

**Stakeholders and Corporate Philanthropy of Non-Economic  
Nature in a Developing Country of Intense Islamic Beliefs, Values  
and Norms: An Institutional Framework**

A Thesis Submitted for the Degree of Doctor of Philosophy

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## **Abstract**

The widespread use of Corporate Philanthropy (CP) in the US and the UK has resulted in a significant body of literature on the phenomena and its use. However, the literature generated around CP is criticised for being of an economic nature and for being biased toward the context of developed Western countries. This thesis suggests that the context of developing countries is important in relation to the non-economic nature of CP, due to the existence of intense religious beliefs and values. However, there has been little attempt to explicitly examine how the institutional pressures within this context shape the CP of a non-economic and more precisely of an altruistic nature, and how firms act in response to these influences.

This thesis leverages institutional theory by proposing that stakeholders – including communities, competitors, NGOs and politicians – may impose coercive and mimetic pressures encouraging isomorphic field-level CP of a non-economic nature in a context of intense Islamic beliefs, values and norms. However, the way in which firms perceive and act upon these pressures may differ depending on specific factors related to the firm itself, including the identity of the firm, the competitive position of the firm, and shareholder pressures. These differences between firms result in the adoption of different CP strategies as decided by each firm, expressing its appropriate responses to field pressures.

This study uses a qualitative methodology using data collected from 27 of the key personnel responsible for CP decisions (shareholders and managers) in the Kuwaiti banking sector. Questions were developed to assess the relationships between institutional pressures at the field and organisational levels of analysis. Data was collected through multiple sources such as in-depth interviews, documentation, and archival records.

The contributions of the thesis are in relation to: a) the institutional theory; b) gaining more understanding of CP in developing countries; C) offering a robust understanding of altruistic CP influenced by an Islamic context; and d) practical implementations of CP in Islamic banks.

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## **List of Abbreviations**

ABK	Al-Ahli Bank of Kuwait
Al-Dawli	Kuwait International Bank
AUB	Al-Ahli United Bank
BB	Burgan Bank
BKME	Bank of Kuwait and the Middle East
BOD	Board of Directors
CBK	Commercial Bank of Kuwait
CC	Collaboration Continuum
CEO	Chief Executive Officer.
CP	Corporate Philanthropy
CSP	Corporate Social Performance
CSR	Corporate Social Responsibility
GCC	Cooperation Council for the Arab States of the Gulf
IBK	Industrial Bank of Kuwait
KBA	Kuwait Banking Association
KD	Kuwaiti Dinar
KFAS	Kuwait Foundation for Advancement of Sciences
KFH	Kuwait Finance House
MNCs	Multi-National Companies
NBK	National Bank of Kuwait
NGOs	Non-Government Organisations
PR	Public Relations

# **Chapter 1:**

## **Introduction**

### **1.1 Precursors to and Rationale behind the Research**

Since the early 1970s, Corporate Philanthropy (CP) has attracted a steadily growing body of literature on the phenomena and its implementations. CP is one of the Corporate Social Responsibilities (CSR) of a firm, and is defined as a situation wherein “firms incorporate activities that improve the quality of life in the society” (Carroll, 1991). While the notion that business has duties in relation to society is well established, worthy questions around the appropriate motivations and practices of CP have attracted the attention of the field of CP specifically and CSR in general as, ultimately, CP is embedded in CSR.

The basic general question that has attracted CSR/CP scholars is related to whether corporations should act voluntarily in a responsible way regardless of the economic consequences of the social action and its impact on shareholders’ wealth (Donaldson, 1982; Donaldson and Dunfee, 2000; Bies et al., 2007; Fort and Schipani, 2004; Solomon and Hanson, 1993; Werhane, 2008). Specifically, the questions revolve around “why”, and “to what extent” voluntary corporate philanthropic actions should take place (Matten et al., 2003). While these critical questions frame the relation between business and society, their answers reflect the ethics and values in the context within which the social role and responsibilities of business are addressed. Moreover, the debate has not ever really bridged the ideological divide between business capitalists and socialists. While the first group supports the notion that CP should not be done at the expense of business profits, the second group supports a stronger responsibility on the part of business even if these responsibilities extend beyond a pure maximisation of its goals (Matten et al., 2003).

In this regard, the literature presents CP as a continuum. In this continuum, economic CP is defined as giving benefit both to the firm and the society and is located at the opposite end to altruistic CP, which is defined as giving benefit to society without concern with the firm’s financial rewards (Saia et al., 2003: 170). Moreover, strategic CP is discussed in the

literature as being any motive other than altruism (Campbell and Slack, 2007), while the literature presents altruism as a motive that cannot carry any strategic benefits for the firm. While some studies appreciate altruism as a “noblesse oblige” (Campbell et al., 2002), others suggest that altruism “lies outside the scope of business responsibilities” (Lantos, 2001: 627), encouraging companies to limit their philanthropy to instrumental/strategic CP (Lantos, 2001: 595).

Scholars highlight the dominance of the economic approach in the CP literature at the expense of altruistic CP, which is rarely discussed (Himmelstein, 1997; Marx, 1994, 1998; Post and Waddock, 1995; Saiia et al., 2003; Zucker, 1988). Margolis and Walsh (2003) reviewed the literature from 1972 to 2002 and found that most of this Western literature (109 of 127 studies) related corporate social actions to the financial benefits accrued by the firm. Saiia et al. (2003) surveyed US firms that have had an established giving programme lasting at least five years, with annual giving totalling at least \$200,000 each year. The data show that corporate giving managers believe their firms are becoming increasingly strategic in their philanthropic activities. Post and Waddock (1995) proposed that a significant number of experienced corporate givers moved from “philanthropic strategy” to “strategic philanthropy”, aiming to positively impact the firm as well as society. Managers find themselves under internal and external pressures to increase financial performance more than increasing social performance, and thus they devote themselves more to profit maximisation (Himmelstein, 1997; Marx, 1994, Zucker, 1988).

However, the literature introduces many arguments against the economic approach to CSR/CP. One of the main problems with this approach is that, while the “business case” is value free, “social responsibility” is value oriented, which make these two objectives contradictory (Swanson, 1995). More than that, the relation between the two objectives is often non-linear, and is not able to explain all businesses’ social behaviours in a global society (Kurucz et al., 2008). Moreover, the literature shows that, in the Western context, certain pressures and regulations exist to balance this instrumental tendency (McWilliams and Siegel, 2001; Scherer and Palazzo, 2007). The absence of such balance with the availability of the instrumental motivation can lead to establishing criminal organisations (Gond et al., 2007). These pressures are common in Western developed countries but, as will be shown later, they are not widespread in developing parts of the world (Matten and Moon, 2008; Scherer and Palazzo, 2011). Studies suggest that theories established in the context of

developed countries fit democratically capitalist countries, but that the world beyond needs new theories (Scherer and Palazzo, 2007, 2011).

On the other hand, studies limit the altruistic approach to privately owned firms (Salazar and Husted, 2008). This is because altruism is claimed to contradict the economic nature of the firm. Neiheisel (1994) explains this contradiction by arguing that, while the primary objective of firms is to maximise their profits, it is doubtful whether firms can be motivated by altruism where no profits are expected. According to Neiheisel, a company would spend excess profit on executive salaries or investments rather spending these profits on public good. Lantos (2002) argues that although altruism on the individual level is noble and virtuous, it may be seen as “immoral” (Lantos, 2002: 205), rare, and even as outside the proper scope of the firm’s activities because its benefits to the company are uncertain and even irrelevant (Lantos, 2001).

It is thus clear that there are critical arguments against both altruistic and economic CP, creating a debate that is polarised in regard to the relation between business and society. It also seems that the dominance of economic philanthropy is unable to finalise the answer to “why” (the motivation of CP) and “what” (the practices of CP) activities should take place (Vaidyanathan, 2008). Moreover, the literature suggests that this debate between the two approaches “shows no signs of resolution and will surely remain a contentious topic for the foreseeable future” (Barnett, 2007: 812).

## **1.2 Research Gap**

Scholars suggest there is a strong relation between this debate and the context of Western developed countries wherein this debate took place. Amaeshi and Adi (2007) suggest that “the continuous tension between the normative [NB: by normative CP, they refer to CP based on ethical theories that propose the correct way to act] and instrumental economic perspectives to CSR tends to suggest that either the current capitalist system is unfit for normative CSR, as it is propagated, or CSR needs to be reconstructed in an instrumental linguistic praxis to be meaningful to managers in their day-to-day pursuits of organisational goals and objectives (Amaeshi and Adi, 2007: 4). Barnett (2007) supports the previous relation between capitalism and the economic approach to CP and suggests that this debate is difficult to resolve “as long as we desire capitalism with a safety net, this is a dialectic tension that our society must continuously manage, not resolve” (Barnett, 2007: 812).

Studies point to the need to pay much more attention to the institutional mechanisms that may encourage CP of a non-economic nature (Campbell, 2007). Some famous scholars have responded to these calls by studying the influence of different institutional factors on corporate social non-economic actions in the context of developed countries (Campbell, 2007; Marquis et al., 2007; Matten and Moon, 2008). These scholars were supporters of the institutional theory and referred to hints in different studies that have shown that the nature of CP is deeply rooted in the communities where firms are located (Bamberg, 2008; Galaskiewicz, 1985, 1991, 1997; Margolis and Walsh, 2003; Whitley, 1999). However, a gap exists in regard to institutional factors that encourage altruistic CP as practiced in the context of developing countries of intense religious beliefs and values (Visser, 2008).

### **1.3 Aim of the Research**

Based on the rationale presented in the previous sections, this thesis intends to respond to the above-mentioned calls by capturing the relation between CP and a religious context. A religious context is that context of intense beliefs, values and norms rooted in religion as a shaper of meaning-systems at the societal level (Dodd, 1999). Primarily, this thesis intends to theorise how institutional stakeholders, mobilised by religious beliefs and values in the context of developing countries, influence the motivations and practices of CP of a non-economic nature and, more precisely, altruistic nature.

The study views CP through an institutional lens to glean insights into the religious and social purposes that extend beyond the interests of individual firms, through the establishment of a field-based pattern (Campbell, 2007; Marquis, et al., 2007). The latest trend in relation to CP studies encourages the use of this pattern because CP has a social side, and this side is locally rooted in the history and values of the society where firms are located (Idemudia and Ite, 2006, Kolk and Lenfant, 2009; Visser, 2008). Studies suggest that companies do not function in isolation from the society around them and CP is difficult to examine without also encompassing its context for a better understanding of the field-model of isomorphism (Athanasopoulou and Selsky, 2012).

The context in developing countries influences CP using different drivers to those that have been identified in developed countries. One of the main drivers that asserts the altruistic nature and moral practices of CP is the beliefs and values of different religions, for example Hinduism, Buddhism, Christianity and Islam (Azmat and Samaratunge, 2009; Visser, 2008).

Influenced by religious beliefs and values, firms accept having a voluntary social philanthropic role, and this acceptance has been a tradition that can be traced deep in the history of many developing countries (Baughn et al., 2007; Gupta, 2007; Visser, 2008). However, religion as a driver of CP is not discussed clearly within the literature. While religion is studied in regard to the personal beliefs of individuals (Brammer et al., 2007; Graafland et al., 2006; Mazereum et al., 2008) or as part of a firm's culture (Farook and Lanis, 2005; Haniffa and Hudaib, 2007; Maali et al., 2003; Sairally, 2005), religion has rarely been studied as a contextual factor in relation to the beliefs and values that influence organisational social behaviours (Thomas, 2000; Selinger, 2004).

There is a lack in literature that addresses management issues in developing countries and specifically Asia when compared to those conducted in developed ones. Several scholars address this dearth of studies, and conclude with this need for future research that considers developing countries' values, norms, and economic developments, aiming to shift the management research paradigm (Baughn, et al., 2007; Birch and Moon, 2004; Bruton and Lau, 2008; Chapple and Moon, 2005; Oh et al., 2011; Welford, 2005). In relation to CSR literature, Visser (2008) points out that about one-fifth of all developing countries have had CSR journal articles published with China, India, Malaysia, Pakistan, South Africa, and Thailand as the most commonly analysed countries. Visser (2008) adds that regional level analysis (notably Africa, Asia, and Latin America) is more common than the sector, corporate, or individual one (2008: 476). Moreover, scholars indicate the need for more research discussing why and how local issues matter in relation to CSR/CP (Bruton and Lau, 2008). This need applies specifically for countries of the Middle East and those of the Arabian Gulf (Jamali et al., 2009; Katsioloudes and Brodtkorb, 2007).

#### **1.4 Research Objectives and Methodology**

Pertaining to the aim of the research, the following research objectives are formulated, along with their expected solutions:

1. To identify the main mobilised stakeholders in the context of developing countries

The first objective is to identify stakeholders who are mobilised and institutionalised in developing countries in general. This is because the context of developing countries introduces different institutionalised and active stakeholders compared with the context of

developed ones. Within these mobilised stakeholders, the study is interested in identifying those who are mobilised by religious beliefs and values specifically. This is because the religious context cannot influence the firm without institutionalising certain stakeholders who influence and shape CP. As Rowley and Moldoveanu (2003) point out, most research deals with stakeholders under an assumption that they are mobilised, with little attention to the contextual factors that may mobilise stakeholders to take action.

This objective will be tackled by reviewing the literature related to the relation between stakeholders and CP in developing countries. The literature reviewed has been collected from books, academic journals, working papers, proceedings of conferences, theses, and other academic sources in the field. In doing so, the study has developed a background knowledge related to the main influential stakeholders active at the macro level of the study.

## 2. To identify the relation between Islamic beliefs, values and CP

The second objective is to investigate the relation between CP and Islamic beliefs and values, aiming to illuminate the background to this relation. Religion is mostly introduced in the literature as a set of personal beliefs of individuals (Brammer et al., 2007; Graafland et al., 2006; Mazereeuw et al., 2008) or as part of the firm's culture, as in the case of Islamic banks (Farook and Lanis, 2005; Haniffa and Hudaib, 2007; Maali et al., 2003; Sairally, 2005). However, religion in general and Islam in particular is rarely studied as a contextual factor influencing organisational social behaviours (Thomas, 2000; Selinger, 2004). The study focuses on Islam due to the difficulty identified by the literature in regard to aggregating all religions (Brammer et al., 2007; Graafland et al., 2006).

This objective will be tackled by reviewing the literature related to CSR/CP and Islamic beliefs and values. In doing so, the study will develop a body of knowledge on the differences between the influence of Islam as a contextual factor and the influence of Islam as an organisational or individual factor.

## 3. To propose an extended framework that explains the influence of institutional pressures moderated by firm characteristics resulting in the different CP strategies of a non-economic nature in a context of intense Islamic beliefs and values



Based on the two previous objectives, the study introduces a two-level framework that aims to examine the influence of institutional pressures moderated by firm characteristics resulting in different CP strategies of a non-economic nature in a context of intense Islamic beliefs and values. This involves introducing the relation between context and CP on two levels: field and organisational. This aims to respond to the suggestion of CSR/CP scholars who highlight that the multi-level approach offers a better understanding of CP phenomena (Aguilera et al., 2007; Margolis and Walsh, 2001).

To fulfil this objective, this thesis proposes that stakeholders – including communities, competitors, non-governmental organisations (NGOs) and politicians – may impose coercive and mimetic pressures encouraging isomorphic field-level CP of a non-economic nature in the current context. However, the way in which firms perceive and act upon these pressures may differ depending on specific factors related to the firm itself, including the identity of the firm, the competitive position of the firm, and shareholder pressures. These differences between firms result in different CP strategies, demonstrating the appropriate responses to field pressures on the part of different firms. Within this framework, the study aims to discuss how the organisational and field dimensions are related, interacting and influencing CP strategies within the context of religion, which may function as a strategic factor in such a society.

#### 4. To implement the framework and discuss the research findings

This objective deals with implementing the proposed framework introduced in objective number 3. The aim is to examine the proposed framework, evaluate it, and identify missing forces related to the relations between institutional pressures, the field and the organisational levels of CP analysis.

To fulfil this objective, this research will apply an interpretive approach through a qualitative analysis. Two tools of data collection are utilised: semi-structured interviews and company documents. The process of the research will be introduced. Finally, issues surrounding the interpreting of data, reliability, and validity will be discussed.

The study then tests this framework in the banking sector in Kuwait. The study will justify in detail the choice of Kuwait and the banking sector. Kuwait is a rich developing country that presents a model where religious context is free from the traditional association between

religion and poverty, due to Kuwait's wealth. The focus on banks as a sector is justified because this sector has well-documented CP reports and available CP information compared to other sectors. Moreover, the banking sector in Kuwait is dual, with the existence of both Islamic and commercial banks, which may well enrich this study.

The study will start by analysing the documents from the banking sector to get an overview of the banks' CP activities, and to see how much isomorphism and difference occur. The study will conduct 27 interviews with the main decision-making individuals in the banking sector. This includes shareholders and executive managers. These interviews are aimed at examining how these shareholders and managers perceive the institutional pressures and the actions taken in response. The juxtaposition of the two levels of analysis allows for an evaluation of the differences between the objective and perceived pressures, and the resulting adoption of CP strategies.

5. To present the contributions and the limitations of the study

This objective presents the thesis's theoretical contributions and practical implications based on the research findings. By doing so, the thesis aims to encourage research that more explicitly incorporates the context in CSR/CP research, specifically religion as an influential force in developing countries.

One of the main contributions of this study is its provision of an understanding of the prominent influence of Islamic beliefs and values on the nature of CP, and how these beliefs and values encouraged CP of a non-economic nature. The study suggests that Islamic beliefs and values have the ability to mobilise certain stakeholders in developing countries who, in their turn, have an impact on the different elements of CP that define its nature. In addition, the limitations of this study will be highlighted for future researchers, to allow them to more fully extend this study in relation to different religions and countries.

## **1.4 Thesis Plan**

*Chapter 1* presents the introduction and background of the research. Specifically, it presents the precursors, aims, objectives, and research methodology.

*Chapter 2* highlights the gaps in the literature that are expected to be filled by the contribution of this research. The chapter starts by defining CP and introducing the debate

around the relation between business and society, and specifically whether business accepts any voluntary responsibility beyond the economic one. It also discusses the main frameworks that aim to conceptualise business and society's relations as a way to rationalise the debate. Furthermore, the chapter discusses the influence of the Western culture of capitalism on the instrumentality of businesses' understanding and implementation of responsibilities. The chapter closes by clarifying that what can be seen as an international debate around business responsibilities may be just a local one, preparing this study for a different understanding of the relation between business and society. The study intends to investigate the influence of institutional pressures in a developing country of intense Islamic beliefs, values and norms, encouraging CP of a non-economic nature and altruistic CP on a field level.

*Chapter 3* presents the argument of this thesis. The argument is summarised in a multi-level framework, which links field-level pressures, organisational characteristics, and corporate philanthropic strategies in a context of intense Islamic beliefs, values and norms. On the field-level, the framework examines how institutional stakeholders, mobilised by the beliefs, values and norms of an Islamic context, influence decision makers (shareholders and managers), thus resulting in an isomorphic model of CP of a non-economic nature on a field level. Moreover, the study suggests that while field-level factors encourage shared patterns of acceptance of non-strategic CP or even altruistic CP, organisational-level factors explain the differences between firms in their CP motivations and practices. Firms' strategies – in this study – are seen as being a result of the multi-level exchange and interaction between the firm, the field and the context. Within this framework, the study discusses how the organisational and institutional dimensions are related, interacting and influencing each other within the context of religion, which may function as a strategic factor in such a society.

*Chapter 4* discusses the methodology used in this study. The first section discusses the research approach. In the second part, the research questions, objectives and design are discussed, including the two tools of data collection: semi-structured interviews and company documents. The chapter examines the process of the research (starting from the interview questions), as well as the main features of Kuwait as a country and banks as the sector chosen for the research. The chapter also includes a list of the banks used and a list of the participants' positions in the banks. Finally, issues regarding the interpretation of the data, reliability and validity are discussed.

*Chapter 5* is the first empirical chapter and aims to investigate how influential the beliefs, values and norms rooted in Islam as a contextual factor are on the elements of CP in the banking sector under investigation. The elements investigated here include CP motives, focus, forms, banks' relations with NGOs, and CP reporting. The aim of this chapter is to answer whether this influence differs between banks, how shareholders and managers of these banks evaluate such influence, and finally how altruistic CP is in the banking sector within the context of the Kuwaiti banks.

*Chapter 6* is the second empirical chapter and aims to answer the research question by implementing the research plan, then analysing the data needed to validate and complete the proposed conceptual framework. The chapter defines the mobilised stakeholders on the field level and discusses how they influence CP. Subsequently, the chapter analyses the organisational characteristics and how they moderate the influence of the institutional pressures. Finally, this chapter examines CP strategies tackled by different banks in relation to religion as a contextual factor. The framework suggests that banks' strategies are an outgrowth of the two pressures on the two levels of analysis – field and organisational – and that these strategies reflect the banks' needs to respond to threats or to gain opportunities within this context. However, altruism is at the heart of these strategies, and competition of an altruistic nature is encouraged within this sector.

*Chapter 7* presents the main findings of the thesis beyond the answers to the research questions which were addressed within the discussion sections of the two empirical chapters. The theoretical contributions of the thesis are:

- 1) A contribution to the literature of institutional theory. This study contributes to a more holistic understanding of the influence of the context on CSR in general and CP in particular, and provides evidence to encourage incorporating the context more explicitly into CSR/CP research.
- 2) Gaining more understanding of CP in developing countries, specifically in regard to a country that was not studied before, Kuwait.
- 3) Offering a robust understanding of CP of a non-economic and altruistic nature influenced by a context of intense Islamic beliefs and values. This theme draws attention to religious values and beliefs within the context of developing countries and demonstrates how they

should be considered when studying CP, showing that the influence of such beliefs and values is independent of the nature of firms. Moreover, the study provides evidence that the relation between CP and religious beliefs and values holds strong even in the absence of poverty, which supports the findings of other studies that emphasise the important role religions play in defining the institutional context of many societies.

4) Extending our understanding of CP in Islamic banks. This theme refers to the multiple influences of Islamic banks in a religious context. While the religious context encourages banks of an Islamic identity, at the same time the availability of Islamic banks empowers the religious context through CP. Finally, the chapter highlights the main contributions of the research and its limitations, offering suggestions for further research that can extend the current study.

## **Chapter 2:**

### **The Dominance of the Economic Approach in the CP Literature**

#### **2.1 Introduction**

Chapter 1 outlined the background of this research as an attempt to understand CP as deeply rooted in the context where firms are located. It also identified the research problem as the dominance of an economic approach to CP frameworks in the existing literature, and the need to explain CP from a non-economic approach that extends beyond immediate profit-maximisation goals. It also set the aim and objectives of the research as understanding the influence of institutional pressures on CP motivations and actions in the context of intense Islamic beliefs and values in developing countries. The study aims to propose a two-level conceptual framework that links field-level pressures, organisational characteristics, and corporate philanthropic strategies in a context of intense Islamic beliefs, values and norms. Within this framework, the study discusses how the different levels relate, interact and influence each other within the context of religion, which may function as a strategic factor in such a society.

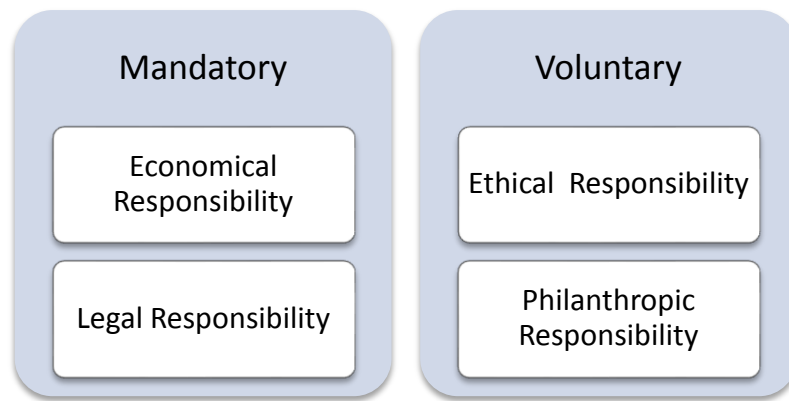
This chapter aims to review the literature in relation to the three approaches to CP: the economic approach, the coercive approach, and the altruistic approach. Related to these three approaches, the chapter will introduce a debate that has dominated the CP literature for more than 40 years. This debate takes the form of two questions: “Why” CP should be implemented and “what” CP actions should take place. After that, the chapter will discuss how, although the economic approach is dominant over the altruistic approach in the CP literature, both approaches are criticised. The chapter relates the debate around CP to the context of Western developed countries where most CP research has been conducted. The chapter concludes with calls within the literature to investigate the context of countries other than the developed ones, aiming to understand their experience, which is described as being less instrumental.

This chapter will start by defining the four responsibilities of business as indicated in the literature, showing CP to be the most controversial one. The next section will define and compare the three approaches to CP: the strategic, the coercive, and the altruistic. The chapter will also highlight the debate in the literature about the voluntary nature of CP, and it will discuss the main frameworks that aim to conceptualise business and society's relations as a way to rationalise the debate. Furthermore, the chapter will discuss the impact of the Western culture of capitalism on the instrumentality of business' understanding of and actions regarding its responsibilities to society. The chapter will close with calls for a broader explanation of CP that extend beyond the understanding and implementation of immediate profit maximisation.

## **2.2 CP as an Expression of CSR**

According to Carroll (1991), CSR consists of four responsibilities: economic, legal, ethical, and philanthropic. The economic responsibility means that firms should be profitable. The legal responsibility means that firms should obey the law. The ethical responsibility indicates that firms should do what is considered right by the society in which they operate, even if it is not obliged by the law. Finally, the philanthropic responsibility means that firms incorporate activities that improve the quality of life in society. Carroll (1991) explains that while these four responsibilities should be fulfilled simultaneously, the economic and legal responsibilities are required of business by society, the ethical responsibilities are expected, and the philanthropic ones are desired. This is illustrated in Figure 1.1.

