sign the OECD Declaration on International Investment and Multinational Enterprises - (a conference jointly organized by the World Bank Institute, the Center for International Private Enterprise (CIPE), the Egyptian Institute of Directors, and the Arab Labor Organization) defined CSR and its contextual framework in the Arab world (major part of MENA region) while linking it mainly to philanthropy as well. In this context, a World Bank report finds that CSR's differs among countries in the MENA region; it revealed that CSR is currently best explained and manifested as external philanthropy of a company.

Main CSR drivers in the regions were identified as follows.

	Driver	Country
1	The need to improve the investment climate – better governance, voluntary disclosure, transparency, accepting the rule of law.	Turkey, Morocco, Egypt
2	Increased international and local competition due to liberalization – concerns for efficiency and productivity.	Jordan, Turkey, Egypt
3	International business relations – learning by examples.	All countries
4	International Codes of Conduct, such as the BSCI Code in the textile industry.	Morocco, Turkey.
5	The need to comply with International Standards.	Morocco, Turkey
6	Government – new laws and regulations, such as Corporate Governance Codes, disclosure and reporting requirements, labour laws.	Turkey, Morocco, Palestine, Jordan.
7	Improved enforcement of existing laws and regulations.	Turkey, Egypt.
8	International campaigns, programs and projects, such as the UN Global Compact, World Bank-IFC programs, UNDP programs.	Turkey, Lebanon, Egypt.
9	Consumer preferences in developed countries (Ethical trade movement, for example).	Turkey, Morocco, Egypt.
10	Relations with the European Union.	Turkey, Morocco, Jordan.
11	Activism of global civil society organizations, such as Greenpeace, Transparency International, directly or through local agents.	Turkey, Lebanon.
12	Awards and ratings.	Morocco, Turkey.

Figure 2.19: CSR drivers in the MENA region

Source: Corporate Social Responsibility and Corporate Citizenship in the Arab World (2007) Background paper for the 1st Arab Forum on CSR, Egypt.

Furthermore, the Arab world appeared to be facing a critical sustainable development challenge consisting of creating meaningful employment and opportunities for young people throughout the region. CSR achievements in the region were identified as well as the obstacles that were to be discussed. The MENA region is ahead of other regions since it is approaching CSR regional, organized, and driven at the policy level manner; governments are starting to focus on CSR, sustainable development, and environmental responsibility acknowledging CSR's significant and positive contribution to "enhance competitiveness, attract investment, and maximize the value of wealth creation to their country's citizenry". They proposed many reforming steps:

1. Governments can harmonize national laws and legislation with internationally recognized CSR-related management and reporting standards.
2. Governments can facilitate capacity building and awareness-raising on CSR-related issues, encourage and engage in public-private partnerships to affect positive social change and to reach developmental, environmental and social goals.
3. Governments can place emphasis and pass legislation on transparency and accountability in reporting and assurance signaling to companies, both multinational and local, that CSR is being taken seriously.

In fact, the institutionalization of the idea of CSR in the MENA region is on the right track, some examples were cited;

- a) As planned in the first phase of MENA-OECD (2005-2007) a regional Institute for Corporate Governance (HAWKAMA) was established in 2006 in Dubai to advance corporate governance reform in the region.
- b) Ten countries have defined their National Investment Reform Agendas (NIRA) that includes concrete investment policy reform measures aimed at improving the countries investment environment: Bahrain, Egypt, Jordan, Lebanon, Palestinian National Authority, Oman, United Arab Emirates, Morocco, Tunisia, and Yemen. These reform agendas, which are also an initiative by the MENA-OECD, highlight the role of corporate social responsibility and corporate governance in creating a healthy investment climate.

Most importantly, MENA governments are encouraging business to achieve environmental and social objectives through Public-Private Partnerships (PPP) that provide better distribution of risks; therefore, they are attractive to foreign investors offering adequate FDI entry points. “The socially-oriented FDI takes place in the form of PPPs in MENA countries comes from both multinational companies and regional companies”. Two of the most illustrative examples are: the Coca-Cola Company's partnership with the Egyptian Ministry of Irrigation and Water Resources and USAID to initiate a “Global Development Alliance” to supply clean water and solid and liquid waste treatment for communities in Upper Egypt and the Delta; and Saudi Amiantit

Group \$11.36 million's deal for pipes to provide water access around Egypt after the government announced a plan in January to fund LE 7 billion in sewage and fresh water treatment projects in 2007.

In the particular case of Lebanon, the private sector is increasingly leaning towards CSR but still needs a lot of reforms and developmental procedures. 5% only possess a declared Environmental Mission, 8% release Corporate Responsibility reports, 26% adopt environmental policy, and 53% declare donation participations and charity events. Lebanese corporations are CSR oriented under the limitation of a narrow understanding of the concept and its benefits.

2.5.2 CSR & MULTINATIONAL CORPORATIONS

Globalization and international trade drove companies to go beyond their geographical boundaries and attempt to operate abroad, looking for new market opportunities in order to expand and sometimes profiting from a lower cost of production depending on their host country and its economy. CSR, as an essential part of sustainable development, is one powerful component that cannot be let down when exporting business. It has a crucial role in the effectiveness of such expansions.

Many researchers (i.e. Broadhurst, 2000; Hopkins, 2003; Quazi&O'Brian, 2000) emphasized the importance of CSR for MNCs especially in developing countries, where concerns are on the rise about the penetration of their economies and loss of national control while trying to attract foreign investments and thus to create new job opportunities.

MNCs and developing countries were the center of attention of many, decades ago.

The 1998 World Investment Report of the United Nations Conference on Trade and Development highlighted the long-term significance of adopting economic reforms in developing countries in order to attract MNC investment. The 1999 report by Global Environment Management Initiative (GEMI) stated "Leading MNCs consistently are positive forces for both economic development and environmental health and safety quality in the developing countries in which they operate". Nevertheless, CSR of MNCs is still subject to cynicism by many researchers for local companies as well as for MNCs.

Some think that CSR is a radical wave and “fundamentally subversive” (Friedman, 1962) and that corporations should focus their attention on their shareholders only (Friedman, 1970).

Henderson (2001) as well categorized CSR as a distraction that keeps corporations from focusing on their main objective which according to him is to maximize profit rather than offering social services.

Others, such as Rawlins (2005), stress on the disproportional societal expectations that are damaging free enterprises and jeopardizing U.S-based corporations in particular as their international competitors coming from different cultures have different beliefs.

On the other hand, advocates of MNCs’ CSR insist on the capacity of MNCs to serve the greater community while looking for their stakeholders’ benefits. This argument assumed two different ethical approaches to support MNCs’ engagement in CSR initiatives: Utilitarianism or consequentialist theory, and deontology or non-consequentialist theory. Bowen (2005) explained that consequentialism judges CSR from the expected consequences of the decision. As the most common consequentialist ethics, utilitarianism employs a cost-benefit calculation, and defines decisions that can maximize good outcomes as ethical (Bowen, 2004). Conversely, Deontology weighs decisions upon moral duties only. Founded by German scholar Immanuel Kant, deontology argues that “the consequences of a decision should not dictate the moral principles of right” (Bowen, 2004).

The Utilitarianism approach is widely supported and the following six studies were found to be most suitable for its illustration.

1. Fitzpatrick (2000) discovered that MNCs are compelled to engage in CSR initiatives due to increasing public pressures to conform to societal expectation.
2. McWilliams and Siegel (2001) attempted to explain MNCs involvement in CSR activities by using the theory of the firm which displays CSR as “a form of investment”; assuming that a company can differentiate its products from competitors’ by incorporating CSR aspects or using CSR-related resources in their production. However, McWilliams and Siegel (2001) found that the

performance of socially responsible corporations is extremely comparable to less socially responsible companies. In other words, corporations manufacturing CSR attributes (higher costs with higher profits) are equally profitable with those producing no CSR attributes (lower costs with lower revenues). They suggested that managerial decisions should equally treat CSR issues and all other investments.

3. Hopkins (2003) was able to define the reasons behind such behavior:
 - Increasing corporate acceptability by domestic and international stakeholders
 - Supporting MNCs in new investors' attraction
 - Improving corporate industrial relations
 - Enhancing customers' loyalty
 - Developing corporate reputation
 - Contributing to sustainable development and human development
4. Manakkalathil & Rudolf (1995) argued that it is practically impossible to apply effective legal governance over powerful MNCs; as a consequence, CSR or self-governance is viewed as "the only practical alternative".
5. Zyglidopoulos (2002) put a particular emphasis on the fact that MNCs' reputation transcends national boundaries making them more vulnerable to image distortion and thus forcing them to engage in CSR initiatives. Furthermore, he concluded that, MNCs' subsidiaries, being directly linked to their parent company, have to deal with their stakeholders in their operating country as well as those in foreign countries. Therefore, this "foreign stakeholder salience" is behind the higher level of social responsibilities that MNCs are trying to reach.
6. Falkenberg (2002) discussed the "enlightened self-interest" that MNCs use to justify their socially responsible behavior which allows for a more long-term approach to success. The latter implies that CSR activities are beneficial for both the corporation and the community.

Nevertheless, the utilitarian approach was severely criticized by many researchers.

L'Etang (1994) attacked the “exploitative” nature of CSR programs that lack concern for the recipients’ needs and are motivated by self-interests. She condemned MNCs who exploit CSR actions in order to maximize their positive impact on recipients and thus reaching their own hidden purpose such as enhancing their corporate image. As a matter of fact, the introductory section of the WBCSD 1999 report on CSR employed terms such as “business benefits”, “could destroy shareholder value”, “control risks”, “identify market opportunities”, “improving reputation” and “maintaining public support”.

Sethi (2003) emphasized on the inconsistent conduct of MNCs thus supporting this self-interested approach. He convincingly wondered:

“How might one explain the conduct of the managers of some of our largest corporations over the last three years where they have cumulatively laid off hundreds of thousands of workers, unilaterally reduced their pensions and health care benefits, while at the same time managing to increase their salaries and stock options ?”

This criticism was to highlight the importance of the deontological approach that is believed to be the most suitable explanation for why MNCs should have CSR strategies. L'Etang (1994) argued that corporate actions should be done out of duty, rather than as self-interests’ reactions; while considering their stakeholders’ response and evaluation. Similarly, Naor (1982) suggested that MNCs are obliged to meet the social needs of publics of the host country and thus contributing in the improvement public welfare.

“Corporate social responsibility in multinational companies: Management initiatives or negotiated agreements?” was published by the International Institute for Labor Studies in Geneva regarding the nature and implementation of CSR codes in MNCs; a comparative study based on sector, company size, nationality and key aspects of the HR function as it primarily relies on internal CSR codes. It was found that CSR codes are more prominent in manufacturing sector companies rather than in service sector ones given that manufacturers face a direct response to their end products in the market. A minority of these MNCs has an internationally negotiated CSR code; on this issue results refuted the expected as “those MNCs which are the most likely to have a code are the least likely to

have negotiated it – US companies – whereas those MNCs which are the most likely to have negotiated a code – German and Nordic firms – are amongst the least likely to have a code in the first place”. Furthermore, companies in the US appear to demonstrate their social concerns in order to show that their focus is not only on the production of short-term returns for shareholders whereas the European firms undergo less pressure regarding their CSR activity’s formal articulation. On the other hand, larger companies are more prone to consumers’ observation, forcing them to manifest their social responsibility more than their smaller opponents. In all cases, the materialization and derivation of CSR codes be it unilateral or the result of joint initiatives, are directly linked to free enterprises.

MNCs have to customize their CSR practices due to the numerous differences among the countries where they operate. Dr. Aoun, G. FGM Professeur suggested the following model.

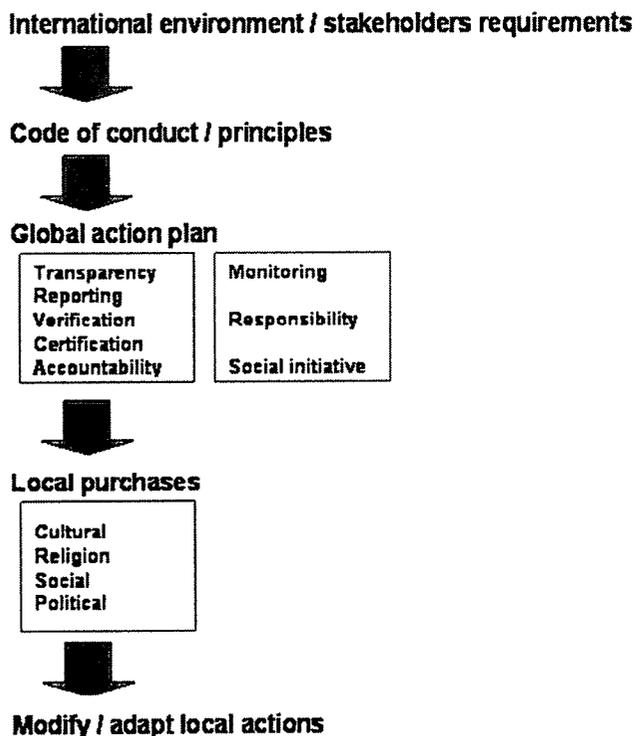


Figure 2.20: Adaptation model of global actions to MNCs local environment
Source: Aoun (2007)

However, one of the most intriguing questions revolves around MNCs in conflict prone countries usually thought to be repelling for foreign investors. Ashley Campbell (2009) proved that MNCs are well tempted to operate in such zones.

When in a conflict-prone zone, MNCs can play an effective role in conflict prevention as well as they might be nurturing to such situations. The most important element remains decision making as it is influenced by many factors and in its turn affects other variables; in particular CSR doctrine and practices are influenced by the following factors illustrated in Figure 2.21.

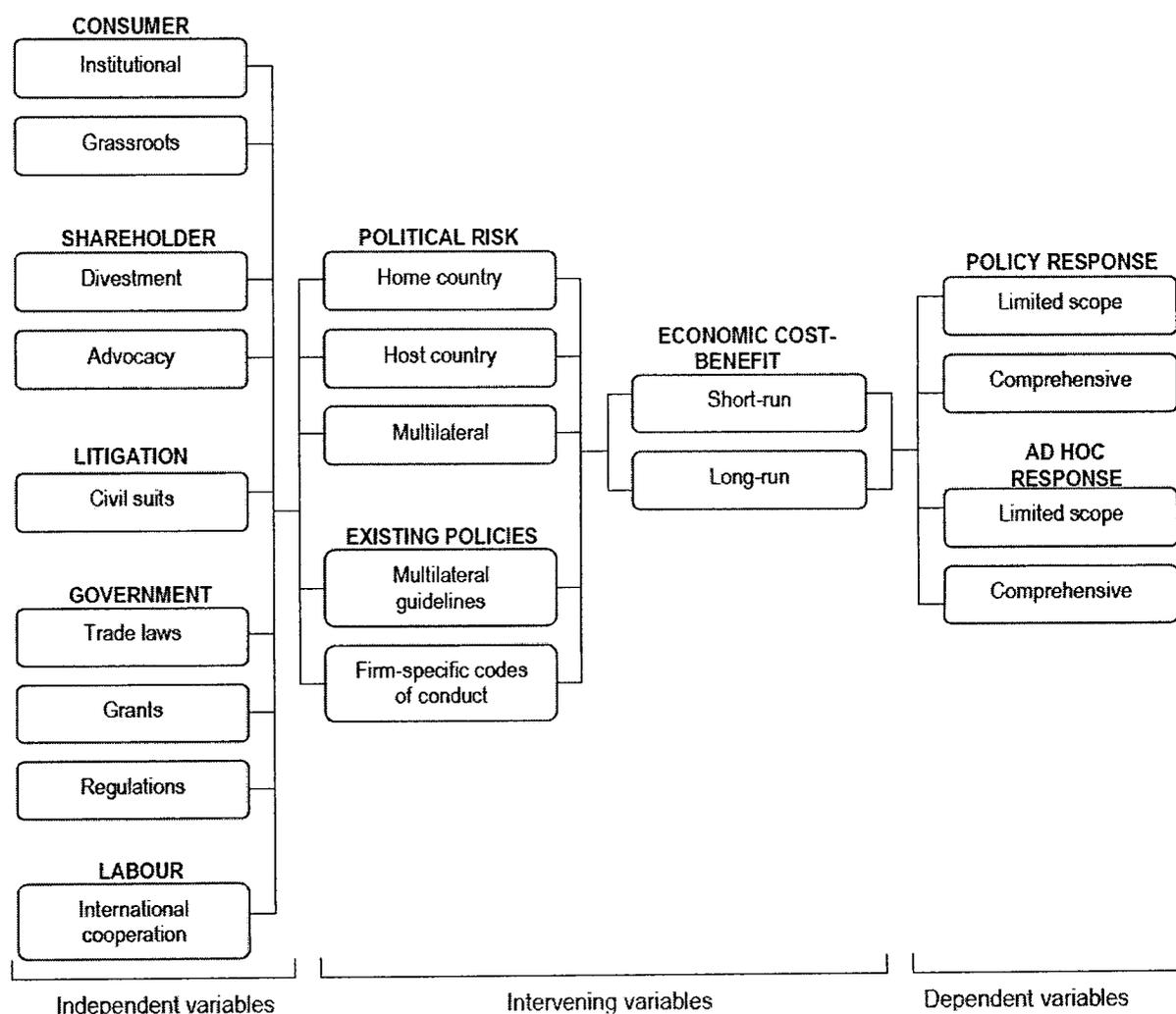


Figure 2.21: Factors influencing CSR activities in MNCs

Source: Forcese (1997)

The above model shows the independent variables triggered by a corporate human rights crisis representing external stressors that affect business profitability which in turn affects the company's decision-making with respect to CSR issues. The basic criteria related to decision making process regarding CSR are illustrated in Table 2.4.

	Short-term		Long-term	
	Cost	Benefit	Cost	Benefit
Action	- increased production costs	- reduced pressure from independent variables	- reduced competitiveness because of increased production costs	- increased competitiveness because of reduced pressure from independent variables
Inaction	- increased pressure from independent variables	- no increase in production costs ⁴⁸	- reduced competitiveness because of increased pressure from independent variables	- increased competitiveness because there is no increase in production costs

Table 2.4: Relative consequences of decision making of MNCs regarding CSR

Source: Forcese (1997)

All combined, it is clear that the dependent variable, which is the final response of the MNC that can be directly or indirectly linked to the company's operations and control, depends on the magnitude of the independent variables. The company's analysis of the intervening variables mediates the latter in the most efficient way.

In fact, accepting to be engaged in conflict situations puts the company under the pressure of assessing such risk and managing it most effectively in its investment decisions, daily operations, social investments and philanthropy. The below figure suggests suitable guidelines for the private sector's companies wishing to play a role in conflict prevention and peace promotion.

However, companies in the private sector wishing to contribute on conflict prevention should work in partnership with other parties such as concerned NGOs.

Campbell elaborated on the case of BP Amoco's social policies and practices in Colombia and concluded that despite the company's efforts in promoting development and encouraging local peace, BPXC's efforts weren't enough. Nevertheless, she valued the awareness and investment made by the company in conflict prevention; this trend is the subject of an increased international demand for MNCs to invest and contribute in peace and development.

2.6 CONCLUSION

Corporate Social Responsibility is an omnipresent component of today's globalized business world. Nobody can ignore or underestimate CSR as accountability is increasing and awareness is spreading in most of the diversified markets. MNCs are the key players in that sustainable development orientation since they have bigger responsibilities towards their larger stakeholders' background that possess larger power for a better implementation.

However, a misplaced socially responsible image can cause major negative reactions. The prevalent issue remains the implementation of CSR of MNCs in their MENA region's subsidiaries. As a matter of fact, researches showed that subsidiaries of MNCs usually demonstrate examples of CSR by simply complying with their corporate policies. They are also the primary source of funding for CSR oriented NGOs; in the MENA region they emphasize on philanthropic activity. This is the subject of this study conducted to contemplate CSR practices of AXA's subsidiary in Lebanon AXA Middle-East.

CHAPTER 3

PROCEDURES AND METHODOLOGY

3.1 INTRODUCTION

The Business Dictionary defines Research as the:

*“Systematic investigative process employed to increase or revise current knowledge by discovering new facts. It is divided into two general categories: (1) Basic research is inquiry aimed at increasing scientific knowledge, and (2) Applied research is an effort aimed at using basic research for solving problems or developing new processes, products, or techniques”.*³²

Thus in every research paper, the researcher has to choose the most appropriate methodology in order to achieve better the stipulated objective of the thesis.

CSR is conceptual by nature; when examining MNCs and their subsidiaries' CSR conduct: different levels should be taken into consideration such as organizational levels (strategic orientation, substance domain, and ideological perspective) and societal levels (content domain, societal and operational perspective).

MNCs have been looking for such opportunities for years, if not for decades. So what about the CSR application in their MENA affiliated entities? This paper intends to penetrate and dissect deeply this new trend in the MENA region, defining its importance when it comes to meeting new standards of commercial trading and marketing.

Therefore, the researcher has to determine the most suitable relative research questions in order to adequately formulate his hypotheses as follows.

³² <http://www.businessdictionary.com/definition/research.html#ixzz1szZPxQGf>

3.2 HYPOTHESES

As this paper attempts to better assess, verify and classify the CSR implementation of MNCs in their affiliated branches in the MENA region, a series of inquiries had to be answered. Such objective could be reached only by comparing an MNC to its subsidiary following Arthaud-Day's three dimensional model³³; the studied case is the renowned insurance company AXA, it assisted in defining the ultimate overall spectrum of the CSR implementation and application of AXA group compared to one of its subsidiary AXA ME in Lebanon, and identifying their areas of concentration in the MENA region while verifying the effect of each pillar on the entity's general status.

Operating in the MENA region could be considered as a challenge in some situations, how about orientating the business towards social responsibility when financial stability should be the number one concern in a region where CSR is still under the assumptions of ambiguity.

As MNCs consider CSR a competitive advantage that guarantees them a sustainable development of their business and a solid ground for a more prominent existence in tomorrow's market, the question remains around the influence of the presence of such components in MNCs' subsidiaries in the MENA region: an international new setting. The following questions will be the study's subject:

- i. What is the ultimate overall spectrum of the implementation of MNCs' CSR when it comes to the mother company compared to one of its subsidiaries?
- ii. Can CSR's management and application be considered as a competitive advantage in the MENA as much as in other regions?
- iii. What are the CSR levels that MNCs are trying to focus on in the MENA region?
- iv. To what extent is the MENA region a receptive medium for CSR development?
- v. How does each pillar influence the commercial status of the entity as a whole?

The researcher will try to answer the above mentioned questions by the validation of the following hypotheses:

³³ Discussed in section 3.6 of this chapter

H₁: MNCs' subsidiaries in the MENA region practice submissive CSR activities.

H₂: CSR in the MENA region is encouraged by MNCs and their subsidiaries simultaneously.

H₃: Opportunities in a wide range are available for CSR practices in the MENA.

H₄: MNCs' subsidiaries are revolutionizing the concentration's areas of CSR activities in the MENA region to improve their status in today's market.

The researcher tries to validate the above-mentioned hypotheses and answer the research questions through this present study.

3.3 SELECTED VARIABLES

In every study, the researcher should select most significant variables that could influence the predicted outcomes. These variables are related directly to the research questions and the induced hypotheses. Consequently, the following section explains the researcher's choice of variables

3.3.1 THE INDEPENDENT VARIABLES

The study's determinants are its independent variables; these inconstant and manageable factors are the main reasons behind the fluctuation of results. The chosen independent variables would improve the degree understanding of both awareness and implementation of CSR in an MNC's subsidiary. They are key indicators of the multiple chosen levels that the researcher wishes to evaluate and analyze. These qualitative variables will be partly used in SPSS to better quantify results and interviews to calibrate the differences.

The most significant aspects that the researcher chose to correlate and interpret are:

1. Employees' level of education
2. Employee tenure
3. Professional level
4. CSR context in Lebanon and MENA region
5. CSR context in AXA

For further clarifications, many other aspects are taken into consideration; main findings³⁴ and their analysis will expose their importance and influence on the center of research's focus. AXA is one of the world's leaders in its sector as well as in its CSR involvement; so it can accurately reflect the situation of several other MNCs in the MENA region.

3.3.2 THE DEPENDENT VARIABLES

The dependant variables can be directly or indirectly linked to the independent variables; they structure its existence. The interviews were conducted in order to conceptualize the current status of CSR in an MNC's subsidiary present in the MENA region and define the course of implementation in both entities. Then the questionnaires were to evaluate the impact of the company's effort on its employees. The latter indicates the degree of commitment to CSR at a company's management, employees and organizational level³⁵. As a consequence, the dependent variables can be defined as the implementation of CSR along with the degree of awareness among employees.

3.4 METHODOLOGY USED

Following the hypotheses determination and their influential variables, the researcher should choose a well structured methodology to guide the study. The latter is presented by the following section.

3.4.1 INSTRUMENTATION: PRIMARY AND SECONDARY DATA

The validation or rejection of the previously set hypotheses is essentially associated to the analysis of the results compiled from the use of different instruments in order to qualitatively realize the anticipated target of the research and quantify it. The researcher chooses to conduct a case study in order to represent a defined model of the adopted pattern when it comes to CSR in MNCs. A case study is a form of qualitative descriptive research that is used to look at individuals, a small group of participants, or a group as a

³⁴ Discussed in Chapter 4

³⁵ Explained by Arthaud-Day's three dimensional model / section 3.6

whole³⁶ where the researcher collects data via direct observations, interviews, protocols, and assessment of records.

Primary data is immediate first hand on data that is adapted and directly collected by the researcher. This type of data could take the form of an interview, a questionnaire and direct observation.

- I. An interview is a technique that is primarily undertaken in order to gain an understanding of the underlying reasons and motivations for attitudes, preferences or behavior.

The researcher conducted similar one-on-one interviews with the concerned figures in charge of handling CSR issues at AXA and compared them in order to identify the areas of difference in their conceptual understanding and positioning (see Appendices B and C).