Both the ethical and the philanthropic responsibilities have attracted the attention of a considerable body of research and have become central to the area of study of CSR. This is due to their ability to differentiate corporate behaviour from mere compliance and also due to the normative nature of both of them (Matten et al., 2003: 110). Over time, due to various scandals (Pinkston and Carroll, 1996) and ethical and social pressure from NGOs on corporations (Shum and Yam, 2011), increasing attention has been devoted by firms to the ethical dimension, resulted in a shift in the focus of research on CSR to philanthropic responsibility (Matten et al., 2003).



**Figure 2.1:** The four responsibilities of firms, based on Carroll’s description (1991)

Source: Author (2013)

Worthy questions related to the motivations and the appropriate actions in regard to CP have attracted the attention of the field of CSR in general and CP specifically. The basic general question that attracted CSR/CP scholars is related to whether corporations should act voluntarily in a responsible way regardless of the economic consequences of this social action and its impact on shareholders’ wealth (Donaldson, 1982; Donaldson and Dunfee, 2000; Bies et al., 2007; Fort and Schipani, 2004; Solomon and Hanson, 1993; Werhane, 2008). Specifically, this is a question of “why” and “to what extent” voluntary corporate philanthropic actions should take place (Matten et al., 2003). While these critical questions frame the relationship between business and society, their answers reflect the ethics and values in the context within which the social role and responsibilities of the business are addressed.

### **2.3 Three Approaches to CP: Altruistic, Coercive and Strategic**

This discussion around “why” and “to what extent” CP activities should take place is embedded in a broader debate in the context of CSR, which also encounters the same issues. There are three approaches to CSR by firms: economic, coercive, and altruistic (Baron, 2001; Husted and Salazar, 2006). The economic approach relates CSR to the need of the firm to increase its corporate financial performance and shareholders’ wealth (Rowley and Berman, 2000; Walsh et al., 2003). For the coercive approach – also called the political approach – CSR comes as a response to cultural, institutional, and political pressures aiming to secure the firm’s legitimacy, or to achieve certain competitive advantages (Windsor, 2006; Garriga



and Mele, 2004). For the altruistic approach, firms are motivated by shareholders' personal commitment and values in regard to promoting justice or expressing an individual organisation's distinctive identity, image, or mission (Salazar and Husted, 2008).

In relation to CP, studies differentiate between the same three approaches: the economic, the coercive, and the altruistic. Within these three approaches, the academic discussions distinguish among a range of motivations (why CP should be implemented) and actions or forms of CP practices (what CP actions are the most appropriate) (Foster et al., 2009). The first group of studies examines the primary motives for the social action. Campbell et al. (2002) suggest four kinds of motives that guide CP: altruistic, strategic, political, and managerial. They point out that altruistic motivations are expressed in the literature by different terms or justifications: "practicing good citizenship", "an obligation to maximise public welfare" and "giving with nothing expected in return". They add that, "The notion of *noblesse oblige* seems to underpin these related ideas: businesses give of their relative largesse for social benefit" (ibid: 30). For the strategic motivations, Campbell et al. (2002) propose that "by definition, the concept of philanthropy suggests a form of practical benevolence which might appear, *ex ante*, to be at variance with the concept of the profit-maximising model of a business (simply because it involves giving money away)" (ibid: 30). However, Campbell et al. (2002) continue that "a number of previous articles either refer to or support the strategic motivation for corporate benevolence" (p. 30). The third motivation is the political one. Campbell et al. (2002) refer to Neiheisel's (1994) argument that firms may act in a hybrid model of altruistic and strategic motivations when firms tackle philanthropy "for the purpose of securing rewards and reducing penalties from significant external publics" (Neiheisel, 1994: 42). The final motivation suggested by Campbell et al. (2002) has more to do with managerial utility, where firms donate to activities that are personally supported by managers.

Carroll (1991) suggests that CP is fuelled by firms' social intention to give back money and services to the society to meet its problems and needs. Other studies point out that strategic philanthropy may impute all donors' motives other than altruism in their engagement with philanthropy (Burlingame and Young, 1996; Campbell and Slack, 2007). Marquis et al. (2007) divide firms' motives for social actions into economic and non-economic. The economic intentions are related to increasing the firm's profits in the short term while the non-economic intentions may be the following: to promote justice (altruism); to express an

individual organisation's distinctive identity, image, mission, or that of its visionary founder or CEO; in response to social movement actors that direct a corporation's attention to social needs; and finally CP may be social practices motivated by cultural, institutional, and political reasons to serve the corporation's efforts to secure legitimacy or competitive differentiation (Marquis et al., 2007: 925).

A cluster of studies focuses on the ethical foundation of the three approaches to CP. The economic approach accepts some tenets of the utilitarian ethic and judges CP actions by their financial consequences. The ethical coercive approach aligns two closely related ethical approaches – rights and justice – and deals with CP activities as duties showing respect for others (Swanson, 1995, 1999). This ethical approach holds that firms have duties to restrain actions that can harm others and to support actions that help others to obtain their good (Lantos, 2001; Swanson, 1995, 1999). The altruistic humanitarian approach goes beyond the ethical approach and assumes that business is liable for actions that morality does not mandate yet which may be beneficial for the firm but not necessarily be within the firm's scope of financial activities (Lantos, 2001).

More studies differentiate between the three approaches to CP in relation to the nature of the action. Carroll (1991) clarifies that CP is "voluntary" in its nature and thus it is "desired" rather than "expected" social action. Sanchez (2000) cites Wartick and Wood (1998) when defining philanthropy as "A discretionary responsibility of a firm involving choosing how it will voluntarily allocate its slack resources to charitable or social service activities that are not business related and for which there are no clear social expectations as to how the firm should perform" (Wartick and Wood, 1998 cited in Sanchez, 2000: 364). Thus, the nature of CP should be voluntary and targets benefits to the society not the firm, which suggests that CP as a concept is equivalent to altruistic CP (Lantos, 2002). This understanding of CP in relation to its expected benefits leads some studies to suggest that altruism is corporate giving without concern for reward, while strategic philanthropy is corporate giving to benefit both the firm and society (Saiia et al., 2003: 170).

Another cluster of studies suggests that strategic CP should be designed and evaluated against the firm's objectives and mission, just like other business activities in the firm (Saiia et al., 2003; Smith, 1994). Post and Waddock (1995) differentiate between "philanthropic strategy" and "strategic philanthropy". "Philanthropic strategy" means a more systematic and methodical approach in the methods and procedures the firm uses to give away money, while

“strategic philanthropy” means that firms are more aware that CP should also entail an impact on the firm as well as the community that is recipient of the giving (Post and Waddock , 1995). Strategic CP is seen as a way to compromise between “pure philanthropy” as in the case of social goals and “pure business” as in the case of economic goals (Porter and Kramer, 2002: 59), aiming to benefit both the recipient organisation and the corporation (Marx, 1999). Logsdon et al. (1990) define strategic philanthropy as the process by which CP aims “to serve direct business interests while also serving beneficiary organizations” (ibid: 95). Wood (1990) defines strategic CP as “an overt effort to link corporate giving with the firm’s economic objectives” (ibid: 549). Moreover, Hemphill (2004) suggests that strategic philanthropy has a dual purpose: support for philanthropic actions and to benefit the firm. McAlister and Ferrell (2002) define strategic philanthropy as “the synergistic use of organizational core competencies and resources to address key stakeholders’ interests and to achieve both organizational and social benefits” (ibid: 690).

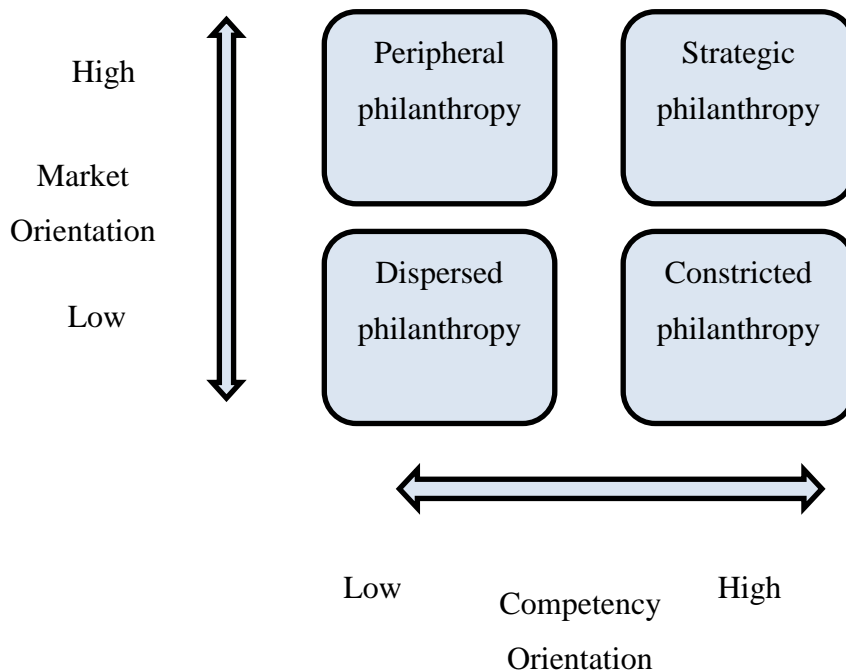
When studies come to evaluate CP against the firm’s objectives and mission, a new cluster of studies emerge trying to evaluate “how strategic the social action is”. This is because some studies suggest that the connection between CP practice and corporate objectives may be vague (Brammer et al., 2007; Campbell and Slack 2008; Porter and Kramer 2002, 2006, Vaidyanathan, 2008). This leads some studies to argue that not all strategic CP giving is “true strategic giving” (Porter and Kramer, 2002: 58), and thus non-economic CP is not strategic. These studies states that the more the philanthropic action entails benefits to the firm, the more strategic it is.

Aiming for a more effective and strategic impact from the implementation of CP, some comprehensive studies have viewed CP within a framework that include forms of relations between the firm and society, aiming to evaluate the value of these relations (e.g. Austin, 2000; Seitanidi and Ryan, 2007). Austin (2000) presents the relationship in a three-level framework of collaboration between business and non-profit organisations. Austin (2000) begins his framework with the philanthropic stage, which is the traditional process of giving corporate donations. Then the transactional stage comes, where firms exchange resources with non-profits in relation to a specific form, such as cause-related marketing and sponsorship. Austin’s third most advanced stage is the integrative stage, which includes major strategic values for both partners.

In their study, Seitanidi and Ryan (2007) discuss and evaluate the different forms of CP, including charitable donations, benefaction, patronage, sponsorship, and cause-related marketing and partnerships. Seitanidi and Ryan (2007) present the social and economic benefits generated from each form, and compare their limitations. The study suggests that, when the relation between business and society favours economic benefits over social ones, overtime the form of interaction will fall short either to serve the “social good’ or to benefit the ‘bottom line’.

Another group of studies discusses the strategies for implementing CP and evaluates these strategies in relation to their alignment with the company’s core competencies. Bruch and Walter (2005) develop a framework (Figure 2.2), in which they classify philanthropic activities into four categories based on two dimensions: market orientation (the extent to which the firm considers the demands of external stakeholders) and competency orientation (the extent to which philanthropic choices fit with the internal core competencies and abilities of the firm).

Four types of philanthropy are discussed in Bruch and Walter’s (2005) framework as follows: 1) “Peripheral philanthropy”, which is oriented towards external stakeholders and not tied to companies’ core competencies. Thus, while this type can improve a company’s reputation, CP activities within this type can be seen as irrelevant in relation to the abilities of the firm and unsustainable in the long-term. 2) “Constricted philanthropy”, which is oriented toward increasing the competencies of the firm by addressing the needs of internal stakeholders and does not consider the needs of external stakeholders. Thus, charitable efforts may not address the most pressing social needs and thus run the risk of being seen as irrelevant or unessential. 3) “Dispersed philanthropy”, which is not oriented towards external stakeholder needs or internal business considerations, but rather is determined mostly as a result of managers’ interests. Thus, such CP actions run the risk of being misunderstood by both internal and external stakeholders and as being ineffective in relation to beneficiaries in the long run. 4) “Strategic philanthropy”, which encounters both stakeholder interests and corporate capabilities, resulting in both social and economic benefits. This is the most effective approach that generates sustainable social benefits while also improving the firm’s competencies.



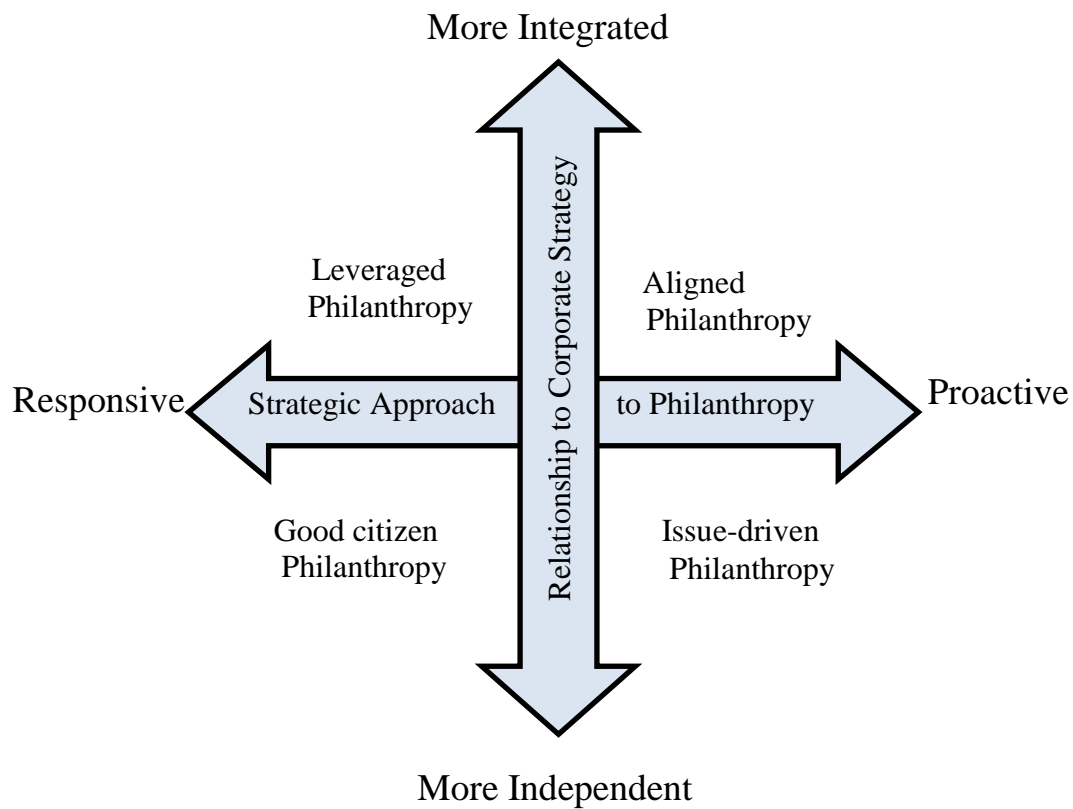
**Figure 2.2:** Four types of CP

Source: Bruch and Walter (2005)

Kasper and Fulton (2006) identify what they suggest to be the appropriate strategy for firms' philanthropy. In Kasper and Fulton's matrix (Figure 2.3), there are two key axes of choice for corporations: (1) how responsive or proactive the company wishes to be in its approach to philanthropy; and (2) how integrated with the larger corporate business strategy the firm wants its philanthropic activities to be.

Four philanthropic policies are discussed in Kasper and Fulton's (2006) framework as follows: 1) "Good citizen" philanthropy, where the firm is responsive to particular needs while relatively not related to the overall business strategy. 2) "Leveraged philanthropy", where firms leverage the capabilities of their core business strategies in their philanthropy, but are not proactively using philanthropy to advance long-term social and economic goals. 3) "Issue-driven philanthropy", where CP is focused and systematic, aiming to make a clear

impact on explicit and well-defined social or environmental objectives without a clear relationship to the company's main line of business. 4) "Aligned philanthropy", incorporating efforts that are both more integrated and more proactive, an approach which is still an emergent space. Porter and Kramer (2002) explain that "true strategic giving addresses important social and economic goals simultaneously, targeting areas of competitive context where the company and society both benefit because the firm brings unique assets and expertise" (ibid: 56).



**Figure 2.3:** The CP strategy matrix

Source: Kasper and Fulton (2006)

From the above literature review, this study may differentiate between the main aspects of the three approaches to CP illustrated in Table 2.1 as follows:

First, the economic approach to CP: this refers to social activities, motivated by both economic and social goals, which are expected to entail economic benefits for the firm and directly increase its profits. According to this approach, CP is seen as an economic function of the firm and is driven by “enlightened self-interest” (Drucker, 1984). Firms practice CP as long as profits are expected from the social action (Bock et al., 1984).

Second, the coercive approach to CP: this sees those social activities, motivated by social and non-economic goals, as carrying non-economic benefits to the firm, which are expected to indirectly increase the firm’s profits. These benefits are of a political nature, such as to gain power, legitimacy, and to improve the firm’s image and reputation (Neiheisel, 1994). This approach is less criticised in the literature than the economic approach because studies recognise the intention of firms to respond to the needs of their societies at the expense of firm profits (Marquis et al., 2007).

These two approaches – the economic and the coercive – are seen as being strategic and instrumental. Strategic CP refers to those social activities encountered by the firm and carries a “business case”, which makes the firm capable of “doing good” and “looking good” at the same time, and thus the firm yields returns that justify the expenditures (Himmelstein, 1997). Different returns and benefits are expected from strategic CP (sometimes called instrumental CP); some of them may be direct and economic, while others are indirect and non-economic. Some scholars point out that strategic CP imputes all CP motivations and activities other than altruism (Burlingame and Young, 1996; Campbell and Slack, 2007).

Third, the altruistic approach to CP: this is a voluntary action that refers to those social activities encountered by the firm aiming to benefit society at the expense of firm profits (Sharfman, 1994; Useem, 1984). Altruistic CP allows the firm to tackle social actions that are not related to its economic operations. Despite its noble goals, the altruistic approach is criticised for being a weak explanation for CP because it ignores the economic goals of the firm (Neiheisel, 1994). Thus, this approach is seen as a non-strategic explanation of CP, and is only expected from privately owned firms (Burlingame and Young, 1996; Campbell and Slack, 2007).

Criteria of comparison	Altruistic CP	Coercive CP	Economic CP
	CP of a non-economic and normative nature		
CP motivation	CP of strategic nature		
“The WHY question”	<p>CP is motivated only by social goals. However, non-economic benefits may come to the firm in the long term.</p> <p>This approach is based on humanitarian foundations.</p>	<p>CP is motivated by both social and non-economic goals. However, CP is decided in relation to expected long-term benefits.</p> <p>This approach is based on both duties and rights and justice foundations.</p>	<p>CP is motivated by social and economic goals. However, CP is decided in relation to expected short-term profits.</p> <p>This approach is based on economic utilitarian foundations.</p>
<p>CP actions and implementations</p> <p>(Actions can include CP justifications, forms of activities, forms of relations with the society, and forms of CP strategies).</p> <p>“The WHAT question”</p>	<p>Actions are voluntary.</p> <p>CP actions come at the expense of profit.</p> <p>For example, giving to reduce social misery and poverty in society.</p>	<p>Actions are coercive to avoid certain social pressures or gain non-economic benefits.</p> <p>CP actions come at the expense of profit.</p> <p>For example, giving to social projects aiming to improve the image and reputation of the firm.</p>	<p>Actions are of an economic nature and directly related to the firm’s financial strategy.</p> <p>CP actions are expected to generate profits.</p> <p>Actions target areas of competitive context where the company and society both benefit.</p>

**Table 2.1:** A comparison between the three approaches to CP

Source: Author (2013)



The coercive and the altruistic approach to CP are seen as non-economic approaches (Marquis et al., 2007). This is because the coercive approach expects non-economic benefits such as an increase in the comparative position of the firm, and altruistic CP expects social benefits such as social justice. So, what if a social action motivated by altruism generates economic benefits? Studies that consider motives as a way to judge the type of CP action point out that regardless of the profits that come from the action, motivations are the most important (Crane and Matten, 2010). In this vein, Lantos (2001) defines altruistic CP as giving to the society at a possible, probable, or even definite expense to the business (ibid: 605).

The coercive and the altruistic approaches are seen also as normative approaches to CP. This is because both of these approaches justify CP actions based on ethical considerations. However, the coercive approach is criticised for lacking normative clarity in relation to the values and moral justifications underpinning it, which may be misused by shareholders (Swanson, 1995). On the other hand, the altruistic approach is criticised for also lacking the normative clarity which leads to harm to shareholders (Lantos, 2001, 2002).

## **2.4 The Dominance of the Economic Approach in CP literature: A Critique**

The last section summarised the differences between the three approaches to CP in relation to CP motivations and action. It also highlighted that altruistic CP is equivalent to the philanthropic responsibility of the firm as discussed in Carroll's framework (1991), because it is voluntary and targets social needs regardless of their economic consequences (Lantos, 2001). However, the previous clusters of approaches to CP focused on both strategic CPs, and precisely the economic CP, and almost ignored the altruistic one. The dominance of the economic approach to CP motivations and actions is to be discussed in this part of this chapter.

Scholars highlight the dominance of the strategic/economic approach in the literature of CP, while altruistic CP is rarely discussed (Himmelstein, 1997; Marx, 1994, 1998; Post and Waddock, 1995; Saiia et al., 2003; Zucker, 1988). Saiia et al. (2003) conducted a survey of corporate giving managers of US firms that have had an established giving programme for at least five years, with annual giving totalling at least \$200,000 each year. The data show that corporate giving managers believe their firms are becoming increasingly strategic in their philanthropic activities. The findings also indicate that institutional-, firm-, and individual-

level influences combine to precipitate strategic philanthropy. Post and Waddock (1995) proposed that a significant number of experienced corporate givers moved from “philanthropic strategy” to “strategic philanthropy”, aiming to positively benefit the firm as well as society. Managers find themselves under internal and external pressures to increase financial performance more than increasing social performance, and thus they come to focus more on profit maximisation (Himmelstein, 1997; Marx, 1994, Zucker, 1988).

This dominance of the strategic/economic approach is also discussed in the CSR literature, where studies found that this approach is influential in both the theoretical papers (Barnett, 2007; Campbell, 2007) and the empirical ones (McWilliams et al., 2006). Laplume et al. (2008) reviewed the academic stakeholder literature developed between 1984 and 2007, looking at 178 papers from specialised and non-specialised journals. They point out that while the acceptance of the stakeholder theory can be credited to the ethical, moral, and emotional tone it carries, the theory’s key challenges remain its limited empirical validity and its lack of an ability to advance theoretical claims for paradigm development (Laplume et al., 2008: 1181). According to Scherer and Palazzo (2011), economic CSR became an “underlying premise of CSR research” showing that “the economic approach to CSR is very influential and a significant part of the current debate on CSR fits into the economic theory of the firm” (ibid: 6). Smith (2003) implies that “few firms adopt the normative case for CSR and assert a moral basis for obligations beyond those to stockholders; at least without also claiming a business case (those that do are mostly privately held)” (ibid: 71).

The literature of CP has seen a growing number of arguments highlighting the limitations of the economic approach, and the need for a broader explanation of CP actions. The first point in this vein is related to the difficulty of connecting the social activities of the firm to its financial performance. Margolis and Walsh (2003) reviewed the CSR literature from 1972 to 2002, and found that most of this literature (109 out of 127 studies) relates corporate social initiatives to the firm’s financial performance. This relation is found to be mixed and illusive. Griffin and Mahon (1997) reviewed the literature for 25 years and finally concluded that the literature on the relationship between social and economic performance is contradictory and needs to prove its validity and reliability. An example of this illusive relation may be found in a study conducted by Wang et al. (2008) on 817 firms over a period of 13 years, which found strong empirical support to suggest that CP contributes to financial performance only up to a certain point, beyond which increasing philanthropy has a negative effect on financial

performance. Barnett (2007) points out that a large and ever growing body of literature supported by more than 30 years of research suggests that one cannot clearly conclude whether a one-dollar investment in social initiatives returns more or less than a dollar in benefit to the shareholder.

Valor (2006) expresses his doubts on the ability of the economic model of the firm to account for all corporate actions in the absence of a moral model. He states that “some companies do not advertise their community efforts; other corporations support poor “marketable” causes; some firms do not bother to measure the economic consequences of their community investments; other companies do not even engage in philanthropic contributions despite their well-established beneficial consequences” (ibid: 18). Thus, Valor (2006) argues that applying the economic driver in all companies, in all situations, in all environments does not explain all existing corporate behaviours (ibid: 18). The literature gives examples that support Valor’s (2006) doubts. For example, firms may get engaged in CP activities because top managers may belong to certain social networks (Galaskiewicz 1991; Marquis et al., 2007), or to mimic other firms in the industry already engaged in such philanthropic activities (Galaskiewicz and Burt 1991).

Some studies discuss the difficulty when dealing with dual objectives (i.e. economic and social) and look on it as an oxymoron (Saiia et al., 2003). The main problem is that while the “business case” is value free, “social responsibility” is value oriented, which makes those two objectives contradictory (Swanson, 1995). Moreover, the relation between the two objectives is often non-linear, and is not able to explain all business social behaviours in a global society (Kurucz et al., 2008). This is because “social welfare and profit cannot be maximized simultaneously as they are constrained by an inherent trade-off” (Maas and Liket, 2010). This difficulty makes it “logically impossible to maximize in more than one dimension at the same time unless the dimensions are monotone transformations of one another” (Jensen, 2002: 238). The relation between altruism and strategic CP is thus expressed as the relation between two ends on a continuum of CP (Burlingame and Frishkoff, 1996; Maas and Liket, 2010).

A third point is that the business case approach to CP negatively affects the fact that CP is a tool of social bonding, i.e. a tool to show businesses’ commitment to their societies. A critical review of forms of CP by Seitanidi and Ryan (2007) pointed out that the dominance

of the business case for CSR results in a decrease of public trust not just in the forms of CP but in business organisations across different sectors.