- II. A questionnaire is the most popular form of primary data. It should be carefully designed and well studied. A statistical survey was conducted with AXA ME's employees to evaluate better the internal and external status quo of CSR awareness and implementation at an MNC's subsidiary in the MENA region (see Appendix A).
- III. Direct observation involves recording the behavioral pattern of people, entities and events in a systematic manner. The researcher observed actual behavior as it occurred in the everyday work process of AXA ME and its CSR activities³⁷.

Secondary data consists of reprocessing and reusing collected information to create a clear picture of the subject and its affiliations. It is obtained from other entities than the one directly interested with the current research project. Books, articles, research papers, studies and documents were obtained from:

- a) Concerned NGOs
- b) Electronic resources

³⁶ <http://writing.colostate.edu/guides/research/casestudy/>

³⁷ Discussed in Chapter 4

- c) Electronic search engines
- d) Companies' publications
- e) International pacts and protocols

A primary research was accomplished by three different means starting with personal observation allowed for a closer examination of AXA's CSR involvements and accomplishments. At the qualitative level of the research, the same interview was conducted with the CSR officer of AXA ME in Lebanon as well as the CSR officer of AXA MEDLA Group in Portugal (through Teleconference). This source of primary data allowed for a comparison between the CSR ideology of an MNC headquarter and one of its subsidiaries in the MENA region.

The last was quantified by a questionnaire, dully filled by a random sample that was AXA ME's employees which represent different educational, social, professional and intellectual levels. This allowed the evaluation of the degree of CSR implementation through the company's employee awareness and involvement. This study examined only perceptions of an internal public employees which are direct implementers of MNC's CSR strategies as well as they are stakeholders that these strategies have an impact on.

At this level, the issue of positionality was carefully treated. Merriam (2008) argued that an understanding of the researcher's position and any potential bias or assumptions that could impact the researcher is necessary. It is noteworthy that the researcher tried to avoid bias by objectively reporting observations and responses and analytically examining compiled data.

Data collection is followed by statistical analysis to facilitate its examination and interpretation.

The following section determines the statistical package chosen by the researcher for data processing.

3.4.2 UTILIZED STATISTICAL PACKAGE

Statistical Package is computerized software used to measure data and turn it into statistical results that could be more easily analyzed. The choice of package depends on the kind of research conducted, type of primary data available and necessary statistical components for assessment and analysis. For the purpose of this study, SPSS was used as the primary statistical package. Written by Dr. Norman Nie in 1968, SPSS stands for Statistical Package for the Social Sciences and offers more than 50 statistical processes. It is the most commonly used alternative for marketing and development research and a fundamental component of decision making process in several MNCs. It offers the ability to manage a complex data set, create new variables from existing information and provides many types of analysis³⁸ which are unavailable in other package programs. As a consequence, the researcher was able to quantify and compare the outcome of the conducted survey. Questionnaires were processed by SPSS; Data was arranged by variable into the SPSS processor which calculates the relative descriptive statistics and report the results in illustrative graphs (bar charts and pie charts...), allowing a consequent analysis of the findings. Descriptive statistics summarize sets of data and allow the measurement of association and variability among variables.

One of the most common default tests in SPSS is the Chi-Square test - Pearson's Chi-Square test- which is a non-parametric statistical technique, used primarily with nominal or categorical data to test the goodness of fit between two categorical variables or their degree of independence. When used as a test of independence, it assesses whether paired observations on two variables, represented in a contingency table, are independent of each other. Each observation is allocated to a cell in the contingency table based on the values of two outcomes. Considering rows and c columns in the table, the "theoretical frequency" (Greenwood et al., 1996) for a cell, given the hypothesis of independence, is

$$E_{i,j} = \frac{\left(\sum_{n_c=1}^c O_{i,n_c}\right) \cdot \left(\sum_{n_r=1}^r O_{n_r,j}\right)}{N},$$

³⁸ <http://oit.pdx.edu/topics/spss>

Where N is the total sample size (the sum of all cells in the table). The value of the test-statistic is

$$X^2 = \sum_{i=1}^r \sum_{j=1}^c \frac{(O_{i,j} - E_{i,j})^2}{E_{i,j}}.$$

Giving $p = (r - 1)(c - 1)$. When testing the degree of independence or homogeneity, a chi-squared probability $p = \alpha \leq 0.05$ (level of significance) allows the rejection of the null hypothesis which states that the row variable is independent of the column variable. On the other hand, the alternative hypothesis associates variables in an unspecified structure and supports their statistical significance. These inferential statistics allow a better understanding of the results and a more solid ground for analysis. However, the Chi-Square test using the chi-squared distribution has several assumptions that should be fulfilled before considering its results to be valid and reliable:

1. The sample must be randomly chosen from a fixed distribution or population.
2. The data must be in the form of frequencies with precise numerical values and organized into defines categories.
3. The sample size must be sufficient since a chi squared test conducted on a smaller sized sample yields an inaccurate inference. Type II error might be committed.
4. Expected cell count must be greater or equal to 20 %.
5. The tested variables must always be independently assumed.

The researcher used cross-tabulation of selected categories in order to assess their existing relationship and verify their distributional pattern; and consequently analyzing their underlying significance regarding the considered hypotheses³⁹.

Nevertheless, before proceeding with data collection through the distribution of questionnaires, a pilot test had to be conducted for several reasons as explained in the following section.

³⁹ Discussed in Chapter 4

3.5 PILOT TEST

As recommended by Netemeyer et al (2003) once the questionnaire was developed in reflection of the current literature in the area: it was peer reviewed by academic colleagues and supervisors who have undergone the process of survey development and analysis previously. This was carried out to ensure clarity which was obtained and ensured all relevant and irrelevant questions included in the survey. A pilot test is basically a small scale replica of the actual survey and it is carried out before the actual survey is undertaken.

The respondents' number involved in the pilot should be adequate enough to include any major variations in the population that influence responses (Saunders et al, 1997). The size of the pilot study is often dependent on the time and financial resources available to the study (Saunders et al, 1997).

A pilot study contributes by providing an indication of the response rate to be expected, the efficiency level of the questionnaire and its questions, an estimation of the needed time for the administration of its final version and most importantly the degree of adequacy of questions.

According to Bell (1999) "however pressed for time you are, do your best to give the questionnaire a trial run", but due to time constraints a small sample of 20 employees (around 14% of the chosen sample) were involved in the pilot test. This allowed for immediate changes in the questions formulation and the questionnaire improvement to get its final form. The response rate for the final study was 70.3% ($N=102$ respondents out of around 145 employees).

Nevertheless, the researcher should select a conceptual framework that helps him in the systematic analysis of the findings.

3.6 CONCEPTUAL FRAMEWORK

When the researcher decided to examine MNCs' CSR practices in the MENA region, their implementation in an international setting (developing countries), Arthaud-Day (2005) seemed to offer the most suitable model that allows the universal domains identification while incorporating the flexibility required for international CSR studies. His three-dimensional conceptual CSR model includes a strategic orientation, content domain and perspective.

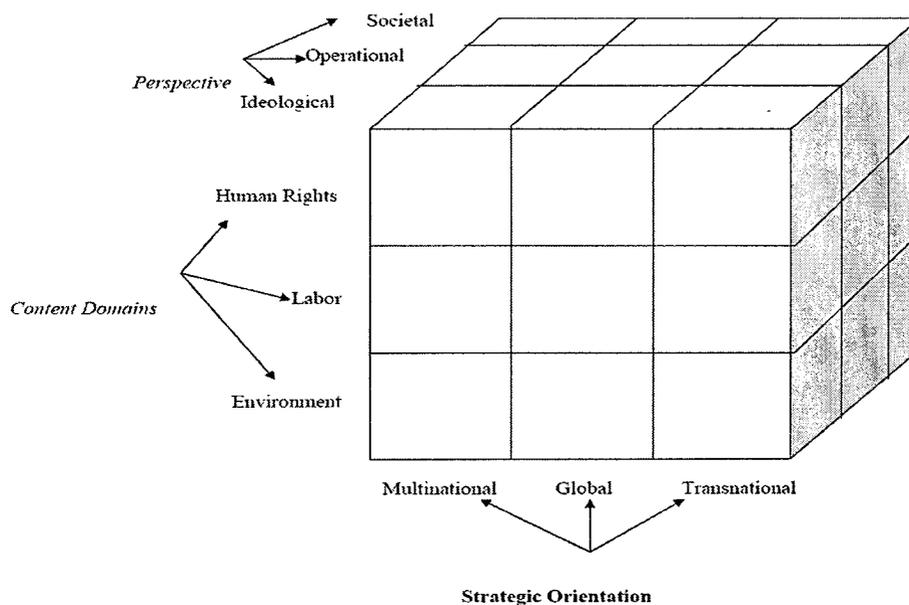


Figure 3.1: Arthaud-Day's Three Dimensional Model

Source: Arthaud-Day (2005)

The strategic orientation is the fundamental layer indicating the MNCs' management approaches - multinational, global and transnational - to handling the relationship between headquarters and subsidiaries, the adoption of one of three of the models proposed in chapter 2 and revealed by the interview conducted with the figures of authority.

As a matter of fact, these three mentalities differ by the company's attitude towards host countries' markets:

- a. MNCs with a Multinational organization accentuate local adaptation and concentrate on specific conditions of different local host markets, and often use a decentralized structure. Subsidiaries are expected to adjust their products/services as well as their managerial process in accordance with local environment.
- b. Global MNCs represent the other extreme, with a highly centralized structure and standardized products/services to all markets, benefiting from economies of scale.
- c. The supreme model would be the Transnational MNCs where corporations customize their coordinating mechanisms (multinational or global) according to each situation. This structure manages to satisfy the dynamic needs of customers while preserving the integration's cost advantage.

Different degrees of orientation are displayed in every MNC considering its sensitivity to local conditions, headquarters-subsidiaries relationships, creation and diffusion of knowledge. Previous research has supported all the three orientations to a certain degree.

Manakkalathil and Rudolf (1995) stated the difficulty of developing and enforcing a universally applicable code of ethical standards and thus supported the multinational orientation.

McLeod (2001) noted governments, businesses and NGOs have different perceptions to CSR in each country and in consequence, her study shows a distinct pattern of CSR strategies.

Holme and Watts (2000) with their cross-cultural study found that the definition of CSR varies across cultures, so do social issues covered by CSR (i.e. human rights, employee rights, and community involvement).

Others, believing in a universal set of corporate ethical behaviors, favor the global orientation i.e. Quazi & O'Brien (2000), while highlighting the difficulty of implementing standardized codes of ethics across national boundaries.

On the other hand, the Global Compact (UNGC, 2010) requires the concentration of CSR initiatives on global issues of sustainable development from the behalf of businesses, governments and civil societies. The GC's CSR principles revolved around the following

global issues: poverty and hunger, universal primary education, gender equality, child mortality, maternal health, HIV/AIDS, malaria and other diseases, environmental sustainability as well as global partnership for development.

The latter was deemed by the majority of researchers in order to be the most crucial element of international cooperation in the fast-growing change of today's societies.

As for the transnational approach, Donaldson and Dunfee (1999) supported it with their Integrative Social Contracts Theory (ISCT) which drives MNCs to practice tolerance of some approaches from different communities. ISCT's bulk is hypernorms which represent shared values among all cultures that can be used to judge all supplementary norms. Then come three other types of micro-level social contracts: consistent norms (social standards that are more culturally specific i.e. vision statement), moral free space (unique, but strongly held, cultural beliefs), and illegitimate norms (violation of hypernorms, i.e. disrespect for basic human rights. Transcultural values are accentuated by the presence of hypernorms; while at the micro-level social contracts indicate specificity when complying with these global values: this is perfectly fulfilled by the transnational approach.

The content domain corresponds to persistent themes related to CSR practice across cultures. Arthaud-Day (2005) suggested three major themes: Human rights (that should be respected and supported), labor (against forced labor, child labor, employment discrimination), and the environment (developing environmental friendly technologies, taking initiatives to promote greater environmental responsibility i.e. recycling, energy efficiency).

This domain offers a starting point for managing MNCs' CSR strategies in a new international market, starting with globally recognized issues.

Finally, perspective reveals the way MNCs deal with different stakeholders as for their CSR strategies. This level concentrates on three sublevels: Ideological (management belief system), societal (stakeholders' expectations), and operational level (actual CSR practices). The latter illustrates the MNCs coordination system as for their beliefs, external demands, and actual strategies.

This three-dimensional model was predominantly practical for the study of the strategic orientation of an MNC's subsidiary in the MENA region; it directed the analysis process as to its focus on the primary indicators of CSR implementation and awareness and the different levels of an entity.

3.7 CONCLUSION

The compilation of the analytical data reinforced the researcher position when he decides about the validation of the suggested hypotheses. The processed figures provided a clearer picture of the degree of AXA's involvement and commitment to CSR regarding employees in particular, as well as their own understanding of the concept.

Using Arthaud-Day's three dimensional model, the latter was thoroughly analyzed in chapter 4 along with the interviews' responses and the researcher's own observational findings in order to assess better the situation and ultimately recognize the standpoint that the researcher should adopt regarding the hypotheses and the overall spectrum of the study subject: MNCs' CSR in the MENA region (AXA ME in Lebanon).

CHAPTER 4

FINDINGS AND ANALYSIS

4.1 INTRODUCTION

The following section discusses the general economic traits of the MENA region and particularly in Lebanon, which helps researcher in understanding the overall environment of the region's market and highlighting the most relevant figures and consequently evaluating CSR's position and status. However, this evaluation focused on a defined case: AXA; thus, a description of this company is presented as well along with researcher's findings and observations about this MNC in Lebanon.

4.1.1 THE MENA REGION AND LEBANON

MENA⁴⁰ - Middle East and North Africa is the geographic and cultural region located in southwestern Asia and North Africa. Concerning the economic level, the MENA region is expected to benefit from its cross-border deals as global economies that are being raised by financial, infrastructure and energy sectors leading the way. Nevertheless, a shift in their geographical orientation towards the MENA region itself or toward other emerging regions like the BRIC countries is predicted, after the era of dominance by Europe and the United States. MENA holds a liquidity pool larger than most other developed economies and the governments' focus on diversifying away from oil and gas is increasing (BlomInvest, 2009). The region is witnessing a remarkable increase in cross-border investments since international investors are looking for higher rates of return and the opportunity to diversify risk, especially in developing countries where economic reform programs and market liberalization are on the rise. However, economic activity in the MENA region has been dominated by the political turmoil of the "Arab Spring" and strong oil prices (WB GEP, 2012). It has severely but selectively disrupted

⁴⁰ The term refers communally to the Asian countries of Bahrain, Cyprus, Iran, Iraq, Israel, Palestine, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, Turkey, the United Arab Emirates, Yemen, and the North African countries of Algeria, Egypt, Libya, Morocco as well as Tunisia.

growth across countries. GDP for the developing countries of the region is estimated to have increased 1.7% in 2011, down from 3.6% in 2010.

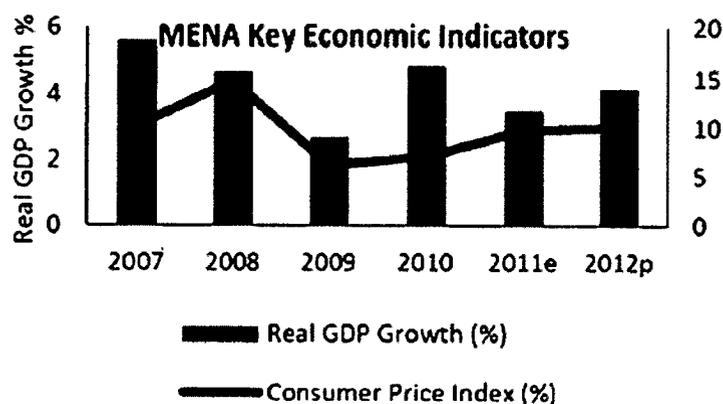


Figure 4.1: Key Economic Indicators of the MENA Region

Source: BlomInvest Bank (2012)

Growth is expected to remain constant through 2012, at about 2.3% , in both oil exporters (partly reflecting weaker oil prices) and oil importers, many of which (Morocco, Tunisia, Egypt) have very close economic ties to high-income Europe, and others (Jordan and Lebanon) with closer links to the GCC countries (WB GEP, 2012). Growth is estimated to accelerate to 3.2% by 2013, as FDI and investment revitalize, traditional revenue streams normalize, and civil disturbances in several countries are assumed to cease. In the newly-released GEP 2012, WB declared that developing countries should prepare for further downside risks, as Euro Area debt problems and weakening growth in several big emerging economies are dimming global growth prospects.

As for Lebanon - Capital: Beirut - , who was suffering years ago while maintaining its prominent strength of survival, it is one of the smallest countries in the region yet among the most developed. It is polyethnic (Armenian, Persian, Turkish...) with a total population of 4,140,289 nationals and 1,250,000 foreigners, consisting of 87% urban population with a GDP/Capita of US \$15,600. It has an interesting age structure with 0-14 y: 23% (male 487,930/female 464,678), 15-64 y: 68% (male 1,370,628/female 1,446,173) with a 22.1% unemployment rate and 65 y and over: 9% (male 173,073/female 200,619) (CIA, 2012).

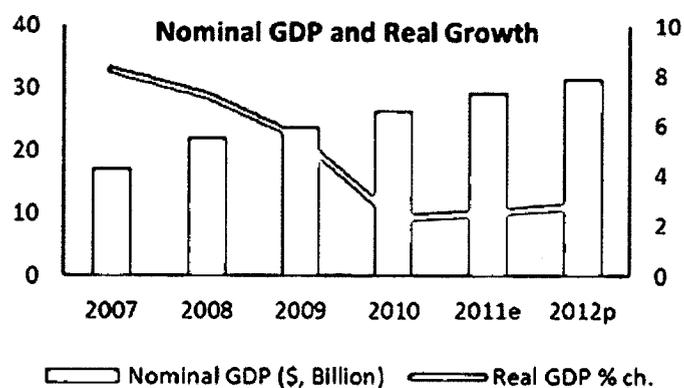


Figure 4.2: Key economic indicators of Lebanon

Source: BlomInvest Bank (2012)

Lebanon has a free-market economy and a strong laissez-faire commercial tradition. The government has low restrictions on FDIs which encourage MNCs' investments. The Lebanese economy is service-oriented; main growth sectors include banking and tourism as proved by numbers: GDP/Sector: 79.7% Services, 15.9% Industry and 4.5% Agriculture (CIA, 2011).

Lebanon suffered from political and economic downturns and lost its position as the Middle-Eastern technology and banking hub; due to the several crises it witnessed i.e. the 1975-90 civil war and 2006 war. Lebanon's numerous efforts to rebuild its economy and reinforce its status left the government with a huge debt burden. In 2011, the collapse of the government and the social unrest in neighboring countries slowed economic growth to 1.5% (GDP real growth rate) after four years of 8% average growth in time with the hasty increase of oils prices. Lebanon is strongly supported by its monetary policy as the foreign assets of the Central Bank (excluding Gold) reached \$32.4 billion by the end of March 2012, almost a flat rise from end of 2011 of 6.5%. Money Supply rose 6.7% by the end of February 2012 to \$98.1 billion on higher demand deposits. The cabinet tried to settle several concerns such as the electricity issue by endorsing a bill that would provide \$1.2 billion in funding to improve the electricity sector, but fiscal limitations are pressuring the investment in water. In parallel, the consensus between the General Labor Confederation, private sector representatives, and Cabinet officials regarding the

minimum wage increase was reached and took effect as of February 2012 (BlomInvest, 2012).

Services are suffering especially the tourism sector which recorded a 7.9% decrease in the number of visitors during the 1st quarter of 2012 only. The Ministry of Finance has released fiscal figures for 2011, showing a decrease in the budget deficit by 19.8% to \$2.3 billion, mostly due to the accumulation of revenues from the Ministry of Telecommunications. During the first two months of 2012, Lebanon's fiscal deficit narrowed by a substantial 35% to \$356.7 million, supported by a 30% rise in government revenues, overshadowing a 10% rise in public expenditure (BlomInvest, 2012).

To sum it up, Lebanon's economy is suffering from a major setback; however, it is believed to remain among best economies in the region with today's ongoing events. It is showing adequate improvement signs and possible growth especially with the presence of its highly literate and multi-lingual workforce.

As mentioned before, the service sector is the major and most powerful component of the Lebanese economy which makes it attractive to global investors such as insurance companies and banks. AXA, one of the biggest MNCs in the world (14th place on Fortune Global 500 List, 2011) is operating in Lebanon since decades ago. The researcher selects AXA to be the model of this study for CSR positioning in the MENA region.

The following section highlights AXA's valuable aspects and its CSR policy and practices from the group and its subsidiary's perspectives, as well as it displays researcher's direct observations and findings about CSR at AXA.

4.1.2 AXA GROUP VS. AXA MIDDLE-EAST

AXA did not exist up till the 1980s. Over the next 30 years, the Group grew to become a major international player. AXA, originating from several French regional mutual insurance companies⁴¹, is the holding company for the AXA group - a conglomerate of independently run businesses, operated according to the laws and regulations of many different countries - a worldwide leader in financial protection present in 61 countries,

⁴¹ Collectively known as "Les Mutuelles Unies"

dealing with a total headcount of 214,391⁴² (employees and distributors), committed to serve its 95 million clients around the world, while offering a wide range of high level products and services adapted to the client needs in its five operating segments: Life & Savings, Property & Casualty, International Insurance, Asset Management, and Banking.

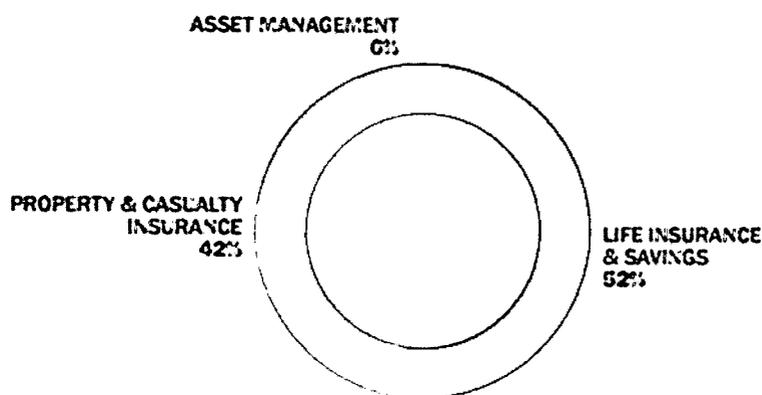


Figure 4.3: AXA's revenues distribution by its three major business lines

Source: AXA⁴³ (2012)

AXA is the world's number 1 Life Insurer based on premiums with 40 million clients, the world's number 4 P&C Insurer with 55 million clients and the world's 6th largest Asset Manager⁴⁴.

AXA adopts a transnational organization where a diversification by geography and business allows the group to enjoy a high level of efficiency, effectiveness and risk management at the level of every SBU. It is the world's top global insurance brand and one of the world's largest insurance groups; based on available information on December 31, 2011, the AXA Group had consolidated gross revenues of €86 billion as well as one of the world's largest asset managers, with total assets under management of €1,079 billion.

⁴² Refer to Appendix I

⁴³ <http://www.axa.com/en/group/profile-and-key-figures/revenues-by-business-segment/>

⁴⁴ http://www.axa.com/lib/axa/uploads/depliantinstitutionnel/2011/AXA_IDcard_2011_VAb.pdf

AXA insists on incorporating a selected assortment of entities that form one of the most powerful groups in the world; AXA Middle-East, located in Lebanon, is one of the company's subsidiaries belonging to the MEDLA region's SBU, which contributes to around 20% of the group's insurance revenues. AXA M-E is one of the leading Lebanese insurance companies which origins go all the way back to the beginning of the 20th century, and as of today they operate with a fully paid capital of LBP 10,050,000,000. It provides covers for all risks' types that could encounter in personal and professional life. Its objective "is to become the leading company in matters of innovation, practices and client satisfaction" (Nasnas, AXA CEO, 2012).

AXA-ME started as a small insurance company founded by Mr. Marius HANEMOGLU during the early years of the 20th century. The first relational contact was established with the Union, the French insurance company, a pioneer in its establishment in the Middle East region. Over its developmental stages, the Nasnas HANEMOGLU Group contributed in the first syndicate constitution representing insurers in Lebanon that developed in 1971 into ACAL.

During the 1970s, SLF (Société Libano-Francaise d'Assurances et de Réassurances), a local insurance company, was created in association with the UAP (Union des Assurances de Paris) and grew very strong relations with the group. They both managed to overcome the most difficult days of the civil war and maintain an uninterrupted presence in the Lebanese market.

In 1992, SLF took control of the company by acquiring all UAP's shares. During the late 90s, UAP merged with AXA. This « Merge of the century » created one of the world's greatest groups in insurance and assets under management. In 2000, AXA-ME was created; whereby AXA group acquired 51% of SLF's capital and the Nasnas & Hanemoglou's Group the remaining 49%. The chairmanship of this new company was entrusted to Mr. Roger Nasnas⁴⁵, the General management to Mr. Elie Nasnas⁴⁶ and AXA

⁴⁵ President of the Lebanese Economic and Social Council till date, Member of the administration of the Lebanese Chamber of Commerce and Industry, Co-founder and former president for several mandates of the Lebanese Businessmen Association (RDCL), member of CCFL (Chambre de commerce Franco Libanaise) and membre of "pole de Haute technologie" of USJ

⁴⁶ Former president of the ACAL

holding represented by Mr. Vincent Pluchet in the BOD. Today, AXA-ME stands in a very exceptional and unique position. It managed to become a Lebanese market leader in insurance and financial services with US \$ 71,575,000. – Turn Over for 2011⁴⁷, accompanying its clients by answering their insurance, prevention and heritage transmission needs; as well as maintaining a strong and influential presence in the MENA region. As a matter of fact, AXA-ME, which occupies 8.24% of the Lebanese insurance market, recorded the biggest year-on-year increases at 32.5 %, among the top 10 insurers in Lebanon in 2011; the rankings of three insurers changed among the country's top 10, with AXA-Me improving from 5th to 3rd place⁴⁸. AXA have decided to strengthen its brand strategy by adopting a distinctive signature: redefining/standards. They believe that by being “attentive, reliable and available”, they would be able to redefine the idea that people have about an insurance and financial services company in exchange for their vote of confidence. AXA-ME's ambition; with AXA group's support, network and competencies, is to innovate continually their service and product variety, while respecting their values which consist of: Team Spirit, Respect of given promises, Innovation, Realism, Professionalism and Integrity.

The latter shows that it is not all about profits; AXA looks to diversify its efforts towards the other two bottom lines: people and planet. In other words, this corporate giant focuses on its corporate responsibility towards its stakeholders in an equal manner at the level of all its entities which are simultaneously embracing the group's global approach to CSR. As a matter of fact, AXA was the 1st financial services group to have signed a European Work Council agreement on anticipating changes with social partners.

The following section details AXA's CSR approaches and practices as for the group and for its subsidiary in Lebanon.

⁴⁷ Al-Bayan (2012)

⁴⁸ The Daily Star (2012, March 10)

4.1.2.1 AXA vs. AXA-ME CSR

“Our business is to protect people over the long term. In this business, trust and solid relationships are paramount. Corporate Responsibility is the demonstration, step by step, day by day, that, through our actions, we deserve the trust of our stakeholders. We want Corporate Responsibility to be part of AXA’s fundamentals. We want to make it a reality for all our stakeholders, not just a concept.”

Henri de Castries
Chairman of the AXA Group

It has been argued that the involvement of senior management is vitally important to the successful implementation of a CSR program. AXA considers CSR as a core value of its business⁴⁹ and places it in its day to day interactions with its stakeholders. It is through adopting a responsible behavior in its operations, as well as through the development of responsible products and services, that the Group is able to participate effectively in social, environmental and economic progress. In 2001, the AXA Group created its CR Department within the Communications Department, upon request from the Management Board. The Department, headed by Alice STEENLAND, Vice President for Corporate Responsibility, manages and coordinates the implementation of the Group's CR policy as well as the centralization of relations with social and environmental rating agencies, investors and analysts. CR issues are included in local strategic plans and target letters. A network of Chief Corporate Responsibility Officers has been set up by the CEOs of AXA's main companies around the world (For example Celia INASIO, the CCRO of the MEDLA region) responsible for coordinating the CR strategy and promoting best practices at local level - Think Global, Act Local. The CCROs network conducts regular meetings with the CR Department via scheduled seminars and conference calls in order to constantly evaluate and develop current projects and determine action plans for the year ahead. It has a dedicated intranet site as well as an in-house newsletter presenting the AXA Group's CSR policies and actions. The CR Department works closely with

⁴⁹ The group has included social and environmental factors in the underwriting and product approval processes for both P&C and Life products

correspondents in the Group's various divisions in connection with their projects (procurement, marketing, brand, distribution, risk management, human resources, and legal affairs). The department also works closely with the Responsible Investment Research team, part of the RIC (Responsible Investment Committee) at AXA IM (AXA Investment Managers).

AXA acts on different pillars in the implementation of its CSR policy⁵⁰ during the process of creating value to all its stakeholders. It considers all the main components of a sustainable business in its day to day work process. This spirit is globally shared and reinforced by the top management of the group; the company continuously accentuates the importance of the excellence degree that they reached in their CSR practices as it is hard for a financial institution to prove its dedication to such issues. This massive interest reached the whole globe and is manifested across all types of media such as social media through AXA's page on Facebook; AXA People Protectors⁵¹ created on 26/05/2011 as an online community focused on protecting people through projects they carry out around the world. The CR strategy and progress, both at Group and local levels, is formally reviewed twice a year by the MB. An internal customized quantitative performance scoring scale for CR maturity self assessment, adopting the internationally recognized DJSI framework, is commonly used in order to rate each member of the group and consequently evaluate its situation. The tool highlights the fact that certain ongoing issues are considered to be CR matters by the SRI community, seeking to retain external viewpoint. The tool evaluates numerous CR considerations using different KPIs at the level of the different pillars such as CO₂ emission, power and water consumption, proportion of women, employee engagement and development rates, and extent to which employees are positive about CR.

⁵⁰ The researcher chose to highlight the most important CSR components for the purpose of this study

⁵¹ 2012's AXA Hearts In Action's Global Theme

<https://www.facebook.com/axapeopleprotectors#!/axapeopleprotectors>

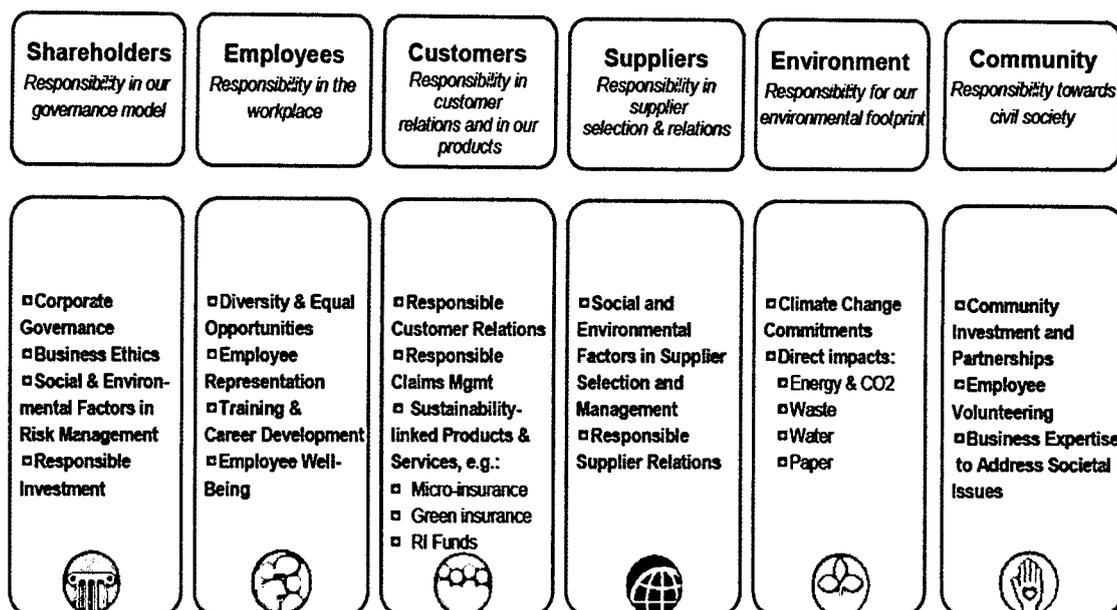


Figure 4.4: AXA's CSR engagement pillars

Source: AXA (2012)

"As an insurance company, we are here to help people manage their risks and to be there when they are faced with life's hazards, but we want to do more, thanks to our knowledge and expertise in the field of risk. Thus we have decided to leverage the size and impact of the Group by launching Corporate Responsibility actions around a shared theme closely linked to the heart of our business: risk education and research."

Nicolas Moreau, UK CEO and sponsor of AXA Corporate Responsibility flagship

Thus AXA's CSR flagship resolves around Risk research and education to extend the nature of business beyond just hedging against risk but also help raising awareness and spreading risk management in every possible opportunity across the group and consequently around the world.

Every year, over one hundred new initiatives⁵² are undertaken by the group at different levels such as⁵³:

⁵² 120 initiatives in 2011

⁵³ AXA's 2011 Activity and Corporate Responsibility Report. (2012, March 6). AXA Group.

1. Shareholders: The BOD is explicitly charged with monitoring the Group's CSR strategy. The bylaws and the BOD's policies and procedures call for the designation of an independent lead vice-chairman from among the board members if a single person is appointed to serve as both chairman and CEO of the Group. AXA have rolled out an online training program on ethics and compliance that seeks to change employee behavior in the workplace.
2. Employees: AXA's employees hold 7.34% of the Company's capital in 2011's Shareplan Program. Increasing focus on equal opportunity in the workplace i.e. blind résumé and the allocation of a budget to help close the gender-driven wage gap. Employees' opportunity to work from home to promote a better work-life balance (in the US and Germany). Engaging 10,000 employees across the Group in an online "Forum on Corporate Responsibility", resulting in an annual "CR Week" across the Group to highlight progress made.
3. Customers: The development of a Group strategy and a toolkit to help local entities design their own micro-insurance products. SmartAid, a form of insurance coverage with no additional premium, which is designed especially for the sight-impaired in Malaysia. AXA Double Garantie Environnement, a savings product that integrates environmental criteria in France.
4. Suppliers: Since 2008, 280 suppliers have been evaluated on the basis of corporate responsibility criteria, of which 130 in 2010. A total of 25% of these suppliers have been reassessed and earned higher scores. 86% of new contracts include Corporate Responsibility clauses in 2010.
5. Environment: AXA signed the World Business Council for Sustainable Development's (WBCSD) Manifesto for Energy Efficiency in Buildings (EEB). Since 2008, 37 video-conferencing rooms were made available in 13 subsidiaries, avoiding 9,000 business trips or 11,000 tons-equivalent of CO₂. The company's paper management policy was recognized by the PAP 50 Committee, of which the WWF is a member.

6. Community: The AXA Research Fund⁵⁴ offers its support for scientists and institutions of excellence working to improve public understanding and prevention of risks. AXA has joined forces with CARE, an NGO that promotes international solidarity, to help populations at risk become better prepared to deal with climate-related risks. 23,400 employees have taken part in AXA Hearts in Action sponsored initiatives organized around the themes of illness and disability, children in distress, the elderly and all individuals who face exclusion, all under the flagship of Risk Education along with their AXA People Protectors initiatives.

As their dedication grows every year, AXA manifests its commitments by launching a global CR week through all its affiliated entities⁵⁵ (simultaneously around the world) with a decentralized organization, as a mean to practice their flagship through AXA Hearts in Action (2012's AXA People Protectors). In 2011, AXA's first CR week⁵⁶ was to showcase the implementation of forum ideas and other local CR initiatives, inspire commitment by sharing, with employees, proofs that CR is part of AXA's ultimate purpose and ambition in everyday business and build momentum and emotion by bringing employees across the world together again, around a common focus on risk education activities.

⁵⁴ Created in 2008 with a €100 M to be invested over 5 years, 270 selected projects, and 39 nationalities of researchers working in 19 countries for the following risks: Environmental risks (i.e. climate-related risks and the socio-economic consequences of natural disasters), Life risks (i.e. longevity and long-term care, emerging biomedical risks, addictions and at-risk Behavior) and Socio-economic risks (i.e. geopolitical, financial, economic, social and major corporate risks)

⁵⁵ Refer to Appendix H

⁵⁶ From 6 to 10 June 2011

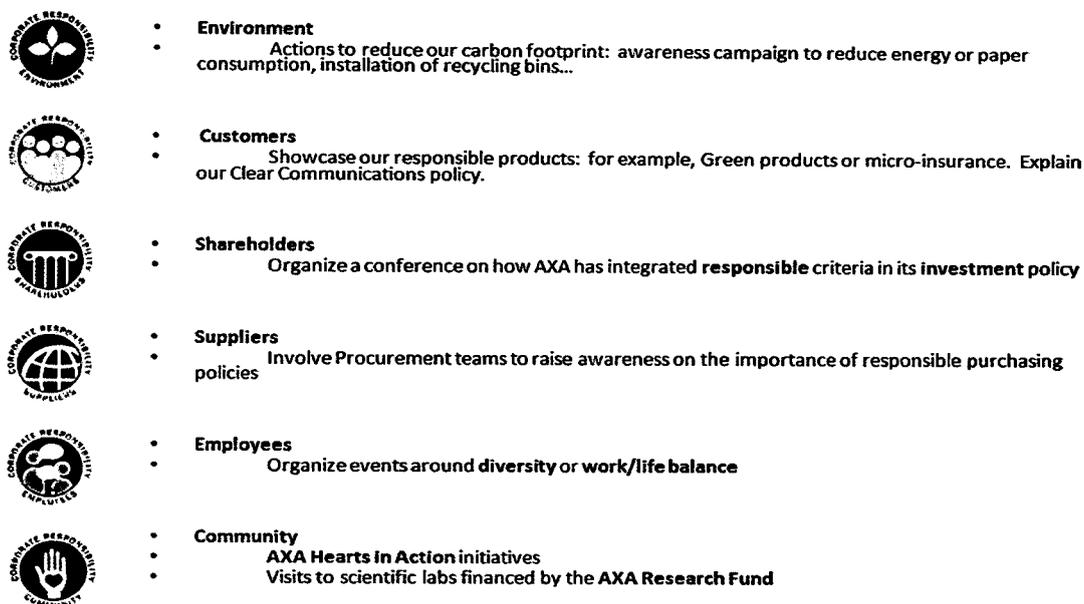


Figure 4.5: CR week covering different pillars

Source: AXA (2012)

AXA's key performance indicators for CSR⁵⁷:

- a. 3% decrease in energy consumption
- b. 6% decrease in CO₂ emissions
- c. 12% reduction in the consumption of office paper
- d. 4% increase in water consumption
- e. 83 new research projects funded by the AXA Research fund in 2010
- f. AXA is included in the 3 main global SRI indices: the Dow Jones Sustainability Index, FTSE4GOOD and Aspi Eurozone.

⁵⁷ For the year 2011

As a matter of fact, AXA managed to outperform the biggest players present in current market⁵⁸ and impose itself as one of the most socially responsible leading giants in the world. A part of this global image is the specific case of AXA-ME in Lebanon which follows the lead of AXA and tries to keep up with the high CSR standards that the group enjoys and should be carefully reflected in its subsidiaries in different countries. Thus AXA-Me's CSR practices and commitments should contribute to the economic and social development in Lebanon as well as the well-being of its stakeholders.



Figure 4.6: The AXA flower of commitments

Source: AXA-ME⁵⁹ (2012)

AXA-ME's adopted compliance code defines some basic rules that must be strictly applied by all entities within the group including the professional compliance code, the compliance wall rule, rules against internal fraud and anti money laundering charter; the latter applies to all AXA-ME employees, directors, administrators, general agents, delegates and collaborators.

As a matter of fact, AXA-ME boldly practices the underlying beliefs of the group and tries to grasp every opportunity that could enhance its dedication to sustainable development and CSR, as the Lebanese market's awareness is increasing and its major

⁵⁸ According to international SRI indices, refer to Appendix G

⁵⁹ <http://www.axa-middleeast.com/en/discover-axa/commitments>

players, which are mostly MNCs' subsidiaries or national MNCs, are competing in this area i.e. INDEVCO, Audi Bank, Procter & Gamble, Med Bank, Sysco Systems, HSBC, McDonald's and Alfa⁶⁰. As shown in Figure 32, AXA-ME is still in the compliance stage - early steps - where "they are doing what they have to do" according to AXA's self-assessment of CSR maturity tool; noting that AXA is making sure that everyone is getting involved and thus proving its fairly earned positioning in the foremost developed Civic stage.

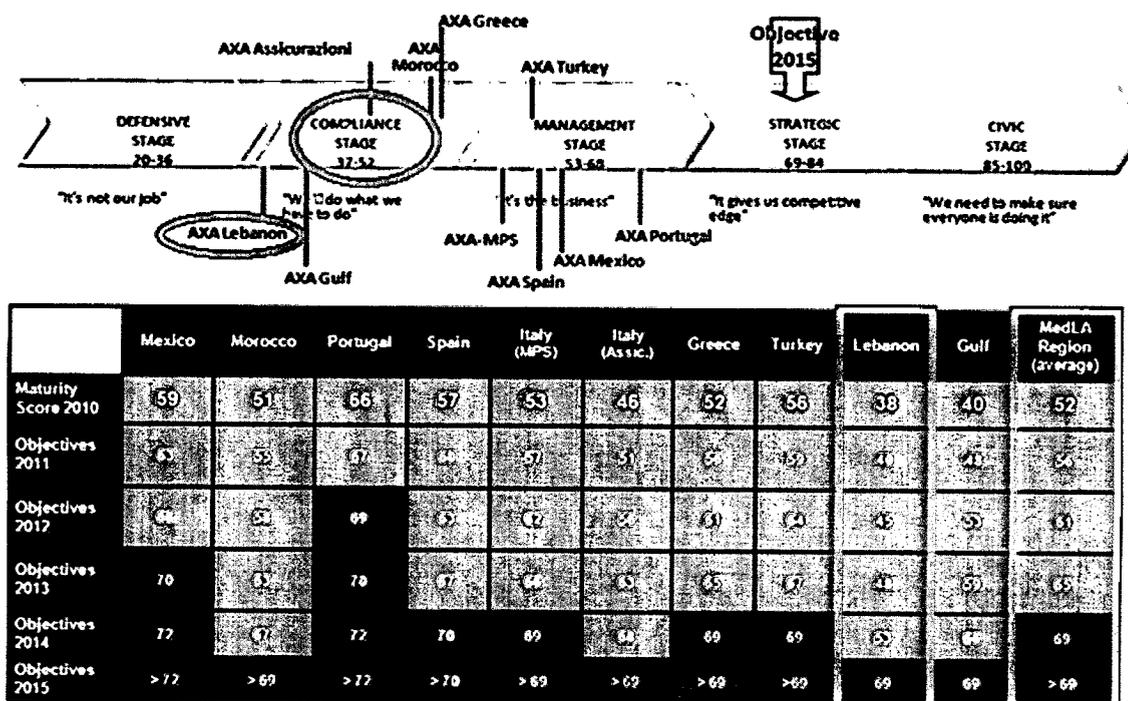


Figure 4.7: AXA's self assessment scoring

Source: AXA-ME (2011)

However, in 2011, a projection of plans shows AXA-ME's strong intentions to strengthen its maturity level to reach the Strategic stage and achieve CSR's true added value and competitive edge. In parallel, the company's actions and initiatives strongly support this vision as they predict a successful CSR progress and expansion. When dissecting AXA's CSR course of action, AXA-ME stands out to be efficiently committed to optimizing its prospects in this matter trying to cover all its intended pillars.

⁶⁰ <http://www.executive-magazine.com/getarticle.php?article=11014>

1. Shareholders: N.A
2. Employees: Supporting women - Mr. Elie NASNAS (AXA-Me's GM) is strongly opinioned about women⁶¹. With 76% female are presenting at the company, he believes that they have unbeatable competencies and intellectual capacities especially that they managed to build successful carriers in male labeled sectors, which is empowering the company's "gender parity" initiative. Helping employees by providing them with financial aids for schools. Maintain a culture of integrity and responsible conduct by an e-learning training program to be rolled-out in AXA entities worldwide to raise the employees' awareness with regard to topics covering major compliance and CSR components. Periodic professional trainings depending on individual needs. Fair and satisfactory bonuses. Motivation of employees in participating in awareness campaigns i.e. Joe Carbon for CO₂ emission, Blood donations to the Red Cross, Al-Younbouh Annual Walk, Beirut Marathon, Chance cooperation, visits to elderly and orphans.
3. Customers: Well designed products covering different requirements. A highly trained staff responsible of customer service and satisfaction. A friendly environment providing clients with a comfortable dealing area.
4. Suppliers: Mutual respect and realization of projected agreements and commitments. Gratitude manifestation through the yearly celebrated "Partners' Day".
5. Environment: The use of sensor lights and recyclable papers with the employment of a minimal number of printers and papers. Minimizing CO₂ emission by relying on telecommunications. Applied adequate waste control. Turning AXA into a Green Zone with intensive presence of natural plants within the company's buildings.
6. Community: Participating in awareness campaigns i.e. running with Kun Hadi at Beirut's Marathon 2011. Funding selected and influential causes by joining forces with Braveheart, Oum El Nour, Heartbeat, Paradis d'enfants, Afel (Association du foyer de l'enfant Libanais), Al-Younbouh. Sponsoring charity events. Participating in several cultural events and festivals i.e. Beiteddine, Baalbeck, Al Bustan.

⁶¹ Refer to Appendix L

Implementing adapted versions of AXA Hearts in Action (2012 AXA People Protectors).

AXA-ME's key performance indicators for CSR⁶²:

- a. 2.4% decrease in energy consumption
- b. 4.46% decrease in CO₂ emissions
- c. 5.25% reduction in the consumption of office paper
- d. 37% increase in the employment of recycled papers
- e. 1.75% increase in water consumption
- f. 23 new participations in awareness campaigns and social events

Accordingly, AXA is constantly proving that sustainable development and social responsibility are predominantly present in its core strategic operations and are a priority to its existence in the following context:

"Sustainable development" is defined as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (Brundtland Commission report for the UN, 1987). It therefore involves striking a long-term balance between environmental, social and economic concerns. "Corporate Responsibility" is the contribution of businesses to sustainable economic development and to the interests of society by taking responsibility for the direct and indirect impact of their activities on various stakeholders, including: customers, suppliers, employees, shareholders, communities and the environment. The "responsible corporation" lies at the crossroads between social development, respect for the environment and economic performance. With the twin concepts of sustainable development and Corporate Responsibility, society recognizes the essential role of businesses in its own development and expects this economic enabler to be leveraged today for the benefit of future generations as well.⁶³" (AXA, 2012)

⁶² For the year 2011

⁶³ <http://www.axa.com/en/responsibility/strategy-commitments/>

The researcher tried to focus on the implementation of the latter in AXA-ME by conducting a comparative study between the group and this particular subsidiary. However the first step consisted of a detailed interview with the CSROs in Portugal and Lebanon, followed by a questionnaire that was filled by AXA-ME's employee in an attempt to evaluate CSR's implementation at the level of an internal stakeholder as well as the degree of awareness and appreciation of such ideologies and initiatives.

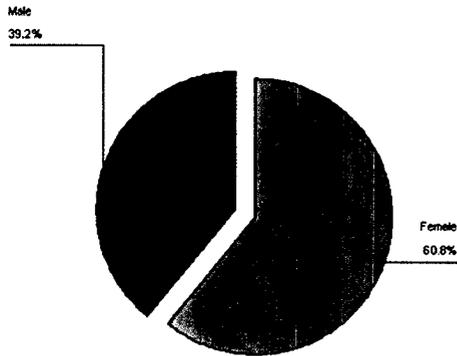
The following section graphically displays the results of the questionnaires along with the statistical tests that were conducted for the purpose of the study while emphasizing on the most relevant outcomes.

4.2 DESCRIPTIVE STATISTICS

This section represents the final descriptive statistical outcomes processed by SPSS; they graphically illustrate the questionnaires' results. Each question is followed by a pie chart/bar chart showing the distribution of the respondents' feedbacks. AXA-ME has around 145 employees from which 102 individuals chose to participate in this study.

1-Are you?

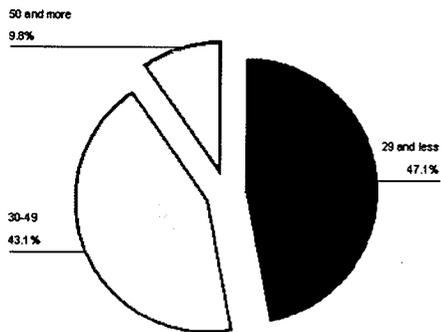
Female Male



60.8% of the respondents are females and 39.2% are males, this reflects the feminine dominance in the company - 76% against 51.9% for the group⁶⁴

2-How old are you?

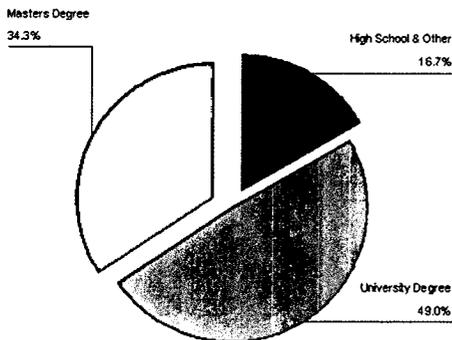
29 years and less 30-49 years 50-more years



47.1% of the respondents are between the ages of 18 and 29, and 43.1% from 30 till 49 which yield an average age of 39.5, even younger than the group's average

3-What is education's level?

High School Degree & Other B.A. University Degree Masters University Degree

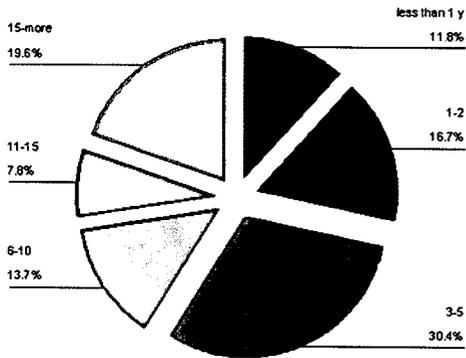


34.3% of the respondents hold masters degrees while 49% have university degrees and the remaining 16.7% are mostly holders of technical degrees or certificates

⁶⁴ Refer to Appendix I

4-How long have you been working in your current company?

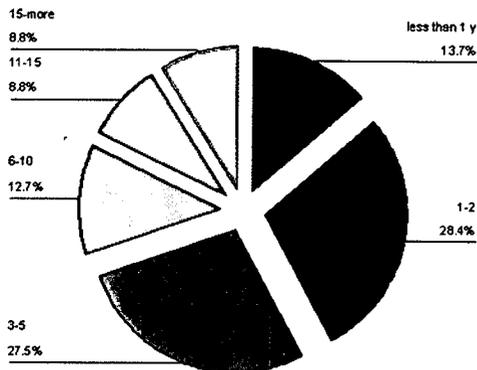
- Less than one year
- 1-2 years
- 2-5 years
- 6-10 years
- 11-15 years
- More than 15 years



58.9% joined the company 5 years earlier whereas 41.1% had been working at AXA for more than 6 years and mostly more than 15 (19.6%)

5-How long have you been working in your current position?