Finally, the literature shows that instrumental CP may be dangerous if implemented in a context other than Western developed countries and may lead to the establishment of criminal organisations (Gond et al., 2007). This is because in these Western developed societies, certain pressures or regulations exist to control socially responsible corporate behaviour (McWilliams and Siegel, 2001; Scherer and Palazzo, 2007). These pressures are shaped by various parties (government, media, NGOs, customers, etc.) and with these kinds of pressures firms are likely to behave in a socially responsible way. However, such pressures are not available in developing parts of the world (Matten and Moon, 2008; Scherer and Palazzo, 2011). Thus, studies conducted in developing countries suggest that frameworks established in developed countries fit democratically capitalist models, while new frameworks for CP are needed for other contexts (Scherer and Palazzo, 2007, 2011). For example, studies indicate that CSR concepts developed in Western developed countries do not adapt well to the Chinese market due to the different cultural background and institutional arrangements (Wang and Juslin, 2009; Xu and Yang, 2010). Similarly, Visser (2006) pointed out that the meanings and practices of CSR in Africa may differ from those established in developed countries.

So, with all these strong arguments against economic CP, why is it the case that firms do not simply opt for altruistic CP? The next part will discuss the arguments that have been similarly brought against altruistic CP.

## **2.5 Arguments against Altruistic CP**

The literature suggests that altruistic CP is noble if applied in privately owned firms, but it is immoral and difficult to apply in publicly owned modern corporate firms (Campbell et al., 2002; Lantos, 2002). This is because altruistic philanthropic responsibilities “entail giving back time and money in the form of voluntary financial giving and service” (Lantos, 2002: 205), and this giving may come “at the possible, probable, or even definite expense of the business” (Lantos, 2001: 605). Thus, altruistic CP goes beyond preventing or rectifying any harm that firms have done to assuming firm’s responsibility for public welfare deficiencies they have not caused (Lantos, 2001: 605).

Lantos (2001, 2002) evaluated altruistic CP from all major ethical perspectives and argued that altruistic CP is not a legitimate corporate activity for many reasons. The first argument against altruistic CSR/CP comes from the way that society perceives the role of the firm. Lantos supports the argument of Friedman (1970) that, “The firm is not a welfare agency, but is rather an economic association with specific and limited responsibilities” (Lantos, 2001: 614). Thus, Lantos continues, “devoting the corporate resources to social causes is contrary to an implied contract with investors to maximize their profits and is, in effect, tantamount to stealing stockholders’ money” (Lantos, 2001: 614). In the end, “Corporations are formed for limited economic purpose that includes profit maximization for their owners but not promoting social welfare” (Lantos, 2002: 207).

Neiheisel (1994) explains this further by arguing that, as the primary objective of firms is to maximise their profits, it is doubted that firms can be motivated by altruism where no profits are expected. According to Neiheisel (1994), a company would spend excess profit on executive salaries or investments rather spending these profits on public good. Within this understanding of the role of the firm, altruism may be a threat to the competitiveness of the firm, as Baumol (1991) explains: “the market automatically interprets any expenditure by the firm that is undertaken only as a matter of good works as an act of unmitigated wastefulness” (Baumol, 1991: 13).

In the same vein, when discussing firms’ role in the society, Lantos (2001, 2002) explains that both governments and individuals are more able to handle social roles. The government is expected to address social concerns because firms are paying mandatory taxes; taking money from shareholders to pay for inefficient government is not a good idea. In relation to private individuals, Lantos (2001) suggests that while individuals with wealth are encouraged to share their wealth with those less fortunate, it is a different story with shareholders’ funds. This is because those shareholders may be counting on these funds for their own needs, such as retirement (Lantos, 2001). Private individuals are better promoting social welfare using their money and effort, since there is no involuntary taking of another’s property (Lantos, 2002: 207). Preston (1975) suggests that the question of how to direct and manage the large and growing volume of CP actions is perhaps the most pressing practical problem on corporate managers’ CP agenda.

Brudney and Ferrell (2002) raise important questions in relation to altruism. They focus on “who in the structure of the corporation (management, stockholders collectively,

stockholders individually, others) should make the decisions as to the amounts to be given and as to the identity of the donors?” (Brudney and Ferrell, 2002: 1). This question is also asked by Friedman (1962):

“If businessmen do have a social responsibility other than making maximum profits for stockholders, how are they to know what it is? Can self-selected private individuals decide what the social interest is? Can they decide how great a burden they are justified in placing on themselves or their stockholders to serve that social interest?” (Friedman, 1962: 133–134).

Brudney and Ferrell (2002) explain that if managers decide on altruistic CP, this means that these managers are the ones that gain the emotional satisfaction that accrues from the altruistic philanthropic gift. Moreover, it also means that managers are deciding using their own morals and values on behalf of the shareholders when choosing who to give to. This means that these managers are exchanging a firm’s assets in the form of a charitable action for managers’ own benefits, and raises a question about whether managers’ values and preferences are accepted by all stockholders. Brudney and Ferrell (2002) continue to explain that managers find themselves under pressure from government or politicians, which means that those powerful elites decide on behalf of the shareholders. They continue the assumption that if someone should legitimate the firm’s action, it should be the shareholders because “the stockholders as human beings living in the society are more legitimate determiners of that response than is “the corporation” and “its” stream of earnings or its managers” (ibid: 17). Thus:

“Whatever may be the breadth of the concept “altruism,” it does not cover giving away someone else’s “interest” in property for the benefit of still others who the “owner” may have no desire to benefit, and indeed may object to benefiting” (Brudney and Ferrell, 2002: 16).

The argument against altruistic CP	The questions involved
The role of the firm is to generate profits. Thus, altruistic CP violates shareholders' property rights when it benefits society at the expense of those who the firm should care for.	What is the role of the firm in society?
The economic nature of the firm makes managers able to deal with economic not social issues. It is difficult for managers to decide whose values to follow, what social activities to support and how much money to give.	Whose agenda and values should be followed in deciding which cause to support and to what extent?  How much money to give?
The supporters of altruistic CSR/CP find it worthy only when the business does not benefit, which is difficult to achieve. This is because altruistic CSR/CP may cause profits to increase in the long term and if the business prospers this means we are discussing strategic CSR/CP, not altruistic CSR/CP.	Does generating benefits from an altruistic CP action make it contrary to its nature? What is the definition of altruistic CP?

**Table 2.2:** The main arguments against altruistic CP

Source: Author (2013)

Thus, Lantos (2001) suggests that altruistic CSR, the benefit of which to the company is uncertain and even irrelevant, lies outside the scope of business responsibility (Lantos 2001: 627).

On the other hand, the altruistic approach to CP is mostly discussed in the literature as a choice for privately owned firms (Salazar and Husted, 2008). Lantos (2002) encourages these privately owned firms to give back to society:

“Private firms are encouraged to follow the example of the great industrialists like Carnegie and Rockefeller, who did “give back” to society some of their good fortune. To do so will win the approval of God and people and create that “warm glow” from helping others. In fact, history is not kind to those who get rich, then do little else, as,

for instance John D. Rockefeller found out, when, prior to turning to philanthropy, he was characterized as an evil Titan” (Lantos, 2002: 223).

The findings of the above works suggest that there are critical arguments against both altruistic and strategic CP, creating a debate regarding the relation between business and society. It also seems that the dominance of economic CP is unable to finalise an answer in regard to the questions of “why” and “what” CP activities should take place (Vaidyanathan, 2008). The literature suggests that this debate between the two approaches “shows no signs of resolution and will surely remain a contentious topic for the foreseeable future” (Barnett, 2007: 812). Critical arguments are thus still being made against both the strategic – more precisely economic – and the altruistic approaches to CP.

Scholars suggest there is a strong relation between this debate and the context of Western developed countries wherein this debate took place. Amaeshi and Adi (2007) suggest that “the continuous tension between the normative [NB: by normative CP, they refer to CP based on ethical theories that propose the correct way to act] and instrumental economic perspectives to CSR tends to suggest that either the current capitalist system is unfit for normative CSR, as it is propagated, or CSR needs to be reconstructed in an instrumental linguistic praxis to be meaningful to managers in their day-to-day pursuits of organisational goals and objectives (Amaeshi and Adi, 2007: 4). Barnett (2007) supports the previous relation between capitalism and the economic approach to CP and suggests that this debate is difficult to resolve “as long as we desire capitalism with a safety net, this is a dialectic tension that our society must continuously manage, not resolve” (Barnett, 2007: 812).

Nevertheless, the latest trend in relation to CP studies encourages the use of a context-focused approach when understanding CP (Porter and Kramer, 2002). The reason is that CP has a social side, and this side is locally rooted in the history and values of the society where firms give (Idemudia and Ite, 2006, Kolk and Lenfant, 2009; Visser, 2008). After all, “Companies do not function in isolation from the society around them. In fact, their ability to compete depends heavily on the circumstances of the locations where they operate,” (Porter and Kramer, 2002: 59). Studies thus suggest that CP is difficult to examine without encompassing the macro level for a better understanding of the meso phenomena (Athanasopoulou and Selsky, 2012).



## **2.6 Understanding the Debate around CP within the Western Context**

Supporters of the institutional theory suggest that the motivations and actions of CP are deeply rooted in the communities where firms are located (Bamberg, 2008; Galaskiewicz, 1985, 1997; Margolis and Walsh, 2003; Whitley, 1999). While CP refers to the firms' involvement in social initiatives, in this part the study follows other scholars and traces the rise and development of the debate around CP in its historical context, paying more attention to the institutional mechanisms that may influence this debate (Campbell, 2007; Mele, 2008).

In the early 1900s, corporations were criticised for being too big, powerful, and guilty of harmful practices, which motivated business leaders of these corporations to give donations to charitable institutions aiming to improve corporate public image (Wulfson, 2001). Himmelstein (1997) – discussing the case of the US – continues that these donations, “if such it was” (ibid: 16), began at home and “corporations gave money either to provide benefits directly to their workers or clear commercial goals, but for little else” (Himmelstein, 1997: 16). Moon (2004) discusses the case of the UK, and explains that “companies like Cadbury’s and Lever Brothers became by-words for CP which, in some cases, reflected the wider values of the factory owners as well as calculations about the business imperatives to maintain a loyal workforce” (Moon, 2004: 4). However, with the rise of publicly owned corporations, an argument against altruistic CP began, questioning “whether or not the managers of corporations may donate money not belonging to them personally but to shareholders?” (Himmelstein, 1997: 16).

In the 1970s, with the acceleration of CSR (Carroll, 2008), Friedman (1970) fanned the flames of this debate (Carroll, 1979) when he published an article that reflected what he thought was a conflicting relation between business and society. He argued that firms were established by shareholders to make a profit; making a profit was the only responsibility that firms have towards societies. Friedman protested against the notion that firms had any philanthropic social responsibility, and argued that it would be a theft from shareholders' pockets to allocate any of the profits to anyone other than the shareholders.

Aiming to conceptualise business and society's relations, the search for paradigms that deal with the elusive relation between business and society began (Epstein, 1987; Preston, 1975). Preston (1975) pointed out that the question of the nature of the relation between business and society was considered important for both the man in the street and academicians.

Preston (1975) continued that, embedded in the answer to such a question, was “the most of our economic activity and a substantial part of our political and social life” (Preston, 1975: 434).

Researchers started to introduce theoretical frameworks for CSR based on both value and norms considerations in addition to the economic objectives of firms within a market system (Epstein, 1987; Matten et al., 2003). These frameworks assured the complementary relation between business and society, and that “business and society are interwoven rather than distinct entities; therefore, society has certain expectations for appropriate business behaviour and outcomes” (Wood, 1991: 695).

The first frameworks were presented by Carroll (1979, 1991). Carroll (1979) introduced a model of Corporate Social Performance (CSP) and in 1991 introduced another model of CSR, and both have been widely cited. The CSP model was built on an assumption that “business does have a social responsibility and that the prime focus is not on management accepting a moral obligation but on the degree and kind of managerial action” (Carroll, 1979: 501). The CSP model aimed to explain how business was expected to respond to social issues, and it consisted of social responsibility categories, social issues, and philosophies of social responsiveness.

Carroll (1991) introduced the CSR framework. The framework aimed to integrate the firm's economic orientation with its social orientation (ibid: 40), as well as to clarify that businesses do have responsibilities beyond making profit (Crane and Matten, 2010). The CSR framework carried an important message to firms “that CSR, to be accepted as legitimate, had to address the entire spectrum of obligations business had to society, including the most fundamental – economic. It is upon this four-part perspective that our pyramid [i.e. the pyramid of CSR] is based” (ibid: 91). The CSR framework considered business to have the four responsibilities discussed earlier in this chapter. As explained by Carroll (1997, 1991), the economic and legal responsibilities are required of business by society, the ethical responsibilities are expected, and the philanthropic ones are desired.

Stakeholder theory – the most widely used CSR theoretical framework (Laplume et al., 2008; McWilliams and Siegel, 2001) – was put forward by Freeman in 1984. The aim of this approach was to shift the focus beyond the shareholders’ domination of the firm by including other groups that can affect or are affected by the activities of the firm (Matten et al., 2003).

This framework shifted the role of managers from looking only at maximising the profits of shareholders to managing the competing interests of different stakeholders (Crane and Matten, 2010). According to Donaldson and Preston (1995), research on stakeholder theory distinguishes between three forms: descriptive, instrumental and normative. The descriptive stakeholder form describes the relationship between corporations and their stakeholders. The two other forms – instrumental and normative – are interested in how a firm prioritises its stakeholders, but both rest on an entirely different basis (Donaldson and Preston, 1995: 72). The normative stakeholder form offers guidance to the firm in its relations with different stakeholders on the basis of underlying moral or philosophical principles. In contrast, the instrumental stakeholder form is essentially hypothetical; it shows the relationship between prioritising certain stakeholders and its effect on the performance of the firm.

### **2.6.1 The first shortcoming of CSR/CP frameworks: mixing economic and normative logics**

Although these influential frameworks tried to explain that the relation between business and society is complementary, these frameworks could not introduce the philanthropic responsibility of the firm away from the concept of profit maximisation, and could not introduce the relation between business and society away from the dominance of shareholders. These frameworks are seen to have a main shortcoming of carrying a mix of instrumental and normative inherited logics. Although these frameworks had a normative tone (Matten et al., 2003), they also used an instrumental approach (Austin and Seitanidi, 2011). These frameworks encouraged firms to handle their social responsibilities by attracting firms through reference to the economic benefits which they are expected to generate. The argument against this logic is that if economic benefits are expected from these social responsibilities, then these are not social responsibilities any more but economic in nature. It seems that these frameworks were a way to compromise the relation between business and society, and opened the door for instrumental implementations of these frameworks (Matten et al., 2003).

Going back to the CSP framework, Carroll (1979) states that, “the conceptual model can assist managers in understanding that social responsibility is not separate and distinct from economic performance, but rather is just one part of the total social responsibilities of business. The model integrates economic concerns into a social performance framework. In

addition, it places ethical and discretionary expectations into a rational economic and legal framework” (ibid: 503). Researchers point out that because the CSP model attempted to measure social responsibility in terms of performance, the model encouraged a stream of literature that attempts to relate social and financial performance (Matten et al., 2003).

The CSR framework is also criticised for the same reason. Although this framework had a normative tone when it looked at philanthropy as a corporate responsibility, the framework introduced CP as the last, less important and desired effect, not an expected responsibility. Moreover, this framework could not explain philanthropy away from profitability. Shum and Yam (2011) pointed out that, by having economic responsibility as the basic building block that underpins all the other three CSR responsibilities, this is therefore the foundation behind instrumental CSR. Shum and Yam (2011) showed that, in the CSR framework, firms accept legal and ethical responsibilities because these firms realise that this commitment generates economic benefits, or will avoid economic loss for the firm. The difficulty, as their study indicates, is to relate the economic benefit to philanthropic responsibility.

The stakeholders’ framework is our third example. While this framework aimed to shift the focus from shareholders to different stakeholders, this framework defined stakeholders as those groups that can affect or may be affected by the actions of the firm (Clarkson, 1995; Freeman, 1984). This entails that the only stakeholders who matter are those limited ones who can influence the economic performance of the company, and not all society. The greater the groups’ power, the more they are thus to be taken into corporate consideration (Crouch, 2006; Scherer and Palazzo, 2011). By taking the powerful groups not the society as a whole into consideration, CP thus becomes instrumental instead of being ethical.

### **2.6.2 The second shortcoming of CSR/CP frameworks: context bias**

The second shortcoming with the discussed frameworks is the bias within the Western context, which is a problem with most of the CSR literature (Matten and Moon, 2010). Within this point, the study needs to ask four questions: What are the logics underpinning the understanding of the relation between business and society in the Western context? How do these logics influence the debate about the voluntary philanthropic responsibilities of business? How do these logics influence the CSR frameworks? And how do these logics influence the implementations of these frameworks?

The relation between business and society and thus the responsibilities businesses have towards their societies rest in Western developed countries on a culture of capitalism. Amaeshiand and Adi (2007) explain that “Adherence to this culture of capitalism often comes with its rewards in terms of increase in shareholders’ wealth and firm growth” (ibid: 6). Within this culture, profits have to be measured and “this measurability lends great significance to the ‘bottom-line’ accounting philosophy on which the success or failure of firms are benchmarked. Thus, business enterprises strive to ensure that the bottom-line looks good at all times even at the expense of other things” (Amaeshiand and Adi, 2007: 6).

The shareholder domination introduced in the model of managerial capitalism is not replicated around the world, and thus the debate about businesses’ responsibilities developed differently in other contexts (Crane and Matten, 2010). Moreover, the frameworks introduced to rationalise this debate reflect the Western developed countries’ contexts, which may not be suitable for other parts of the world. For example, in Carroll’s (1991) pyramid of CSR, the philanthropic category is placed on the top of the pyramid, considering philanthropy as the least important priority of the firm. However, an increasing body of literature in developing countries suggests the availability of different priorities. Philanthropy is seen in developing countries as the second responsibility of business, which reflects the influence of context on CP (Azmat and Samaratunge, 2009; Jamali and Mirshak, 2007; Visser, 2006).

To explain the strong influence of the context, studies show that CSR/CP frameworks started in Western developed countries with a normative tone (Matten et al., 2003), motivated by the increasing number of business scandals and the growing public expectations in regard to businesses’ conduct (Basu and Palazzo, 2008). However, the change from normative to instrumental started when “ethical or philanthropic responsibilities were not judged under the criterion of certain ethical values or social duties, but under the clear perspective of corporate interests” (Matten et al., 2003: 111). Matten et al. (2003: 111) conclude that “the traditional normative aspects of concepts of CSR, CSP and stakeholder theory were not in very strong demand in the business community, although much of the rhetorical and practical dimensions persevered”.

## **2.7 Calls for Broader Explanations of CP**

Calls in the literature have continued in regard to a broader understanding of CP of a non-economic nature and specifically for voluntary altruistic CP (Margolis and Walsh, 2003).

While this study will respond to these calls and introduce a different understanding of the relation between business and society in another context, it is important to finish this chapter with the main argument of this study. This study proposes that the assumption of the conflict between the two approaches (altruism and economic) holds true when firms find themselves in a context wherein they are asked by dominant shareholders to justify how giving is adding value to the bottom line of the firm. However, this is not the case with shareholders in developing countries. Studies suggest that in developing countries shareholders accept the existence of a voluntary social philanthropic role motivated by cultural, ethical and religious values, and this acceptance has been a tradition that can be traced deep in each country's history (Baughn et al., 2007; Gupta, 2007; Visser, 2008). The study will investigate the influence of institutional pressures in a developing country of intense Islamic beliefs, values and norms, encouraging CP of a non-economic nature and more precisely altruistic CP on a field level of analysis. This study then aims to investigate the relation between business, society, and religion. Questions of how institutional pressures encourage an isomorphic model of CP of a non-economic nature, how this model results from firms' acceptance and resentment to change, and what actions and implementation strategies are used by firms within the context of intense Islamic beliefs and values will be discussed in the next chapters.

## **2.8 Summary**

Chapter 2 discussed CP as one of the four responsibilities of the firm. CP is a voluntary responsibility that aims to show the commitment of the firm to its society in the form of voluntary social activities. CP is sensitive to its context and thus its motivations and actions differ from one region to another, which is part of the interest of this study.

In Western developed countries, the understanding of firms' social responsibilities rests on the prioritisation of profit, and this economic understanding is expressed through CP's motivations and actions. Strategic economic CP, though not without advantages, is widely criticised. On the other hand, altruistic CP has also been criticised. The chapter related CP to its historical context, and examined the institutional mechanisms in Western developed societies that influenced the debate around CP. Studies indicated that the capitalistic managerial model is the most influential and impactful on the instrumental theoretical and implementation research in that context.

Calls in the literature continued for broader explanations of CSR and, especially, voluntary CP from a non-economic and altruistic perspective (Margolis and Walsh, 2003). This study aims to respond to these calls by introducing the relation between business, society, and religion in developing countries. This is because the literature suggests that firms in these developing countries are under institutional pressures of a religious nature that make societal non-economic actions more important than costs for both the firm and the community (Visser, 2008). The question of how CP of a non-economic and altruistic nature is encouraged, why firms accept this approach, and what implementation, actions and strategies are tackled within such context will be discussed in the next chapter.

## **Chapter 3:**

### **CP, Developing Countries, and Islam: Contextual Effects**

#### **3.1 Introduction**

Chapter 2 discussed the existence of an ongoing debate in the literature – since at least the 1970s – seeking answers for two main questions: why and to what extent voluntary CP should take place. The choice was between the strategic approach to CP that benefits both the firm and society and the altruistic approach that benefits society at the expense of firms' profits. While the strategic approach was preferred over the altruistic one, the debate has not stopped.

The previous chapter discussed how the dominance of the economic CP approach in the literature is the result of most CP studies being carried out in the context of Western countries. Developed societies rest on a culture of capitalism that encourages a profit-maximisation approach. The chapter suggested that this economic approach and its generated frameworks may fit in the context of developed democratic countries. However, the ability of this approach to fit the contexts of developing countries is questionable. The chapter ended with calls to introduce a broader understanding of CP that extends beyond profit-maximisation goals. This thesis intends to respond to these calls by investigating why and to what extent voluntary CP of a non-economic nature takes place in developing countries and how religious beliefs and values within the context of these countries encourages such CP.

Chapter 3 thus aims to address the main theoretical issues that play a central role in shaping the non-economic nature of CP in developing countries. This chapter will review the relevant literature and present findings that will inform current research. The first body of literature is related to the context in developing countries and its role in mobilising and demobilising firms' stakeholders who exert institutional pressures that shape CP. Secondly, the chapter intends to examine the literature of CP and religion, aiming to examine the values and beliefs of Islam in relation to CP. The chapter then develops a two-level framework as an attempt to understand the impact of institutional forces on CP on both a field and organisational level.



The study will see CP through an institutional lens. The institutional theory enables the researcher to draw a broad framework beyond the interest of individual firms. In each subsequent section, the research questions that are the focus of the data collection process and are consequently addressed by the empirical chapters will then be presented.

### **3.2 CP and Developing Countries**

There is a lack of literature addressing management issues in developing countries and specifically Asia in comparison to studies on developed ones. Several scholars address this dearth of studies, and conclude that there is a need for future research that considers developing countries' values, norms, and economic developments, aiming to expand the management research paradigm (Baughn, et al., 2007; Birch and Moon, 2004; Bruton and Lau, 2008; Chapple and Moon, 2005; Oh et al., 2011; Welford, 2005).

Bruton and Lau (2008: 636) point out that in general “almost all management research remains principally focused on mature markets in North America and Europe”. Bruton and Lau (2008) investigate ten leading management journals in Europe and the US between 1996 and 2005 to investigate the existing management research on Asia. They highlight that only a total of 306 articles that addressed Asian management were identified during the ten-year period from 1996 to 2005 in the ten journals, which represents just 6.3% of the 4,844 articles published in these journals during this time period (Bruton and Lau, 2008: 640). Bruton and Lau (2008) then call for studies to take into account the unique context of Asia and for more multi-level studies aiming to gain more understanding of cultural differences and institutions in Asia to take place. They discuss the need for research to help to:

“inform mainstream research on its boundaries when generalizing into other contexts; extend and revise current theories to take into account new contextual variables; fine-tune macro theories by developing context-specific conditions and operationalization of key constructs; develop new theories and constructs which are generalizable to research in other contexts; and generate indigenous theories for understanding regional issues” (ibid: 656).

In relation to the CSR/CP literature, Visser (2008: 476) points out that about one-fifth of all developing countries have had CSR journal articles published, with China, India, Malaysia, Pakistan, South Africa, and Thailand the most commonly analysed countries. He adds that

regional-level analysis (notably in relation to Africa, Asia, and Latin America) is more common than at the sector, corporate, or individual level (Visser, 2008: 476). Moreover, despite the fact that CP appears to be a context-sensitive issue, contextual factors affecting its practice in developing countries are not well investigated (Barkemeyer, 2007). Thus, the need for more research discussing why and how local issues matter in these areas is evident, particularly in relation to Asia (Bruton and Lau, 2008). This need also applies more specifically to the countries of the Middle East and the Arabian Gulf (Jamali et al., 2009; Katsioloudes and Brodtkorb, 2007). Needless to say, analysis conducted at a field-level in developing countries also remains relatively scarce (Visser, 2008).

Developing countries lack the institutional capacity to promote and support CSR/CP practices (Baughn et al., 2007; Chapple and Moon, 2005; Fox, 2004; Matten and Moon, 2008). These prerequisites of CSR are, as Campbell (2007: 948) points out, “public and private regulation, the presence of non-governmental and other independent organizations that monitor corporate behaviour, institutionalized norms regarding appropriate corporate behaviour, associative behaviour among corporations themselves, and organized dialogues among corporations and their stakeholders”. Studies point out that other pressures are driving CSR/CP in developing countries. Visser (2008) summarises these drivers as: cultural tradition, political reform, socio-economic priorities, governance gaps, crisis response, market access, international standardisation, stakeholder activism, and supply chain impacts. Between these drivers, researchers indicate that the non-economic perspective and moral practices of CP are rooted in the values of religions (Visser, 2008). This includes different religions such as Hinduism, Buddhism and Islam (Azmat and Samaratunge, 2009; Visser, 2008).

This study will focus on CP actions of a non-economic and altruistic nature that have the following aspects:

1. CP actions which are voluntary, and where the decision to assume them is guided only by business desire to engage in social roles that is not mandated or required by law and not even expected of businesses in an ethical sense (Carroll, 1979).
2. CP actions that aim to improve the community outside the firm. Examples of such CP actions include business contributions of financial resources or executive time, such as contributions to art, education, or the community (Carroll, 1991).

3. CP actions that are intended to increase social benefits or mitigate social problems for constituencies external to the firm (Marquis et al., 2007). While there may be financial benefits associated with these social benefits, these benefits extend beyond immediate profit-maximisation goals.

It seems that understanding CP in developing countries is mostly limited to voluntary CP of a non-economic and altruistic nature. Studies suggest that CSR/CP in developing countries seems anchored in the context of voluntary action, with the economic, legal and ethical dimensions somewhat taken for granted (Jamali, 2007). Studies indicate that CP of a non-economic nature is not just more prominent than CP of a strategic nature, but moreover is the predominant and most-established mode in that local firms appear to understand CSR as limited to CP (Ahmad, 2006; Arora and Puranik, 2004; Chapple and Moon, 2005; Jamali, 2007, 2008; Jamali and Keshishian, 2009; Jamali and Mirshak, 2007, Lu and Castka, 2009; Visser, 2006). This confusion between CSR and CP is described by researchers such as Jamali and Mirshak (2007) as an interesting cultural phenomenon. The dominance of philanthropy over other elements of CSR in developing countries introduces a pyramid of CSR which is different to that introduced in developed Western countries. While CP is seen as the least important among responsibilities in the Western frameworks (Carroll, 1979, 1991), it is actually seen as the second most important business responsibility in developing countries (Visser, 2006).

Different scholars point out that CP in developing countries aims to improve the community outside the firm (Arora and Puranik, 2004; Jamali, 2006; Ararat, 2008). CP targets the traditional needs of developing countries: the relief of poverty, social suffering, and the protection of human rights. These are the “social services that would be seen as a government’s responsibility in developed countries” (Visser, 2008: 483) and which cause CSR to be seen as a way to plug the ‘governance gaps’ left by weak, corrupt, or under-resourced governments that fail to adequately provide various social services (Visser, 2008: 483). Although forms of CP in developing countries take many shapes, ranging from donations to sponsorships and partnerships, it should be noted that the philanthropic approach is at the heart of all forms (Arora and Puranik, 2004; Chapple and Moon, 2005; Jamali et al., 2009).

Studies suggest the existence of a mix of non-strategic, humanitarian, and altruistic motivations to CP in these developing countries. Such non-economic benefits may include

branding, reputation, and public relations. These types of benefits are likely to reflect positively on bottom-line performance over time (Jamali and Mirshak, 2007: 259). However, studies point out that profitability, while certainly important, may not qualify as the driving force for the adoption of CP in these countries (Arora and Puranik, 2004, India; Jamali, 2006, Lebanon; Ararat, 2008, Turkey; Lu and Castka, 2009, Malaysia). Chapple and Moon (2007: 186) point to this mix of motivations indicating that “more detailed analysis is needed of what instrumental, moral and relational motives exist in national systems very different to the Western contexts in which they were developed.” This thesis aims to model how the institutional forces within developing countries influence the three features of CP of a non-economic nature within a religious context.

### **3.3 Institutional Theory**

This thesis views CP using an institutional lens. The institutional theory affords explanations of firms’ behaviours that extend beyond the interests of an individual firm, through establishing a field-based pattern (Scott, 2001). As Powell and DiMaggio (1991: 150) explain, organisations compete not just for resources and profits but for political power and institutional legitimacy – for social as well as economic fitness. Firms are not independent units able to develop and implement strategy in isolation from the influence of the external environment; rather, institutional pressures are central in the formulation of a firm’s organisational actions (Hoffman, 2001).

The institutional theory is appropriate for two reasons: First, it enables the study to explain CP from a non-economic and altruistic perspective rather than an economic one. As explained earlier, the non-economic perspective on CP is dominant in developing countries. Second, it enables the study to conceptualise the influence of stakeholders exerting institutional pressures on firms, encouraging the isomorphic model of CP of a non-economic nature practiced within a field. The thesis builds on studies suggesting that stakeholders’ pressures in each society are influenced and shaped by the beliefs and values within that society (Hofstede, 1985; Schein, 1983). It particularly focuses on Islamic beliefs, values and norms as the main component of the national environment in an Islamic developing country and as a main driver for CP of a non-economic and altruistic nature.

### **3.3.1 Environmental and field-level institutional pressures**

The natural environment is the higher-level system which the organisation is part of (Hatch and Cunliffe, 2006: 65). Within the environment, there are certain factors that affect all of its members. These environmental factors or systems are social, cultural, legal, political and financial, with further ones possible too. Building on the institutional theory, these factors institutionalise certain stakeholders and enable them to take on a ruler-like status in the society (Hatch and Cunliffe, 2006; Meyer and Rowan, 1977). These institutionalised constituents are the ones that exert pressures and expectations to shape and control the structure and the action of different actors in the environment, and the organisation is one of these actors (Oliver, 1991). The organisation has to adapt to the contextual institutionalised pressures exerted by stakeholders in order to survive (Oliver, 1991, 1999).

To further explain the influence of the environment on the firm, studies point out that while organisations have the freedom of behaviour, they are constrained by the environment they survive in (Basu and Palazzo, 2008; Johns, 2006; Whitley, 2006, 1999; Gimeno et al., 2005; Gopalakrishnan and Dugal, 1998; Hrebiniak and Joyce, 1985). Hrebiniak and Joyce (1985) argue that studying the organisation without studying its environment is “misleading and diverts research inquiry away from the critical interactive nature of organization-environment relationships in the adaptation process” (ibid: 336). Gopalakrishnan and Dugal (1998) argue that organisational performance could be explained through the different factors that influence the organisation’s determinism and choice. Johns (2006) suggests a number of ways to explore and use environmental impact for researchers. Whitley (1991, 2006) explains how different business systems reflect different historical institutional features, with a focus on the societal institutions. He points out the need “to explain how and why particular social activities become organized in different ways with different outcomes as a result of being carried out in differently organized institutional contexts. Given that all human activities are socially constituted and structured, a central issue has been, and remains: “How do different kinds of societal contexts account for variations in the organization of different activities?” (Whitley, 2006: 1154)

Institutional pressures exerted by stakeholders on a field level mediate between the firm and the natural external social, political, and economic environment (Powell and DiMaggio, 1991; Scott, 2001). The organisational field includes “those organizations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resource and

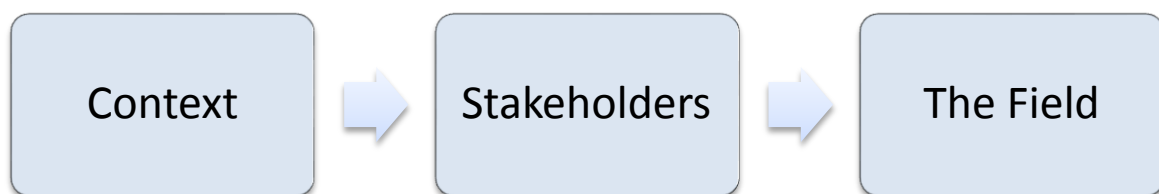
product consumers, regulatory agencies, and other organizations that produce similar services or products” (DiMaggio and Powell, 1983: 148). The institutional pressures within a field create an institutional context that defines how firms view issues, what the appropriate way to respond is and what they ought not to do (Hoffman, 2001). Moreover, the field is a channel of dialogue and discussion between firms (Hoffman, 2001).

### **3.3.2 Stakeholders as field-level institutional pressures**

The stakeholder approach was first introduced by Freeman (1984). The aim of this approach was to shift the focus from the shareholders’ domination of the firm to include various groups who can affect, or are affected by, the activities of the firm (Freeman, 1984). Instead of looking after shareholders’ interests only, shareholders are now one group among others. Successful organisations are those who address the interests of their stakeholders and maintain good relationships with them (Shepard et al, 1997). Firms manage the competing interests of different stakeholders, rather than simply maximising the profits of one group of shareholders (Crane and Matten, 2010).

According to Donaldson and Preston (1995), research on stakeholder theory distinguishes between three forms: descriptive, instrumental and normative. The descriptive stakeholder form describes the relation of corporations and their stakeholders. The two other forms, instrumental and normative, are interested in how a firm prioritises its stakeholders, and both rest on entirely different bases (Donaldson and Preston, 1995). The normative stakeholder form offer guidance to the firm in its relations with different stakeholders on the basis of some underlying moral or philosophical principles. On the other hand, the instrumental stakeholder form is essentially hypothetical and shows the relation between prioritising certain stakeholders and its effect on the performance of the firm. The utility of the stakeholder approach was examined in different studies related to CSR across many contexts. Jamali (2008) discusses how this approach is favoured by scholars for three points: first, the stakeholder approach encourages consideration of external stakeholders beyond the traditional ones (i.e. beyond shareholders); secondly, it uses an easy descriptive language of obligations and responsibilities for each stakeholder; and thirdly, it seems to make it easier for researchers to conduct and analyse data in their empirical studies.

Within the relation between context, stakeholders and the organisation, one can find that research concentrates on the influence of the context directly on the organisation (Johns, 2006) with little attention on how the context indirectly influences the organisation by influencing its stakeholders. Studies examining the role of the context in mobilising and institutionalising stakeholders are rare. This gap in the literature seems to be part of a gap relating to the scarce research regarding stakeholder mobilisation in general. Rowley and Moldoveanu (2003) argue that research related to stakeholders can be divided into two broad topics – stakeholder classification and stakeholder behaviour – without asking the important question of how stakeholders are mobilised. As Rowley and Moldoveanu (2003) point out, research deals with stakeholders given that they are mobilised, with little attention to the factors that may mobilise stakeholders to take action. This question of how stakeholders can be mobilised was answered by few studies (Rowley and Berman, 2000; Rowley and Moldoveanu, 2003; Butterfield et al., 2004), albeit with no attention to the context as a factor of mobilisation (see Figure 3.1).



**Figure 3.1:** Context, stakeholders, and the field

Source: Author (2013)

To unfold this point, different contexts may introduce different institutionalised and active stakeholders. Crane and Matten (2010) indicate that while the government is a major shareholder in France, Germany, and China, the case is different in other countries. In Japan and Korea, suppliers, creditors, customers, and employees are the most important stakeholders. Crane and Matten (2010) continue to explain that when the stakeholder theory was established in the Anglo-American managerial capitalism, it was aiming to shift the dominance from shareholders to other stakeholders, and this shift was a necessity in that context. However, that was not the case internationally, and “a general shift towards other

stakeholders has not been seen as so much of a necessity in those other parts of the world” (Crane and Matten, 2010: 65).

The literature shows that in Western developed countries certain contextual pressures and active stakeholders influence socially responsible corporate behaviour (McWilliams and Siegel, 2001; Scherer and Palazzo, 2007). These prerequisites of CSR are, as Campbell (2007: 948) point out, “public and private regulation, the presence of non-governmental and other independent organizations that monitor corporate behaviour, institutionalized norms regarding appropriate corporate behaviour, associative behaviour among corporations themselves, and organized dialogues among corporations and their stakeholders”. These pressures coming from different parties are likely to encourage firms to behave in a socially responsible way. A number of studies highlight methods to exert different pressures through different groups. Examples of such studies include those that discuss the role of government in driving firms into accepting CSR (Arya and Zhang, 2009; Crouch, 2006), the role of institutional intermediaries (Doh, 2010), and the role of consumers, employees or investors (Bhattacharya and Sen, 2004; Caruana and Crane, 2008; Crouch, 2006).

Furthermore, these pressures differ from one region to another even within the Western world. For example, an empirical study done by Doh and Guay (2006) found that the different institutional environments of Europe and the US lead to different expectations in these two regions in relation to CSR. Doh and Guay (2006) examined these differences in government policy, corporate strategy, and NGO activism. Another study by Matten and Moon (2008) identified notable differences in CSR between Europe and the US. The study found that due to institutional differences between the two regions, the US adopts a more explicit CSR, while Europe goes for a more implicit CSR.

Different studies support viewing CSR/CP within its cultural and social institutional context, as well as a shift in the focus in understanding relations between firms and their stakeholders from a corporate-centred model to an institutional systems perspective (Donaldson and Preston, 1995; Hoffman, 2001; Kampf, 2007). Kampf (2007), suggests that this collective approach helps in shifting the focus from asking whether CSR/CP is affected by the institutional system to a question of how the institutional system affects stakeholders and their communications about CSR/CP. Kampf (2007) continues that extending the notion of stakeholder theory from being descriptive to being embedded and situated in a set of legal, political, historical, cultural, and geographical contexts allows for a more robust base for



understanding the stakeholder theory. Kampf (2007) concludes that this collective approach thus includes the firm as part of the institutional consequences of its society and understands the firm as an institution which responds to the context in which it is situated. By building connections between the context, stakeholders and the field, this study aims to gain better understanding of how corporate social practices for social change are anchored and embedded in the communities in which firms exist.

### **3.4 Institutionalised Stakeholders in Developing Countries**

Studies indicate that the drivers for CSR/CP are naturally weak in developing countries. Fox (2004) points out that the enabling environment for CSR/CP has three pillars: the drivers for responsible business, which can include the pursuit of new business opportunities through social and environmental innovation, cost savings, staff recruitment and retention, reputational risk management, campaign pressure from NGOs or trade unions, media exposure, regulation and litigation. The second pillar of the enabling environment for CSR/CP is the human and institutional capacity to generate and respond to the drivers, which include government agencies and public governance frameworks, businesses and business associations, specialist local intermediary organisations, and civil society and workers' organisations. The final pillar of the enabling environment is presented by the tools of the CSR agenda, which include legislation and regulation, labels and certificates, codes of conduct, partnerships, guidelines, management systems and CSR awards. Fox (2004) suggests that there is a weakness in these prerequisites of CSR/CP in developing countries, pointing out to the need to rehabilitate and reconstruct this weak environment and to create an enabling environment for responsible business. In this section, a literature review is conducted to investigate in detail the institutionalised and the deinstitutionalised stakeholders in developing countries in the context of CP.

#### **3.4.1 Shareholders are institutionalised and dominant in developing countries**

In developing countries, shareholders are generally the most influential stakeholders. Studies point out that one of the features of Asia's largest companies is that they are owned and controlled by key controlling shareholders, who are mainly ruling elites or dominant families (Jamali and Mirshak, 2007; Ararat, 2008; Ozen and Kusku, 2009). For example, Ararat (2008) indicates that in Turkey these dominant shareholders can force a company to operate

according to their own interests and benefits, which may negatively affect smaller disregarded minority shareholders. Belal (2001) points out that the existing powerful elite in Bangladesh are dominant in the upper levels of government, industry, commerce, and higher education, leading to a very hierarchical society.

In Chapter 2, the study discussed shareholders' domination on the frameworks of managerial capitalism and how this dominance results in the existence of economic CP. In this chapter, the study tackles a different context and thus a different shareholder understanding of CP. Studies suggest that shareholders, in the context of developing countries, accept having a voluntary social philanthropic role, and this acceptance has been a tradition that can be traced back through each country's history (Baughn et al., 2007; Gupta, 2007; Visser, 2008).

The literature discusses two principal reasons for shareholders' acceptance of a firm's voluntary commitment to CP. First, this has evolved because business in developing countries has developed from family businesses, with the effect that the traditional norms of these families have been carried into the business (including motivations and patterns of CP actions), which paved the way to corporate conscience and a sense of corporate responsibility (Mohan, 2001). This is because influential families and elites are likely to be motivated by a normative source of power "based upon prestige, esteem, and social symbols such as love and acceptance" (Mitchell et al., 2011: 242). Mitchell et al. (2011) studied this model of family-owned firms, and they point out that altruism is among these sources of normative power held by family members in a family business. They continue that altruistic actions depend upon the perception of the owners of the firm of welfare, targeting owners' non-economic goals and socio-emotional wealth. Mitchell et al. (2011) explained that the family heritage and privilege can be seen as the source of these altruistic actions.

Scholars in developing countries support the notion of the influence of traditional norms of family business on shareholders' understanding and practise of CP of a non-economic nature. Ozen and Kusku (2009) explain that families and central ruling elites in developing countries assume direct responsibility as moral actors steering the social responsibility choices. Ozen and Kusku (2009) continue that these shareholders encourage CP as a positive sign of identity and for the need to legitimate their social existence, as well as to be the first in transferring modern applications (CSR as a modern expression in this case) from abroad. Jamali and Mirshak (2007) suggest that voluntary CP initiatives are tackled by local companies in developing countries as a result of enlightened entrepreneurship exercised by

owners/managers of the firm. Thus, this study suggests that the non-economic benefits are leading shareholders to support social goals despite the negative impact on the firm's profits and sometimes on the interests of minority shareholders (Ararat, 2008; Belal and Owen, 2007).

Another reason for shareholders practising CP of a non-economic nature and altruistic nature in developing countries is the influence of religion and socio-economic needs. While religion clearly encourages philanthropy (Azmat and Samarantunge, 2009; Visser, 2008; Arora and Puranik, 2004), poverty means that CP is something expected of a business (Jamali and Mirshak, 2007). Studies in developing countries point out those different shareholders are influenced by this context and they appear to understand CP as being expected of firms, and encourage managers to implement traditional CP actions. Jamali and Mirshak (2007) suggest that shareholders assume direct responsibility as moral actors handling the social responsibility choices due to "weak regulatory capacities and nascent community organization" (ibid: 259). As mentioned earlier, Visser (2008) explains that shareholders handle the social services that would be seen as "a government's responsibility in developed countries", which causes CSR/CP to be "seen as a way to plug the 'governance gaps' left by weak, corrupt, or under-resourced governments that failed to adequately provide various social services" (Visser, 2008: 483).

Mohan (2001: 115) indicates that CP in India "is not about serving any instrumental objective of furthering primary shareholder interests". He continues that "most businesses are seen to be driven by internal values that maintain profits as a by-product and stakeholder concern as intrinsic". Ararat (2008) states that families' motives are arguably altruistic, because spending related to the support of social goals related to reputation and heritage continues despite the negative impact on shareholder value. Jamali et al. (2009) point out that religious motivations are frequently discussed by managers as a silent factor motivating family-owned firms. Jamali et al. (2009: 317) suggest that these firms avoid strategising, formalising, or publicising their CP practices due to a belief that "formalization risks undermining the spiritual rewards and satisfaction derived from social involvement".

### **3.4.2 Weak institutionalised stakeholders in developing countries**

Developing countries suffer from a weakness in the institutionalised stakeholders – other than shareholders – when compared to Western companies (Welford, 2004; Baughn et al., 2007;

Jamali, 2007). For example, governments can play four roles to enable firms to handle CP activities, and these four roles in developing countries are not active. Fox et al. (2002) define these four roles as follows: 1) Mandating: the minimum standards for business performance embedded within the legal framework. 2) Facilitating: government agencies enable or incentivise companies to engage with the CSR agenda or to drive social and environmental improvements. 3) Partnering: which can bring the complementary skills and inputs of the three sectors (public, private, and civil society) to bear on complex social and environmental problems. In their partnership role, the government and its bodies may act as participants, convenors, or facilitators. 4) Endorsing: political support and public sector endorsement of the concept of CSR. In the case of developing countries, where governments are often accused of being corrupt, shareholders find it difficult to work with these governments (Visser, 2008). There is an understanding in developing countries that working with corrupt governments and helping them to overcome social problems will not help in moving government towards accountability, and thus is not found to be logical by shareholders (Visser, 2008). CP thus seems to be enacted as an inadequate response to some severe social severe problems, not a proactive involvement in the social development of the country (Visser, 2008).

Another stakeholder is civil society, such as NGOs, professional organisations, and the media. This civil society is described as having minimal power in developing countries (Belal, 2001, Bangladesh; Mohan. 2001. India; Arora and Puranik, 2004, India; Ahmad, 2006, Pakistan; Jamali and Mirshak, 2007. Lebanon; Belal and Owen, 2007, Bangladesh; Ozen and Kusku, 2009; Ararat, 2008. Turkey; Lu and Castka, 2009, Malaysia). Gugler and Shi (2009) suggest that while civil society in developed countries is well established and demanding, this is not the case in developing countries. Gugler and Shi (2009) explain that some developing countries are very cautious about the development of civil society in fear of it then challenging government authority. This makes some NGOs in developing countries serve more as social clubs than as development agents (Ararat, 2008).

Non-traditional stakeholders (community, environment, wider society) are given very limited attention in developing countries, and are seen as silent stakeholders (Belal and Owen, 2007; Jamali, 2008). Jamali (2008) in Lebanon explains this ignorance by pointing out that these stakeholders tend to be less easily identifiable and less coherent in articulating demands. They are therefore relegated to a lower level of priority in a developing country context, while the traditional stakeholders (government, customers, and employees) represent “rational and/or

economic motives for the firm” (Jamali, 2008: 226). Belal and Owen (2007) in Bangladesh suggest that community, environment, and the wider society are rarely mentioned as stakeholders, and this is because the attention to any group of stakeholders depends upon specific organisational circumstances conferring economic power onto these groups (Belal and Owen, 2007: 482). Gugler and Shi (2009) conclude that stakeholders in developing countries have been the object of CSR/CP initiatives rather than an active subject shaping the CSR/CP agenda.

### **3.4.3 Institutionalised stakeholders varies in different developing countries**

In the same vein, studies found that, after the attention given by firms to shareholders, developing countries vary in the attention given to other stakeholders (Belal, 2001, Bangladesh; Ahmad, 2006, Pakistan; Belal and Owen, 2007, Bangladesh; Katsioloudes and Brodtkorb, 2007, UAE; Jamali, 2008, Lebanon and Syria; Ararat, 2008, Turkey). To unfold this point, the study takes “employees” as an example to show the variations between developing countries in the attention given to traditional stakeholders. Belal (2001) and Belal and Owen (2007) find this variation when comparing private and public firms in Bangladesh. For private local companies, employees are not regarded as influential stakeholders because they are largely unskilled and can be easily replaced. By contrast, in the public sector, employees exercise some degree of economic power through their trade unions, which enjoy a close relation with political parties. In India, Mohan (2001) points out that both local and international firms provide care to employees, with examples of this care being employee housing, furnishing, water, electricity, telephone and other expenses, as well as the education of employees’ children and healthcare and medical insurance for employees’ families or often even for the extended families. Mohan (2001) explains this care as part of a tradition of philanthropy in India. Ararat (2008) in Turkey argues that while employees are important stakeholders in Turkey, trade unions in contrast are not, which is a dilemma. Ararat (2008) continues that this dilemma may be explained by traditional, paternal leadership characteristics on one hand and lack of democratic traditions on the other.

To finalise this section, one may conclude that shareholders are the most influential stakeholders in developing countries. These shareholders are under no direct pressure to give back to their societies, but they do give and donate. Different motives are discussed for such giving, and motives vary between altruistic, non-economic, and (albeit rarely) strategic

benefits, which creates a need for a more detailed analysis of these motives (Moon, 2007). Moreover, the literature indicates that mobilised stakeholders, other than shareholders, vary between developing countries, which make every developing country a unique model in relation to the institutional pressures of stakeholders.

### **3.5 Religion and CP: Contextual Effects**

A religious context – such as seen in this study – is a context characterised by intense religious beliefs, values and norms which are linked to CP. Religion in this study is one of the core institutional forces or systems that include – beside religion – other systems like the economic, political, legal, and educational ones (Selinger, 2004; Parboteeah and Cullen, 2003). Religion as an institutional system does not work alone in reality, but works with the other institutional systems that may increase or decrease its influence. Thus, differences can exist between religion in theory and the religion practised in a given society. Moreover, differences are expected between countries that hold the same religion due to differences in the other institutional factors; for example, a rich Muslim country may differ to a poor Muslim country in relation to some features of CP actions.

According to Scott (2001), each institutional system has three components or pillars: regulatory, cognitive, and normative. These pillars “operate through distinctive mechanisms and processes” (ibid: 47) and are considered “the building blocks of institutions, providing the elastic fabrics that resist change” (ibid: 49). Thus, religion as an institutional factor does not include just beliefs (the cognitive pillar), but also has certain values, practices and norms (the normative pillar) and laws (the regulatory pillar). Religion may institutionalise certain field- force stakeholders in a manner consistent with its strength as a force. Religion enables these stakeholders to take an effective role, influencing CP through exerting pressures and expectations to shape and control the structure and the proper action of different actors on the field and organisational level (Oliver, 1991).

This study aims to investigate how institutional stakeholders, mobilised by religious beliefs, values and norms within the context, shape the motives and actions of decision makers (shareholders and managers) resulting in an isomorphic model of CP of a non-economic nature on the field level. According to DiMaggio and Powell (1983), institutional isomorphism on a field level is strongly influenced by three mechanisms: coercive, mimetic, and normative pressures. Coercive isomorphism involves regulatory pressures or cultural

expectations on field behaviours, such as government mandates. Mimetic processes can involve some firms copying and modelling themselves on industry-leading organisations, leading to the transfer of best practices across firms in the industry. Normative pressures, associated with what ought to be done, results from professionalisation. These three mechanisms are the ones that diffuse values, norms and rules leading to similar practices across a common field.

Religion as part of the context is “the major belief system” (Dunning, 2005: 150) of a country, which is “able to speak with a common voice” (Dunning, 2005: 150) throughout its history. It is “the shared set of beliefs, activities, and institutions based on faith in supernatural forces” (Parboteeah et al., 2009: 120). It influences the economic, political, legal, and educational systems (Parboteeah and Cullen, 2003; Selinger, 2004). Prandi (2008) explains the influence of religion on other parts of the culture, pointing out that:

“religion not only constitutes culture but also provides culture with normative and axiological components. Culture, on the other hand, interferes with religion, reinforcing it or forcing it to change and adapt. Even though such definitions can be questioned in light of a contemporary conceptual crisis, religion and culture still refer to one another, especially when it comes to notions of nation, country and region” (Prandi, 2008: 265).

Religion is also one of the main roots of business ethics and corporate moral responsibilities (Crane and Matten, 2010; Epstein, 1998, 2002; Visser, 2008). This, not surprisingly, has resulted in some studies tracing differences between the economic systems and ethical understanding of countries back to the influence of different religions. This can be applied to Calvinist Protestantism in the US, Catholicism and Lutheran Protestantism in Europe, Ubuntu in South Africa, Xiaokang in China, and Islam in Turkey and Arab countries (Crane and Matten, 2010; Katsioloudes and Brodtkorb, 2007; Lantos, 2001; Visser, 2008).