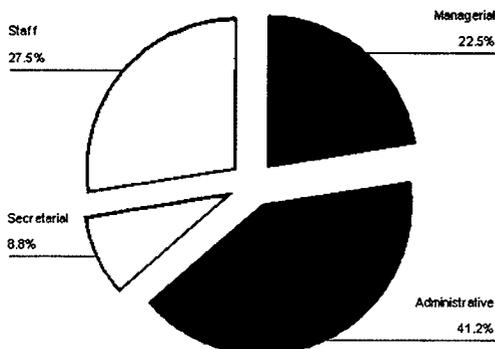
- Less than one year
- 1-2 years
- 2-5 years
- 5-10 years
- 10-15 years
- More than 15 years



42.1% have been working for less than 2 years only in their current position, versus 27.5% from 3 to 5 years and 30.3% for more than 6 years

6-What type of work do you do?

- Managerial
- Administrative
- Secretarial
- Staff



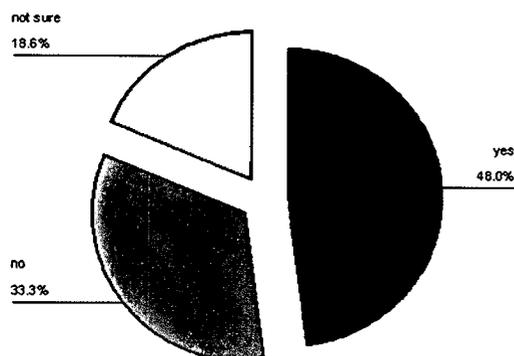
22.5% Managerial positions, 41.2% administrative, 36.3% staff including secretaries.

7-Do you know what is the meaning of Corporate Social Responsibility?

Yes

No

Not sure



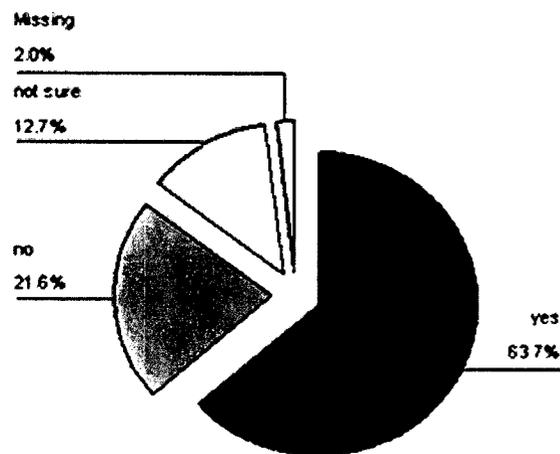
48% know what Corporate Social Responsibility means

8-Do you know what is the meaning of Multinational Company?

Yes

No

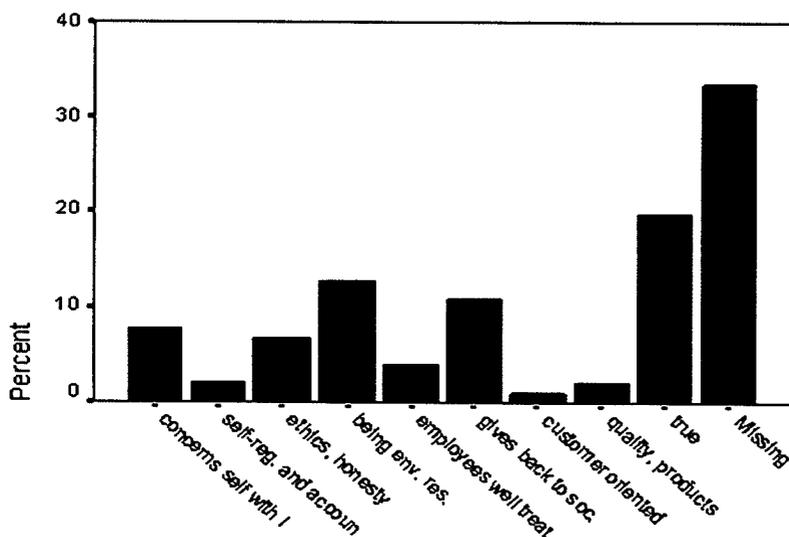
Not sure



63.7% know what Multinational Corporations means

9-If you do have any idea about CSR, check the most suitable definition in your opinion:

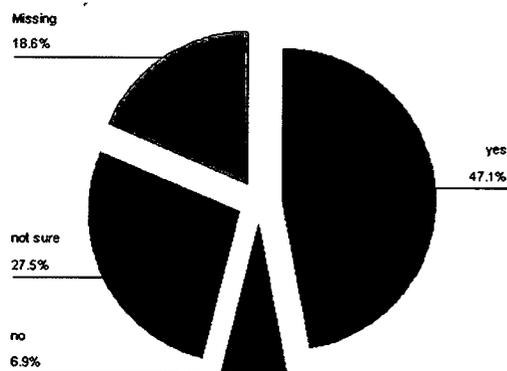
- Concerns self with local community
 Self-regulation and accountability
 Ethics, honesty and lawfulness
 Being environmentally responsible, going green
 Employees well treated, equal opportunity employer
 Gives back to society, helping people
 Customer oriented, product/service impact on customers
 Quality, products & services, fair prices



20 % of the respondents chose all the suggested definitions while 13% considered that a socially responsible company is environmentally responsible (going green), 11% associated it with charity by giving back to society and helping people, while 8% chose “concerns self with local community and 7% associated CSR with ethics, honesty and lawfulness.

10- Was your company involved in any CSR activities during past years?

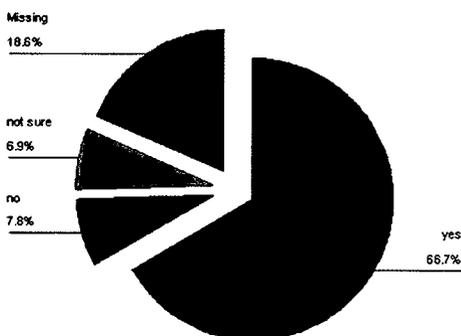
- Yes No Not sure



47.1% are aware of AXA’s CSR activities for the past 5 years

11- Are you familiar with your company’s vision, mission and code of ethics?

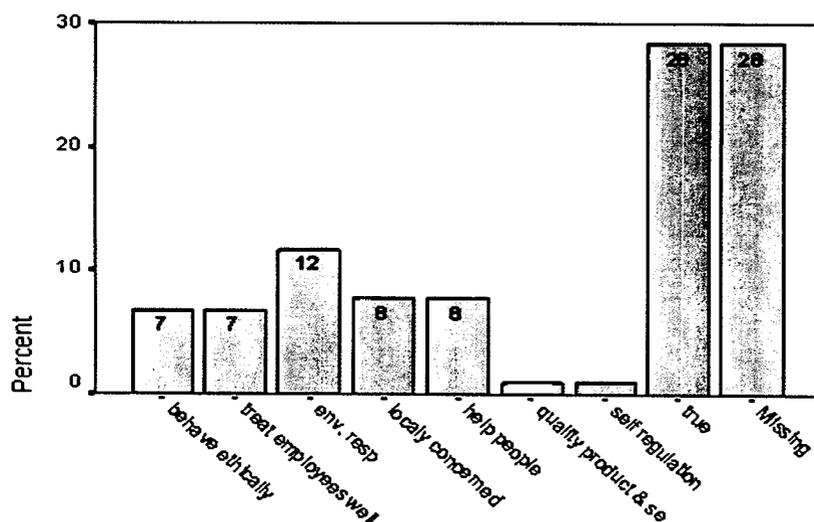
- Yes No Not sure



66.7% are familiar with the company’s mission, vision and code of ethics

12-What do you think a company should do to be perceived as socially responsible?

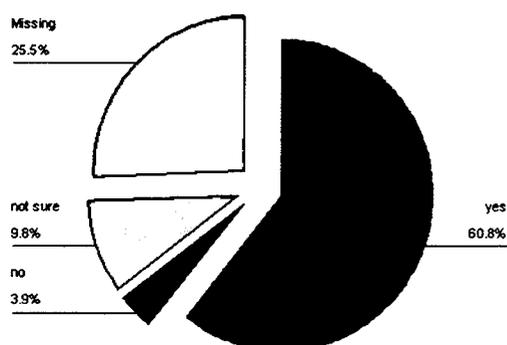
- Behave ethically, honestly and lawfully
- Treat employees well and equally, good pay/benefits
- Be environmentally-responsible, create energy-efficient products
- Give back to the community, be locally concerned
- Care about public, give back and help people
- Offer quality product and services, fair pricing
- Self-regulate, be accountable and transparent
- Donate to charity, sponsor and volunteer



28% of the respondents believe that a company should be involved in all the suggested possibilities in order to be perceived as socially responsible, 12% think it should be environmentally-responsible, creating energy-efficient products, 8% chose giving back to the community, being locally concerned and similarly 8% as well focused on caring about public, giving back and helping people, 7% selected ethical behavior, honesty and lawfulness and the same percentage was applicable to treating employees well and equally, good pay/benefits.

13-Do you feel that your company is socially responsible?

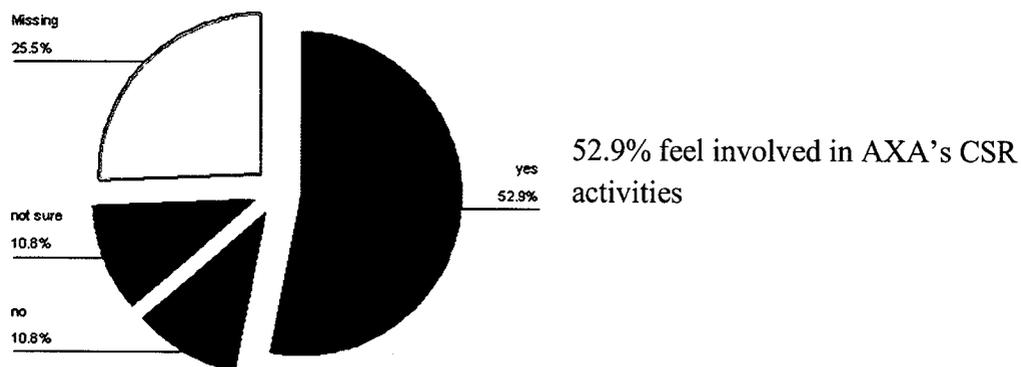
- Yes
- No
- Not sure



60.8% feel that their company is socially responsible

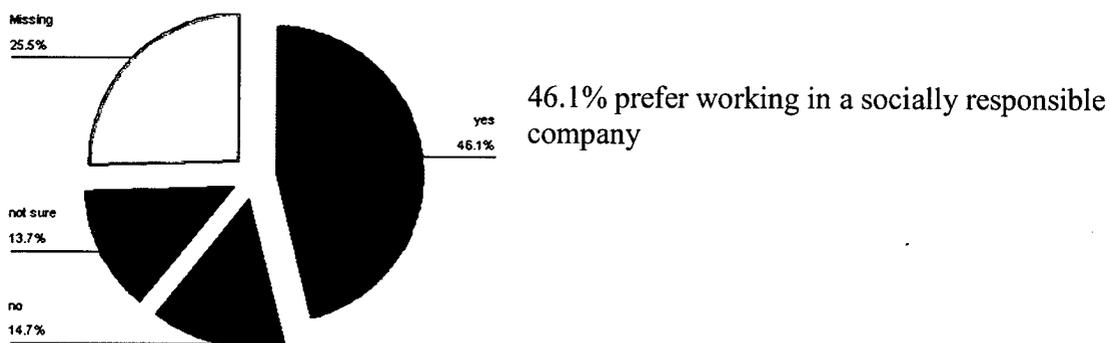
14- Do you feel involved in your company's CSR participations?

Yes No Not sure



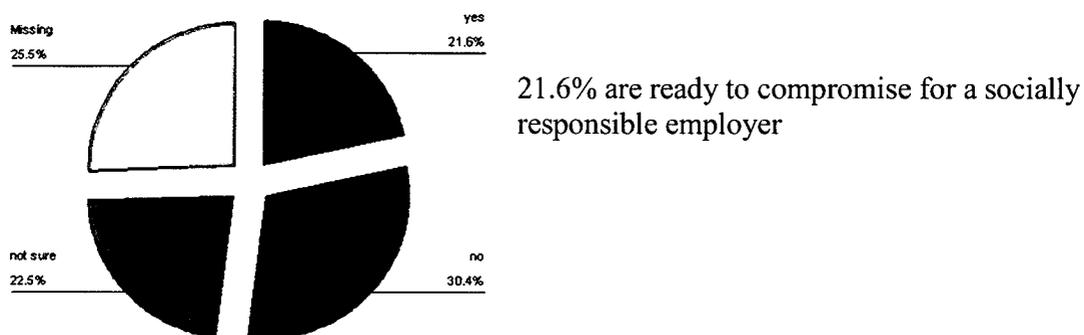
15-Do you prefer working in a socially responsible company over another?

Yes No Not sure



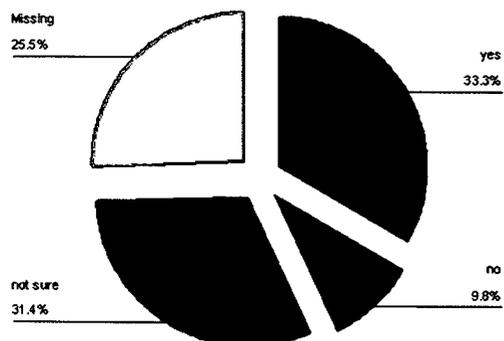
16-Are you willing to compromise in order to work in a socially responsible company?

Yes No Not sure



17-Do you think that socially responsible companies use the latter for marketing?

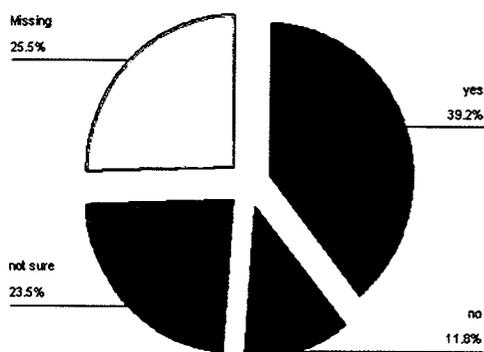
Yes No Not sure



33.3% think that companies use CSR for marketing

18-Do you feel that customers prefer socially aware companies?

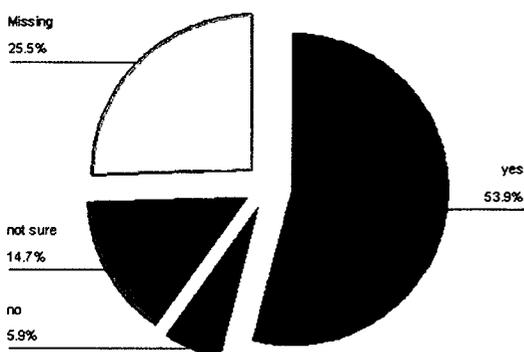
Yes No Not sure



39.2% feel that customers prefer socially responsible companies

19-Do you think that Multinational Companies are more Corporate Social Responsibility oriented than the local ones?

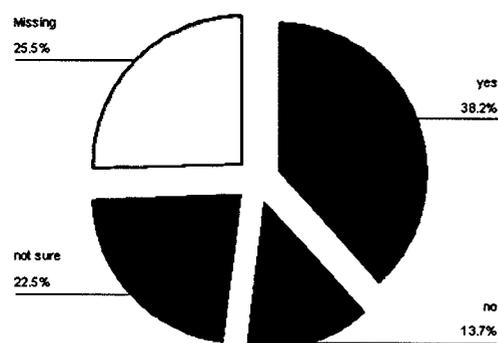
Yes No Not sure



53.9% think that MNC are more CSR oriented

20-Do you think that Multinational Companies have decent opportunities for CSR implementations in the MENA?

Yes No Not sure



38.2% think that MNC have considerable CSR opportunities in MENA

As mentioned in Chapter 3, the Chi-square test was used to crosstab selected categorical variables in order to test their independence and identify their relative distribution; noting that the chi-square test is sometimes inapplicable but was used in order to relatively distribute categories among themselves.

These results and the researcher's main findings are further discussed later in this chapter.

The researcher chooses to cross tab the following categories by sampling and evaluating the relationship between the below mentioned categorical variables 102 employees:

1- Educational level vs. CSR's meaning

100% of the cases are valid. Of the 35 Masters degrees holders who responded 20 or 57.1% know what does CSR mean, corresponding to 48% of the total number of respondents who know what CSR is. Of the 50 University degrees holders who responded 24 or 48% know what does CSR mean, corresponding to 49% of the total number of respondents who know what CSR is. Of the 17 High school degrees holders who responded 5 or 29.4% know what does CSR mean, corresponding to 10.2% of the total number of respondents who know what CSR is. The null hypothesis was retained as $\chi^2 (2) = 3.525$, $p = 0.172 \geq 0.05$. These two

categorical variables are independent with no statistically significant relationship: the level of education does not affect employee's knowledge of the meaning of CSR.

2- Educational level vs. MNC's meaning

98% of the cases are valid. Of the 35 Masters degrees holders who responded 29 or 82.9% know what does MNC mean, corresponding to 44.6% of the total number of respondents who know what MNC is. Of the 48 University degrees holders who responded 30 or 62.5% know what does MNC mean, corresponding to 46.2% of the total number of respondents who know what MNC is. Of the 17 High school degrees holders who responded 6 or 35.3% know what does MNC mean, corresponding to 9.2% of the total number of respondents who know what MNC is.

The null hypothesis was rejected as $\chi^2 (2) = 11.632$, $p = 0.003 \leq 0.05$. These two categorical variables are dependent with a statistically significant relationship: the education's level affects employee's knowledge of the MNC meaning.

3- Professional level vs. CSR's meaning

100% of the cases are valid. Of the 23 Managers who responded 19 or 82.6% know what does CSR mean, corresponding to 38.8% of the total number of respondents who know what CSR is. Of the 42 Administrative employees who responded 17 or 40.5% know what does CSR mean, corresponding to 34.7% of the total number of respondents who know what CSR is. Of the 37 Staff⁶⁵ who responded 13 or 35.1% know what does CSR mean, corresponding to 26.5% of the total number of respondents who know what CSR is.

The null hypothesis was rejected as $\chi^2 (2) = 14.442$, $p = 0.001 \leq 0.05$. These two categorical variables are dependent with a statistically significant relationship: employees' professional level affects their knowledge of the CSR meaning.

⁶⁵ Staff refers to Secretaries and others

4- Professional level vs. MNC's meaning

98% of the cases are valid. Of the 23 Managers who responded 21 or 91.3% know what does MNC mean, corresponding to 32.3% of the total number of respondents who know what MNC is. Of the 41 Administrative employees who responded 27 or 65.9% know what does MNC mean, corresponding to 41.5% of the total number of respondents who know what MNC is. Of the 36 Staff who responded 17 or 47.2% know what does MNC mean, corresponding to 26.2% of the total number of respondents who know what MNC is.

The null hypothesis was rejected as $X^2(2) = 12.010$, $p = 0.002 \leq 0.05$. These two categorical variables are dependent with a statistically significant relationship: employees' professional level affects their knowledge of the MNC meaning.

5- Professional level vs. AXA's CSR involvement

74.5% of the cases are valid. Of the 21 Managers who responded 19 or 90.5% feel that AXA is socially responsible, corresponding to 30.6% of the total number of respondents who believe that AXA practices CSR. Of the 27 Administrative employees who responded 21 or 77.8% feel that AXA is socially responsible, corresponding to 33.9% of the total number of respondents who believe that AXA practices CSR. Of the 28 Staff who responded 22 or 78.6% feel that AXA is socially responsible, corresponding to 35.5% of the total number of respondents who believe that AXA practices CSR.

This particular chi square test is not valid enough as the expected count is $33.3\% \geq 20\%$. However, the null hypothesis was retained as $X^2(2) = 1.534$, $p = 0.464 \geq 0.05$. These two categorical variables are independent with non- statistically significant relationship: employees' professional level doesn't affect their perception of AXA's CSR involvement.

6- Professional level vs. personal involvement in AXA's CSR activities

74.5% of the cases are valid. Of the 21 Managers who responded 17 or 81% feel involved in AXA's CSR practices, corresponding to 31.5% of the total number of respondents who believe that they are involved in AXA's CSR practices. Of the 27 Administrative employees who responded 19 or 70.4% feel involved in AXA's CSR practices, corresponding to 35.2% of the total number of respondents who believe that they are involved in AXA's CSR practices. Of the 28 Staff who responded 18 or 64.3% feel involved in AXA's CSR practices, corresponding to 33.3% of the total number of respondents who believe that they are involved in AXA's CSR practices. The null hypothesis was retained as $X^2(2) = 1.630$, $p = 0.443 \geq 0.05$. These two categorical variables are independent with no statistically significant relationship: employees' professional level doesn't affect their own feeling of involvement in AXA's CSR.

7- Employee's tenure vs. AXA's CSR involvement

74.5% of the cases are valid. Of the 44 respondents who have been working for 5 years and less at AXA 35 or 79.5% feel that AXA practices CSR, corresponding to 56.5% of the total number of respondents who believe that AXA practices CSR. Of the 11 employees, working at AXA for 6 to 10 years and responded 11 or 100% feel that AXA practices CSR, corresponding to 17.7% of the total number of respondents who believe that AXA practices CSR. Of the 21 employees, working at AXA for 11 years and more and responded 16 or 76.2% feel that AXA practices CSR, corresponding to 25.8% of the total number of respondents who believe that AXA practices CSR. This particular chi square test is not valid enough as the expected count is $33.3\% \geq 20\%$. However, the null hypothesis was retained as $X^2(2) = 3.011$, $p = 0.222 \geq 0.05$. These two categorical variables are independent with non- statistically significant relationship: employees' tenure doesn't affect their perception of AXA's CSR involvement.

8- Employee's tenure vs. personal involvement in AXA's CSR activities

74.5% of the cases are valid. Of the 44 respondents who have been working for 5 years and less at AXA 29 or 65.9% feel involved in AXA's CSR practices, corresponding to 53.7% of the total number of respondents who feel involved. Of the 11 employees, working at AXA for 6 to 10 years and responded 10 or 90.9% feel involved in AXA's CSR practices, corresponding to 18.5% of the total number of respondents who feel involved. Of the 21 employees, working at AXA for 11 years or more and responded 15 or 71.4% feel involved in AXA's CSR practices, corresponding to 27.8% of the total number of respondents who feel involved.

The null hypothesis was retained as $X^2(2) = 1.630$, $p = 0.443 \geq 0.05$. These two categorical variables are independent with non- statistically significant relationship: employees' tenure doesn't affect their own feeling of involvement in AXA's CSR.

9- CSR's meaning vs. most suitable definition

66.7% of the cases are valid. Of the 48 respondents who know what CSR means, all the suggestions were chosen as follows 37.5% for the 9 options, 16.7% for giving back to society and helping people, 12.5% for concern with local community, 12.5% for being environmentally responsible, 6.3% for ethics, honesty and lawfulness, 4.2% for self-regulation and accountability, 4.2% for employees well treated and equal employment opportunities, 4.2% for quality products and services, and 2.1% for customer oriented and impact on customers. Of the 20 respondents who do not know what CSR means, the chosen suggestions were as follows 10% for the 9 options, 35% for being environmentally responsible, 20% for ethics, honesty and lawfulness, 15% or giving back to society and helping people, 10% for concern with local community, and 10% for employees well treated and equal employment opportunities.

As expected, this particular chi square test is not valid enough as the expected count is $72.2\% \geq 20\%$ - it was principally used for the evaluation of the distribution of variables. However, the null hypothesis was retained as $X^2(2) = 12.961$, $p = 0.113 \geq 0.05$. These

two categorical variables are independent with no statistically significant relationship: knowledge of CSR meaning doesn't affect employees' tendency towards defining CSR.

The following represents the statistical outcome of the results processing, including inferential statistics which will allow the researcher to interpret and assess outcomes; each studied case is divided into: case processing summary, cross-tabulation table illustrated as well by bar chart and chi-square tests results.

1- What is your educational level? * What is CSR? Crosstabulation
Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
What is your educational level? * What is CSR?	102	100.0%	0	.0%	102	100.0%

What is your educational level? * What is CSR? Crosstabulation

			What is CSR?		Total
			yes	no	
What is your educational level?	High School & Other	Count	5	12	17
		% within What is your educational level?	29.4%	70.6%	100.0%
		% within What is CSR?	10.2%	22.6%	16.7%
	University Degree	Count	24	26	50
		% within What is your educational level?	48.0%	52.0%	100.0%
		% within What is CSR?	49.0%	49.1%	49.0%
	Masters Degree	Count	20	15	35
		% within What is your educational level?	57.1%	42.9%	100.0%
		% within What is CSR?	40.8%	28.3%	34.3%
	Total	Count	49	53	102
		% within What is your educational level?	48.0%	52.0%	100.0%
		% within What is CSR?	100.0%	100.0%	100.0%

Table 4.1: Crosstabulation of CSR knowledge vs. employee's level of education

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.525(a)	2	.172
Likelihood Ratio	3.610	2	.164
Linear-by-Linear Association	3.279	1	.070
N of Valid Cases	102		

a 0 cells (.0%) have expected count less than 5.
The minimum expected count is 8.17.