Parboteeah et al. (2009) argue that religion is still important in most societies across the world and not just in developing countries. Even in societies that have moved towards secularism, such as the US, Eastern Europe and the former Soviet Union, there has been a resurgence of religion (Iannaccone, 1989). It seems that resurgence of religion “is occurring in countries with different religious traditions and at different levels of their economic development, so it cannot be explained as a feature of economic underdevelopment”

(Thomas, 2000: 816). Parboteeah et al. (2009) explain the role of religion as a contextual factor. They explain that religion produces norms, laws, and practices that influence peoples' behaviours, attitudes, and values. Over time, religion creates an expectation bond about right and wrong, and acceptable and unacceptable behaviours. Parboteeah et al. (2009) point out that while not all people respond identically to religion as a contextual power, shared norms are created, making members of a culture respond in similar patterns, and thus people and businesses feel an obligation to respect these religious norms.

Despite the strong influence of religion as a contextual factor, its role is almost ignored in previous research. There is an underestimation of religion as part of the power and discipline of the state, as a cultural and social practice that governs world-views and which can directly influence social and economic development. What has been considered in the literature of CSR as an increasing attention to the influence of religious beliefs on CSR (Graafland et al., 2006) seems to include individual religious beliefs (Brammer et al., 2007; Graafland et al., 2006; Mazereum et al., 2008) rather than religious beliefs as elements of the national context.

### **3.5.1 Shortcomings of the literature in addressing religion as a contextual factor**

The underestimation of religion as part of the power and discipline of the state has created a gap in the literature (Selinger, 2004; Thomas, 2000) that has ramifications for different fields of knowledge. A number of researchers have identified this disparity. Thomas (2000) discusses this gap while studying international relations. In his research, he regrets that social theories are not taking religion and cultural pluralism as seriously as they should. He claims that "taking religious and cultural pluralism seriously means developing a deeper pluralism among different communities and states in international society" (2000: 816). A similar neglect is highlighted by Selinger (2004) in another field of knowledge, international development theory. Selinger (2004) discusses the deliberate avoidance of religion in programmes of Western sustainable development in developing countries. He argues that "if development is to be effective in the future, religion must be taken account of" (ibid: 540). In addition, Li (2008: 773) studied cross-border alliances as organisational behaviour and found that "it is worthwhile to note that although research has been done to investigate the influence of an individual's religion on his or her behaviour, little existing research has explored the effect of a country's dominant religion on corporate behaviour and decisions".



Li (2008: 775) continues: “in spite of its significant impact on people’s values and business ethics, religion has received little attention among researchers as a potential influence on opportunistic business behaviours”. In international management, Parboteeah et al. (2009: 120) indicate that “despite this acknowledged importance of the role of religion in most societies, it is surprising to note that international management scholars have largely ignored religion in their research”. The authors also express their surprise that many popular cultural frameworks (for example, the Hofstede model and the national culture model, GLOBE) suffer from the same phenomenon of ignoring religion. Furthermore, Parboteeah et al. (2009) continue that even when research acknowledges other social institutions in explaining cross-national phenomena, religion has generally been ignored.

Selinger (2004) relates the dismissal of religion to the history of the Western industrialised countries. Selinger (2004: 526) points out that religion has had a marginal status since the 1920s, when sociology moved away from its originally strong interest in religion, accepting the thesis that religion was increasingly less significant sociologically. She continues that the modernisation theory focuses on economic growth as the defining factor in development, ignoring religion “as there is an assumption in Western developed countries (not just among academics, but among the population as a whole) that religion is no longer required in a developed and “modern” society” (Selinger, 2004: 526).

Selinger (2004) discusses how, while both Weber and Durkheim argue that the “Protestant religious tradition supported and promoted the economic system, creating the success of the capitalist system through its qualities of individualism and entrepreneurship”, they both “argued that religious change has been central to economic development” and thus religion could not be completely discarded. Instead, religion “should be present in a marginal capacity to the other dimensions of society, as a private motivating force for the individual” (Selinger, 2004: 536–527). By dealing with religion as a personal motivator, “religion was slowly being separated from the other spheres of society, no longer functioning as a binding force between groups. In short, society became secular” (Selinger, 2004: 527).

This debate raises the next question: why does this study expect that studying religion as a contextual factor will be different from studying religion as a set of personal beliefs of individuals? Selinger (2004) points out that looking at religion as a personal choice equals looking at religion in a spiritual sense, which is only one part of the definition of religion. According to Selinger (2004), looking at religion as a contextual force means looking at

religion in a material public sense, where religion is a social and political construct that defines and unifies communities. Thomas (2000) explains that religion should be studied as part of the power and discipline of the state. He continues that religion in this wider meaning includes various virtues, supported by the practices of an ecclesial community embedded in Christian [religious] tradition. Thomas (2000: 823) points out that moral judgements in religious communities “is shaped by the linguistic conventions of a community, connected to the practices of a religious tradition, and are only intelligible because they are recognised types of behaviour (practices) passed on through the narratives that shape the identity of the community”.

To understand how influential religion can be, previous studies indicate that religion can have an impact on people independently of their personal religious beliefs. Parboteeah et al. (2009) used data from 62,128 individuals in 45 countries to study the national religious contexts and relate them to individuals’ work obligation norms. The study finds that religions provide an institutional context with a significant influence on the work-related attitudes of individuals, independent of the individuals’ personal religiosity. The study emphasises the important role religions play in defining the institutional context of many societies. Another sociological study by Kelley and DeGraaf (1997) comes to a similar conclusion: the religious context will affect families regardless of whether the family is secular or religious. A third study undertaken by Ruiters and DeGraaf (2006) finds that the differences between secular and religious people are substantially smaller in religious countries than in secular countries. Finally, a study conducted by Graafland et al. (2006) find that some of the attitudes of Muslim business managers living in a non-Muslim society toward CSR cannot be explained in relation to Islamic values, but should be understood as a result of how the context of the country in which these managers live and work can shape their values and norms.

### **3.5.2 Synchronicity between religion and poverty in relation to CP in developing countries**

Religion, as a central and definitive contextual factor, seems to influence all areas of society in developing countries (Thomas, 2000; Selinger, 2004). In turn, this results in religion having a major influence on CP, because the central tenets of all religions clearly encourage philanthropy (Arora and Puranik, 2004; Azmat and Samaratunge, 2009; Visser, 2008).

However, it appears that research relates the influence of religion on CP with poverty and socio-economic needs in these developing countries.

To unfold the relationship between religion and poverty, the existing CP literature on developing countries states that the governments of these countries suffer from a scarcity of resources, which means governments are not able to handle their social roles. In the existing literature, religion is thus introduced as a positive motivator, encouraging firms to address these socio-economic developmental challenges (Ahmad, 2006; Arora and Puranik, 2004; Jamali, 2007, 2008; Jamali and Keshishian, 2009; Jamali and Mirshak, 2007; Lu and Castka, 2009; Visser, 2006). The high levels of poverty have created certain public expectations a business should be involved in wider issues of societal and national concern, causing the “lack of appreciation of the other domains of CSR and their critical importance particularly in a developing country context” (Jamali and Mirshak, 2007: 258). Therefore, responsible companies are seen to be those that reach out to society while continuing to conduct their business responsibly (Mohan, 2001).

Although previous studies confirm the positive role of religion in driving CP, these studies reveal a subtle synchronicity between religion and poverty. However, despite the earlier argument, some researchers support the fact that religion may be influential on CP even in the absence of poverty. For example, Taka (1994) points out that Confucianism, Buddhism, and other traditional and modern religions in Japan have an impact on how CSR is understood and practised. Katsioloudes and Brodtkorb (2007) studied CSR in oil-rich Arabian Gulf countries. They find that the responsibility perceived by local firms toward their community is supported by the strong influence of Islam, which not only makes such responsibility an important part of the lives of individuals but also a necessity for business success (Katsioloudes and Brodtkorb, 2007: 19).

To summarise this section, the study discussed that while religion is influential as a contextual factor in ways that differ from religion as an individual factor, religion as a contextual factor has rarely been discussed. While the literature indicates that religion is influential, there is still a need to know how religion influences CP, and if this influence occurs only through mobilised shareholders or through other mobilised stakeholders. This is part of the intention of the current study.

### **3.6 Islamic Beliefs, Values and Norms as Contextual Institutions and CP**

This study focuses on Islam and its institutional influence on CP, and does not aggregate all religions. This is because religions have been found to vary in their values, beliefs and teachings, which results in differences between their believers in the way they understand and practise CP (Berger, 2006; Brammer et al., 2007; Tayeb, 1997). Brammer et al. (2007) agree that there are considerable variations in attitudes to aspects of CSR/CP across religions. For example, “Muslims are supportive of holding companies responsible for addressing poverty and charity, which are basic tenets of Islam, but do not in general expect companies to uphold equal rights between genders, which are dealt with in a rather different way within Islam where genders are given equal value but different rights” (Brammer et al., 2007: 240). Brammer et al. (2007) give another example in relation to Buddhists: “Buddhists do tend to hold broader conceptions of corporate social responsibilities than non-religious individuals when it comes to the general role of firms, but on specific issues they hold generally a narrower view of the social responsibilities of corporations than both other religious individuals and non-religious individuals” (Brammer et al., 2007: 239). Berger (2006) states that while religious identity is an important determinant of philanthropy, “members of different religious groups systematically give differently, give for different reasons, and face different giving barriers” (Berger, 2006: 131). Thus, it is difficult to aggregate all religions when trying to make a framework for the study.

Choosing Islam, in this study, can also be justified on the grounds that it is the state religion in 57 states spread over four continents, and that Muslims make up about 1.7 billion of the world’s population (Organisation of the Islamic Conference). Islam spread from the Arabian Peninsula and is present today as a majority religion in many countries from West Africa to South East Asia: it is also the religion of considerable Muslim minorities in North America and Western Europe (Kroessin, 2008). Islam sees itself offering guidance to all human affairs and to incorporate fields generally considered to be secular in Western countries, such as economics (Kroessin, 2008). The majority of Muslims accept Islamic teachings to encompass all aspects of their human life, whether personal, economic, social, political, or educational (Kroessin, 2008). Muslims believe that the Islamic perspective has been practised for hundreds of years in the Muslim world, and is seen as successful.

The interest in studying Islam is not new, but the perspective used for studying Islam has changed (Kroessin, 2008). Kroessin (2008) states that the study of Islam from a Western

perspective began in the 18th and 19th centuries and was “heavily influenced by the rivalry for power between the West and the Muslim world, as well as the needs of colonial administrators”. Kroessin (2008) continues that “in the 20th century, a new paradigm emerged that sought to dissociate the field from this historical baggage, both by Western scholars and by Muslim scholars seeking to regain the lost intellectual territory” (Kroessin, 2008: 8)

Moreover, Islam as a religion has detailed instructions related to philanthropy and “Zakat” – which requires a financial contribution to Islamic causes and is discussed later in this chapter – substitutes as the principal source of funding for religious, social, and humanitarian causes (Davis and Robinson, 2004; Kochuyt, 2009; Looney, 2006). As an example discussed by Winer (2008), huge amounts of religious philanthropy are generated from the single Islamic country Saudi Arabia, and that

“many wealthy Saudis contribute approximately 2.5 percent [Zakat] of their annual income or more to charitable causes funding religious education programs, orphanages, hospitals, and other social services around the world. These contributions are estimated to total about \$3 billion to \$4 billion annually, of which 10 to 20 percent is disseminated abroad” (Winer, 2008: 117).

Further justification from the choice of Islam as a subject matter comes from the fact that, because I am a Muslim, I am able to interpret Islam as a religion and the tradition of philanthropy lived every day in Islamic countries.

### **3.6.1 Beliefs and values as contextual institutions and CP**

Different studies assert the influence of the beliefs and values of the society in institutionalising the pressures that shape CP, resulting in community and field isomorphism. The early studies of Galaskiewicz and Burt (1991) and Galaskiewicz (1991, 1997) were significant in their treatment of the interaction between institutional pressures giving rise to certain norms of corporate giving. These studies found evidence that managers’ decisions related to CP are influenced by institutional pressures affecting patterns and level of giving, and the more connected managers are in community social networks, the stronger the institutional influences are on firms to give, in return for acceptance and legitimacy. Brammer and Pavelin (2005) examined the differences in the patterns of corporate

community contributions between the UK and US, and evaluated the role played by the national, cultural and institutional factors in relation to these differences. Brammer and Pavelin (2005) referred to the work of Hofstede (1980, 1991), suggesting the role played by two values in these differences: power-distance, which describes a society's values regarding the equality with which power and wealth are distributed, and individualism versus collectivism, which focuses on the relative importance of individual and familial needs versus broader social needs. Godfrey (2005) identifies the importance of community values when he introduced the positive "moral capital". He shows that philanthropic activities that are highly consistent with community ethical values lead to greater positive moral evaluation in that community, and the more a community views a company's philanthropic activities as reflecting the community characteristics, the greater the firm's positive moral evaluation will be.

Marquis et al. (2007) examine how ideology, values and identity institutionalise corporate social behaviours and practices that extend beyond immediate profit-maximisation goals within the community where firms are headquartered. They propose that community isomorphism influences the nature and level of corporate social action and conclude with a series of theoretical implications emphasising the community as the focal unit of analysis for understanding corporate social action. Garriga and Melé (2004) stress the influence of community values even on Friedman (1970) in his view of wealth creation and the economic approach to CSR/CP. As this study discussed earlier in Chapter 2, Garriga and Melé (2004) point out that Friedman's concern "is rooted in certain cultural values regarding the free market, private property and the fact that wealth creation is good for society. This shows us that certain values are present, even though they are frequently questioned (Garriga and Melé, 2004: 64).

### **3.6.2 Islamic beliefs as contextual institutions and CP**

Drawing on Scott's institutional perspective (2001), beliefs are a main component of the cognitive pillar of any institutional system. The cognitive pillar is defined as "the shared conceptions that constitute the nature of social reality and the frames through which meaning is made" (Scott, 2001: 57). The cognitive aspect refers to those elements that have a taken-for-granted nature in terms of creating the shared frameworks or mental models stakeholders draw from, to create common definitions of a situation (Gardberg and Fombrun, 2006;

Marquis et al., 2007). In this study, such mental models encounter those notions, beliefs and principles carried by Islam related to CP. The study focuses on how a sector, within a context of intense Islamic beliefs and values, comes to share a frame of reference around CP of a non-economic nature rooted in these Islamic beliefs and principles. These frames of reference are a source of templates or models that facilitate the adoption of similar practices by other members of the group (Marquis et al., 2007). The greater the institutionalisation of Islamic beliefs is, the more these beliefs will affect the firm's motivations and purposes in regard to CP, leading to isomorphism on the field level.

This study suggests that two Islamic principles may be influential in shaping CP of a non-economic nature in Muslim societies. These Islamic principles are consistent with those discussed by Carnegie, a Western industrialist and thinker (Wulfson, 2001). Carnegie justified CP in reference to two religious principles: the charity principle, where religion requires fortunate individuals to help less fortunate ones; and the stewardship principle, where fortunate individuals are asked by religion to see themselves as caretakers not just as shareholders, aiming to benefit their societies (Lantos, 2001). Although Carnegie was discussing Christianity, Islamic scholars too suggest that these are the same principles for CP in Islam. In the end, Islam is an Abrahamic-based religion, just the same as Judaism and Christianity (Cragg, 1986).

Islamic scholars suggest that these two principles influence CP motives and purposes. Islamic scholars argue that, according to Islam, profit should not be the only motivation for economic activities, but that they should operate in the larger context of worshipping God and earning His pleasure through one's economic activity (Kroessin, 2008). This is because Islam emphasises the importance of spiritual and moral considerations as determinants of human welfare (Kroessin, 2008). As a result, economic activities should incorporate social cooperation instead of being a mere struggle and competition. This is not to say that Islam is like communism, for it recognises private ownership and many of its legal rulings are based on this recognition (Ahmad, 2005). However, this private ownership is not absolute ownership where the owner can do whatever he wants with his property. Rather, it is subject to the terms and conditions of the original owner of all wealth – God.

In the same vein, Islamic scholars suggest that these two principles encourage altruistic CP, making firms allocate certain profits for social benefits. In this part, the study will go back to “the argument against altruistic CP” discussed from the view of many Western scholars in

Chapter 2, aiming to introduce how Islamic scholars argue for altruism. Dusuki (2008b), an Islamic scholar, explains that the main difference between the Western and Islamic approach to CSR/CP is related to the theoretical roots underpinning these two approaches. Dusuki (2008b) states that the theories underpinning the construct of CSR in the Western studies have their roots in the Western secularist worldview, which is based on rational enquiry and philosophical argument. Consequently, the Western worldview is relative and ever-changing, as it is rooted in empirical observation and theoretical constructs based on it. Dusuki (2008b) gives more than one example to confirm the relative and transitional nature of CSR in the business sense. For the theory of CSR based on the social contract, the social contract between businesses and society needs renegotiating as society's preferences change. For the legitimacy approach, the legitimacy of corporations rests upon the public's perception alone, meaning corporations are expected to alter their behaviour according to how society expects them to behave. Thus, Dusuki (2008b) points out that science and philosophical arguments which are perceptible by human reasoning cannot really describe, analyse, or even predict human behaviour accurately since human beings do not always behave in a standard manner. They lack concrete and solid normative judgements that may resolve various potential conflicts. According to Dusuki (2008b), the Western view on CSR is in general more aligned with the materialistic philosophy than with ethical concerns.

Dusuki (2008b) implies that, in contrast to the Western theories, the Islamic view of CSR/CP takes a rather more holistic approach. The moral and ethical principles underpinning the Islamic view on CSR/CP are more enduring, eternal and absolute, and thus may serve as better guidelines for corporations when exercising their business and social responsibilities simultaneously. Dusuki (2008b) confirms that while human reasoning plays an important role in a framework guided by Islam, the determination of what is beneficial and what is harmful cannot be left to human reasoning alone. This is because of the inherent limitations of human beings in terms of ascertaining what is right and what is wrong. Thus, human reasoning can and should only be used to complement, support and strengthen ethics and morality defined by Islamic teachings. As such, a man is not expected to conduct his economic, social, and other worldly activities as a self-centred utility aiming to bring maximum benefit to himself as an economic agent, as idealised in neoclassical economics; rather, he is expected to balance between the rights and responsibilities of the individual and that of society. Thus, the notion of social responsibility is firmly inscribed in the religious bond (Dusuki, 2008b).



The argument against altruistic CP	The questions involved	The Islamic view of CP
<ul style="list-style-type: none"> <li>• The role of the firm is justified based on rational enquiry and philosophical argument.</li> <li>• The role of the firm is basically to generate profits.</li> <li>• Altruistic CP violates shareholders' property rights when it benefits society at the expense of those who the firm should care for.</li> </ul>	<p>What is the role of the firm in society?</p> <p>How do shareholders view altruism?</p>	<ul style="list-style-type: none"> <li>• The role of the firm is justified based on Islamic teachings.</li> <li>• The firm has two roles, economic and social, and firms are asked to balance between the two responsibilities.</li> <li>• Altruistic CP in the form of Zakat is expected from shareholders who believe in two principles: the charity principle and the stewardship principle.</li> </ul>
<p>The firm is owned by different shareholders with different values. The manager finds it difficult to decide on CP in relation to three points:</p> <ul style="list-style-type: none"> <li>• Whose values to decide on?</li> <li>• What activities to support?</li> <li>• How much money to give?</li> </ul>	<p>Whose values should be followed in deciding which cause to support and to what extent?</p> <p>How much money is to be given?</p>	<ul style="list-style-type: none"> <li>• Islamic values should be followed.</li> <li>• While certain activities are forbidden, managers are asked to use wisdom to decide on the social activity knowing that the more social benefits it carries, the more encouraged it is.</li> <li>• Firms are asked to pay at least a certain amount of money in the form of Zakat out of their profits. Firms are encouraged to pay more if possible but with the acceptance of shareholders.</li> </ul>
<ul style="list-style-type: none"> <li>• The supporters of altruistic CSR/CP find it worthy only when business does not benefit, which is difficult to achieve. This is because altruistic CSR/CP may cause profits to increase in the long term, and, if business prospers, this means we are discussing strategic CSR/CP, not altruistic CSR/CP.</li> </ul>	<p>Is generating benefits from an altruistic CP action contrary to its nature? What is the determining factor of altruistic CP?</p>	<ul style="list-style-type: none"> <li>• Firm are encouraged to pay Zakat to powerless vulnerable individuals who are not expected to benefit the firm.</li> <li>• If Zakat generates benefits such as more trust in Islamic teachings, economics and a stronger social bond, then this is the aim of Zakat.</li> </ul>

**Table 3.1:** A comparison between the Western view and the Islamic view of altruistic CP

Source: Author (2013)

### **3.6.3 Islamic values and norms as contextual institutions and CP**

According to Scott (2001), the normative component of any institutional force focuses on its values and norms in a given society. Values are conceptions of the preferred or the desirable, while norms specify how things should be done; they define the legitimate means to pursue valued ends. Normative systems define goals or objectives (e.g. winning the game, making a profit) and also designate appropriate ways to pursue them (e.g. rules specifying how the game is to be played, conceptions of fair business practices) (Scott, 2001: 54–55).

Normative influences are distinct from cognitive influences in having an underlying evaluative tone; whereas the cognitive component gives shared frames of reference, of “how things are done around here,” the normative one arises from a moral base: “what is right to do around here” (Marquis et al., 2007). Normative influences shape firms’ expectations and evaluations within peers, and thus shape firms’ choices in regard to social actions and encourage the adoption of similar practices by other members of the group (Marquis et al., 2007). The study focus on how a sector, within the context of intense Islamic beliefs and values, comes to value practices of CP of a non-strategic nature that are rooted in Islamic teachings.

Islam may differ to other religions by providing precise details in relation to philanthropy (Krafess, 2005), setting out some mechanisms and regulations to manage philanthropy. Some of these mechanisms are mandatory (Zakat), while others are voluntary (Sadaqa and Waqf) as illustrated in Table 3.2 (Maali, 2003). Islamic scholars assert the influence of these financial mechanisms on the forms and focus of CP (Dusuki, 2008b).

According to Dusuki (2008b), the mandatory and voluntary mechanisms share two conditions that must be fulfilled for God to accept one’s philanthropy. The first condition is a genuine and sincere motivation to please God. This means that a Muslim must give charity in order to respond to the command of God because charity is a right that he owes to God. As a result, the real transaction is being conducted not between the wealthy giver and the poor recipient, but between the giver and God. The second condition is that the wealth has been acquired through means that God has permitted, not through means that He has forbidden, such as interest or monopoly, for example.

Nature	Name	Motivation	Benefits	Amount	Target	Shape
<b>Compulsory CP in Islam</b>	Zakat	Moral/religious motivation	Non-materialistic	2.5% of the bank's Zakatable money once a year	Poor, vulnerable, and indigent	Donations (money or goods)
<b>Voluntary CP in Islam</b>	1.Sadaqa (short-term donations) 2.Waqf (long-term donations)	Moral/religious motivation	Non-materialistic	Open amounts of money all the year	Targets the needs of the society	All shapes. Donation, partnership and sponsorship

**Table 3.2:** Compulsory and voluntary philanthropy in Islam

Source: Author (2013)

Islam outlines many social objectives for philanthropy. Philanthropy is a means of redistribution of wealth and is regarded as the primary mechanism for redistributive justice in Islam (Davis and Robinson, 2004). It reduces the gap between the rich and the poor and prevents large amounts of wealth from being hoarded by a few members of society. Philanthropy also encourages a form of social insurance by encouraging the spirit of love and cooperation between the members of society, spreading contentment between them and creating unity between Muslims.

Krafess (2005) states that philanthropy accomplishes a number of lofty goals. The first of these goals is to respond to the command of God to give charity. In return, God will bless the wealth of the giver in this world, purifying his heart of greed and stinginess, filling his heart with the joy of giving, erasing his past sins, and rewarding him in the next world. Krafess (2005) continues that as far as the recipient of the philanthropy is concerned, philanthropy purifies his heart of rancour and envy, helps the recipient in his time of need, and guarantees a minimum amount of wealth for him so that he can live respectably. All kinds of philanthropy are a commitment and a right that the poor have in relation to the wealthy. The wealthy are thus not doing a favour to the poor.

### ***Mandatory philanthropy in Islam***

Muslims are generally required to observe the five pillars of Islam, which are five duties that unite Muslims as a community of believers (Esposito, 2000). One of these mechanisms is “Zakat”, which is an obligatory form of charity. Islam considers charity to be “financial worship” (Benthall, 2003). In the Qur’an, worship is regularly mentioned in connection with being charitable (Kroessin, 2008) and the right of the poor to receive support and the duty of the rich to give are also expressed in a number of verses (Kroessin, 2008).

Zakat, which is a kind of alms-giving, is obligatory for all Muslims above a certain wealth threshold: “Zakat is ‘enrobed’ with religious sanctity and ensures redistribution of wealth, not by coercion, but through the acceptance of moral principles” (Dean and Khan, 1997: 196–197). Zakat has the following characteristics (Krafess, 2005) that differentiate it from other forms of philanthropy:

1. It is obligatory whereas other forms are voluntary. Zakat is such a fundamental religious obligation that someone who denies that it is part of Islam is judged a disbeliever. All of this means that it is not a voluntary favour that one undertakes but a mandatory duty of the highest importance.
2. Its obligation is associated with a Zakat-minimum quantity of wealth whereas other forms are not. Islam requires corporations to pay Zakat by annually calculating the revenues of the firm’s possessions to the rest of firm’s possessions and giving Zakat at a rate of 2.5% of the bank’s Zakatable money.
3. Zakat is not a temporary provision of shelter and food. Rather, it is regular assistance that is given every year. Whenever the Zakat year passes, or the yearly harvest comes, it brings with it assistance for those in need.
4. It may only be distributed to certain specific individuals who have been designated by God whereas other forms may be given to anyone. Islam specifies eight categories of Zakat recipients:
  - a) The poor: those who have less than half of what they need.
  - b) The needy: those who have half of or more or what they need, but not enough to meet their needs.
  - c) The Zakat worker: those who are appointed by the state to collect and distribute Zakat. The reason this category receives Zakat funds is because the

institution of Zakat needs dedicated full-time employees to oversee its operation. Part-time voluntary service would not be sufficient.