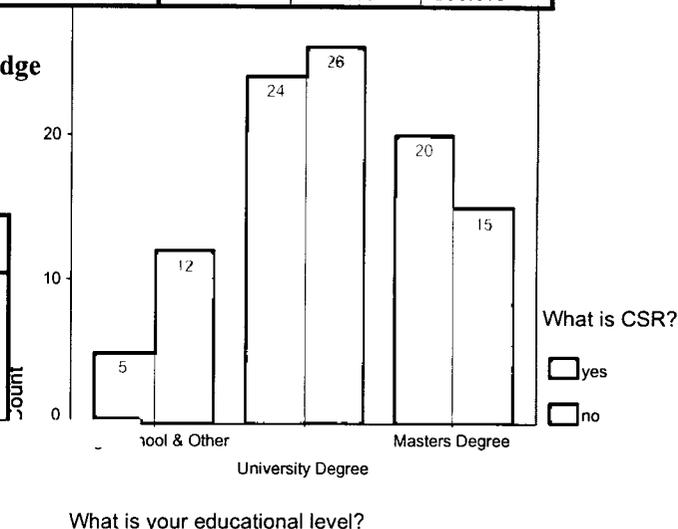


Figure 4.8: Knowledge of CSR in function of employees' level of education

2- What is your educational level? * What is MNC? Crosstabulation

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
What is your educational level? * What is MNC?	100	98.0%	2	2.0%	102	100.0%

What is your educational level? * What is MNC? Crosstabulation

			What is MNC?		Total
			yes	no	
What is your educational level?	High School & Other	Count	6	11	17
		% within What is your educational level?	35.3%	64.7%	100.0%
		% within What is MNC?	9.2%	31.4%	17.0%
		Count	30	18	48
	University Degree	% within What is your educational level?	62.5%	37.5%	100.0%
		% within What is MNC?	46.2%	51.4%	48.0%
	Masters Degree	Count	29	6	35
		% within What is your educational level?	82.9%	17.1%	100.0%
		% within What is MNC?	44.6%	17.1%	35.0%
		Count	65	35	100
	Total	% within What is your educational level?	65.0%	35.0%	100.0%
		% within What is MNC?	100.0%	100.0%	100.0%

Table 4.2: Crosstabulation of MNC knowledge vs. employees' level of education

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	11.632(a)	2	.003
Likelihood Ratio	11.835	2	.003
Linear-by-Linear Association	11.396	1	.001
N of Valid Cases	100		

a. 0 cells (.0%) have expected count less than 5.

The minimum expected count is 5.95.

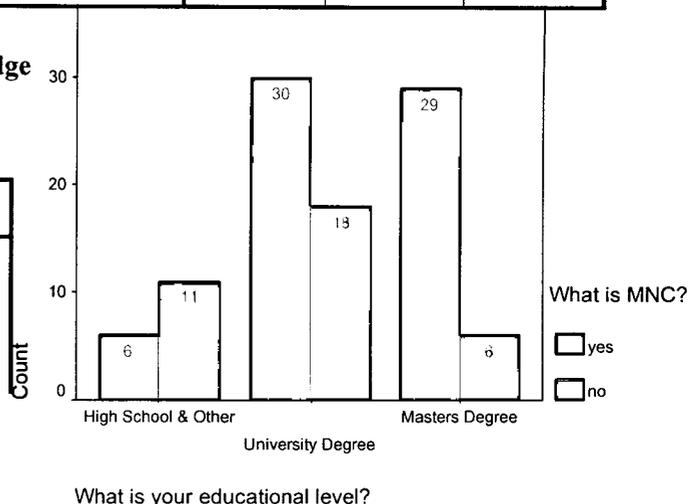


Figure 4.9: Knowledge of MNC in function of employees' level of education

3- What is your professional level? * What is CSR? Crosstabulation

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
What is your professional level? * What is CSR?	102	100.0%	0	.0%	102	100.0%

What is your professional level? * What is CSR? Crosstabulation

			What is CSR?		Total
			yes	no	
What is your professional level?	Managerial	Count	19	4	23
		% within What is your professional level?	82.6%	17.4%	100.0%
		% within What is CSR?	38.8%	7.5%	22.5%
	Administrative	Count	17	25	42
		% within What is your professional level?	40.5%	59.5%	100.0%
		% within What is CSR?	34.7%	47.2%	41.2%
	Staff	Count	13	24	37
		% within What is your professional level?	35.1%	64.9%	100.0%
		% within What is CSR?	26.5%	45.3%	36.3%
Total		Count	49	53	102
		% within What is your professional level?	48.0%	52.0%	100.0%
		% within What is CSR?	100.0%	100.0%	100.0%

Table 4.3: Crosstabulation of CSR knowledge vs. employees' professional level

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	14.442(a)	2	.001
Likelihood Ratio	15.328	2	.000
Linear-by-Linear Association	11.061	1	.001
N of Valid Cases	102		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 11.05.

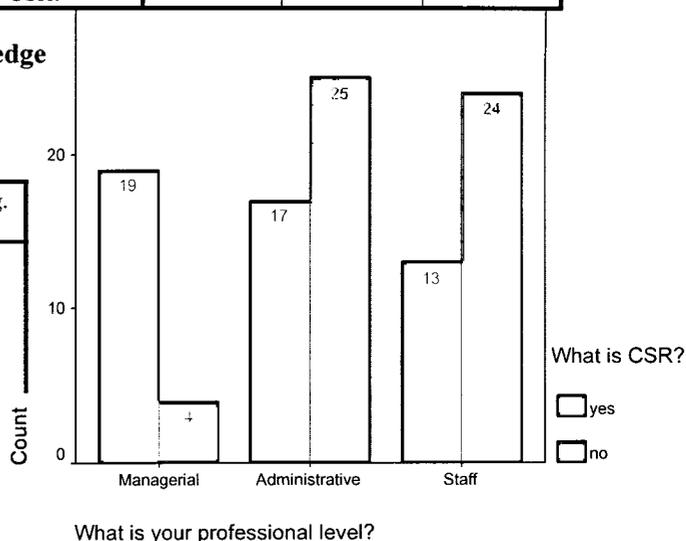


Figure 4.10: Knowledge of CSR in function of employees' professional level

4- What is your professional level? * What is MNC? Crosstabulation

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
What is your professional level? * What is MNC?	100	98.0%	2	2.0%	102	100.0%

What is your professional level? * What is MNC? Crosstabulation

			What is MNC?		Total
			yes	no	
What is your professional level	Managerial	Count	21	2	23
		% within What is your professional level?	91.3%	8.7%	100.0%
		% within What is MNC?	32.3%	5.7%	23.0%
	Administrative	Count	27	14	41
		% within What is your professional level?	65.9%	34.1%	100.0%
		% within What is MNC?	41.5%	40.0%	41.0%
Staff	Count	17	19	36	
	% within What is your professional level?	47.2%	52.8%	100.0%	
	% within What is MNC?	26.2%	54.3%	36.0%	
Total	Count	65	35	100	
	% within What is your professional level?	65.0%	35.0%	100.0%	
	% within What is MNC?	100.0%	100.0%	100.0%	

Table 4.4: Crosstabulation of MNC knowledge vs. employees' professional level

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	12.010(a)	2	.002
Likelihood Ratio	13.460	2	.001
Linear-by-Linear Association	11.770	1	.001
N of Valid Cases	100		

a 0 cells (.0%) have expected count less than 5.

The minimum expected count is 8.05.

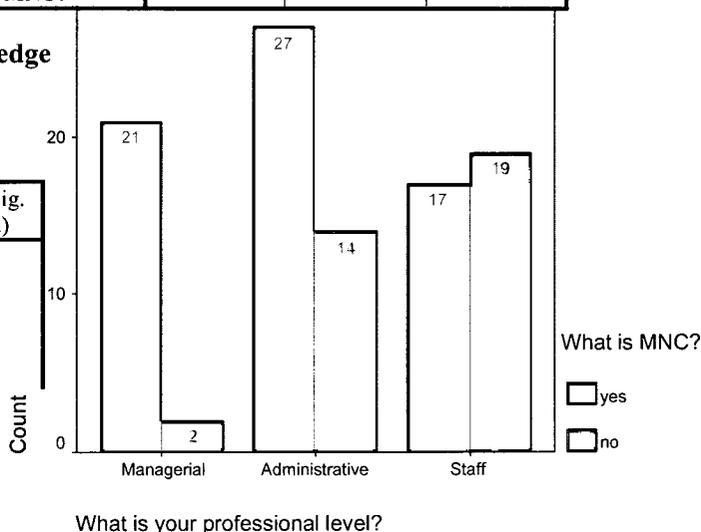


Figure 4.11: Knowledge of MNC in function of employees' professional level

5-What is your professional level? * Do you feel that your company is socially responsible? Crosstabulation

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
What is your professional level? * Do you feel that your company is socially responsible?	76	74.5%	26	25.5%	102	100.0%

What is your professional level? * Do you feel that your company is socially responsible? Crosstabulation

		Count	Do you feel that your company is socially responsible?		Total
			Yes	No	
What is your professional level?	Managerial	Count	19	2	21
		% within What is your professional level?	90.5%	9.5%	100.0%
		% within Do you feel that your company is socially responsible?	30.6%	14.3%	27.6%
	Administrative	Count	21	6	27
		% within What is your professional level?	77.8%	22.2%	100.0%
		% within Do you feel that your company is socially responsible?	33.9%	42.9%	35.5%
	Staff	Count	22	6	28
		% within What is your professional level?	78.6%	21.4%	100.0%
		% within Do you feel that your company is socially responsible?	35.5%	42.9%	36.8%
Total	Count	62	14	76	
	% within What is your professional level?	81.6%	18.4%	100.0%	
	% within Do you feel that your company is socially responsible?	100.0%	100.0%	100.0%	

Table 4.5: Crosstabulation of company's CSR involvement vs. employees' professional level

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.534(a)	2	.464
Likelihood Ratio	1.704	2	.427
Linear-by-Linear Association	.998	1	.318
N of Valid Cases	76		

a 2 cells (33.3%) have expected count less than 5. The minimum expected count is 3.87.

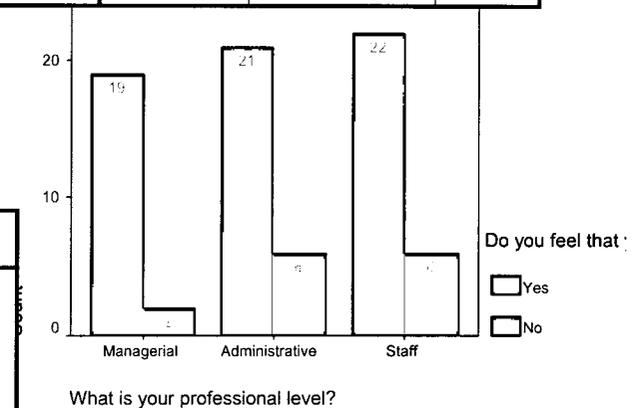


Figure 4.12: Company's CSR involvement in function of employees' professional level

6- What is your professional level? * Do you feel involved in your company's CSR activities? Crosstabulation
Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
What is your professional level? * Do you feel involved in your company's CSR activities?	76	74.5%	26	25.5%	102	100.0%

What is your professional level? * Do you feel involved in your company's CSR activities? Crosstabulation

What is your professional level?		Do you feel involved in your company's CSR activities?		Total	
		Yes	No		
Managerial	Count	17	4	21	
	% within What is your professional level?	81.0%	19.0%	100.0%	
	% within Do you feel involved in your company's CSR activities?	31.5%	18.2%	27.6%	
	Administrative	Count	19	8	27
		% within What is your professional level?	70.4%	29.6%	100.0%
		% within Do you feel involved in your company's CSR activities?	35.2%	36.4%	35.5%
Staff	Count	18	10	28	
	% within What is your professional level?	64.3%	35.7%	100.0%	
	% within Do you feel involved in your company's CSR activities?	33.3%	45.5%	36.8%	
Total	Count	54	22	76	
	% within What is your professional level?	71.1%	28.9%	100.0%	
	% within Do you feel involved in your company's CSR activities?	100.0%	100.0%	100.0%	

Table 4.6: Crosstabulation of personal involvement vs. employees' professional level

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.630(a)	2	.443
Likelihood Ratio	1.691	2	.429
Linear-by-Linear Association	1.567	1	.211
N of Valid Cases	76		

a 0 cells (.0%) have expected count less than 5.

The minimum expected count is 6.08.

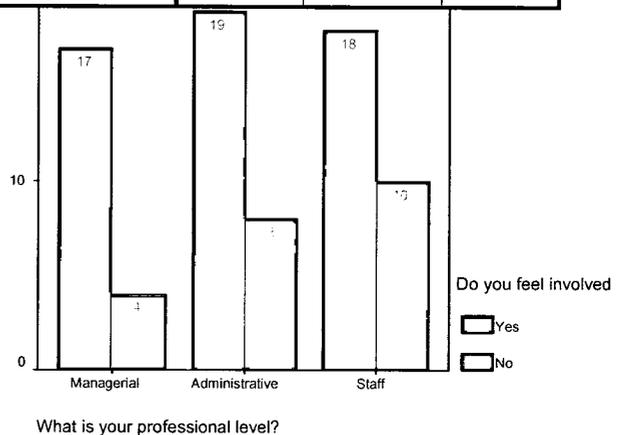


Figure 4.13: Personal involvement in function of employees' professional level

7- How long have you been working at AXA? * Do you feel that your company is socially responsible? Crosstabulation

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
How long have you been working at AXA? * Do you feel that your company is socially responsible?	76	74.5%	26	25.5%	102	100.0%

How long have you been working at AXA? * Do you feel that your company is socially responsible?
Crosstabulation

			Do you feel that your company is socially responsible?		Total
			Yes	No	
How long have you been working at AXA?	Less than 5 yrs	Count	35	9	44
		% within How long have you been working at AXA?	79.5%	20.5%	100.0%
		% within Do you feel that your company is socially responsible?	56.5%	64.3%	57.9%
	6 to 10 yrs	Count	11	0	11
		% within How long have you been working at AXA?	100.0%	.0%	100.0%
		% within Do you feel that your company is socially responsible?	17.7%	.0%	14.5%
	11 yrs & more	Count	16	5	21
		% within How long have you been working at AXA?	76.2%	23.8%	100.0%
		% within Do you feel that your company is socially responsible?	25.8%	35.7%	27.6%
	Total	Count	62	14	76
		% within How long have you been working at AXA?	81.6%	18.4%	100.0%
		% within Do you feel that your company is socially responsible?	100.0%	100.0%	100.0%

Table 4.7: Crosstabulation of company's CSR involvement vs. employees' tenure

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.011(a)	2	.222
Likelihood Ratio	4.976	2	.083
Linear-by-Linear Association	.006	1	.937
N of Valid Cases	76		

a 2 cells (33.3%) have expected count less than 5.

The minimum expected count is 2.03.

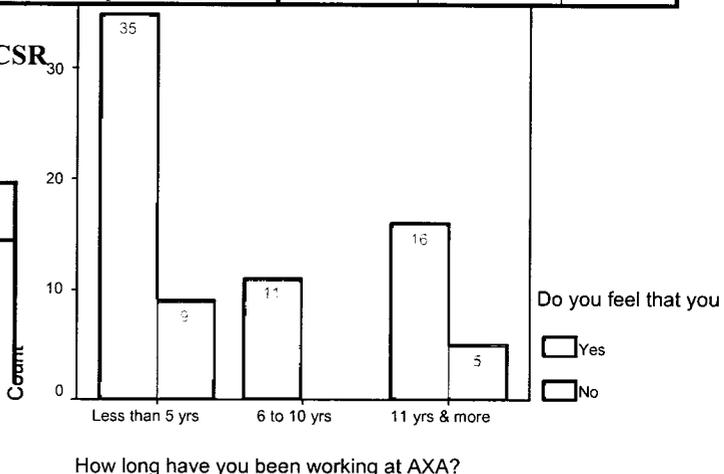


Figure 4.14: Company's CSR involvement in function of employees' tenure

8- How long have you been working at AXA? * Do you feel involved in your company's CSR activities? Crosstabulation

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
How long have you been working at AXA? * Do you feel involved in your company's CSR activities?	76	74.5%	26	25.5%	102	100.0%

How long have you been working at AXA? * Do you feel involved in your company's CSR activities? Crosstabulation

			Do you feel involved in your company's CSR activities?		Total
			Yes	No	
How long have you been working at AXA?	Less than 5 yrs	Count	29	15	44
		% within How long have you been working at AXA?	65.9%	34.1%	100.0%
		% within Do you feel involved in your company's CSR activities?	53.7%	68.2%	57.9%
6 to 10 yrs	Count	10	1	11	
	% within How long have you been working at AXA?	90.9%	9.1%	100.0%	
	% within Do you feel involved in your company's CSR activities?	18.5%	4.5%	14.5%	
11 yrs & more	Count	15	6	21	
	% within How long have you been working at AXA?	71.4%	28.6%	100.0%	
	% within Do you feel involved in your company's CSR activities?	27.8%	27.3%	27.6%	
Total	Count	54	22	76	
	% within How long have you been working at AXA?	71.1%	28.9%	100.0%	
	% within Do you feel involved in your company's CSR activities?	100.0%	100.0%	100.0%	

Table 4.8: Crosstabulation of personal involvement vs. employees' tenure

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.676(a)	2	.262
Likelihood Ratio	3.162	2	.206
Linear-by-Linear Association	.453	1	.501
N of Valid Cases	76		

a 1 cells (16.7%) have expected count less than 5.

The minimum expected count is 3.18.

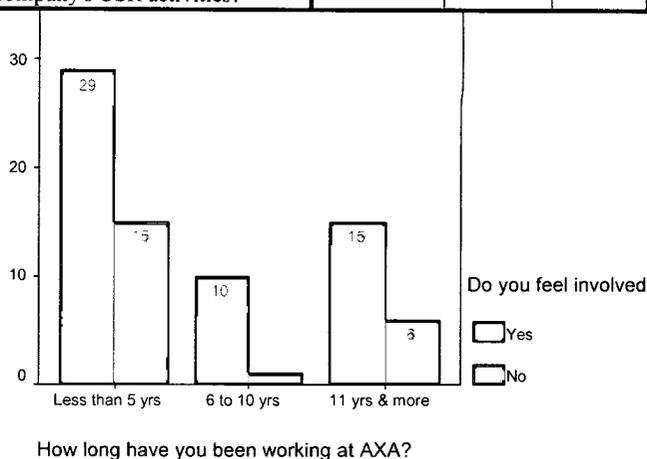


Figure 4.15: Personal involvement in function of employees' tenure

9- What is the meaning of CSR? * Most suitable definition Crosstabulation

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
What is CSR? * most suitable definition	68	66.7%	34	33.3%	102	100.0%

What is CSR? * most suitable definition Crosstabulation

		most suitable definition									Total
		A	B	C	D	E	F	G	H	I	
What is CSR?	yes										
	Count	6	2	3	6	2	8	1	2	18	48
	% within What is CSR?	12.5%	4.2%	6.3%	12.5%	4.2%	16.7%	2.1%	4.2%	37.5%	100%
	% within most suitable definition	75%	100%	42.9%	46.2%	50%	72.7%	100%	100%	90%	70.6%
no	Count	2	0	4	7	2	3	0	0	2	20
	% within What is CSR?	10%	.0%	20%	35%	10%	15%	.0%	.0%	10%	100%
	% within most suitable definition	25%	.0%	57.1%	53.8%	50%	27.3%	.0%	.0%	10%	29.4%
Total	Count	8	2	7	13	4	11	1	2	20	68
	% within What is CSR?	11.8%	2.9%	10.3%	19.1%	5.9%	16.2%	1.5%	2.9%	29.4%	100%
	% within most suitable definition	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Table 4.9: Crosstabulation of CSR knowledge vs. chosen definition

- A. Concerns self with local community
- B. Self-regulation and accountability
- C. Ethics, honesty and lawfulness
- D. Being environmentally responsible, going green
- E. Employees well treated, equal opportunity employer
- F. Gives back to society, helping people
- G. Customer oriented, product/service impact on customers
- H. Quality, products & services, fair prices
- I. True: all possibilities were chosen

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	12.961(a)	8	.108
Likelihood Ratio	14.446	8	.071
N of Valid Cases	68		

a. 13 cells (72.2%) have expected count less than 5.

The minimum expected count is .29.

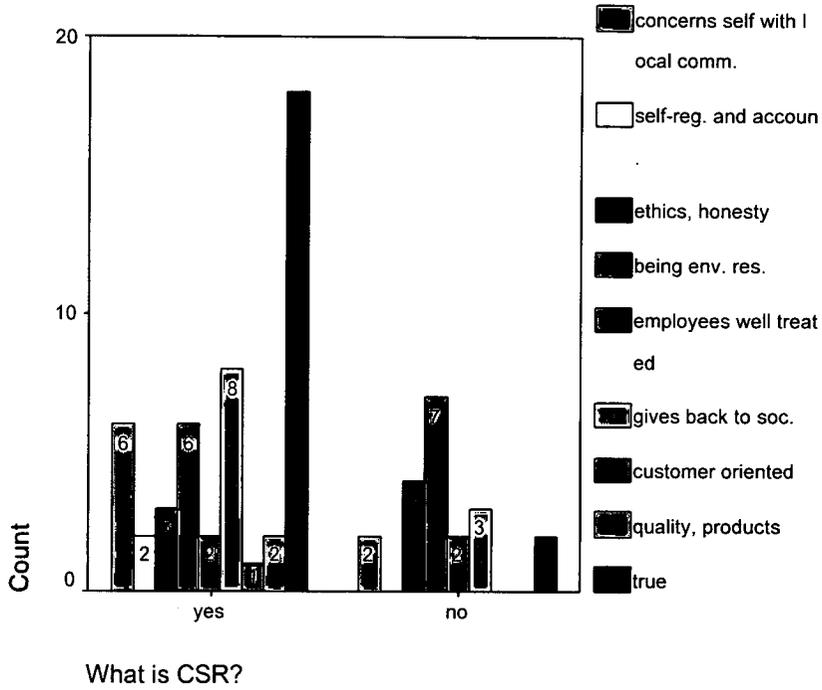


Figure 4.16: Chosen definition in function of CSR knowledge

The researcher adopted different types of investigations in order to build a solid ground for the study and its outcomes. Findings of these different methods are combined and discussed in the following section.

4.3 DISCUSSION OF THE FINDINGS

“It is our inherent responsibility: as one of the world's largest corporations, we have a role as an international corporate citizen; and as a company whose business is to protect people over the long term, we have a responsibility to build a more sustainable society: we have to do more than just our job” this is the common response of AXA and AXA-ME when asked about their perception of CSR. It is the trigger and the starting point of CSR practicing in these two entities as each one of them is at a different developmental level but at the same conceptual and infrastructural understanding of CSR sharing the same hypernorms (Donaldson& Dunfee, 1999).

AXA Group is at the Civic Stage; it possesses a specialized department which is in charge of innovating, developing, evaluating and strengthening the group's CSR towards a more sustainable development as they view it as a key component of a successful and profitable business; they are working on reinforcing these sustainable practices in today's business world and integrating it as much as possible in all their affiliated entities as well as encouraging other players to adopt such developments. AXA regards CSR to be a fundamental component of today's businesses trying to survive in today's global market which undergoes a periodic risk assessment at different levels in this scope; thus it is considered the foundation for risk management and compliance, philanthropic efforts, and sustainability reporting. The Group's environmental, social, and governance (ESG) performance is constantly evaluated by various international and reliable organizations, including rating agencies serving the research needs of SRI market. The Group is generally ranked above average in its industry and is also included in the three main international ethical indexes⁶⁶: DowJones Sustainability Index (based on research by SAM) scoring 74% (sector average is 68%), Eiris/FTSE4GOOD scoring 98/100, Vigeo /Aspi Eurozone scoring 53 on average, Sustainalytics scoring 75/100 (sector average is

⁶⁶ Refer to Appendix G

53/100) and Carbon CDI scoring 92/100 (the sector's highest score). In parallel, the Group is a signatory to several international agreements⁶⁷ and a key participant in global initiatives such as the UNGC, OECD, MGD, GRI, ILO, CDP, CSR Europe, WWF, Business and Human Rights Resource Centre, BiTC, CERES, the Conference Board, WBCSD and WCCG.

AXA-ME shares the same vision and ambition with AXA Group - which assumes a transnational organization (Donaldson & Dunfee, 1999) - as it has to comply with its global standards and objectives. However, it doesn't possess enough support and opportunities as CSR is still a new trend in the MENA region and in Lebanon more specifically; the majority of corporations are trying to direct their businesses towards sustainability. CSR is a very delicate area where companies should be aware of the implications of their plans and actions. AXA-ME is still at the "Compliant" stage where "they are doing what they have to do" and plan on reaching the "Strategic" stage by 2015, where CSR would be strategically integrated in the management system and providing them with a competitive edge. AXA-ME faces high levels of power distance, increasing levels of individualism and high levels of masculinity characterizing the Lebanese culture and hence narrowing the range of CSR opportunities. Lebanon lacks specific CSR legislations which could empower and encourage its adoption by the Lebanese companies; for instance, Law No. 220 gives a quota of 3% to the disabled employees to be part of every company in Lebanon. So, this shows that AXA-ME is trying hard to keep up with its premeditated image as a subsidiary of one of the most active and renowned socially responsible MNCs by getting involved at several levels⁶⁸. They strictly implement governance; wisely plan their calendar of annual events which are selectively prepared and budgeted especially during the CR week, continuously assess reputational, legal and operational risk, clearly report financial and social performance, and adopt a dedicated CSR communication plan and brown agenda; all for the purpose of AXA's common goal of "becoming the preferred company".

⁶⁷ Latest: December 2011, AXA became Europe's first financial services player to sign an agreement on Anticipating Change

⁶⁸ Refer to section 4.1.2.1

As they are trying to get CSR embedded in their core operational spectrum, employees constitute the primary reflective component of implementation.

The researcher decided to conduct a questionnaire for two main objectives: the evaluation of the CSR implementation degree at the level of an internal stakeholder as a reflection of the company's vision and the evaluation of CSR awareness among this sample of the Lebanese society. As a matter of fact, CSR ideologies are impressively reflected at AXA-ME through this study's findings. 60.8% of the respondents are females which reflect the feminine dominance in the company and the management support of equality and resistance to cultural beliefs – 76% against 51.9% for the group's average⁶⁹. AXA-ME obviously supports young generations through the 47.1% of employees between the ages of 18 and 29, and 43.1% from 30 till 49 which yielding an average age of 39.5, even younger than the group's average of 40.8 years. Regardless of the high tendency towards higher education in Lebanon, a 34.3% of the respondents holding masters degrees shows the high standards that AXA sets when recruiting; in addition, the 16.7% are mostly holders of technical degrees or certificates and occupy practical jobs. A high level of employees' satisfaction and retention is reflected by the 41.1% of the employees who have been working at AXA for more than 6 years and mostly more than 15 (19.6%). Statistics show a high internal mobility rate of around 15.6 % compared to 11% for the group, 42.1% have been working for less than 2 years only in their current position, versus 27.5% from 3 to 5 years and 30.3% for more than 6 years; pertaining a fair distribution of jobs with 22.5% running managerial positions, 41.2% performing administrative tasks and 36.3% staff. The company insists on sharing its values and culture with its employees through its mission, vision and code of ethics with which 66.7% are familiar. Consequently, 47.1% are aware of AXA's CSR practices for the last 5 years while 60.8% feel that AXA is a socially responsible company, but only 52.9% feel involved in AXA's CSR practices.

On the other hand, 48% of the respondents know what CSR means and 63.7% know what MNC means. However, 20% of the valid cases related CSR to concern with local community, self-regulation and accountability, ethics, honesty and lawfulness, being

⁶⁹ Refer to Appendix I

environmentally responsible, going green, employees well treated, equal opportunity employer, giving back to society, helping people, being customer oriented, product/service impact on customers, providing quality, products & services, fair prices. Nonetheless, a tendency towards charity involvement stands out with a scored 19% (combined), followed by environmental involvement scoring 13% and ethical behavior with 7%. At a larger scale, 28% think that the society sees a company as socially responsible through all of the following: ethical behavior and self regulation, employee's fair treatment, environmental responsibility, local and charity involvement, and quality products and services. Nevertheless, 16% chose charity and local concern, environmental involvement attracted 12% followed by 7% selecting ethical behavior and 7% for employees' treatment.

The latter shows that the majority of the local society, represented by the sample, focuses on three main concepts when considering CSR: charity works, environmental concern and ethical behavior. In parallel, a surprisingly fair percentage acknowledged the overall spectrum of CSR through all the suggested choices as well as the consideration of employees' well-fair which the researcher identified as a reflection of a deeper awareness than expected, especially that the term CSR is not commonly recognized; this is further expressed by the 46.1% who prefer working in a socially responsible company with 21.6% ready to compromise for a socially responsible employer. This contradiction shows that CSR is still a platonic concept to most of the respondents, especially with 33% labeling CSR as a marketing tool and 39.2% believing that customers prefer socially responsible companies.

Working in an MNC's subsidiary provides deeper insights at global perspectives, trends and market standards; 53.9% think that MNC are more socially responsible and 38.2% only think that they can act socially responsible in the MENA region. This lack of faith in local companies and regional potential is due to a deeper lack of professional awareness and a continuous unstable political and economic situation in the region.

As a matter of fact, the researcher focused on the chosen variables and tried to selectively develop inferential statistics that would contribute to a better understanding of the situation.

The dependent variables are the implementation of CSR along with the degree of awareness and appreciation of CSR among employees, which according to the researcher are influenced by: employees' level of education, employees' professional level, employees' tenure, the CSR context in Lebanon and MENA region, and the CSR context in AXA. To be able to assess CSR from an MNC's perspective, the latter had to be tested as well. Results show that educational level affects knowledge of MNCs as the chi-square $p_{\text{value}} = 0.003$, and the higher the educational level is, the higher percentage of respondents relating to the meaning of MNC⁷⁰: 44.6% of respondents who know what MNC means are masters degrees holders vs. 46.2% university degrees holders and 9.2% holding high school or institutional degrees. From the same angle, tests show that CSR knowledge is independent of the educational level with a chi-square $p_{\text{value}} = 0.172$; however, same observations could be made as the higher the educational level is, the higher percentage of respondents relating to the meaning of CSR⁷¹: 40.8% of respondents who know what CSR means are masters degrees holders vs. 49% university degrees holders and 10.2% holding high school or institutional degrees. The latter proves that when employees receive higher levels of education and training, they would possess a wider understanding of today's most modern issues and trends; AXA concentrates on stimulating its employees' knowledge as it organizes regular training sessions.

As for the professional level, it affects knowledge of MNCs as the chi-square $p_{\text{value}} = 0.002$, and the higher the professional level is, the higher percentage of respondents relating to the meaning of MNC⁷²: 32.3% of respondents who know what MNC means are managers vs. 41.5% administrative employees and 26.2% regular staff. In parallel, CSR knowledge is as well affected by the professional level with a chi-square $p_{\text{value}} = 0.001$, the higher the professional level is, the higher percentage of respondents relating to the meaning of CSR⁷³: 38.8% of respondents who know what CSR means are managers vs. 34.7% administrative workers and 26.5% regular staff. On the same level,

⁷⁰ 82.9% of masters degrees holders relate to MNC vs. 46.2% of university degrees holders and 35.3% of high school or institutional degrees holders

⁷¹ 57.1% of masters degrees holders relate to CSR vs. 48% of university degrees holders and 29.4% of high school or institutional degrees holders

⁷² 91.3% of managers relate to MNC vs. 65.9% of administrative employees and 47.2% of regular staff

⁷³ 82.6% of managers relate to CSR vs. 40.5% of administrative employees and 35.1% of regular staff

the cross tabulation of the professional level and AXA's CSR involvement turns out to be statistically invalid as it doesn't fulfill all the assumptions; yet, the distribution of the 60.8% who believe that AXA is socially responsible is homogeneously spread among the three professional categories⁷⁴. In parallel, employees' personal sense of involvement in their company's CSR practices seems independent of their professional level with a $p_{\text{value}} = 0.443$ and a consistent distribution among the three categories as well⁷⁵. As it is clearly noticed, professional level provides stronger knowledge about more substantial notions such as CSR since $p_{\text{CSR}} < p_{\text{MNC}}$; and thus managers seem to be more involved at the level of AXA as a Group and more aware of the company's CSR practices and involvements: 90.5% of managers feel that AXA is socially responsible vs. 77.8% of administrative employees and 81% of managers feel involved in AXA's CSR practices v. 70.4% of administrative employees.

Following this, the researcher persists on CSR practices and employees' involvement by relating it to employees' tenure as a possible factor of variance. Consequently the cross tabulation of employees' tenure and AXA's CSR involvement is statistically invalid as it doesn't fulfill all the assumptions with a $p_{\text{value}} = 0.222$ which reflects the insignificant relationship between these two categories. Nonetheless, 79.5% feeling that AXA practices CSR have been working for 5 years and less at AXA, corresponding to 56.5% of the total number of respondents believing that AXA is socially involved. When cross tabbing employees' tenure and their personal feeling of involvement, same results are shown as $p_{\text{value}} = 0.262$ and 65.9% who feel involved in AXA's CSR practices have been working for 5 years and less at AXA, corresponding to 53.7% of the total number of respondents feeling personally involved. Those new enthusiastic additions to AXA's family reflect AXA's image in the Lebanese market: a socially responsible employer.

The last test was run to identify the respondents' tendency regarding CSR's definition⁷⁶. Of those who know the meaning of CSR, 37.5% were able to identify the whole spectrum of CSR by choosing all of the suggested definitions. Then comes the philanthropic dimension of CSR followed by environmental concern and finally by ethical behavior

⁷⁴ 30.6% managers vs. 33.9% administrative employees and 35.5% regular staff

⁷⁵ 31.5% managers vs. 35.2% administrative employees and 33.3% regular staff

⁷⁶ It is statistically invalid and $p_{\text{value}} = 0.113$

and self accountability. On the other hand, of those who don't know what CSR means, 10% chose all the suggestions; followed by environmental responsibility, then ethical behavior and finally charity and society. This shows that regardless of the term, people are able to relate to what could CSR includes especially that even those who don't know what CSR means tried to identify the most suitable definition. In addition, the three omnipresent concepts remain philanthropic dimension, environmental dimension and ethical dimension; each at different levels of importance relatively emphasized according to previous knowledge of the subject.

All of the above describe the actual image of the Lebanese CSR status: the market is aware of the importance of CSR as it is emerging towards more sustainable developmental businesses and practices. As for the particular case of an MNC's subsidiary in the MENA region, AXA represents a dedicated example to CSR appreciation and progressive practicing by managing an adequate coordination system as for their shared beliefs, external demands and actual strategies at the different levels of the different stakeholders.

The following section, evaluates the researcher's suggested hypotheses under the light of the above discussed findings; which answered all of the starting questions that initiated this present study.

4.4 DISCUSSION OF THE HYPOTHESES

Several assumptions could be drawn following the researcher's findings and discoveries. AXA Group works closely on AXA-ME's CSR spectrum as the latter should be compliant with the group's standards and aspiration in strengthening corporate responsibility in their immediate and secondary operating medium. AXA's strategic orientation indicating its management approaches to handling the relationship between headquarters and subsidiaries is the Transnational model where they customize their coordinating mechanisms (multinational or global) according to each situation and each country under the large umbrella of "becoming the preferred company". Donaldson and Dunfee (1999) ISCT drives MNCs to practice tolerance of some approaches from different communities. They share hypernorms and adapt supplementary norms along with consistent norms and moral free space; this is supported by the type of social

involvements and concentration areas of each entity as they focus on the optimal existing opportunities depending on their operational medium and try innovating relative prospects. When examining the content domain corresponding to persistent themes related to CSR practice across cultures (Arthaud-Day, 2005) three major themes are to be considered:

- a. Human rights supported through AXA's partnerships and participations
- b. AXA's respect of labor is reflected by their obedience to laws, rules and agreed standards of employment
- c. The environment is responsibly treated by assuming initiatives to promote greater environmental responsibility such as recycling, energy efficiency and awareness campaigns

This particular domain offers a starting point for managing MNCs' CSR strategies in a new international market, starting with globally recognized issues.

Finally, perspective domain reveals MNCs' dealing strategy with different stakeholders at the CSR level. It concentrates on three different sublevels:

- a. Ideological: AXA's management believe that CSR is an integral component of today's presence as they must contribute to more sustainable future and development
- a. Societal: AXA tries to meet its stakeholders' expectations and elevate its affiliated entities to meet the group's and its stakeholders' visions
- b. Operational: AXA's actual CSR practices relate to the current established global tendencies. It possesses an efficient and well organized coordination system for its shared beliefs, external demands, and actual strategies among all its subsidiaries.

This grants the MNC's subsidiary a competitive advantage as they possess high levels of CSR specialization and management. AXA-ME is working on developing and adapting the group's practices in order to optimize their effect in the region on the level of different stakeholders/pillars, especially with its current situational changes.

CSR turns out to be a well appreciated concept in the MENA region and a thought after organizational development. CSR gives MNCs a competitive edge that guarantees them a sustainable development of their business and a solid ground for more prominent existence in tomorrow's market; at the same time, their MENA region's subsidiaries are realizing the importance of the presence of such elements in their strategic organization as they are trying to innovate instead of just complying.

The researcher's hypotheses are thus supported:

H₁: MNCs' subsidiaries in the MENA region practice submissive CSR activities. However, they are developing solid plan for the near future, in order to integrate CSR in their management system and reach strategic advance by acquiring its consequent competitive edge.

H₂: CSR in the MENA region is encouraged by MNCs and their subsidiaries simultaneously; as they both increase efforts towards developing a more sustainable business with the help of their internal stakeholders: well educated and loyal employees.

H₃: Opportunities in a wide range are available for CSR practices in the MENA. Nevertheless, the current situation is economically and politically hindering these opportunities.

H₄: MNCs' subsidiaries are revolutionizing the concentration's areas of CSR activities in the MENA region to improve their status in today's market. The latter is observed by the customization of their values and practices in order to meet the local stakeholders' expectations and at the larger scale, the group and its global stakeholders.

4.5 CONCLUSION

CSR is still a controversial notion as the term's definition remains ambiguously present in current Lebanese market but it turns out to predominantly exist in terms of implementation and practices. MNCs' subsidiaries are increasingly working on developing their corporate responsibilities aiming to transcend from a submissive state towards more innovative and independent era, where CSR would become a strategic component of their existence and management system. Investors are attracted towards current revolutionary concepts SRI, CSR and sustainable development. The Lebanese market, among the MENA region's markets, is one receptive medium market as it employs high level human resources and looks for better opportunities for the empowerment of MNCs' CSR standards.

CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

With the increasing rate of globalization, MNCs are undergoing severe scrutiny and thus facing an expanding pressure to meet the global market's expectations and requirements. Today, CSR proved to be the most vital component of a company's survival as an element of sustainable development and ethics which constitute societies' number one concern especially with the growing challenges that humanity is encountering.

However, the pressure builds up when a corporation decides to commit to such behaviors; and thus it becomes more prone to public accountability and surveillance especially when it operates across several geographical boundaries and holds several affiliated entities, in particular in developing countries where CSR is inferiorly regarded compared to the more developed ones. MNCs' subsidiaries in the MENA region are still in the compliant stage when it comes to practicing CSR. The degree of submission differs among countries, industries and corporations: CSR is a relative notion.

Subsequently, this present study reveals the real value of such practices especially that a surprisingly considerable degree of awareness is present among stakeholders, particularly employees, and that the classical perspective is shifting towards a more revolutionized and attentive standpoint. The latter is a confirmation of the theories and models that were already developed and discussed in respect of this topic, as CSR remains a controversy until today.

MNCs' subsidiaries in the MENA region, and particularly in Lebanon, are trying to expand their CSR spectrum in respect of its capacities, implementation and practices. They are targeting a more developed CSR status and trying to mark their existence as a Socially Responsible entity.

Nevertheless, the MENA region lacks appropriate and sufficient governmental support which could adequately assist in the transition of CSR into the next level where the

majority of companies would feel compelled and not obliged to raise their concern about social responsibility, under the umbrella of sustainable development.

The following section highlights the most important results of this present study and relates them to the researcher's main concerns and expectations.

5.2 MAIN FINDINGS AND ANALYSIS OF MAIN RESULTS

This study focuses on CSR - the contribution an entity makes to society, beyond making profits - practices of a particular MNC's subsidiary in a particular MENA region country; the researcher examined this case in order to draw a rough picture of CSR's practices in this region when implemented by internationally affiliated entities based on the aforementioned theoretical arguments and practical findings.

Results show that CSR is being well promoted and increasingly familiarized by MNCs subsidiaries, with 48% of the questionnaire's respondents being familiar with the term and 68% being familiar with the meaning, knowing that this concept was recently introduced into the Lebanese market and the MENA region in general, which explains the immaturity of CSR awareness in this region.

Moreover, the several participations and initiatives reinforce the commitment of these subsidiaries to their globally adopted CSR agenda as they try to develop a well organized plan for the near future, in order to integrate CSR in their management systems and reach strategic advance by acquiring its consequential competitive edge; and ultimately moving from compliant practices into more autonomous and ingenious stages.

It is evident that CSR in the MENA region is encouraged by MNCs and their subsidiaries simultaneously; as they both increase efforts towards developing a more sustainable business with the help of their first encountered stakeholders: well educated and loyal employees. Employees' advanced level of education and higher professional achievements facilitate and expand the internal potential of a company as for its CSR commitments and appreciation.

The studied case demonstrates a shared ultimate vision of their CSR as their inherent responsibility as one of the world's largest corporations, they feel that they have a role as an international corporate citizen; and as a company whose business is to protect people

over the long term⁷⁷, they assume the responsibility of building a more sustainable society: “We have to do more than just our job”.

The latter applies to both Mother Company and subsidiary as they both look to achieve a common level of relative excellence when it comes to international CSR and sustainable development. At the same time, the group does not concentrate its efforts on its subsidiaries only; it pushes its limits to include its market participants in its CSR framework. The newest CSR policy of the European Commission published in 2011 states that to fully meet their social responsibility, enterprises “should have in place a process to integrate social, environmental, ethical and human rights concerns into their business operations and core strategy in close collaboration with their stakeholders”.

As a matter of fact, MNCs’ subsidiaries are revolutionizing the concentration’s areas of CSR activities in the MENA region to improve their status in today’s market. MNCs have to adapt their practices to better fit their host market and its values and requirements: they must “make selective decisions,” manage costs and revenues together, value efficiency and innovation equally, and develop appropriate coordinating systems between subsidiaries but at the same time give them maximum flexibility and freedom, in order to achieve global competitive advantage. It is clearly observed by the customization of their values and practices in order to meet the local stakeholders’ expectations and to a certain extent, at the larger scale, the group and its global stakeholders. Thus, this present study confirms the proposition by Arthaud-Day that a company’s overall strategic orientation largely determines orientation of its CSR practice.

The facts that the MNC’s holding company retains respectable collaborative relationships with global chief associations and NGOs, occupies advanced rankings according to internationally recognized rating systems and tools, participates in the major global movements and initiatives, and possesses enormous influence and power on the level of the global market; increase the pressure on its subsidiaries in order to meet its highly set standards and expectations.

⁷⁷ Insurance Company

However, even though a wide array of opportunities is available for CSR practices in the MENA region, the recently aggravated situation is an economical and political hindering factor to such opportunities, especially that focus is still oriented towards these events and their outcomes and implications.

Staying in the MENA region's focal point and as expected, charity works, environmental concern and ethical behavior - respectively - were the three major recognized issues concerning CSR; which reflects the dominance of the philanthropic tendency of the understanding and implementation of CSR by local societies. It is mostly manifested by charitable works, community, education (and environment protection) as the society concentrates on such measures to evaluate an entity's corporate and social commitments.

It suggests the potential influence by the perspective level on the content domain as societal expectations are one of the criteria that determine MNCs' CSR orientation. This reflects a constricted understanding of the CSR spectrum and its underlying significance.

This study provides more empirical support for the effect of corporate culture, and a country's political system and level of economic development on its CSR practice. The results show that corporate culture partially determines CSR issues of interest for the companies, and that the MENA region's political system made it necessary for the private sector to assume CSR initiatives and try to reach adequate stages of corporate responsibility. However, this target requires collaborative efforts among all concerned actors in order to better achieve sustainability and significant social impacts.

5.3 LIMITATIONS OF THE RESEARCH

Every research has its limitations and constraints no matter how much it is carefully conducted. This present thesis relies on a particular case study which constitutes the foremost significant limitation as results cannot be absolutely generalized; the other concerned parties may represent different special situational conditions. More data on MNCs subsidiaries from other MENA countries and operating in other sectors are necessary to develop a deeper understanding of international CSR and its implementation in this region. In addition, the sample size can be classified as small making it difficult to find significant relationships from the data, as statistical tests normally require a larger

sample size to ensure a representative distribution of the population and to be considered representative of groups of people to whom results will be generalized or transferred.

CSR in the region is still in its infancy which limits the scope of the analysis as there are no benchmarks in this regard and related prior research on the subject of this study is minute. As well as due to lack of time and slow response from the foreign correspondent, the methodology could be revised and enhanced to better suit the study's objectives. Finally, due to confidentiality purposes, certain "classified" information was not reported in this study such as CR financial attributes which cannot be publically disclosed, even though participants provided the researcher with as much information as possible.

5.4 MANAGERIAL IMPLICATIONS

This thesis reveals the underlying current situation of CSR in the MENA region when implemented by MNCs. It contributes in the identification of the possible practical opportunities that an MNC could develop or even create; as well as the relative requirements for operating in a host country where cultural, political and economic differences should be taken into consideration, and organizational managerial systems should be consequently customized. This study concentrates on international CSR; it proves that its perception varies and cannot be standardized. In addition, CSR practices have to undergo certain modifications as expectations and capacities vary as well. The decision to get involved in such practices should be thoroughly studied and comprehensively organized as it implies global scrutiny and increased accountability.

5.5 RECOMMENDATIONS

The corporate responsibility movement should be strengthened in the MENA region, especially that the abundant presence of MNCs offers a significant support to such initiatives. Moreover, awareness campaigns should be undertaken as the understanding of this concept is confined to strict philanthropic and environmental tendencies only. The apprehension of the latter should be accompanied by the encouragement of transparency, good governance and accountability in the region. A certain focus should be attributed to internal and external communication channels as this process could increase the business benefits of CSR and the reliability of related initiatives.

On the other hand, governments should improve their participations and reinforce specialized rules and regulations in order to better assume their own responsibility - i.e. a specialized CSR department - and then provide adequate incentives - i.e. tax exemptions on CSR funds - for companies to commit to corporate responsibility.

Cooperation between companies and civil society strengthens CSR promotion: establishment of national CSR benchmark comparable to international standards, build future developmental priorities to reach synergy among all involved parties and encourage private initiatives which could promote fruitful collaborations with the public sector. National and regional forums were already initiated few years ago (starting in 2007); however they should undergo professional maintenance in order to keep up with the global development, and they should be more heavily publicized.

This thesis opens the suggestion to conduct similar studies and test the MNCs' CSR model in multiple host countries in order to better assimilate the differences and to fully capture the implications of international CSR's implementation. Potential support for multinational strategic orientation may be subject to changes when richer data are gathered. It is agreed that CSR can somehow benefit the company by creating a better corporate image/reputation. It follows that research concerning changes in corporate image/reputation and relating it to CSR can help gauge the value of CSR. Longitudinal study of external stakeholders' perceptions of the company's image/reputation and CSR practices is sufficient in this regard, as the MENA region holds many expatriates that could represent several perceptions under the same context. The study found that corporate culture largely defines MNCs' CSR strategies; this represents an additional subject of interest for future research as to the relationship between organizational behavior and its culture to better understand the influence of corporate culture on the company's behavior and CSR practices. As mentioned before, the studied case employs much attention to new forms of media such as social media; the impact of these new media forms, such as the Internet, on international CSR could be addressed. It is useful to test whether the change of media forms affects the content domain of the MNCs' CSR model, as the implementation and evaluation process of global CSR strategies needs more scholarly attention.

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APPENDIX A

SAMPLE OF A FILLED QUESTIONNAIRE

Corporate Social Responsibility of Multinational Companies in the Middle-East

This survey is a part of the methodology concerning the thesis submitted in Partial Fulfillment of the Requirements for the Joint Degree of the Master of Business Administration (M.B.A.)-Notre Dame University Faculty of Business Administration & Economics Graduate Division-Lebanon and the Master of Science in International Business (M.I.B.)-Bordeaux Management School Institute of International Business-France. It will only take 6 minutes to be completed, and all answers are needed to be marked only. Kindly note that below questions should be filled based on previous knowledge and background. Your cooperation is highly appreciated, thank you in advance.

Questions:

1-Are you?

Female

Male

2-What is your age?

Less than 20 years

20-29 years

30-39 years

40-49 years

50 or more years

3-What is your highest level of education reached?

High School Degree

B.A. University Degree

Masters University Degree

Other...

4-How long have you been working in your current company?

Less than one year

1-2 years

2-5 years

5-10 years

10-15 years

More than 15 years

5-How long have you been working in your current position?

- Less than one year
- 1-2 years**
- 2-5 years
- 5-10 years
- 10-15 years
- More than 15 years

6-What type of work do you do?

- Managerial
- Administrative**
- Secretarial
- Other...

7-Do you know what does Corporate Social Responsibility mean?

- Yes**
- No
- Not sure

8-Do you know what does Multinational Company mean?

- Yes**
- No
- Not sure

9-If you do have an idea about Corporate Social Responsibility, check the most suitable definition in your opinion:

- Concerns self with local community
- Self-regulation and accountability
- Ethics, honesty and lawfulness
- Being environmentally responsible, going green**
- Employees well treated, equal opportunity employer
- Gives back to society, helping people
- Customer oriented, product/service impact on customers
- Quality, products & services, fair prices

10-Was your company involved in any Corporate Social Responsibility activities in the past years?

- Yes
- No
- Not sure

11-Are you familiar with your company's vision, mission and code of ethics?

- Yes
- No
- Not sure

12-What do you think a company should do to be perceived as socially responsible?

- Behave ethically, honestly and lawfully
- Treat employees well and equally, good pay/benefits
- Be environmentally-responsible, create energy-efficient products
- Give back to the community, be locally concerned
- Care about public, give back and help people**
- Offer quality product and services, fair pricing
- Self-regulate, be accountable and transparent
- Donate to charity, sponsor and volunteer

13-Do you feel that your company is socially responsible?

- Yes
- No
- Not sure

14-Do you feel involved in your company's Corporate Social Responsibility participations?

- Yes
- No
- Not sure

15-Do you prefer working in a socially responsible company over another?

- Yes
- No
- Not sure

16-Are you willing to compromise (salary, bonus, holydays) in order to work in a socially responsible company?

- Yes
- No
- Not sure**

17-Do you think that socially responsible companies use the latter for marketing?

- Yes
- No
- Not sure**

18-Do you feel that customers prefer socially aware companies?

- Yes
- No
- Not sure

19-Do you think that Multinational Companies are more Corporate Social Responsibility oriented than the local ones?

- Yes
- No**
- Not sure

20-Do you think that Multinational Companies have decent opportunities for Corporate Social Responsibility implementations in the MENA region?

- Yes**
- No
- Not sure

APPENDIX B

AXA GROUP FILLED INTERVIEW

Corporate Social Responsibility of Multinational Companies in the Middle-East

This interview is a part of the methodology of the thesis Submitted in Partial Fulfillment of the Requirements for the Joint Degree of the Master of Business Administration (M.B.A.)-Notre Dame University Faculty of Business Administration & Economics Graduate Division-Lebanon and the Master of Science in International Business (M.I.B.)-Bordeaux Management School Institute of International Business-France.

Your cooperation is highly appreciated as well as your feedback by the 27th of March 2012⁷⁸.

Thank you in advance.

Personal Information

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Last Name: Inacio

Location: Portugal

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Mobile: +351 96 489 72 76

E-mail Address: celia.inacio@axa.pt

Country of Origin: Portugal

Area of Professional Specialization: Corporate Responsibility

Actual Position: Head of Corporate Responsibility – MEDLA Region

Questions:

1. What does the term CSR means to you?

It is our inherent responsibility: as one of the world's largest corporations, we have a role as an international corporate citizen; and as a company whose business is to protect people over the long term, we have a responsibility to help build a more sustainable society: “we have to do more than just our job”

2. Is CSR seen as a foundation for risk management and compliance, philanthropic efforts, and/or sustainability reporting?

AXA regards CSR to be a fundamental component of today’s businesses trying to survive in today’s global market. CSR involves all of the above suggestions.