- d) Those whose hearts are to be reconciled: new converts to Islam who need to be integrated with the larger Muslim community through bonds of love, or people whose harm to the Muslim community needs to be warded off.
- e) Those in bondage: male or female slaves who have made an agreement with their owners to be freed in return for a sum of money. This is given from Zakat funds so that they can purchase their freedom.
- f) Those in debt.
- g) Those fighting for God: voluntary fighters in the state army.
- h) Travellers: those whose money has run out in the middle of their journey, who are given enough money to return to their home town.

Zakat is first distributed in the city where it is gathered. If there is any left over, it is distributed to Zakat recipients in neighbouring cities, precedence being given to the closest cities, then the next closest, and so on. Zakat thus acquires a local and regional character. Islamic propriety requires that the poor not be required to come to the wealthy to ask them for their share of Zakat. Rather, the right of the poor should come to him without him having to ask for it.

### ***Voluntary philanthropy in Islam***

Islam also suggests that Muslims are encouraged to give even more as an act of voluntary alms-giving. Two CP mechanisms related to individuals and privately owned firms will be discussed here, short-term donations (Sadaqa), and long-term donations (Waqf or Trusts). These mechanisms are voluntary, open as to the amount of money, and do not exclude non-Muslims or even other creatures (plants and animals) from receipt. They can be performed independent of all religious, racial, or political criteria.

1. Short-term donations – Sadaqa: This includes all voluntary donations in all forms of giving. It is preferred to be given to those who are closer than to those who are far (as concerns kinship). It is encouraged to be given secretly, in order to purify the heart of the donator.

2. Long-term donations – Waqf or Trusts: This form of charity is an endowment. The donating party offers property or investment for the benefit of a religious foundation or the common good. Part of the endowment is to ensure that it will be managed and distributed correctly. This property or wealth must not be consumable, but should yield a continuous profit for the benefit of the beneficiaries. The practice of the Waqf has been historically significant to Muslims, and even today Muslim countries include ministries devoted to the management of the various endowments. Waqf practice has furthermore been diverse, covering the social, humanitarian, cultural, environmental, and economic domains. For long-term projects that can benefit society in general and participate in help with its development, Waqf has been very successful and directly related to Islamic doctrine. The length of the reward is connected to the durability of the charitable action.

Krafess (2005) states that Islam encourages Muslims to target voluntary giving projects that benefit society. The durability of the philanthropic action leads to an increase in God's reward (Krafess, 2005). Muslims are thus advised to be proactive in philanthropy by using their wisdom to determine needs, and to think about the problems of powerless people (Hasan, 2006): a "Purposeless act of charity is thus unacceptable in Islam" and "philanthropy is more an Islamic concept than charity" (Hasan, 2006: 2).

Hasan (2006) suggests that experiences from different Islamic communities show that these mechanisms have been used for three main purposes related to social and human development: urban services, education, and health. Although Islam does not specify these purposes by name, it does encourage activities related to them. Islam encourages, for example, teaching and learning, the sponsoring of students, the use of medicine when sick, and so on. These forms during Islamic history are good examples of how merchants practiced their responsibilities and participated in social progress (Hasan, 2006; Krafess, 2005). In addition to schools and hospitals, Islam has opened the door to any form that benefits society, and firms can estimate the needs and the expected benefit of the project. Understanding the concept that the specific form of giving is open to people to decide upon it according to the need of the society is clear when one looks into the history of Islam. Throughout the history of Islam and in different parts of Islamic countries, one can find Waqf that financed unique forms of giving. They financed, for example, hospitals that received sick animals and old horses, and funds whose profits paid for teams of clowns to accompany the ill and bring them some comfort (Krafess, 2005).

Although schools and hospitals are still preferred by donators, differences in philanthropic forms can be noticed between Muslim countries. Ararat (2008) in Turkey describes the “foundation universities” which are “a common philanthropic practice between most business men and firms, and spending on these universities is done through "Waqf". Ararat (2008) continues that “The model is based on a partnership between government and privately funded foundations whereby the government allocates the land, oversees the quality of education, and the foundation channels funds from businesses to the universities. Foundation universities are non-profit institutions by law.” Ararat (2008: 227) also argues that “the motives are arguably altruistic” and that owners “whose reputation and heritage is related to the firms, may over-spend to support social goals despite the negative impact on shareholder value”.

### ***CP in publicly owned firms***

The previous two sections discussed the theoretical view of philanthropy in Islam in relation to individuals and privately owned firms. Now that the study has moved on to publicly owned firms, some details should be discussed. Public-owned firms are pretty new to Islamic scholars, and thus CP in relation to these firms is discussed mostly in relation to Islamic banks and other firms of an Islamic nature, especially as there is no Islamic government to take Zakat from these firms as it used to be with the existence of Islamic practices.

After reading Islamic “Fatwa” (what religious scholars decide in relation to a specific Islamic concern), religious scholars indicate that any donation of a religious nature within publicly owned firms should be supported on the part of shareholders. This is because giving is a form of worship that needs to be traceable to a clear intention from these shareholders (The Economic Fatwa, 1985). For Zakat, Islamic scholars indicate that the firm has three options: 1) the government takes Zakat from the firm and spends it on behalf of shareholders and this used to be done in early Islamic practises. 2) The firm asks shareholders to give the firm the authority to pay their Zakat, which is preferred by many firms in the absence of an Islamic government. In this case, the firm will work as a whole unit and the Zakat concerned will be large amounts of money and thus able to be used better for the benefit of the society. 3) Shareholders may decide that each of them will pay his/her own Zakat and thus the firm will pay no Zakat and leave it to the individual shareholders.

For Sadaqa, money should be given by the firm after the approval of shareholders, because they are the owners of the money, and giving should be accompanied with their approval. For the money spent on PR, this money, though controlled by religious teachings, should target the economic benefits of the firm not religious ones because this is part of the economic functions of the firm (The Economic Fatwa, 1985). Due to the fact that this thesis is in CSR/CP management, not in religion, I do not offer an extended treatment of these issues here and the next chapter will show how these options work in a context of intense Islamic beliefs and values.

#### **3.6.4 CP in Islamic firms and banks**

The experience of CP in Islam is mostly related in the literature of CSR to Islamic financial institutions and banks. Table 3.3 illustrates the fundamental distinctions between Islamic banks and commercial banks (Dusuki, 2008a: 136). The literature discusses some findings related to CP in Islamic banks and institutions, which are helpful to this study. Sairally (2005) studied 48 Islamic financial institutions (banking, investment and insurance companies) in different parts of the world, using questionnaire-based surveys and the firms' documents. The reported practices reflected little commitment towards community involvement, except for making donations to charities, community, and staff causes. The amount firms spent on community causes ranged mostly between 0 and 2% of their profits.

Maali et al.'s (2003) study suggests that Islamic banks' CSR reporting falls short of the benchmark for entities whose operations are founded on Islamic principles. They utilise a sample of 29 Islamic banks from a number of different countries and compare CSR disclosure to a pragmatic benchmark based on Islamic values. As such, Maali et al. conclude that "with a few exceptions, Islamic banks have a long way to go to meeting expectations of the Islamic community" (2003: 31). Farook and Lanis (2005) studied the CSR disclosure practices of 47 Islamic banks, operating in 14 countries. The objective of their study was to measure the CSR disclosure levels of Islamic banks and subsequently ascertain the likely determinants of that disclosure. Contrary to expectations of full disclosure and accountability, it was found that the majority of Islamic banks disclose significantly less than that. However, there were also apparent differences in the disclosure levels within the sample. Haniffa and Hudaib (2007) measured the degree of ethical identity of seven Islamic banks in the Arabian Gulf region based on their corporate annual reporting. They found the



largest incongruence to be related to four dimensions: commitments to society; disclosure of corporate vision and mission; contribution to and management of Zakat, charity and benevolent loans; and information regarding top management.

Previous studies also tried to explain why Islamic banks show little commitment to CSR/CP in their reports. One explanation is that banks may believe that it is better to keep charitable donations undisclosed, which support the claim that CP is considered only as a peripheral practice of CSR (Sairally, 2005). Another reason is that Islamic banks still need more skills and education in the context of CSR (Farook and Lanis, 2005).

The current study attempts to examine CP by interviewing shareholders and managers in both Islamic banks and conventional banks, aiming to get a deeper understanding of the corporate philanthropic behaviours of these Islamic banks. This is because this study suggests that the problem with all of the mentioned studies is that they used the annual reports of the Islamic banks and did not interview any of the bank's staff to hear directly from them. This study investigates CP in Islamic banks compared to commercial conventional banks in an Islamic country where both are headquartered. This comparison is expected to reveal more details on the influence of the Islamic context and the Islamic identity on the banking sector.

Islamic banks	Commercial banks
Functions and operations are guided by sources of Shari'ah (Islamic Divine Law) namely the Quran and the Sunnah (traditions of the Prophet Muhammad p.b.u.h.).	Functions and operations are guided by secular principles and not based on any religious doctrines and values.
Institutions that aim at balancing between profit-maximisation doctrine and social responsibility.	Institutions that emphasise profits maximisation.
Financing instruments are based on either asset-backed trading contract or equity financing with risk Shari'ah.	Financing instruments are based on interest-bearing mechanism.
Deposits are not interest-oriented but profit-loss Shari'ah oriented whereby investors' principal repayment is not guaranteed but entitled to a predetermined share of actual profit realised by the business.	Deposits are interest oriented and the investor is assured of a predetermined rate of interest with a guaranteed principal repayment.
No penalty on defaulters. However, some Muslim countries allow charging a small percentage of late payment penalty as a deterrent but the amount needs to be channelled to charity and not treated as part of business income.	Normally charge compounded rate of interest in case of default.
Islamic banks are prohibited from participating in economic activities which are unethical and prohibited by Shari'ah such as businesses involving alcohol, prostitution, pork and environmental pollution, etc.	There are no such restrictions for commercial banks.
Islamic banks need to do charity by paying Zakat (compulsory religious levy) out of their income.	There are no such requirements to do charity.

**Table 3.3:** Fundamental distinctions between Islamic banks and commercial banks

Source: Dusuki (2008a)

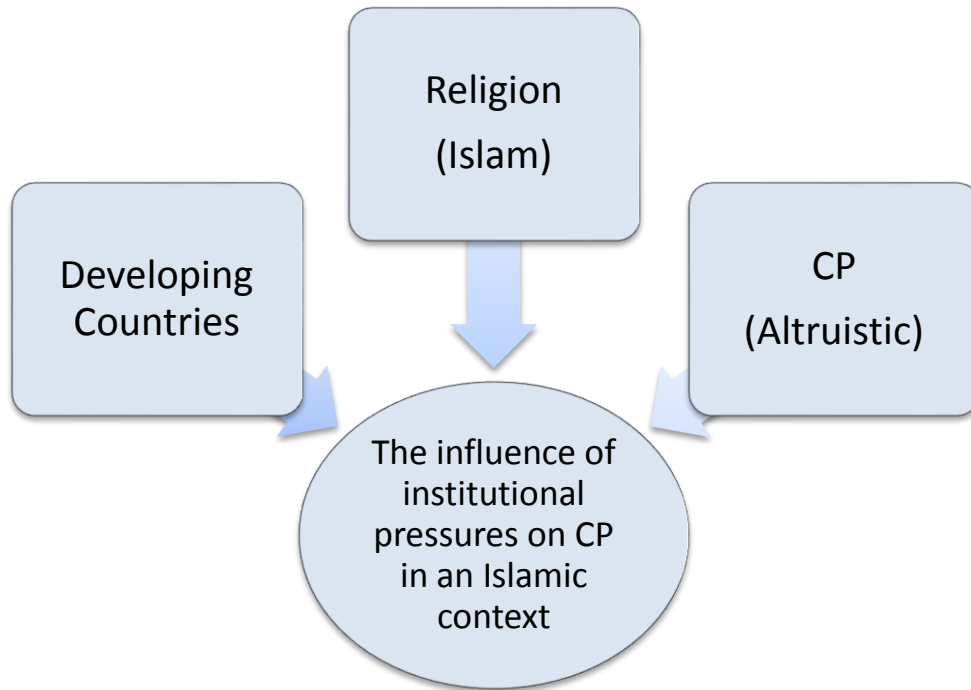
### 3.7 A Proposed Framework of Institutional Pressures

In this section, a proposed framework for the analysis of the influence of stakeholders on shaping CP of a non-economic nature in a context of intense Islamic beliefs and values is

discussed. This framework is built using three strands in the literature, as illustrated in Figure 3.2. The first relates to the different approaches to CP and was the main component of Chapter 2. In Chapter 2, altruistic and strategic CP were both defined, and the arguments against both approaches were illustrated. Then, Chapter 2 discussed the dominance of the “business case” approach to corporate philanthropic motivations and implementation strategies and related this approach to the context of Western countries where CP is conducted. Then, the study underlined the importance of the context when answering questions such as “why” voluntary CP should be implemented and to “what” extent CP should take place. Chapter 2 concluded that there is no absolute framework for business–society relations that fit in all societies. Calls continued to investigate the context of other countries other than simply developed ones, aiming to understand an experience that is described as being more altruistic.

The second body of literature was related to CP and stakeholders in developing countries. The study introduced CP in developing countries where different prerequisites for CP take place compared to developed countries. CP of a non-economic nature seems to be dominant in developing countries, with a mix of motives accompanying these CP actions. However, the literature presented shareholders as the only institutionalised and dominant stakeholders in relation to CP decisions. The literature suggested that other stakeholders vary in their influence on CP from one developing country to another, which gives each developing country its unique relation to CP.

The third body of literature relates to religion. Religion was discussed in this chapter as the main source of altruism. Religions, through their beliefs, values and teachings, encourage giving and make CP expected. While previous studies used to focus on religion as a personal choice, religion has rarely been studied as a contextual factor influencing stakeholders in the same society. Moreover, studies were mostly conducted in poor developing countries, in synergy with the socio-economic needs of these developing countries. The literature thus suggests a need to understand the influence of a religious context in society away from the influence of poverty.



**Figure 3.2:** The three strands of literature used in the study

Source: Author (2013)

This study aims to examine how firms come to adopt CP of a non-economic nature within a context of intense Islamic beliefs and values and to what extent CP of a non-economic nature takes place. The argument is summarised in a multi-level framework, illustrated in Figure 3.4, which links the field-level pressures, the organisational characteristics, and corporate philanthropic strategies in a context of intense Islamic beliefs, values and norms. On the field level, the framework examines how institutional stakeholders, mobilised by the beliefs, values and norms within a context of intense Islamic beliefs and values, influence the decision makers (shareholders and managers), resulting in an isomorphic model of CP of a non-economic nature on the field level. Moreover, the study suggests that while the field-level factors encourage shared patterns of acceptance of non-strategic CP or even altruistic CP, the organisational-level factors explain the differences between firms in their CP motivations and practices. Firms’ strategies – in this study – are seen to be a result of the multi-level exchange and interaction between the firm, the field and the context (Athanasopoulou and Selsky, 2012). This is because firms are embedded in their context, and “what happens at one level cannot be explained without considering the more encompassing,

or higher level. Thus, linking embeddedness closely to social context allows better understanding of macro organizational phenomena” (Athanasopoulou and Selsky, 2012).

Stakeholders as institutional forces on a field level within a context of intense Islamic beliefs and values	Moderate factors	CP strategies in a dual banking environment
<ol style="list-style-type: none"> <li>1. Local community</li> <li>2. Religious and humanitarian NGOs and charities</li> <li>3. Islamic politicians</li> </ol>	<ol style="list-style-type: none"> <li>1. The shareholders of the bank</li> <li>2. The nature of the bank (Islamic or commercial)</li> </ol>	<ol style="list-style-type: none"> <li>1. Islamic banks’ strategies</li> <li>2. Commercial banks’ strategies</li> </ol>

**Table 3.4:** A proposed framework of institutional pressures moderated by firm characteristics resulting in different CP strategies of a non-economic nature in a context of intense Islamic beliefs and values

Source: Author (2013)

### 3.7.1 The field level of analysis

The question that guides the field-level analysis of the framework is as follows:

Q1: On a field level, how can institutional stakeholders – mobilised by a context of intense Islamic beliefs and values – influence firms’ adoption of CP of a non-economic nature?

The field-level analysis argues that, within a religious context, mobilised stakeholders impose coercive and mimetic pressures on firms encouraging these firms to adopt CP of a non-economic nature. Moreover, the study argues that the religious context does not

encourage CP of a non-economic nature only by institutionalising shareholders as suggested by the literature within developing countries. The religious context instead influences CP by institutionalising other stakeholders who in their turn influence shareholders. This is because there is a possible influence of other stakeholders, and this possible influence was discussed early in this chapter. The study argues that two possible stakeholders are expected to be influential:

1. **Local community:** As discussed earlier, there is considerable evidence that suggests that the religious beliefs and values in the Islamic local community influence the nature of CP. Previous studies discussed this influence on shareholders only, who were introduced as the products of the community in which they were raised (Buchholz and Rosenthal, 2006: 235). The influence of the religious community was discussed in previous studies as a sum of its influence on shareholders' individual values, norms, beliefs, and practices. However, this study discusses the influence of the beliefs, values and norms of the community on firms' adoption of CP of a non-economic nature. CP is discussed as the collective action of a whole field influenced by these institutional pressures (Buchholz and Rosenthal, 2006).
2. **NGOs and politicians:** As discussed earlier, the context in developing countries may institutionalise other stakeholders rather than shareholders. For example, active and religious charities and NGOs, who work on elevating religious morals and helping the poor, may be a possible influential stakeholder for firms. Moreover, Islamic politicians are a possible force that may influence CP, due to their strength and power in some Islamic countries. Thus, the study keeps this framework incomplete, aiming to complete it with the findings of the interviews.

### **3.7.2 The organisational level of analysis**

The question that guides the organisational level of the framework is:

Q2: On the organisational level, how do firms' characteristics moderate the impact of the institutional pressures and the implementation of different CP strategies despite experiencing isomorphic institutional pressures?

On this organisational level, the study suggests that while the field-level factors encourage shared patterns of acceptance of CP of a non-economic nature, organisational-level factors explain the differences between firms. Firms' strategies – in this study – are seen as embedded in their context and as a result of the multi-level interaction between the firm and the context. This approach aims to enrich our understanding of firms' social behaviours and how firms interact and survive.

Two factors are suggested by the literature to work on the organisational level in developing countries:

1. The ownership style of the firm: The impact of the ownership style is expected to moderate the influence of the religious context. As discussed earlier, when a firm is owned by community founders or elites, it is expected to show more altruistic CP tendencies. Here, we take the influence of shareholders, which was discussed extensively in the literature of developing countries, as a firm-level factor not as a field-level factor.

2. The identity of the Firm: Firms (banks in this study) are mostly divided in an Islamic context into two categories: Firms with an Islamic identity (Islamic banks in this study) and firms with a commercial identity (conventional banks). Within these two banking systems, this study proposes to find differences in CP strategies related to the identity of the bank. Islamic banks represent – in this study – institutions that adopt Islamic teaching in economics while working in a context of intense Islamic beliefs and values. They represent a case wherein two factors are working; one on the field level and the other on the organisational level. This means that these Islamic firms present the maximum influence of the religious context. Conventional banks, according to Islam, are banks which deal with a prohibited source of money, which are interest-based (riba) transactions. According to Islam, interest is one of the Islamic prohibitions (haram). Logically speaking then, conventional banks will present the minimum influence of the religious context on organisations.

Different CP strategies are expected to emerge from banks. Although all of these strategies under investigation are of a non-economic nature, differences are expected at least between Islamic banks and conventional banks. This is because how firms decide on their appropriate CP strategy is a mix of the firm's internal goals and identity on one hand, and the context it exists in on the other hand. Integrating these internal and external factors is essential to assessing the approach to CP that fits the firm (Kasper and Fulton, 2006).

In sum, the proposed framework illustrates the institutional pressures moderated by firm characteristics resulting in different CP strategies of a non-economic nature in a context of intense Islamic beliefs and values. Aiming to examine this framework, the next chapter will discuss the research methodology, where more details are explained in relation to the proposed framework.

### **3.8 Summary**

In this chapter the study developed a framework for examining how firms come to adopt CP of a non-economic nature within a context of intense Islamic beliefs and values and to what extent CP of a non-economic nature takes place. This framework is based on three strands of literature: 1) the literature of CP in general and altruistic CP in particular; 2) The literature of CP in developing countries; and 3) The literature of CP and religion in general, and CP and Islam in particular.

The proposed framework links two levels of analysis: the field level and the organisational level. On the field level, the institutionalised stakeholders who are expected to influence CP are proposed. On the organisational level, the organisational characteristics that moderate the institutional pressures are proposed. Within this framework, institutional, field and organisational dimensions are related, influencing one another within a context of intense religious beliefs, values and norms.



## **Chapter 4:**

### **Research Methodology**

#### **4.1 Introduction**

Chapter 3 illustrated the development of the proposed conceptual framework, aiming to examine how firms come to adopt CP of a non-economic nature within a context of intense Islamic beliefs and values and to what extent CP of a non-economic nature takes place. Chapter 4 is devoted to the process of choosing and designing an appropriate research methodology for assessing the feasibility of the proposed conceptual framework. This chapter starts by defining the interpretivist research approach. Then the chapter discusses the qualitative methods that will be used for this study. Next, the chapter will justify choosing Kuwait as a country and banks as a field to implement the framework. Two data collection tools are utilised: semi-structured interviews and company documents. Then, the study examines the process of the research. Finally, issues surrounding interpreting the data, reliability, and validity are discussed.

#### **4.2 Epistemological and Ontological Framework**

This study is built on an assumption that CP within the organisation is: 1) influenced by the institutionalised religious beliefs and values of the context in which it operates; 2) that the organisation reacts as a result of institutional pressures exerted by stakeholders who are mobilised by that religious context; and 3) that these pressures are moderated through certain forces related to the characteristics of the organisation. Examining the impact of the context on the organisation is achieved by exploring how shareholders and managers involved in CP decision-making perceive and interpret the influence of the beliefs and values of the religious context on the motivations, actions, and implementation strategies.

When undertaking academic research, it is important to consider matters of epistemology and ontology. Epistemology is concerned with asking what the acceptable knowledge is, and what its sources and limits are (Eriksson and Kovalainen, 2008), while ontology is concerned with how to view social units and how to describe what we view (Blaikie, 2007). To

understand the epistemological and ontological basis for this research, the paradigm developed by Burrell and Morgan (1979) is used. Burrell and Morgan (1979) argue that assumptions about social science and society can be represented as an opposition between “subjectivist” and “objectivist” conceptions of science and the “regulation” and “radical change” theories of society (see Figure 4.1). They write that:

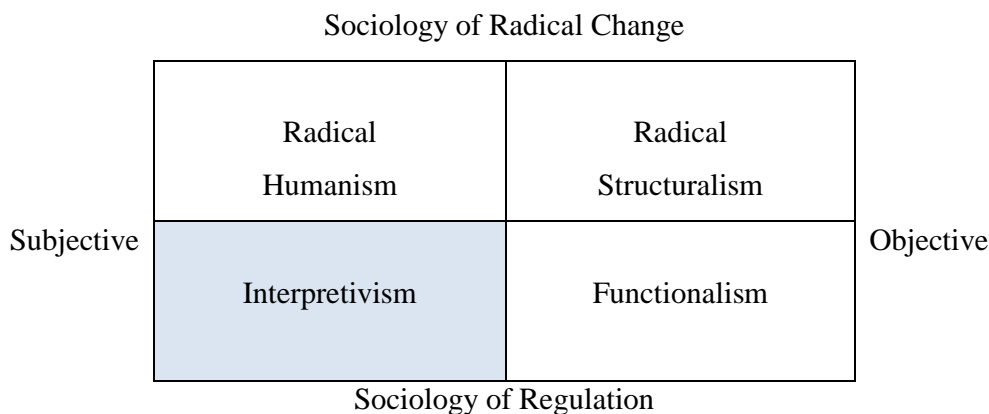
“Our proposition is that social theory can usefully be conceived in terms of four key paradigms based upon different sets of meta-theoretical assumptions about the nature of social science and the nature of society. The four paradigms are founded upon mutually exclusive views of the social world. Each stands in its own right and generates its own distinctive analyses of social life. With regard to the study of organizations, for example, each paradigm generates theories and perspectives which are in fundamental opposition to those generated in other paradigms” (Burrell and Morgan, 1979: X).

In their framework, Burrell and Morgan (1979) distinguish between two approaches to epistemology: anti-positivism and positivism. At the heart of positivism, arguments for explanation and prediction of cause-and-effect relations and laws created for knowledge can be found. Under the anti-positivist approach, knowledge is generated from understanding the individual’s context and the interpretations of the research phenomenon, and it thus emphasises the subjective nature of knowledge (Burrell and Morgan 1979).

Burrell and Morgan (1979) also distinguish between two approaches to ontology: nominalism and realism. According to the nominalist position, the nature of the world and its structures are seen as products of the individual’s mind. Thus, the nature of the phenomenon becomes subjective to the point of view of the individual constructing it. For that reason, the phenomenon under study is viewed as “an output of social and cognitive processes” which changes not only from person to person but also across time and contexts (Eriksson and Kovalainen 2008: 13–14). For the realist position, the nature of the world is assumed to be externally imposed on the individual. For this reason, an external objective point of view should be able to exist independently of the individual and his or her interpretations or even awareness (Burrell and Morgan 1979).

Burrell and Morgan (1979) then define four paradigms: functionalism, interpretivism, radical humanism and radical structuralism. In this vein, they write:

“To be located in a particular paradigm is to view the world in a particular way. The four paradigms thus define four views of the social world based upon different meta-theoretical assumptions with regard to the nature of science and society (Burrell and Morgan, 1979: 24).”



**Figure 4.1:** The Burrell and Morgan framework

Source: Burrell and Morgan (1979)

This research adapts anti-positivism as the epistemological position and nominalism as the ontological position. According to these choices, this study falls within the interpretive position in Burrell and Morgan framework seen in Figure 4.1. Interpretivism is interested in studying people in their social contexts, aiming to investigate their perceptions of the stability of their own social activities (Hussey and Hussey, 1997). Consequently, this study suggests that reality is socially constructed in the context investigated in the study (Husserl, 1965). Moreover, through this interpretive position, the study uses individuals’ points of view to describe and explain the social experience and the ongoing process. This makes this approach suitable for this study, where the uniqueness of the context of intense religious beliefs and values is investigated, contributing to the underlying search for contextual depth (Myers, 1997).

### 4.3 Qualitative Research Methods

Both qualitative and quantitative research methodologies are tools to investigate a research question and it is the best practice to adopt them according to the research needs (Kvale, 1996). This study will use the qualitative strategy for many reasons. First, the value of qualitative data in the search of knowledge is promoted by “interpretivism” (Kaplan and Maxwell, 1994). This is due to the inductive nature of this research, and given that no other study investigated the influence of the context of intense religious beliefs and values on a firm’s CP. A qualitative method provides a more in-depth understanding of the complexity of the religious context, where practised religion may differ from the original teachings of that religion, and may differ from one country to another. Moreover, this qualitative method is helpful to examine the differences between individual firms, so that previously unknown explanations for these differences could emerge. Finally, this method helps researchers to collect knowledge from the point of view of participants and thus it helps the researcher to understand and collect rich data about the contexts of these participants (Kaplan and Maxwell, 1994). Also, it is difficult to use quantitative methods when addressing religious, social and moral values.

Sinkovics and Alfoldi (2012: 818) consider qualitative research to be “a set of interpretive activities that seek to understand the situated meaning behind actions and behaviours, and relay heavily on the researcher as a unique interpreter of the data”. Qualitative methods are considered appropriate for conducting an initial survey of a problem (Creswell, 2002; Yin, 2003), and for looking into the relevance of the institutional conceptual framework for investigating CSR/CP, allowing us to gain insights not available when using quantitative CSR/CP research (Lockett et al., 2006).

While this study started with a proposed framework, discussed in Chapter 3, this framework is completed by linking the finding to theory. This was done in a process similar to what has been called “following a thread” (Moran-Ellis et al., 2006: 54). The central theme revealed in the first process of analysis was investigated further in the following analysis but then developed through a focused iterative process, in a weaving back and forth between data and theory (Bryman and Bell, 2007).

## **4.4 The Context of the Study**

In order to gather data and implement the framework proposed in the study, the context of the study is selected as Kuwait. There are a number of reasons that this study chooses Kuwait to apply the framework. Developing countries – as discussed before – are driven to CSR by three main factors: the influence of Multi-National Companies (MNCs); scarcity of socio-economic resources; and the tradition related to CSR created by different religions in the area. In a country such as Kuwait, the influence of MNCs is relatively weak and there is no scarcity of financial resources due to the availability of oil. Thus, Kuwait is expected to be a good country to implement the framework as we seek to understand the influence of Islam away from poverty and the influence of MNCs.

Arguably, if it was not for religion – Islam in the case of Kuwait – there would be no motivation for firms to adopt CP. In another Asian country, Singapore, the widespread availability of financial resources undermines the need for community involvement activities and results in the absence of CSR (Roche, 2000; Chapple and Moon, 2005). The predominance of religion as the driving factor for adopting CP in Kuwait resulted in it being chosen for this study as it is expected to be a good place to understand the influence of religion on CP.

### **4.4.1 Kuwait as an oil-rich developing country**

Kuwait is located in the north-east corner of the Arabian Peninsula, bordering the Arabian Gulf, between Iraq and Saudi Arabia. Kuwait is an Arab Muslim country and is part of the Middle East. Kuwait is one of the smallest countries in the world in terms of land area, covering an area of 17,820 square kilometres. Kuwait has a population of about 3.3 million, of which only 1.155 million are Kuwaiti citizens (Kuwait government official site).

Kuwait is an independent country with a constitution. It has a democratic regime, with both parliamentary and presidential systems. Kuwait is the 8th richest country in the world. It has a GDP of US \$144.3 billion (2010) and per capita income of US\$ 51,700. Petroleum accounts for nearly half of its GDP, 95% of export revenues, and 95% of government income. The rise in global oil prices throughout 2010 revived government consumption and economic growth, and Kuwait experiences a 20% increase in government budget revenue (World Fact Book).

Kuwait is one of the Gulf Cooperation Council (GCC) states (along with the United Arab Emirates (UAE), Saudi Arabia, Qatar, Bahrain, and Oman), which control the world's greatest oil reserves. Although the GCC states have so far been unable to manage the transition to being developed countries, their income starkly distinguishes them from other developing countries. Thus, the GCC countries represent a unique model of "oil-rich developing countries". Unsurprisingly, these huge incomes accompanied with strong religious values have a substantial impact on philanthropy in these countries.

Kuwait enjoys a set of unique contradictory features which make it a good research topic, as it is both an oil-rich country and still developing. Kuwait's wealth means its growth rates are at levels similar to those of industrialised countries. This in turn raises its per capita income and enables the Kuwaiti government to provide unique services and infrastructure. However, the Kuwait's transformation into a rich country did not pass through any of the commercial phases known. In other words, the GCC oil riches were not generated by industrialised, economic and productive activities. Therefore, no true development based on active integration of workforce input with solidly structured educational and family institutions and a pursuit of a new workforce rehabilitation policy has taken place. Development in the GCC states in general and in Kuwait in particular has been associated with oil returns and oil-related investments. Returns have never been associated with any development of a productive workforce in the oil-based economies, which leads to exhaustion and depletion of oil returns, despite current attempts – limited as they may be – to diversify the country's income sources.

#### **4.4.2 Kuwait as a Muslim country**

The Kuwait Government's official website offers a good description of how influential Islam is in Kuwait, stating that "among the Arab communities, the Kuwaiti society is greatly influenced by Islam. As it is located in the Arab Peninsula, the cradle of Islam, Kuwait is predominantly an Islamic country since ancient ages. Most Kuwaitis are originally Muslims. Consequently, the obligation to the tolerant teachings of Islam, commitment with its provisions and abidance by its beliefs is a part of the nature of the Kuwaiti people. Since the establishment of the State of Kuwait, the influence of Islam was highly apparent".

The Kuwaiti Constitution states that Islam is the main, official religion of Kuwait. As the site continues "Islam and the Islamic Shari'ah (Islamic law) are the main sources of the Kuwaiti

Laws and Legislations”. Islam is seen as a guide to all aspects of Kuwaiti society, because “Islam sets the required spiritual, social, economic, and political standards for establishing a stable and balanced society”. Moreover, Islamic teachings are seen to offer social glue to the society: Islam, also, aims at enhancing Takaful among the individuals of the society. Takaful is an Islamic insurance concept, which aims to achieve social justice and coexistence with other religions. Hence, Islamic Shari’ah includes a wide range of rules focusing on organising dealings and practices among people. The base for all practices must be upon disseminating justice provisions, equality before the law, respect for freedom and Shurra (consultation).

#### **4.4.3 The culture of philanthropy in Kuwait**

According to Khallaf (2008), Kuwait is “a country with a vibrant tradition of giving, a country with a long history of philanthropy that goes back to the seventeenth century, before the establishment of the state of Kuwait” (ibid: 183). The “traditional Islamic forms of philanthropy can be traced back to at least 1695, to a mosque known as Bin Bahr that was set up as a Waqf [endowment]” (ibid: 171). Khallaf (2008) states that “the culture of giving is deeply rooted within the Islamic practices of the small population of Kuwait” (ibid: 171); thus, donations are common in Kuwait at the individual, organisational, and governmental levels.

At the individual level, the BBC's Frank Gardner claimed that "Almost everyone here donates part of their wealth to charity; it is an Islamic duty". He continued "Donation booths for Islamic charities are a common sight on the streets of Kuwait" (BBC News, 2001). It seems that the increase in the income of citizens in general along with the entrenchment of religion has made a lot of people able to participate in charitable work, which has meant that the Kuwaiti charity surplus flows to large parts of the Arab and Islamic world.

Kuwait has some of the most active groups of charitable institutions in the Arabian Gulf, which are also perhaps, at least in the Arab and Islamic world, the most organised and innovative (Khallaf, 2008). Some of these institutions have branches in other countries, while Kuwait is the headquarters (example, the International Islamic Charitable Organisation and Direct Aid). These associations establish schools, hospitals, orphanages, production projects, relief efforts, and wells outside of Kuwait, as well as undertaking projects related to religious and other events. In Kuwait, they offer help to poor people, who are often non-Kuwaiti, and

pay their school premiums and the cost of health care. Kuwaitis generally donate in multiple ways to such charity organisations and committees. Their contributions vary in terms of amounts according to their financial status and charitable motivations. Donations to the charity organisations through a fixed monthly deduction are common in Kuwait.

Philanthropy is also carried out by the Kuwaiti government, which offers a range of funds and institutions in support of other Arab countries. Some other contributions are made by the Prince from his own money. Kuwait sees this financial policy as an instrument of stability, thereby ensuring it has the sympathy and support of the peoples and governments of other countries and so assisting the survival of Kuwait as a small state threatened by three major countries around it. Although the government's behaviour and conduct began as being motivated by religious and charitable goals, these blended with political and strategic motivations; this makes it different from the motives of individuals for charitable work, but the government behaviour does serve to make helping others understandable and normal. Nevertheless, as Khallaf (2008) points out, "The Kuwaiti government has built a strong track record in initiating and managing successful and highly institutionalised Islamic philanthropic entities. These entities are quasi-governmental in the sense that they are government initiated and supported, although they are not managed directly by government" (ibid: 181).

On the organisational level, Kuwait has been involved in charity work since the early 1950s, when "individual philanthropists came together and pooled their resources for the public good" and established a committee that "has provided substantial funds over the years to Arab and Islamic countries" (Khallaf, 2008: 173). Around 110 charities are currently registered with the Ministry of Social Affairs in Kuwait (Khallaf, 2008).

#### **4.4.4 The history of CP in Kuwait**

In this part of the study, the historical background to CP is discussed with the aim being to understand how a shared understanding between firms of their role in society had been crafted, how forms and strategies of giving were settled, and how philanthropy became part of the political influence of merchants and firms throughout the history of the country.

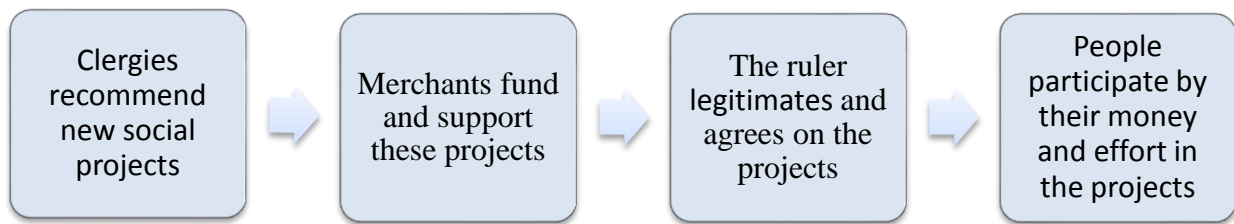
The history of CP in Kuwait is not different from what is called the history of CSR in most other countries (Lawrence and Weber, 2007). This is because CP started in the form of



individual giving by merchants and wealthy members of the society. Before the exporting of oil from Kuwait, Kuwait suffered from a lack of resources, and people were dependent on trade, fishing, pearl diving, and grazing as the main source of income. Merchants at that time were richer than the state, and merchants played a key role in the administration of the country. The merchants allocated part of their money – 4% taxes on their profits – for the Ruler to spend on the needs of the country. The power of some merchants sometimes exceeded the power of the Ruler (Al-Reshaid, 1978: 90), thus making them the most powerful stakeholders in the community.

At that time, merchants played an important role in the establishing of socio-economic development within the country. This movement was based on the concept of a community partnership between four parties: the clergy, merchants, the ruler, and the rest of the population (see Figure 4.2). Each party played a role in the building of the community, while merchants and their families formed the base of this partnership. Through this partnership, different institutions were established by Kuwaiti merchants (e. g. schools, literary clubs, the national library, and the municipality of Kuwait).

The role of religion in motivating these merchants was dominant. Social projects would start with a proposal submitted by the clergy. These clergy would get inspired by developments outside of Kuwait and through contact with members of other societies. Two prominent clergymen in particular played a major role in Kuwait's history: Sheikh Yousef Bin Essa and Sheikh Abdul-Aziz Al-Reshaid. The clergymen adopted a social idea that they envisioned to be beneficial to the community. They spread the word on the streets and visited merchants calling on them to support the vision. They convinced them that such social achievements are urged by Islam, the participants will be rewarded, and that the idea is for the good of the homeland and the people. Clergymen in Kuwait during that period were not only open minded compared with the neighbouring countries, but also understood that observing religion also meant participating in social life and its construction, not just by attending the mosque and performing prayers.



**Figure 4.2:** The path taken by social projects in Kuwait prior to oil

Source: Author (2013)

Merchants had the responsibility for bringing the idea into reality after accepting the vision of the clergymen. They went to the ruler requesting approval of the project, counting on their stature and status in society as mediators between the Amir and the Kuwaiti population (Al-Hajery, 2009). They were also the main financiers of the social idea, either by donating from their own money or spending the money of certain trusts and charity funds. After the initiation of the project, the merchants also had an obligation to follow-up on its development voluntarily, supervising it and participating in the membership of its governing bodies. It is necessary to point out that the rest of the Kuwaiti population were partly involved at this stage as well. They contributed a certain amount of funding as a symbolic gesture of their support for such projects.

Beside this role of merchants in building their society, Zakat, Sadaqa and Waqf (discussed earlier as forms of Islamic CP) were also widely practised. Through these three mechanisms, donations were provided to the poor, the needy and vulnerable people inside and outside Kuwait for support during crises, to build mosques, to send pilgrims on the hajj, to print religious books, to host and accommodate visiting scholars, and for sending students to study outside the country (Shatti, 2007). The impact of religion appeared clearly in what was announced by merchants as the reasons behind their contributions; in the introduction of every letter, paper or call for any action, the objective was to satisfy God, and the hope of receiving His reward. The influence of religion also appeared in regard to the rejection or acceptance of some social work.

After the discovery of oil, the situation in Kuwait changed and the State is enriched by the proceeds of the oil trade and is no longer in need of merchants' money. Merchants have subsequently found that they are no longer the richest and most powerful, and it is the Government which has the money, the development and reconstruction plans, the power to establish companies, pricing authority, control of tenders and all infrastructure mechanisms in Kuwait. The State has nevertheless sponsored merchants and given them a distinct opportunity in the post-oil economy. Starting in the 1950s with what the people consider today and see as an alliance between the Kuwaiti merchants and the governing power, the Rulers since then have seen to it that the merchants do not represent a threat to the regime but are instead regarded as a pillar of stability for the system. Merchants too have felt they have been, both financially and socially, beneficiaries of that alliance (Al-Hajery, 2009). This alliance has allowed the families of merchants to remain in their privileged position and maintain financial status in the post-oil economy, with the result that they are "involved in most projects, already owned the private sector, and became the backbone of the economy of the modern State" (Al-Hajery, 2009: 74).

Merchants have acknowledged the necessity of institutionalised charities and networking since 1954. They established a committee called "the People's Committee for the collection of donations" aimed at fundraising and providing assistance outside Kuwait to other countries, mostly Arab and Muslim countries experiencing disasters, wars, or catastrophes. Merchants and firms are still the biggest donors in this committee, and they have established schools and educational and health centres, as well as supported Palestinian independence, through this committee (Al-Shatee, 2007).

In regard to the CP partnership between firms and the government, it appears that while the private sector continued to play its social role, it moved from being a partner in community social development to mostly being just a financial donor. While firms continued to contribute to the establishment of hospitals, clinics and schools, these firms delegated the management of these buildings to the State, represented in the ministries of health and education. The State then names the new buildings after the person or company who supplied the funds. This is thus a model wherein the State proposes a project, firms donate to establish this project, and the State runs and directs it.

## 4.5 The Banking Sector as Subject of the Study

The selection of the banking sector for this study is justified by many reasons:

1. First of all, the focus on a whole sector aims to isolate the industry-specific influence. This is because previous studies found that issues and concerns vary across industry sectors (Clarke and Gibson-Sweet, 1999; Useem, 1988). Moreover, in the case of the banking sector, banking industry membership explains 17% to 20% of corporate financial performance (Gopalakrishnan and Dugal, 1998).

2. The second reason is the profile of the industry, which includes its high public presence and exposure (Clarke and Gibson-Sweet, 1999; Tsang, 1998), its high visibility among consumers (Clarke and Gibson-Sweet, 1999; Moon and Muthuri, 2006; Useem, 1988), and its nature as a consumer-service focused sector (Brammer and Millington, 2004). Because of its high visibility, actors in this sector consider it important to be involved in the community and in CP. Useem (1988: 80) explains this by stating that the “banks’ prosperity is strongly tied to the local economy, and civil gifts are viewed as contributing to the quality of life in the local region and thus, indirectly to prosperity and future bank earnings”. Brammer and Millington (2004) similarly link corporate contributions, stakeholder pressures, and industry effects. They find that consumer-services focused firms (such as banks) are socially and environmentally sensitive industries and have higher levels of relative and absolute charitable/community spending than other industries.

3. The banking sector is also chosen due to the availability of social reports. Studies indicate that companies with a higher level of public exposure (such as banks) consider it very important to inform stakeholders about their performance. Thus, banks are more likely than other companies to use CP reporting in order to manage stakeholder relationships. Indeed, in many cases banks have separate reports in order to capitalise on their investment in the community by highlighting the involvement in their reports (Clarke and Gibson-Sweet, 1999). The researcher found a sufficient number of reports on banks’ social activities to validate the investigation.

The availability of studies that help to draw out the specific features of the banking sector. Moon and Muthuri (2006) suggest that reputation, legitimacy, and community goodwill are vital drivers for the banking sector. Useem (1988) highlights that banks contributions affect

the corporate image in a very positive way, which in turn enhances the market position of the business. The rate of spending of the banking sector on advertising and philanthropy is higher than other sectors, which suggest that contributions are partially driven by marketing strategies (Peterson and Hermans, 2004; Useem, 1988). Research finds that banks' CP mostly focus on health, human and community services, and environmental issues (Branco and Rodrigues, 2006; Peterson and Hermans, 2004).

4. The final reason for choosing the banking sector in Kuwait is that it consists of two kinds of banks: religious-based Islamic and commercial (also called conventional or non-Islamic). Islamic banks are those banks that have adopted Islamic teachings in economics and applied them to the practical field of banking. Thus, in this study Islamic banks may represent the maximum influence of religion on CP. Commercial banks, according to Islam, are banks which deal with prohibited types of transactions, primarily interest-based (*riba*) transactions. According to Islam, *riba* is prohibited (*haram*). Logically then, commercial non-Islamic banks are expected to demonstrate the minimum influence of the religious context to be discussed in this study.

## **4.6 Data Collection Process**

In this part of the study, I outline my approach in terms of the use of banks' documents and semi-structured interviews as the two tools of data collection. Then, the questions used for data collection are discussed. Finally, a list of the banks included in this study and a list of the positions of the participants are detailed.

### **4.6.1 Collecting and analysing Bank documents**

The study started data collection with bank documents. These documents cover all the official literature of banks including reports, websites, press releases, and published interviews. Some of these documents were available on banks' websites, while the other documents were collected from the banks. The aims of studying documents are:

- To gain further understanding of the activities of the Kuwaiti banking sector in general and each bank in particular.
- To understand how each bank introduces and describes their own CP to others (Moore, 1995). The reason for this is simply that there may be differences between

proposed and realised activities, and the intention of this research is to investigate the current practice rather than the intention of the firm (Mintzberg and Waters, 1989: 173).

- To help create a comparisons between the banks.
- To help to create specific questions for the semi-structured interviews for each bank, in order to ask the interviewee to explain why banks did what they did.

#### **4.6.2 Semi-structured interviews**

Qualitative interviews tend to be less structured than those used in quantitative research (Bryman and Bell, 2007: 474) and are regarded as being suitable when the study is asking questions like “why?” or “how?”, when the study is interested in the behaviours and values in a certain context, and when the study wants to focus on processes and events over time (Bryman and Bell, 2007). This study is looking for rich and deeply valued data in order to obtain a contextual understanding of the CP as a phenomenon.

Open semi-structured interviews were designed for this research. The strength of semi-structured interviews is that they are helpful in gaining information that overcomes the scarcity of data available in relation to the influence of the religious context on CP. Although the research questions are carefully designed, semi-structured questions give participants the flexibility to discuss their experience, which will enrich the research. This is because semi-structured questions are sufficiently flexible to allow different participants to use words and answers according to their experience with CP. Participants are seen as a constructive agent who influences interview outcomes (Fontana, 2002). In this way, participants are encouraged to move beyond describing events or experiences and become a source of knowledge by discussing “how” and “what” in their conversations (Gubrium and Holstein, 2003).

Pilot interviews were conducted in order to ascertain the strength and validity of the questions. These pilot interviews were conducted with people in relevant positions such as managers and shareholders, as well as with those who are known for their role in CP projects in other sectors. One interview was conducted with a previous CP manager in a commercial bank with 12 years of experience. The other pilot study was conducted with a shareholder in a mobile telecommunication company. These interviews helped me to assess the questions in order to understand if any changes to the original questions were needed.

### **4.6.3 Questions for collecting data from documents and interviews**

As mentioned earlier, the two-level framework proposed by this study aims to answer two main questions: On the field level, how could different stakeholders in a context of intense Islamic beliefs and values encourage banks to share patterns of acceptance of CP of a non-economic nature and, on the organisational level, why do differences between firms exist and what implementation strategies are used by banks within such a context. Building on the two main research questions, the researcher chose three questions to guide the data collection, and within these questions I specified the questions to be answered from the documents and other questions to be answered by participants (see Table 4.1).

In Chapter 2 (see Table 2.1), the study discussed the literature related to the three natures of CP and concluded that the nature of CP is reflected and can be traced in relation to many elements. These include CP's motivations and justifications, purposes, forms, and the relation with partners in the society. These elements are used in this study as a way to break down CP's nature into elements which are able to be studied and discussed. Marquis et al. (2007) examined CP of a non-economic nature by examining CP's forms and focus. Marquis et al. (2007) explain that by CP's focus they mean the particular set of social problems or needs corporate activities are intended to mitigate or benefit (for example, education and health), and that forms of CP include cash, volunteerism, in-kind donations, and non-commercial sponsorship. Basu et al. (2008) studied firms' justifications as a way to understand how firms interpret their relationships with stakeholders and view their broader responsibilities to society. Basu et al. (2008) point out that studying firms' justifications aim to provide insights into why organisations act the way they do and might permit differentiation across firms based on their dominant modes of justifying their actions. Studying the motivations and purposes of CP as a way to understand CP actions and firms' social behaviours was thus tackled by many studies (Campbell and Slack, 2007; Campbell and Slack, 2008, Campbell et al., 2002).

Questions used for collecting data		
General questions in relation to the different elements of CP	Questions used for collecting data	
	Questions answered from documents	Questions answered from interviews
Q1. How could different stakeholders in a religious context <b>influence the motivations and justifications</b> of banks of their social role?	<ul style="list-style-type: none"> <li>• How does each bank justify CP?</li> <li>• What is common between these justifications?</li> </ul>	<ul style="list-style-type: none"> <li>• Why does this bank adopt a social role? Do you think that the banking sector should play any social role in society?</li> <li>• Do you think that the main strategy of the bank motivates the bank's CP decisions?</li> <li>• Do you find any internal or external pressures (from employees, media, customers, NGOs or government) to do CP activities?</li> <li>• Do you think that the Islamic values and beliefs in your country have anything to do with CP strategy? If so, how?</li> </ul>
Q2. How could different stakeholders in a religious context <b>influence the focus and forms of CP?</b>	<ul style="list-style-type: none"> <li>• What is common between banks in the social domains they focus on and forms of CP?</li> <li>• How do banks differ in the social domains they focus on and forms of CP?</li> </ul>	<ul style="list-style-type: none"> <li>• Does this bank have written criteria and policies for deciding on CP social activity? Can you discuss some of these points?</li> <li>• Who decides that this/these social domains/forms are important?</li> <li>• Do you find any internal or external pressures (from employees, media, customers, NGOs or government) in relation to the focus/forms of CP activities?</li> <li>• How does this bank justify its involvement in such activity?</li> <li>• Why does the bank suggest that shareholders will accept these justifications?</li> <li>• Do you think that the Islamic values and beliefs in your country have anything to do with this focus? If so: how?</li> </ul>
Q3. How could different stakeholders in a religious context influence the <b>bank's partners involved in implementing CP?</b>	<ul style="list-style-type: none"> <li>• What is common between banks in the partners involved in the implementation of CP?</li> <li>• How do banks differ in relation to these partners?</li> </ul>	<ul style="list-style-type: none"> <li>• Why does the bank choose to implement some of its social activities through the government? How does the bank evaluate such relations?</li> <li>• Why does the bank choose to implement some CP social activities through NGOs? How does the bank choose the NGO that they will work with?</li> <li>• Why did the bank choose to implement some of its social activities through cooperatives? How does the bank evaluate such relations?</li> <li>• Do you find any more internal or external pressures (from employees, media, politicians and customers) in relation to the partner chosen for implementing CP activities?</li> <li>• Do you think that the Islamic values and beliefs in your country have influenced banks' decisions regarding partners involved in these actions? If so, how?</li> </ul>
Q4. Within the specified issues, how could different stakeholders in a religious context influence <b>banks' purposes and benefits of CP?</b>	Not answered from documents.	<ul style="list-style-type: none"> <li>• When this bank implemented the intended activities, did it receive any feedback or face any difficulties of a religious nature from any stakeholder related to its philanthropic decisions?</li> <li>• How does this bank decide if an activity is successful?</li> <li>• What benefits is the society expected to gain from the activity? Are there ways to measure these benefits?</li> <li>• What benefits does this bank expect to gain from the activity? Are there ways to measure these benefits?</li> <li>• Do you think that the Islamic values and beliefs in your country have influenced these purposes?</li> </ul>
Q5. How could different stakeholders in a religious context influence <b>CP other than in the context of the previous points?</b>	Not answered from documents.	<ul style="list-style-type: none"> <li>• What is the bank's policy on reporting its CP activities?</li> <li>• Do you think that the Islamic values and beliefs in your country have influenced CP other than in the previous points?</li> </ul>

**Table 4.1:** Questions used for collecting data

Source: Author (2013)

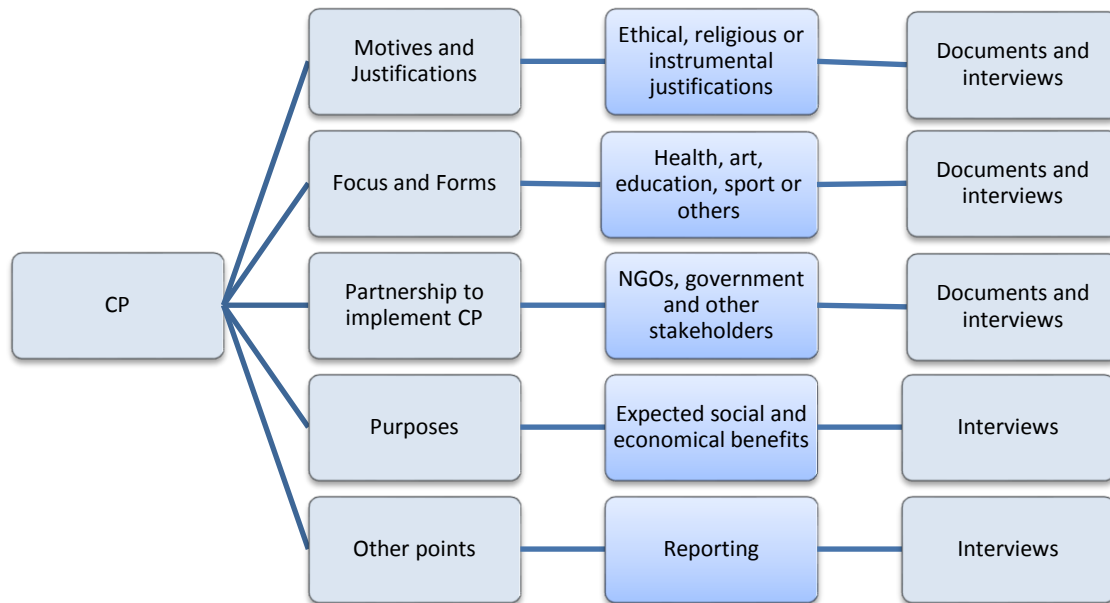


The first question guiding the data collection is: What is common between banks in relation to the five elements of CP (justifications, purposes, forms, relations with partners, and other points that the participants may suggest)? As discussed in Chapter 2, the nature of CP is expected to be reflected in these five elements. This question aims to investigate the common points discussed by managers' and shareholders in different banks in relation to their perception of the institutional pressures exerted by stakeholders on the CP process. The question seeks to gain from participants a description of how these coercive and mimetic pressures exerted by stakeholders affect the firm on the macro level.