⁷⁸ This interview form was submitted on the 31st of May 2012

- 3. Is CSR a necessity for the success of the business?**
 AXA Group is constantly looking for opportunities to prove its global citizenship by practicing responsible behavior in its day to day work process at the societal, environmental and economic levels. AXA's strategy is to place Corporate Responsibility both at the heart of its business by providing to its stakeholders sustainable products and services. Today's market leaves us with no other choice than to be responsible towards our stakeholders as well as towards the whole world.
- 4. Compared to core operations and their financial implications, do you think that CSR could have financial impact on your results?**
 AXA's core operations rely heavily on CR as an integral part of our existence and progress. It occupies an important place in our financial planning and consequently possesses a more important impact on our financial results. It is a risk / opportunity management imperative: CR enables AXA to cut costs and to limit certain business and operational risks, while maximizing market opportunities in emerging or future commercial segments to generate new revenue streams.
- 5. What are the major legal, operational, and reputational challenges faced by the company and its industry peers?**
 Our business is about risk management; thus managing the surrounding possible risks should be easily handled. We have to keep up with the high standards of our industry and the whole market as we are viewed as a powerful player. Reputational, legal and operational risks are constantly assessed and studied. They change according among subsidiaries and countries (as they have different legislations and cultures).
- 6. What costs does the board perceive will be involved in implementing or augmenting a CSR strategy, and are such resources appropriately allocated to CSR at this time?**
 Financial information cannot be disclosed as it is highly confidential; however I can tell you that CR is an integral part of our operations, planning and expenses.
- 7. In your opinion, why would a company, in particular and insurance firm, disclose CSR practices? (Either on websites, newsletters, reports...etc)**
 Financial services companies face intense questioning as for their integrity and effectiveness; our dedication and practice of CR strengthen our position and allow our stakeholders to feel their direct or indirect involvement in our ambitions. It is essential to build the trust of employees (CR is a key driver of employee motivation and engagement, and influences graduates' choice of employers), and the trust of customers, as CR is an increasingly significant driver of brand trust.
- 8. Is the company's CSR positioning appropriate given management's goals and self-perception? (AXA Group & AXA ME)**
 Yes but some subsidiaries have more work to do. An internal assessment tool is

generalized and used to position each subsidiary and compare; as well as AXA Group's environmental, social, and governance (ESG) performance is evaluated by various organizations, including rating agencies serving the research needs of the socially responsible investment (SRI) market.

9. What is the future frame that the company is trying to fit in when it comes to CSR?

We are at the civic stage where now we have to make sure that everyone is behaving responsibly, starting with our internal network of subsidiaries and our global environment.

10. Is your company certified to any recognized certifications or is it a signatory to an international agreement on CSR issues? Cite if yes

UNGC, OECD, MGD, GRI, ILO, CDP, CSR Europe, WWF, Business and Human Rights Resource Centre, BiTC, CERES, the Conference Board, WBCSD, WCCG...

11. Do you think that AXA ME is well directing its resources towards efficient CSR?

AXA group places CR at the core of its business, we set high standards that our subsidiaries should try to meet and excel. AXA-ME is well directed towards its set goals of reaching more developed stages of CR, we are constantly leading them in the right direction as we have more expertise and capabilities.

12. Do you think that the MENA region's current situation interferes with CSR and its application? How? And to what extent?

The MENA region is a well receptive medium for CR practices as it offers plenty of opportunities, but the current situation is not very supportive of such initiatives. People are tending to be more oriented towards politics and economics.

13. Does your Brown Agenda fit AXA ME's potentials?

Yes and we continuously work on developing it towards perfection.

14. There are four major areas when it comes to the range of practices in CSR:

- Environmental
- Service/consumer
- Human resource
- Community

Can you briefly explain how you perceive the importance of each one of the categories, and rank them from the least important to the most important based on how you identify with each one.

- Environmental

Our environmental impact

- Service/consumer

Management of customer relation and development of services

➤ **Human resource**

Providing our employees with suitable workplace and work conditions

➤ **Community**

Behaving responsibly towards society and the whole community

15. Which pillar do you perceive as the most important and influential?

We think that they are all equally important as they all contribute to our ultimate CR aspirations.

16. Do you think that companies today are over exploiting CSR and misusing the concept?

It depends on each company's culture and value, but CR proved to be a matter of scandal when misused; however some companies use it for marketing purposes, taxation purposes...

17. By examining the CSR disclosure of some insurance companies (annual reports); we noticed that these disclosures are mainly in the area of Community activities. How can you explain that?

The latter is not true when it comes to international reporting. The majority of our peers consider all the involved stakeholders when reporting.

18. Do you have a separate department dealing with CSR matters?
Yes and it is a part of the communication department.

19. Is CSR in your company part of your strategic direction?
Yes, especially that our group as a whole reached the Civic Stage.

20. What oversight and accountability mechanisms reinforce the company's CSR strategy?

The CR department is in charge of implementing our CR strategies and conducts a continuous follow up of all our subsidiaries.

21. What are you going to do, in relation to CSR, in the near future?
Make sure that all our subsidiaries and our partners are behaving responsibly.

22. How do you see the other companies in the insurance sector acting upon such a subject?
We are scoring above industry's averages in the majority of the international SRI indices.

23. How do you see other industries acting upon such a subject?
CSR is regarded as an integral component of today's market, thus all the major players are compelled to demonstrate their corporate responsibility.

APPENDIX C

AXA ME FILLED INTERVIEW

Corporate Social Responsibility of Multinational Companies in the Middle-East

This interview is a part of the methodology of the thesis Submitted in Partial Fulfillment of the Requirements for the Joint Degree of the Master of Business Administration (M.B.A.)-Notre Dame University Faculty of Business Administration & Economics Graduate Division-Lebanon and the Master of Science in International Business (M.I.B.)-Bordeaux Management School Institute of International Business-France.

Your cooperation is highly appreciated as well as your feedback by the 27th of March 2012.

Thank you in advance.

Personal Information

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Area of Professional Specialization: Management

Actual Position: Organization studies officer-CR officer

Questions:

1. What does the term CSR means to you?

It is our inherent responsibility: as one of the world's largest corporations, we have a role as an international corporate citizen; and as a company whose business is to protect people over the long term, we have a responsibility to help build a more sustainable society: "We have to do more than just our job"

2. Is CSR seen as a foundation for risk management and compliance, philanthropic efforts, and/or sustainability reporting?

All of the Above

3. Is CSR a necessity for the success of the business?

AXA's strategy is to place Corporate Responsibility both at the heart of its business as well as its day to day interactions with its stakeholders. It is through adopting a responsible behavior, as well as through sustainability added-value products and services, that the Group is able to most effectively participate in social, environmental and economic progress.

- 4. Compared to core operations and their financial implications, do you think that CSR could have financial impact on your results?**

CR is completely part of Ambition AXA and will allow us to increase our performance over the long term in order to “become the preferred company”.

- 5. What are the major legal, operational, and reputational challenges faced by the company and its industry peers?**

Managing reputational, legal and operational risk is always on mind. A risk assessment is done on a usually to identify all risk based on stakeholders' perception of whether their experience of a business matches their expectations, and risks of loss resulting from inadequate or failed internal processes, people and systems.

- 6. What costs does the board perceive will be involved in implementing or augmenting a CSR strategy, and are such resources appropriately allocated to CSR at this time?**

Business owners can sometimes feel that corporate strategy is not necessary in order to achieve their corporate goals. Understanding the benefits of using a corporate strategy will help business owners and managers appreciate the value of the invested time and money into a comprehensive plan.

- 7. In your opinion, why would a company, in particular and insurance firm, disclose CSR practices? (Either on websites, newsletters, reports...etc)**

It is essential to build the trust of employees (CR is a key driver of employee motivation and engagement, and influences graduates' choice of employers), and the trust of customers, as CR is an increasingly significant driver of brand trust.

- 8. Is the company's CSR positioning appropriate given management's goals and self-perception? (AXA Group & AXA ME)**

Sure. A periodical assessment is done.

- 9. What is the future frame that the company is trying to fit in when it comes to CSR?**

AXA CR strategy was fully developed to enable us to anchor all entities in “strategic stage” by 2015

- 10. Is your company certified to any recognized certifications or is it a signatory to an international agreement on CSR issues? Cite if yes**

AXA-ME No, but AXA Group yes.

- 11. Do you think that AXA ME is well directing its resources towards efficient CSR?**

CR is well integrated into entity strategic plan; but need more financial and human resources to ensure; We must take advantage of AXA group, sharing and

re-using the good practices and successful experiences to accelerate our progresses from “Compliance” to “Strategic” stage

12. Do you think that the MENA region’s current situation interferes with CSR and its application? How? And to what extent?

It depends on Key areas; strengths & culture

13. Does your Brown Agenda fit AXA ME’s potentials?

YES

14. There are four major areas when it comes to the range of practices in CSR:

- *Environmental*
- *Service/consumer*
- *Human resource*
- *Community*

Can you briefly explain how you perceive the importance of each one of the categories, and rank them from the least important to the most important based on how you identify with each one.

➤ **Environmental**

Responsibility for our environmental footprint

➤ **Service/consumer**

Responsibility in customer relations and in our products

➤ **Human resource**

Responsibility in the workplace

➤ **Community**

Responsibility towards civil society

15. Which pillar do you perceive as the most important and influential?

All are complimentary and important in a CR strategy

16. Do you think that companies today are over exploiting CSR and misusing the concept?

Maybe; just to follow the trend

17. By examining the CSR disclosure of some insurance companies (annual reports); we noticed that these disclosures are mainly in the area of Community activities. How can you explain that? Integrate CSR approach in management is not a developed field at the government level, and it is not used mainly by all business sectors in Lebanon and not only in insurance companies.

- 18. Do you have a separate department dealing with CSR matters?**
No, but we have a corporate responsible officer and a corporate responsibility team
- 19. Is CSR in your company part of your strategic direction?**
Yes. And we are incorporating the initiatives into our strategic plan.
- 20. What oversight and accountability mechanisms reinforce the company's CSR strategy?**
The governance implementation; the Calendar of annual events; a dedicated CR communication plan
- 21. What are you going to do, in relation to CSR, in the near future?**
To identify the CR strategic initiatives to implement by 2015, to ensure that corporate responsibility is integrated in our culture and into business processes. To reach Strategic Stage by 2015. Integrate in our CR strategic plan, with budget, and deadlines
- 22. How do you see the other companies in the insurance sector acting upon such a subject?**
No idea
- 23. How do you see other industries acting upon such a subject?**
Growing their business in a responsible manner with all stakeholders

APPENDIX D

INTERNATIONAL CORPORATE SOCIAL RESPONSIBILITY ORGANIZATIONS

This Appendix lists some of the better known non-profit CSR institutions and resources that have been established by business and/or civil society organizations.

- **AccountAbility**

This leading international professional institute is based in London; AccountAbility's mission is to support accountability for sustainable development. It is a kind of guarantee which offers accountability management tools and standards through its AA1000 series, as well as professional development and certification, and it carries out research and related public safety promotion. It is based on a multi-stakeholder governance model, involving participation by business, civil society organizations, and the public sector from different countries across the world. <http://www.accountability.org/>

- **African Institute of Corporate Citizenship (AICC)**

African Institute of Corporate Citizenship (AICC) is a non-governmental organization which promotes responsible growth and competitiveness in Africa by developing core business practices towards responsible growth and competitiveness while making corporate citizenship an essential component of how companies do business in Africa. It accentuates the significance of transparency and of non-financial reporting. Its Africa Corporate Sustainability Form (ACSF) is an international multi-stakeholder platform which assists in learning and exchange of best practices. <http://www.aiccafrica.org/>

- **Business and Human Rights Resource Centre**

The Business and Human Rights Resource Centre is an independent, international, nonprofit organization that strives to promote greater awareness and informed discussion of important issues related to business and human rights. Its online library covers more than 3,000 companies, and their operations around the world. It also includes a large section on the work of Professor John Ruggie, the UN special Representative on business and human rights, as well as on the draft Norms on the responsibilities of Transnational Corporations and other Business Enterprises with regard to human Rights. <http://www.business-humanrights.org/Home>

- **Business Social Compliance Initiative (BSCI)**

The BSCI is a non-profit organization, based in Brussels. Its mission is to provide a common platform for European and non-European retailers, industry and importing companies for monitoring and improving social standards in all supplier countries and for all consumer goods. BSCI is not a certification system and does not issue a certificate. It does however provide a specific process based on the SA 8000 management standard

with uniform management instruments for members, suppliers, auditors and qualifiers. This approach ensures uniform audit procedures and evaluation, and thereby the comparability of results. <http://www.bsci-intl.org/>

- **Business for Social Responsibility (BSR)**

Business for Social Responsibility is a U.S.-based organization that helps member companies achieve success in ways that respect ethical values, people, communities and the environment. BSR provides information, tools, training and advisory services to make CSR an integral part of business operations and strategies. A non-profit organization, BSR promotes cross-sector collaboration and contributes to global efforts to advance the field of corporate social responsibility. BSR conferences are usually well-attended events and useful for networking and hearing different perspectives and experiences. <https://www.bsr.org/en/>

- **Business in the Community (BiTC)**

Business in the Community is a unique movement in the U.K. of 700 member companies. It operates through a network of local business-led partnerships, and has a range of global partners. Its mission is to inspire, challenge, engage and support business to continually improve its positive impact on society. Business in the Community is the largest and one of the oldest organizations of its kind-an independent, business-led charity with more than 20 years of experience. Its Web site provides updates on recent developments in the CSR field in the U.K. and a range of tools and advisory services. <http://www.bitc.org.uk/>

- **Coalition for Environmentally responsible Economies (CERES)**

The Coalition for Environmentally responsible Economies is a U.S.-based NGO consisting of a network of investment funds, environmental organizations and other public interest groups working to advance environmental stewardship on the part of business. CERES has played a historic role in launching various initiatives, including the global reporting Initiative (1997-2002), and the Sustainable Governance project to raise global climate change and the other sustainability issues as significant risks to be addressed by corporate brands and investment fiduciaries (2002). <http://www.ceres.org/incr>

- **The Conference Board**

The Conference Board is one of the world's leading business membership and research organizations. Best known for the Consumer Confidence Index and the Leading Economic indicators, The Conference Board has been assisting many of the world's leading corporations for almost 90 years with practical knowledge through issues-oriented research and senior executive peer-to-peer meetings. A non-profit organization, The Conference Board has national or regional branches in North America, Europe and

Asia.

- **Ethos Institute**

Brazil-based Ethos Institute is globally recognized as a leading CSR organization. Its members comprise companies of different segments and sizes which account for annual revenues of approximately 30 per cent of Brazil's GDP and employ roughly 1.2 million people. Its mission is to mobilize, encourage and help companies manage their business in a socially responsible way, making them partners in building a sustainable and fair society. It conducts research, encourages learning, and has developed the "Ethos Indicators on Corporate Social Responsibility", a self-assessment tool for firms of all sizes. <http://www1.ethos.org.br/EthosWeb/Default.aspx>

- **Ethical Trading Initiative (ETI)**

The Ethical Trading Initiative is non-profit, U.K.-based alliance of companies, non-governmental organizations and trade unions. It exists to promote and improve the implementation of corporate codes of practice that cover supply-chain working conditions. Its ultimate goal is to ensure that the working conditions of employees producing goods for the U.K. market meet or exceed international labor standards. <http://www.ethicaltrade.org/>

- **European Academy of Business in Society (EABIS)**

The European Academy of Business in Society is an alliance of companies, business schools and academic institutions that is, with the support of the European Commission, committed to integrating business-in-society issues into the heart of business theory and practice in Europe. It seeks to help shape and enhance the quality of debate on the role of business in society in Europe, and to increase the capacity of business leaders to put business-in-society at the heart of the way companies are run. <http://www.eabis.org>

- **Extractive Industries Transparency Initiative (EITI)**

The Extractive Industries Transparency Initiative is non-profit multi-stakeholder organization which aims to ensure the revenues from extractive industries contribute to sustainable development and poverty reduction. At the core of the initiative is a set of Principles and Criteria that establish how EITI should be implemented. These Principles and criteria were developed and agreed by EITI's partners from governments, international organizations, companies, NGOs, investors, and business and industrial organizations. Some twenty countries have either endorsed, or are now actively implementing EITI across the world-from Peru, to Trinidad and Tobago, Azerbaijan, Nigeria, and east Timor. <http://eiti.org/>

- **Fair Labor Association (FLA)**

The Fair Labor Association is a U.S.-based non-profit organization combining the efforts of industry, non-governmental organizations, colleges and universities to promote adherence to international labor standards and to improve working conditions worldwide. The FLA was established as an independent monitoring body that holds participating companies accountable for the conditions under which their products are produced. To advance fair, decent and humane working conditions, the FLA enforces the Workplace Code of Conduct, which is based on the core labor standards of the International labor organization. <http://www.fairlabor.org/>

- **Fundacion Entorno**

The Spanish Fundacion Entorno is a business-led organization that encourages research and exchange of best practices on CSR and sustainable development. Associated with the World business Council in Sustainable development, its mission is to support business leadership on sustainable development issues and improve the business license to operate, innovate and grow in a world increasingly shaped by sustainable development issues. <http://www.fundacionentorno.org>

- **The International Business leaders Forum (IBLF)**

The Prince of Wales International Business leaders Forum is an international educational charity set up in 1990 to promote responsible business practices that benefit business and society, and which help to achieve social economic and environmentally sustainable development, particularly in new and emerging market economies. The forum: encourages continuous improvement in responsible business practices in all aspects of company operations; develops geographic or issue-based partnerships to take effective action on social, economic and environmental issues; and helps to create an “enabling environment” to provide the conditions for these practices and partnerships to flourish. <http://www.iblf.org/>

- **Social Accountability International (SAI)**

Social Accountability International is a U.S.-based, non-profit organization dedicated to developing, implementing and overseeing voluntary and verifiable social accountability standards. SAI works to improve workplaces through the expansion and further development of its workplace standard, SA8000, and its associated verification system.

SAI is committed to ensuring that standards and the systems for verifying compliance with such standards are highly reputable and publicly accessible. To accomplish this, SAI: convenes Key stakeholders to develop consensus-based voluntary standards; accredits qualified organizations to verify compliance; and promotes understanding and encourages implementation of such standards worldwide. SAI’s social accountability

system is based on transparency, credibility and verification. <http://www.sa-intl.org/index.cfm?>

- **World Business Council for Sustainable Development (WBCSD)**

The World Business Council for Sustainable Development is a coalition of 180 international companies united by a shared commitment to sustainable development via the three pillars of economic growth, ecological balance and social progress. The Council's members are drawn from more than 30 countries and 20 major industrial sectors. The organization also benefits from a global network of 50 plus national and regional business councils and partner organizations. WBCSD conducts research, publishes CSR papers and convenes meetings, including those with stakeholder group. The Council's activities reflect its belief that the pursuit of sustainable development is good for business and that business is good for sustainable development. <http://www.wbcd.org/home.aspx>

- **Vincular**

Vincular is a Chilean organization that promotes CSR and sustainable development in Chile and throughout Latin America. An initiative of the Catholic University of Valparaiso (Chile), it considers advanced CSR performance strongly linked to competitiveness. Some Chilean Government agencies and the InterAmerican development bank, along with the support of some local business associations, provides a forum for research, dialogue and awareness-raising. It is also active in a wide range of interactional CSR initiatives. <http://www.vincular.cl/>

- **World Council for Corporate Governance (WCCG)**

The World Council for Corporate Governance (WCCG) is as an independent, non-profit international network that was established in 2001 in the purpose of stimulating good governance practices worldwide. Its main objective is to become the leader of best practices in corporate governance to company boards, policy-makers, investors, fund managers, financial advisors, researchers, academics and other interested parties by crating active partnerships and fostering cooperative relationships between organizations committed to improving the quality of corporate governance worldwide. As part of its work, it conducts research into CSR and since 2006 has commenced holding annual conferences on CSR. <http://www.wcfcg.net/>

APPENDIX E

KEY INTERNATIONAL CSR INSTRUMENTS

This appendix lists a number of the leading CSR instruments that have developed or endorsed by governments at the international level, or by intergovernmental bodies. Some involve important multi-stakeholder participation and contributions.

- **United Nations Global Compact**

The global Compact's 10 principles (www.unglobalcompact.org) in the areas of human rights, labour, the environment and anti-corruption enjoy universal consensus and are derived mainly from the following sources:

- Universal Declaration of Human Rights
- International Labour Organization Declaration on Fundamental Principles and Rights at Work;
- 1992 Rio declaration on Environment and development; and
- United Nations Convention against Corruption.

The Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment and anti-corruption.

- **Human Rights**

Principle 1: Business should support and respect the protection of internationally proclaimed human rights; and

Principle 2: Make sure that they are not complicit in human rights abuses.

- **Labor Standards**

Principle 3: Business should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: The elimination of all forms of forced and compulsory labor;

Principle 5: The effective abolition of child labor; and

Principle 6: The elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Business should support a precautionary approach to environmental challenges;

Principle 8: Undertake initiative to promote greater environmental responsibility; and

Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

Principle 10: Business should work against all forms of corruption, including extortion and bribery.

- **The Organisation for Economic Co-operation and development Guidelines for Multinational Enterprises (2000 revision)**

The OECD Guidelines for Multinational Enterprises (www.oecd.org/daf/investment/guidelines) are a set of voluntary recommendations to multinational enterprises in all the major area of business conduct and constitute a central element of the Declaration on International investment and Multinational Enterprises. The 30 OECD and 9 non-OECD (Argentina, Brazil; Chile, Estonia, Israel, Latvia, Lithuania, Romania and Slovenia) adhering governments have committed to promote them among multinational enterprises operating in or from their territories. The Guidelines also have a unique government-backed implementation procedure, the National contact Points (NCP), which are in charge of promoting observance of the Guidelines and maintain a mediation facility (called “specific instances”). The OECD Investment Committee has an oversight responsibility.

In 2006, the OECD adopted two complementary tools. There are:

- The policy framework for Investment (<http://www.oecd.org/dataoecd/1/31/36671400.pdf>), whose Chapter 7 is designed to help governments promote responsible business conduct; and
- The OECD’s Risk Awareness Tool (<http://www.oecd.org/dataoecd/26/21/36885821.pdf>) which is designed to help multinational enterprises handle risks and ethical dilemma in weak governance zones.

Extra from Part 1, Section II, General Policed of the Guidelines

Enterprises should take fully into account established policies in the countries in which they operate, and consider the views of other stakeholders. In this regard, enterprises should:

- 1- Contribute to economic, social and environmental progress with a view to achieving sustainable development;
- 2- Respect the human rights of those affected by their activities consistent with the host government’s international obligations and commitments;
- 3- Encourage local capacity building through close co-operation with the local community, including business interests, as well as developing the enterprise’s activities in domestic and foreign markets, consistent with the need for sound commercial practice;
- 4- Encourage human capital formation, in particular by crating employment opportunities ad facilitating training opportunities for employees;

- 5- Refrain from seeking or accepting exemptions not contemplated in the statutory or regulatory framework related to environmental, health, safety, labor, taxation, financial incentives, or other issues;
- 6- Support and uphold good corporate governance principles and develop and apply good corporate governance practices
- 7- Develop and apply effective self-regulatory practices and management systems that foster a relationship of confidence and mutual trust between enterprises and the societies in which they operate;
- 8- Promote employee awareness of, and compliance with, company policies through appropriate dissemination of these policies, including through training program;
- 9- Refrain from discriminatory or disciplinary action against employees who make *bona fide* reports to management or, as appropriate, to the competent public authorities, on practices that contravene the law, the Guidelines or the enterprise's policies;
- 10- Encourage, where practicable, business partners, including suppliers and subcontractors, to apply principles of corporate conduct compatible with the *Guidelines*; and
- 11- Abstain from any improper involvement in local political activities.

Sections III to X of Part 1 cover disclosure, employment and industrial relations, the environment, combating bribery, consumer interests, science and technology, competition and taxation.

- **International Labor Organization (ILO) Tripartite Declaration of Principles concerning Multinational Enterprises and social Policy**

This declaration, first adopted in 1977 by the ILO's governing body, was revised in 2000. It offers guidance to multinational enterprises, governments, and employer and worker organizations in areas such as employment, training, conditions of work and life, and industrial relations. As a declaration, it is not an international treaty or convention, but rather a part of international "soft law." One of the most significant aspects of the declaration is its understanding that although ILO conventions and recommendations address the behaviour of governments and are intended to be ratified by governments; the underlying principles of many of these instruments can be applied to other parts of society, including business. For further information and a guide to using the principles, go to <http://www.ilo.org/multi>.

- **Millennium Development Goals (MGDs)**

Heads of government and state agreed to the following Millennium development Goals at the UN Millennium Summit in September 2000:

- Eradicate extreme poverty and hunger;
- Achieve universal primary education;

- Promote gender equality and empower women;
- Reduce child mortality;
- Improve maternal health;
- Combat HIV/AIDS, malaria and other diseases;
- Ensure environmental sustainability; and
- Develop a global partnership for development.

For further information, go to <http://www.developmentgoals.org>

(For a framework of action on how firms can help achieve these goals, see United Nations Development programme and The Prince of Wales international Business leaders Forum, *Business and the Millennium Development Goals: A Framework for Action*, 2003 http://europeandcis.undp.org/?menu=p_cms/show&content_id=EAB43C00-F203-1EE9B6945B73B400C40F).

Voluntary Principles on Security and Human Rights

In 2000, a group of resource extraction companies, working with non-governmental organizations, a trade union and CSR organizations, agreed to a set of principles for the provision of security consistent with human rights guidelines. This initiative was instigated by the American and British governments and is supported by the Dutch and Norwegian governments. The principles cover providing security by public sector bodies and private actors, and conducting risk assessments concerning security and human rights. For more information, go to <http://www.state.gov/g/rls/2931.htm>

Equator Principles

The Equator Principles are a voluntary set of environmental and social screening criteria and guidelines that provide a framework for banks to manage environmental and social issues in project financing. The principles are based on the shared environmental and social standards of the International Finance Corporation and the World Bank, and apply globally to development projects in all industry sectors with a capital cost of US\$50 million or more. Some 45 banks worldwide have adopted the principles. For more information, go to <http://www.equator-principles.com>

Draft Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights

Written in consultation with business, non-governmental organizations and unions, the draft norms were adopted by the United Nations Sub-Commission on the Promotion and Protection of Human Rights in August 2003. Although the draft norms do not have legal standing, and were not adopted by the former Commission on Human Rights, they

provide an indication of the possible human rights responsibilities of companies. On April 20, 2005, the United Nations Commission on Human Rights approved a resolution that would for the first time appoint a special representative with a mandate to identify standards of corporate responsibility with regard to human rights. The draft norms can be downloaded from <http://www1.umn.edu/humanrts/links/NormsApril2003.html>.

Principles for responsible Investment

In a process coordinated by the United Nations Environment Programme Finance Initiative (UNEP FI) and the UN Global Compact, the Principles for responsible Investment were developed by a group of investment professional representing 20 large institutional investors from 12 countries who came together at the invitation of the then UN Secretary-General, Kofi Annan. The Principles aim to help integrate consideration of environmental, social and governance (ESG) issues by institutional investors into investment decision making and ownership practices, and thereby improve long-term returns to beneficiaries. The Principles apply across the whole investment business and are not designed to be relevant only to SRI products. <http://www.unpri.org>

International Standards of Accounting and Reporting (ISAR)

The Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR), has addressed the issue of non-financial reporting with guidance for enterprises in the area of environmental accounting and reporting, corporate governance disclosure, and corporate responsibility reporting ISAR, hosted by the United nations Conference on trade and development (UNCTAD), meets annually in Geneva where its sessions regularly involve more than 200 representatives from more than 80 UN member states. Representatives at ISAR sessions include policy-makers, regulators, experts on corporate governance, corporate responsibility, accounting and auditing and various national, regional and international accountancy organizations. UNCTAD designs its materials with a special focus on the needs of enterprises from developing countries and economies in transition. <http://www.unctad.org/isar>.

APPENDIX F

NON-GOVERNMENTAL CSR-RELATED CODES AND STANDARDS INITIATIVES

This appendix includes some of the most widely recognized and used international CSR instruments and initiatives, as well as some of the innovative national level approaches that have emerged.

- **AA1000**

AccountAbility standards – the AA1000 Series – are principles based standards intended to provide the basis for improving the sustainability performance of organizations.

They are applicable to organizations in any sector, including the public sector and civil society, of any size and in any region. The AA1000 Series comprises:

- The AA1000 Framework;
- The AA1000 Assurance Standard; and
- The A1000 Stakeholder Engagement Standard.

The 1999 AA1000 Framework was published as a stand-alone document. It included sections on purpose and principles, framework for integration, and assurance and stakeholder engagement. In 2003, the AA1000 Assurance Standard was published. This was followed, in 2005 by the AA1000 Stakeholder Engagement Standard. These standards replace the information in the original 1999 Framework Standard on these topics.

The AA1000 assurance standard (AA1000AS <http://www.accountability21.net>) is a standard for assessing, attesting to and strengthening the credibility and quality of organizations' sustainability reporting and their underlying processes, systems and competences.

It is designed to improve accountability. Launched in 1999, the AA1000 framework, including standards, guidelines and professional development, provides a systematic stakeholder-based approach to organizational accountability. The AA1000 standard, (<http://www.accountability.org.uk>), is a standard for assessing, attesting to and strengthening the credibility and quality of organization's sustainability reporting and their underlying processes, systems and competences. It is designed to improve accountability and performance by promoting learning through stakeholder engagement. It was developed to address the need for organizations to integrate their stakeholder engagement processes into daily activities. This standard works well with the GRI guidelines, discussed below.

- **Australian standard on compliance programs**

Compliance with laws and other requirements is essential to any firm's social responsibility program. Compliance programs help firms prevent, detect and correct breaches of legal obligations. Standards Australia developed AS 3806-1998 to help firms ensure they have effective compliance programs in place. The Standard includes structural, operational and maintenance elements. Structural elements focus on commitments, compliance policies, management responsibility, resources and continuous improvement.

Operational elements include identification of compliance issues, operating procedures for compliance, implementation, complaints handling, record keeping, identification and rectification of systematic and recurring problems, reporting and management supervision. Maintenance elements include education and training, visibility and communication, monitoring and assessment, review, liaison and accountability. <http://www.saiglobal.com/shop/script/Details.asp?docn=AS073377296XAT>

- **British Standard on Sustainability Management, BS 8900**

The BS 8900 Guidance for managing sustainable development was published in May 2006. It is designed to help organizations develop an approach to sustainable development that will continue to evolve and adapt to meet new and continuing challenges and demands. It offers practical advice with which to make a meaningful contribution to sustainable development. The standard guides organizations towards effective management of their impact on society and the environment, along the route to enhanced organizational performance and success. The British Standard is designed to: provide a framework so organizations can take a structured approach to sustainable development by considering the social, environmental and economic impacts of their organization's activities; be applicable to all organizations in terms of size, type, etc., including civil societies and trade unions; make it easier for organizations to adjust to changing social expectations; help organizations connect existing technical, social and environmental standards, both formal (e.g., ISO 14000 series of standards) and private standards (e.g., the GRI and the AA1000 standards); offer a maturity pathway for the development of the management of sustainable development issues and impacts; provide organizations' stakeholder with a useful tool to assess and engage in improving organizational performance; and contribute to international level dialogue in the international standard on social responsibility, currently under development. <http://www.bsi-global.com/en/>

- **Global Reporting Initiative (GRI) Sustainability Reporting Guidelines**

The Global Reporting Initiative develops and disseminates globally applicable sustainability reporting guidelines. These guidelines are for the voluntary use. Organizations report on the economic, environmental and social dimensions of their activities, products and services. Sector-specific guidelines are developed as interest is expressed. GRI incorporates the active participation of representatives from business,

accountancy, investment, environmental, human rights, research and labour organizations from around the world. Started in 1997, GRI was recognized by the world's governments at the 2002 Johannesburg Summit, is an official collaborating centre of the United Nations.

Environments Programme (UNEP) and works in close cooperation with the Global Compact. The latest version of the GRI Guidelines was released in October 2006. <https://www.globalreporting.org/Pages/default.aspx>

- **ISO 14001**

ISO 14001 is a standard that provides a structure (an environmental management system or EMS) to help organizations manage and minimize their environmental impacts and achieve continual improvement. An organization may also use an EMS to add an existing management system, for example, one based on quality. Within the EMS, an organization:

- Formulates a policy
- Identifies environmental impacts, areas of risk, relevant laws and other requirements;
- Set objectives and targets;
- Establishes a structure and programs to implement the policy and achieve objectives and targets;
- Facilitates planning, control, monitoring, measurement, corrective action, auditing and review activities to ensure that the directives set in the policy and the EMS are met, and that the EMS maintains its relevance, currency and utility;
- Develops procedures for training and communications, and operational control and monitoring, taking into account information about significant environmental impacts that it controls or can have an influence on; and
- Continuously improves its processes.

In developing and adopting an EMS, an organization is not expected to control every single impact it has on the environment. Nor does it mean that an organization that adopts ISO 14001 will never experience another environmental challenge, such as a spill or emission. It does mean that the organization has a procedure in place to manage things that have significant impacts on the environment. <http://www.iso14000-iso14001-environmental-management.com/>

- **ISO 9001**

ISO 9001 is a standard that provides a structure (a quality management system) to help organizations develop products and services that consistently ensure customer satisfaction and continuously improve their products, services and process. The standard

uses the “plan, do, check and improve” approach. <http://www.iso.org/iso/en/iso9000-14000/index.html>

- **OHSAS 18001: Occupational Health and Safety**

OHSAS 18001 is a standard that provides a structure to help organizations manage their occupational health and safety programs to ensure employee safety and well-being and achieve continuous improvement. It is based on the British Standards institution standard BS8800, and was developed by 13 national standards organizations and international certification bodies. It is said to be compatible with ISO 9001 and ISO 14001.

<http://www.ohsas-18001-occupational-health-and-safety.com/>

- **ISO 26000**

In 2010, the ISO framework signed a new International Standard on Social Responsibility known as ISO 26000. The Standard is a guidance document, and not intended for certification. It is intended to provide a definition on what is understood by the term “social responsibility” and how organizations of all kinds might go about responding to social responsibility issues and opportunities.

http://www.iso.org/iso/iso_catalogue/management_and_leadership_standards/social_responsibility/sr_discovering_iso26000.htm#std-1

- **International Labor framework agreements**

Transactional corporations and international federations of trade unions have together developed framework agreements. These agreements establish a relationship between workers and companies that can help resolve problems and avoid conflicts. The agreements set out principles for harmonies relations between business and workers and address issues such as worker rights and supplier relations. Corporations may find these principles attractive, since workers are likely to be intimately familiar with daily operations, and the reporting system is straightforward and familiar. Compliance with such agreements may also reduce criticisms from third parties. For more information, go to the Global Unions Web site at <http://www.global-unions.org/>.

- **Progressive Aboriginal Relations**

The Progressive Aboriginal Relations program sets out a framework under which companies establish performance benchmarks to develop mutually beneficial relations with Aboriginal people, business and communities, and to assess their own progress over time. Developed by the Canadian Council for Aboriginal Business and embracing ISO and Baldrige-type quality principles, the program is built on the premise of companies

setting their own goals and then self-assessing the results against those goals.
<http://www.ccab/par/>

- **SA8000**

Social Accountability International is U.S.-based non-profit organization dedicated to developing, implementing and overseeing voluntary and verifiable social accountability standards. Social Accountability International developed a standard for workplace conditions and a system for independently verifying compliance. The standard, SA8000, and its verification system draw from established business strategies for ensuring quality (such as those used for ISO 9000) and include several elements that international human rights experts have identified as essential to social auditing. SA8000 is based in the principles of international human rights norms as delineated in International Labour Organization conventions, the United Nations Convention on the Rights of the Child and the Universal Declaration of Human Rights. <http://www.sa-intl.org/>

- Transparency International Business Principles for Countering Bribery In December 2002, Transparency International, in a joint initiative with Social Accountability International, published Business principles for Countering Bribery.

APPENDIX G

AXA'S RANKING: SRI RATINGS AND ETHICAL INDEXES

The Group's environmental, social, and governance (ESG) performance is evaluated by various organisations, including rating agencies serving the research needs of the socially responsible investment (SRI) market. The Group is generally ranked above average in its industry and is also included in the three main international ethical indexes: DowJones Sustainability Index (based on research by SAM), FTSE4GOOD (Eiris) and Aspi Eurozone (Vigeo).

The following tables present an overview of the Group's main ESG ratings and scores.

SAM / Dow Jones Sustainability Index (DJSI)

	2011		2010		2009		2008		2007	
Inclusion in DJSI STOXX index	Yes									
	AXA Score	Sector Average								
Economic	79%	61%	80%	61%	79%	58%	79%	58%	79%	56%
Social	63%	39%	60%	37%	68%	43%	71%	50%	71%	45%
Environment	74%	48%	73%	41%	66%	46%	61%	41%	52%	35%
Score général	74%	68%	70%	46%	71%	49%	71%	50%	67%	45%

EIRIS / FTSE4GOOD index

	2012		2010	2009	2008
Inclusion in FTSE4GOOD index	Yes		Yes	Yes	Yes
	Absolute score	Supersector average	*	*	*
Social	5/5	10/10			
Environment	5/5	10/10			
Gouvernance	4/5	8/10			
Overall score	4.6/5	98/100			

* No ratings prior to 2012

Vigeo / ASPI index

Definition of ratings:

--: least developed businesses in the sector

-: businesses lower than average for the sector

=: businesses in line with average for the sector

+: active businesses

++: sector's most committed businesses

	2010		2008		2006		2005		2003	
Inclusion in ASPI Eurozone index	Yes									
	AXA score	AXA rating								
Human Resources	51	+	52	+	64	+	68	+	53	=
Human rights	55	+	53	+	63	+	67	+	*	*
Community involvement	42	+	63	+	76	+	73	+	69	++
Environment	57	+	54	+	57	+	61	+	59	++
Business behavior	55	+	59	+	63	+	59	+	51	=
Corporate governance	56	=	48	=	46	=	47	-	50	-

Vigeo does not freely provide domain-level scores and ratings since 2011.

Sustainalytics

	2011		2010	
Score général	75/100	53/100	70/100	53/100
Criteria	AXA Score	Sector Average	AXA Score	Sector Average
Environment	63/100	47/100	62/100	46/100
Social	79/100	60/100	65/100	59/100
Governance	82/100	53/100	81/100	52/100

Oekom

	2009	2007	2006		
AXA rating	C+"Prime" (recommended)	C"Prime" (recommended)	C ("Prime")		
Social rating	C+	C"medium"	C ("medium")		
Environmental rating	C+	C-"medium"	C- ("medium")		

APPENDIX H

AXA WORLDWIDE

AXA is present in geographically diverse markets, with operations concentrated in Europe, North America and Asia Pacific.

Africa
North America
Central & South America
Asia Pacific
Europe
Middle East



GIE AXA

AXA's group management services (finance, HR, communications, procurement, IT, marketing, etc.) are grouped together as a GIE (economic interest group), based in Paris. As the Group's head office, the GIE AXA is composed of about 500 employees.

AXA Assistance

An international network of assistance and services for Corporate and individual clients. AXA Assistance is present in more than 30 countries, on 5 continents. It has a workforce of 6,300 people worldwide.

To contact an AXA Assistance subsidiary, consult the section "AXA Assistance links" on the company Internet website: <http://www.axa-assistance.com>.

The ones travelling to Schengen area and in Europe will find information on how to get a visa, its required travel insurance for the consulates and the possibility to buy a Schengen Travel Insurance online at Axa Schengen travel insurance.

AXA Bank Europe

Having defined a common, Europe-wide bank strategy, AXA has decided to dovetail all its individual banking services via a European bank division: AXA Bank Europe. A limited range of simple, attractive and innovative banking products and services is on offer in the countries in which the banking and insurance services answer to our customers' needs, particularly in terms of savings offerings.

To find out more: axabankeurope.com

AXA Corporate Solutions

AXA Corporate Solutions is the AXA Group subsidiary that provides property-casualty insurance to large European corporations and marine and aviation insurance to corporate clients worldwide.

In 2007, AXA Corporate Solutions generated revenues of 1.806 billion euros. Present in 90 countries, AXA Corporate Solutions has leading positions in its key markets. It employs 1,300 people.

If you would like to know more about AXA Corporate Solutions worldwide, visit the website: <http://www.axa-corporatesolutions.com>.

AXA Group Solutions

To learn more about AXA Group Solutions, visit their website: www.axa-groupsolutions.com

AXA Liabilities Managers

AXA Liabilities Managers is the AXA Group company specializing in non-life (re)insurance legacy business acquisition and management. The company operates in Continental Europe, the UK and North America and manages close to 4 billion euros of liabilities. It has 400 employees.

To learn more about AXA Liabilities Managers, visit their website: www.axa-lm.com.

AXA Technology Services

Fully-owned AXA Group subsidiary, providing AXA companies worldwide with IT and telecommunications infrastructure management services.

To learn more about AXA Technology Services, visit their website: www.axa-tech.com

Maxis

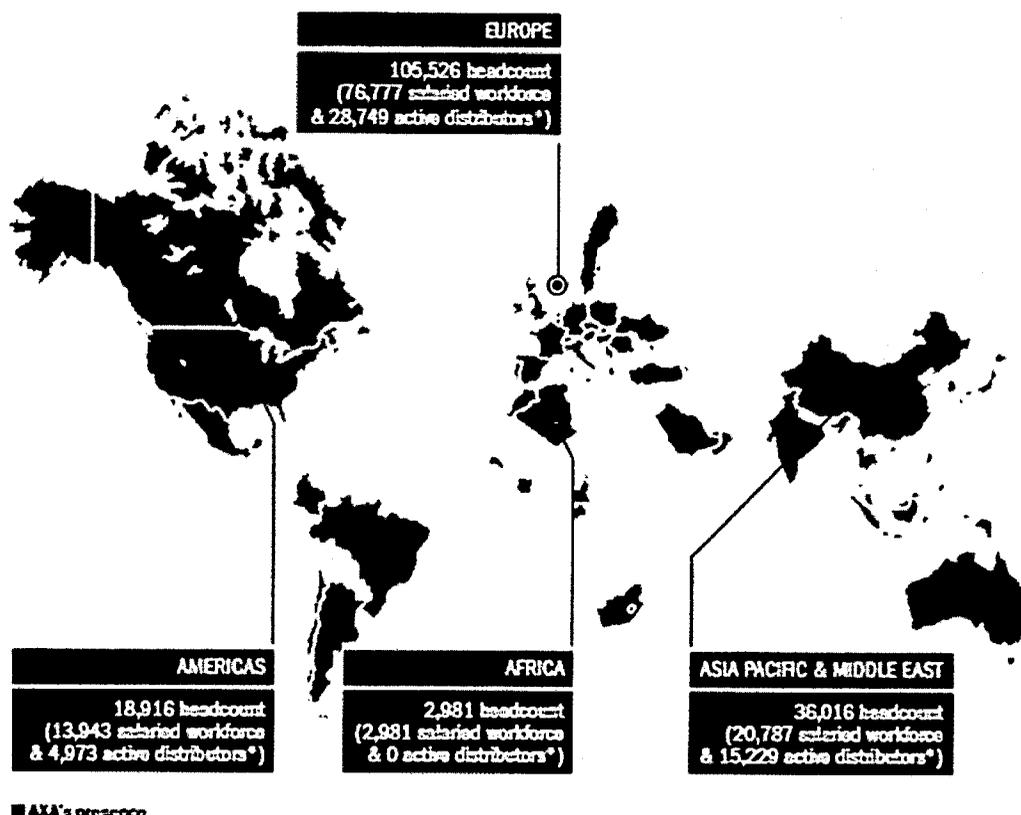
Through the wider organizations of AXA and MetLife, MAXIS provides multinational companies with international employee benefit solutions.

MAXIS is present in over 65 countries with more than 70 member companies: AXA and MetLife subsidiaries, and independent members of the highest calibre.

To know more about MAXIS, consult the section "Global presence" on the company Internet website.

APPENDIX I

AXA'S SOCIAL FIGURES 2011



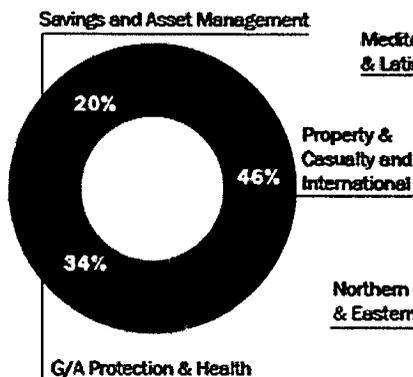
114,488 salaried workforce on open-ended and fixed-term contracts
in 57 countries and 321 entities (total headcount 163,439 persons)

Europe	67%	Average length of service	11.5 years
Asia Pacific & Middle East	18%	Average age	40.8 years
Americas	12%	Total payroll	€7,891 million
Africa	3%	Employees trained during the year	82.7%

APPENDIX J
AXA'S FACT SHEET 2011

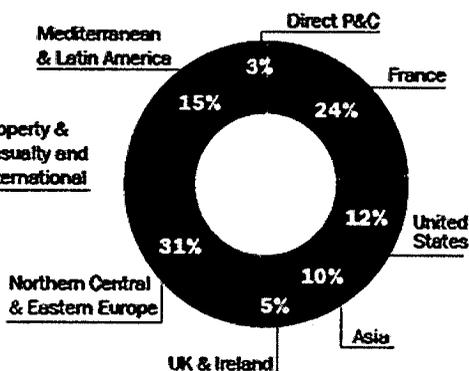
Business

(in % of 2011 underlying earnings)



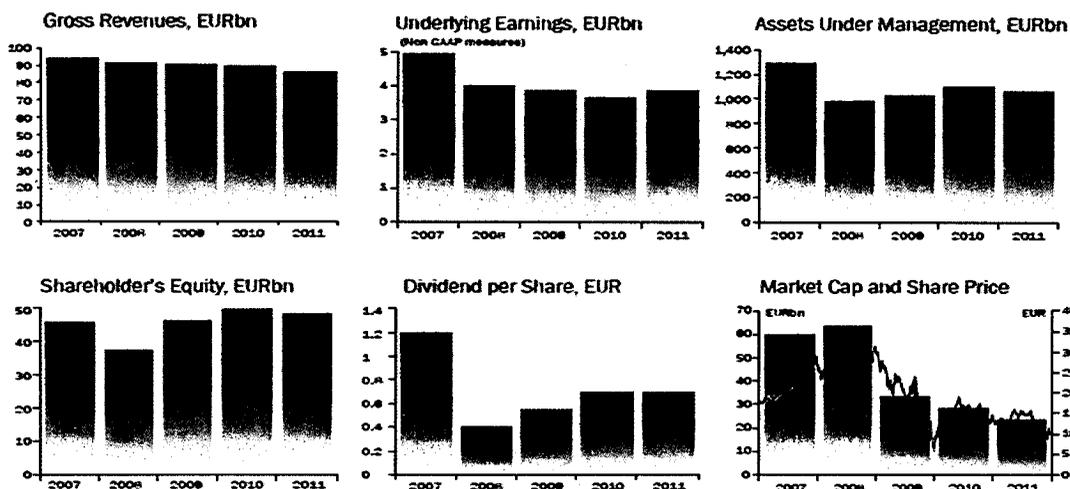
Geography

(in % of 2011 underlying earnings)



Key Figures

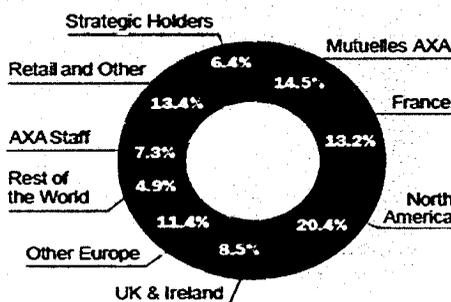
All data as of 31.12.11 unless otherwise specified



Financial strength rating*

S&P AA-
Moody's Aa3
Fitch AA-

Shareholders*



Management Committee

Henri de Guzman	Chairman & CEO
Denis Duverne	Deputy CEO
Jean-Lucien Guivier	CEO MedLa*, Chairman and CEO AXA Global P&C and overseeing AXA Corporate Solutions
Nicolas Moreux	CEO AXA France and overseeing AXA Assistance et AXA Global Direct
Mark Pearson	President & CEO AXA Financial
Peter Klautz	Chairman & CEO AllianceBernstein
Jacques de Vaucroy	CEO NORCEE** and Global Head of Life & Savings and Health

* MedLa : Mediterranean and Latin American region
** NORCEE : Northern, Central and Eastern Europe region

APPENDIX K

FORTUNES GLOBAL 500 – 2011 – WORLD'S LARGEST CORPORATIONS

Rank	Company	Revenues (\$ millions)	Profits (\$ millions)
1	Wal-Mart Stores	421,849	16,389
2	Royal Dutch Shell	378,152	20,127
3	Exxon Mobil	354,674	30,460
4	BP	308,928	-3,719
5	Sinopec Group	273,422	7,629
6	China National Petroleum	240,192	14,367
7	State Grid	226,294	4,556
8	Toyota Motor	221,760	4,766
9	Japan Post Holdings	203,958	4,891
10	Chevron	196,337	19,024
11	Total	186,055	14,001
12	ConocoPhillips	184,966	11,358
13	Volkswagen	168,041	9,053
14	AXA	162,236	3,641
15	Fannie Mae	153,825	-14,014
16	General Electric	151,628	11,644
17	ING Group	147,052	3,678
18	Glencore International	144,978	1,291
19	Berkshire Hathaway	136,185	12,967
20	General Motors	135,592	6,172
21	Bank of America Corp.	134,194	-2,238
22	Samsung Electronics	133,781	13,669
23	ENI	131,756	8,368
24	Daimler	129,481	5,957
25	Ford Motor	128,954	6,561
26	BNP Paribas	128,726	10,388
27	Allianz	127,379	6,693
28	Hewlett-Packard	126,033	8,761
29	E.ON	125,064	7,752

30	AT&T	124,629	19,864
31	Nippon Telegraph & Telephone	120,316	5,950
32	Carrefour	120,297	574
33	Assicurazioni Generali	120,234	2,254
34	Petrobras	120,052	19,184
35	Gazprom	118,657	31,895
36	J.P. Morgan Chase & Co.	115,475	17,370
37	McKesson	112,084	1,202
38	GDF Suez	111,888	6,114
39	Citigroup	111,055	10,602
40	Hitachi	108,766	2,789
41	Verizon Communications	106,565	2,549
42	Nestlé	105,267	32,843
43	Crédit Agricole	105,003	1,673
44	American International Group	104,417	7,786
45	Honda Motor	104,342	6,236
46	HSBC Holdings	102,680	13,159
47	Siemens	102,657	5,268
48	Nissan Motor	102,430	3,727
49	Pemex	101,506	-3,758
50	Panasonic	101,491	864

APPENDIX L

AXA-ME'S GM – MR. ELIE NASNAS – OPINION OF WORKING WOMEN



هناك هجرة كفاءات عالية في قطاع
التأمين من لبنان الى الدول العربية. كيف
نحذ منها؟

الحمد لله ان اللبناني مبدع ومتميز في عمله.
والكفاءات اللبنانية لا تعد ولا تحصى. وبما
أن الرجل يهاجر الى الخليج حلت المرأة مكانه
في لبنان وأثبتت جدارتها وتفوقها في العمل.
نحن في "أكسا للتأمين" ٧٢٪ من العاملين
معنا من العنصر النسائي، لديهم كفاءات
عالية وقدرة على العمل وإدارة ممتازة.