The second question is: How do banks differ in relation to the five elements of CP? This question aims to examine the difference between banks in decisions related to the five elements of CP. Differences, as discussed in the proposed framework in Chapter 3, are related to the characteristics of the firm itself. Two characteristics in particular are discussed in the previous chapter: the ownership style of the bank and the nature of the bank (whether Islamic or commercial). This question seeks to gain from participants a description of how the characteristics of the firm, on the organisational level, may moderate the pressures exerted by stakeholders.

The third question is: What strategies are implemented by different banks? This is used because, when institutional and organisational dimensions interact, different CP strategies are expected from each bank that express the bank's needs and objectives. The component of each strategy is a combination of the five elements of CP.

Aiming to answer the three questions guiding the data collection, the whole CP process was analysed. This is because of the nature of this inductive study, in an area where no previous studies have been conducted and where the participants themselves are not very clear about their CP aims and purposes. The researcher designed five general questions in relation to the five elements of CP. The researcher then started to design more specific questions as illustrated in Table 4.1, and started to answer some of them from bank documents, with others being designed to be answered during the interviews (as illustrated in Figure 4.3).



**Figure 4.3:** Sources of data for the investigated elements of CP in the study

Source: Author (2013)

#### 4.6.4 List of Kuwaiti banks

In Table 4.2 this study introduces a complete list of the banks included in this study. As the table shows, the following points should be considered:

1. Kuwait has a dual banking system: five banks are commercial and five are Islamic. The similarity between all banks is that: 1) all banks are local banks; and 2) all banks show interest in social issues, which is expressed in their documents and social actions. The differences are that the Islamic banks follow Islamic rules in their business, and thus these banks are influenced by religion on two levels; on the field level when religion is part of the field context and on the organisational level when religion is the identity of the firm. This study will compare the CP elements between the commercial and Islamic banks in order to contribute to theoretical generalisations and to gain more understanding of the influence of the religious context.

2. Two of the Islamic banks were conventional and then later converted to the Islamic financial system. Thus, banks can also be divided into three categories: conventional banks, converted banks (they were commercial and converted into the Islamic mode), and Islamic banks. This division is helpful to give more depth to the study, especially when examining if the two converted banks – Kuwait International Bank and Al-Ahli United Bank – faced any differences in the pressures exerted by stakeholders, and if their CP practices were influenced by such a change.

3. The banking sector was established before the independence of Kuwait in 1961, which makes this sector well established. Moreover, in Kuwait Finance House (KFH), which was established in 1977, Kuwait has one of the first Islamic banks to be established in the region and is now considered to be one of the leaders of this type of bank. However, with the exception of KFH, the other Islamic banks are relatively new in Kuwait. This is because the government did not allow any other Islamic banks till after 2000.

4. The study interviewed the Kuwait Banking Association (KBA), which was important for two reasons: KBA has its own budget to spend on CP activities and also plays a vital role in guiding and organising CP activities in the banking sector. Interviewing the Secretary General of KBA gave rich, historical, and detailed explanations of CP behaviours in this sector, most especially as he has a complete picture of CP in these banks.

<b>Nature of the Bank</b>	<b>Bank</b>	<b>Member of the Board</b>	<b>Director of the CSR Department</b>	<b>Shari'ah Member</b>
<b>Commercial Banks</b>	National Bank of Kuwait (NBK) 1952	Board Secretary and Deputy Group CEO 25/6/2012	Executive Manager 25/6/2012	
	Commercial Bank of Kuwait (CBK) 1960	Chairman And Managing Director 27/9/2012		
	Gulf Bank 1960	Chairman 19/6/2012	General Manager- Board Affairs 19/6/2012	
	Al-Ahli Bank of Kuwait (ABK) 1967	Board Secretary 19/7/2012	Executive Marketing Manager Public Relation Manager 3/7/2012	
	Burgan Bank (BB) 1977		Assistant General Manager 25/7/2012	
<b>Converting Banks</b>	Al-Ahli United Bank (AUB) Became an Islamic bank in 2010 The bank was previously a commercial bank, named the Bank of Kuwait and the Middle East (BKME), established in 1971	Chairman and Managing Director 19/7/2012	Acting DCEO 19/7/2012 PR manager 19/7/2012	
	Kuwait International Bank (Al Dawli) Became an Islamic bank in 2007. The bank was a specialised bank, named Kuwait Real Estate Bank and established in 1973.	Chairman 28/6/2012	Deputy CEO 20/6/2012 Manager, economic research department 20/6/2012	Shari'ah Supervisor 20/6/2012
<b>Islamic Banks</b>	KFH 1977		Chief Executive Officer 28/6/2012 Marketing and Public relation Manager 28/6/2012	Unit Manager of Development and Researches: Shari'ah Compliance Department 4/7/2012 Senior Accountant: Shari'ah Supervisory Board 4/7/2012
	Boubyan Bank 2004	Chairman and Managing Director 27/6/2012	Senior managers, Corporate Communication Department 2/7/2012 Senior managers, Corporate Communication Department 2/7/2012	Manager, Shari'ah Supervisory Division 2/7/2012
	Warba Bank 2010		Marketing and Public Relation Manager 4/7/2012	
<b>Specialised Bank</b>	The Industrial Bank of Kuwait (IBK) 1974		Administration Department Manager 10/6/2012	
<b>Association</b>	KBA		Secretary General 26/6/2012	

Table 4.2: List of banks and individuals interviewed in this research

Source: Author (2013)

#### **4.6.5 Positions of participants**

This study interviewed 27 shareholders and managers who are involved in decision-making processes related to CP, to discuss how the bank as a firm is influenced by the religious context (see Table 4.2). Participants interviewed in this research include members of the boards of most of the banks, the CEO or the director of the CSR department in most of the banks, and Shari'ah (Islamic) Supervision Division members for the Islamic banks. While the study tried to interview more participants, banks did not cooperate in providing access to more than these individuals.

### **4.7 The Process of Data Analysis**

Qualitative data, generated from interviews and documents, are typically not straightforward to analyse because they are unstructured (Bryman and Bell, 2007). The process of qualitative data analysis is defined as “a research method for the subjective interpretation of the content of text data through the systematic classification process of coding and identifying themes or patterns” (Hsieh and Shannon, 2005: 1278). A further definition sees it as “any qualitative data reduction and sense-making effort that takes a volume of qualitative material and attempts to identify core consistencies and meanings” (Patton, 2002: 453). In short, it is a process of coding, developing or refining ideas, and then relating them to the theory (Creswell, 2002; Neuman, 2003). The process of data analysis in this thesis went through the steps outlined in the following sub-sections.

#### **4.7.1 Preparing the data**

Data analysis in qualitative research tends to be flexible and thus appropriate for capturing the perceptions of participants and the contextual factors that influenced their perceptions. Miles (1979) describes qualitative data as being an “attractive nuisance” because they are attractive, rich, and difficult to deal with. Thus, a reliable analysis of such data can only be developed from a clear strategy that guides the data analysis.

The research started with a complete transcript of the interviews. Then, each recorded interview was transcribed and analysed before conducting the next interview, aiming to listen to Strauss and Corbin's (1998: 207) recommendation that “data collection should be followed immediately by analysis”. The complete interviews were then translated into English with

efforts to keep the researcher's observations (interview sound and other audible behaviours) related to these interviews.

#### **4.7.2 Developing codes**

After several interviews, I started creating codes. Coding is “the process of breaking down, examining, comparing, conceptualizing and categorizing data” (Strauss and Corbin, 1998: 61). Defining the coding units is one of the most fundamental and important decisions (Weber, 1990). Units in qualitative content analysis usually are individual themes and expressions of an idea (Minichiello et al., 1990), rather than physical linguistic units. Codes started with headings and notes I wrote down while reading the material to describe the themes of the content (Hsieh and Shannon, 2005). The headings were then collected on a coding sheet and categories and subcategories were developed.

#### **4.7.3 Developing categories**

Categorising concepts into related groups were developed aiming to make the data manageable, and to increase understanding (Strauss and Corbin, 1998). Categories started to take a conceptual hierarchy that allowed the researcher to think analytically about the data. In this stage of data analysis, a constant comparative method was used. Through this method, a consistent comparison between categories continues, and writing memos that reflect the researcher's sensitivity to contrasts and relations between categories was done, aiming to gain more insight and connection between the compared categories (Glaser and Strauss, 1967).

As has been mentioned throughout, when starting this study, the primary aim was to investigate how the religious context encourages altruistic CP; however, by the time I was analysing the tenth interview, it became clear that CP appears to have been used by banks for various purposes. CP appears to have been used to manage particular potential stakeholder pressures and community claims related to the religious context, and these claims seem to differ from one bank to another. Patterns and strategies of giving started to emerge as a new category in this study. By the seventeenth interview, it was apparent that no new categories were appearing, and the point of “saturation” was reached after which “collecting additional data seems counterproductive” (Strauss and Corbin, 1998: 136). Comparisons, contrasts, and patterns, while preliminary, began to appear and relations were explored. The collection of

data continued, but the focus of the interview questions became more governed by the theoretical saturated data, aiming to get explanations rather than descriptions of the data.

#### **4.7.4 Drawing conclusions and findings**

After finishing the coding process, I started to write a comprehensive draft of my analysis guided by the two levels of my framework. At this stage, I started to identify relations between categories, discuss patterns of CP behaviours and connect the findings. Quotations to justify the findings were prepared. Balancing between describing and interpreting the data was taken into consideration, as Patton (2002: 503–504) points out when describing a good report that “provides sufficient description to allow the reader to understand the basis for an interpretation, and sufficient interpretation to allow the reader to understand the description”. I shared my findings with an academic specialist in the banking sector at a private university in Kuwait as I needed to discuss the analysis with someone who knew about the characteristics of the Kuwaiti banking sector so as to be confident in these findings.

### **4.8 Validity, Reliability and Confidentiality**

Validity is concerned with the integrity of the conclusions that are generated from the research (Bryman and Bell, 2007). Internal validity is achieved through triangulation and credibility. Triangulation in this study was achieved by using two sources – i.e. documents and interviews – to develop a more in-depth understanding of the case. Credibility is achieved by providing interviewees with a transcript of what they said and getting their feedback; this will also safeguard the interviewees. The researcher did this “host verification” “respondent validation” twice, and went back to respondents to get their feedback (Bryman and Bell, 2003).

External validity is achieved by providing an in-depth description of the culture in order to provide other researchers with the possibility of transferability of the findings (Bryman and Bell, 2007). This point is gained by giving thick distribution of the context of the study and its culture.

Reliability in research consists of establishing and verifying that the various processes involved will be able to be repeated with the same results being obtained by different researchers and/or in different periods (Thietart et al., 2001: 210). To ensure this, complete

records are kept for each of the research stages, where I wrote the time of the interview, the duration, the place, and what new data was retrieved. The interviews were recorded and hand notes were taken to assure reliability of the data. The interviews were conducted in Arabic because it was the native language of both the participants and the researcher. This can be considered as a strength since the researcher had the opportunity to capture the real meaning of the discussions with the participants. To ensure consistency and correct translation, I obtained the help of an English language expert to be sure that the translation is reliable.

Confidentiality was assured by informing participants that the information generated from interviews will not be given to third parties. While participants did not show much anxiety in regard to the publishing of the data, strict confidentiality of interviews tapes and transcripts was maintained during and after the interviews for ethical reasons. Moreover, participants' identities remain anonymous and are replaced by codes. This is because Kuwait is a small country and therefore, should names and answers be published, this may harm these participants.

#### **4.9 Summary**

This chapter discussed in detail the research methodology that is to be applied in this research. The chapter justified choosing the epistemological position of an 'interpretive perspective' for this study, based on the classification by Burrell and Morgan (1979). It further presented the qualitative approach to this research and justified this approach. It proceeded by outlining the research process that the researcher followed: selecting Kuwait as a country, the banking sector selection, research questions, data collection, and data analysis. It finally discussed the issues of reliability, validity, and confidentiality pertinent to the study.



## **Chapter 5:**

### **Data Analysis**

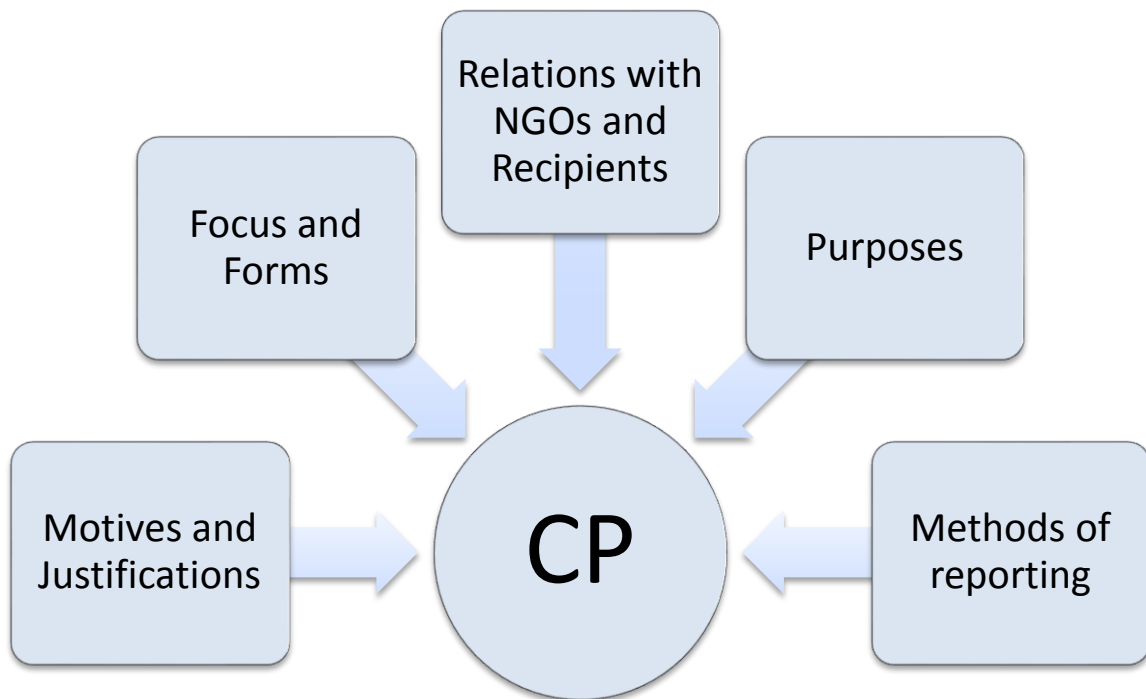
#### **5.1 Introduction**

In the previous chapters, this study asserted the need to investigate the relations between business, religion and society. In particular, it outlined the need to examine how firms come to adopt CP of a non-economic nature within a context of intense beliefs, values and norms rooted in religion as an element of the context, and to what extent CP of a non-economic nature take place. A framework was developed and proposed on two levels: the field and the organisational. On the field level, the framework examines how institutional stakeholders, mobilised by a context of intense Islamic beliefs and values, influence decision makers (shareholders and managers), resulting in an isomorphic model of CP of a non-economic nature on a field level. On the organisational level, factors that are expected to play a role in differentiating between banks in their response to the context are identified. As the end of this proposed framework, different strategies are expected to be generated reflecting the different needs of banks within their context.

Aiming to examine and complete the proposed framework, this chapter will examine the next questions using bank documents and interviews. These questions are as follows: How influential are the beliefs, values and norms rooted in Islam – as a contextual factor – on the elements of CP in the banking sector under investigation? Does this influence differ between banks? How do shareholders and managers of the bank evaluate such influence? And, finally, how altruistic is CP in the banking sector within the context of Kuwaiti banks? Answering these questions prepares the study for Chapter 6, where the proposed framework will be completed, and an explanation of how the context of intense Islamic beliefs and values in Kuwait shapes CP of an altruistic nature will be discussed.

Chapter 5 starts by giving an overview of the Kuwaiti banking sector's mandatory and voluntary social contributions and the nature of these contributions. Then, the chapter illustrates the influence of a context of intense Islamic beliefs and values on different elements of the CP process, starting from CP motives and justification, CP focus and forms,

banks relations with NGOs, methods of reporting CP, and finally the purposes and benefits of CP as illustrated in Figure 5.1. The chapter ends by affirming the existence of an “altruistic case” for CP in this sector shaped by the religious context, and examining the various faces of this case.



**Figure 5.1:** Elements of CP investigated in the study

Source: Author (2013)

## **5.2 Overview of the Kuwaiti Banking Sector’s Social Donations and Contributions**

Table 5.1 presents a comparison between Kuwaiti banks’ contributions from 1992 to 2008, which suggests that Kuwaiti banks contribute to certain main projects.

First, according to Kuwaiti law, the Kuwaiti banks pay 1% of their profit to KFAS. KFAS is a private, non-profit organization, established by an Amiri Decree issued on December, 12, 1976. KFAS is managed and administered by a Board of Directors (BOD), chaired by H.H. the Amir of the State of Kuwait. KFAS receives financial contributions by the Kuwaiti Shareholding Companies, amounting to 1% of the net annual profit. The strategic objectives of KFAS include: 1. developing a strong advocacy for Science, Education and Scientific Culture. 2. Enhancing and integrating capacity in and among Kuwaiti scientific institutions. 3. Strengthening and developing the national Science, technology, and innovation system. 4. Supporting the development of the private sectors scientific and technological capabilities, and participate in building a knowledgeable Economy (KFH website, 2012).

Second, according to Kuwaiti law, Kuwaiti banks pay 2.5% of their profit to the Kuwait Manpower Governmental Restructuring Programme (MGRP). The MGRP started in 2000, and aims to: 1. Set policies for employing Kuwaitis and follow the implementation of these policies. 2. Set up a system to encourage NGOs to employ Kuwaitis. 3. Pioneer procedures that aim to coordinate between the outputs of education and employment opportunities in different agencies (MGRP Website, 2012).

Third, Kuwaiti banks contribute to the Institute of Banking Studies (IBS). According to its website, “IBS contributes to the growth and prosperity of the Kuwaiti banking and financial sector in Kuwait by providing state of the art professional education, training, certification, language learning, research, and consultancy services that align talent resources and decision making capabilities within this sector to global standards” (IBS Website, 2012).

Fourth, Kuwaiti banks contribute to community support and social and humanitarian initiatives, which includes Kuwaitisation (NB: Kuwaitisation refers to the process of hiring national Kuwaitis in firms instead of foreigners), education, health, sport, environment, and conferences.

Nature of the Bank	Bank	Mandatory Donations			Voluntary Donations	Total Kuwaiti Dinar (KD)
		Contributions to KFAS	Contributions to Kuwait MGRP	Contributions to IBS	Humanitarian and Social Donations and Contributions	
<b>Commercial Banks</b>	National Bank of Kuwait (NBK) 1952	46,556,146	26,262,402	3,926,892	17,002,052	93,747,492
	Commercial Bank of Kuwait (CBK) 1960	8,270,195	11,326,794	1,630,344	3,213,682	24,441,015
	Gulf Bank 1960	13,111,000	10,216,000	1,989,000	5,577,297	30,893,297
	Al Ahli Bank of Kuwait (ABK) 1967	4,788,000	7,487,000	1,813,000	1,416,000	15,504,000
	Burgan Bank (BB) 1977	1,061,251	7,239,000	246,740	1,936,393	10,483,384
<b>Converted Banks</b>	AUB Was Converted in 2010 The bank was a commercial bank, named The Bank of Kuwait and the Middle East (BKME) established in 1971	2,131,108	5,127,965	1,130,453	1,149,992	9,539,518
	Kuwait International Bank (Al Dawli) Was Converted in 2007 The bank was a specialized bank, named Kuwait Real Estate Bank established in 1973	2,398,000	2,095,000	518,000	588,000	5,599,000
<b>Islamic Banks</b>	KFH 1977	8,422,000	15,946,000	-	26,278,000	50,646,000
	Bank Boubyan 2004	297,048	760,177	99,869	285,167	1,442,261
	Warba Bank 2010					
<b>Specialised Bank</b>	The Industrial Bank of Kuwait 1974	4,223,000	-	399,000	250,000	4,872,000
<b>Association</b>	KBA	-	-	-	6,172,765	6,172,765
	Total	91,257,748	86,460,338	11,753,298	63,869,348	253,340,732

**Table 5.1:** Kuwaiti banks' donations and contributions in KD, 1992–2008

Source: KBA

This data suggests that the Kuwaiti banks contributed around KD 250 million (around GBP 577 million) in the period from 1992 to 2008, which equals around KD 15.6 million a year. However, this study is interested in CP that firms give voluntarily. This study will focus on the KD 64 million donated in the period from 1992 to 2008, which means the approximately KD 4 million a year that was donated voluntarily in addition to the mandatory donations.

Moreover, Table 5.1 shows that, in relation to voluntary donations, there are mainly two leading banks in the sector, a commercial bank and an Islamic bank. To introduce the two leaders in the Kuwaiti banking sector, NBK “was the first national bank in Kuwait and the entire Arabian Gulf region. All the board members and the founders of NBK were renowned merchants of Kuwaiti origin. Over the years NBK has proved itself to be a financial leader in the Arab world” (NBK Website, 2012). Indeed, NBK has received many international awards and stands in a high ranking according to international global opinion. In fact, NBK stands in the 35th place in the world in terms of the most solvent and stable banks.

KFH is a pioneer of the banking phenomenon known as Islamic Finance or Shari’ah-compliant banking. It was the first Islamic bank established in Kuwait and it is today the second largest Islamic bank in the world. KFH is now a market leader not only in the Islamic banking industry but also in the banking sector as a whole, providing a wide range of Shari’ah-compliant products and services covering banking, real estate, trade finance, investment portfolios and corporate, commercial and retail financial markets (KFH Website, 2012). KFH in turn has also received many international awards and stands in a high ranking according to international global opinion.

When examining the numbers in Table 5.1, the table shows that the commercial bank, NBK, contributed around KD 77 million mandatorily and KD 17 million voluntarily, while the Islamic bank, KFH, contributed around KD 24 million mandatorily and KD 26 million voluntarily. This suggests that while the annual profits of the commercial bank NBK are much greater than the Islamic bank KFH (seen from the mandatory payments), the Islamic bank is voluntarily donating more than the commercial bank.

### **5.2.1 Influence of the Islamic context on compulsory donations**

While this study is interested in CP-related voluntary contributions, two points connected to the influence of the institutional values and beliefs within a context of intense Islamic beliefs and values on CP need to be addressed.

First, in 2008, the Kuwait government started to collect 1% annually from the profit of the companies and establishments working in the State of Kuwait whose capital are not less than KD 100,000 each year. Companies may choose to spend this money (through the Ministry of Finance) on legal Zakat expenditure recipients (the eight categories of Zakat recipients discussed earlier) or to pay the money as a tax to be spent on public utilities (Law No. 46 Regarding Zakat, 2006). This law was proposed by several Islamic members of the Kuwaiti national assembly to impose Zakat on firms and was named the “Zakat Law”. This collected money is considered part of the Zakat of the Islamic banks (banks pay 1% while the percentage of Zakat is 2.5%). Before this Law, Islamic banks used to spend Zakat on their own. After the Law of Zakat was instigated, these Islamic banks pay 1% to the Ministry of Finance and spend the remaining 1.5% on their own. On the other hand, commercial banks which did not pay Zakat before this law, started to pay it. This law has its impact on voluntary CP, and this impact will be discussed in the next chapter when discussing the impact of Islamic politicians as influential stakeholders in relation to voluntary CP.

The other influence of the context is revealed in the justifications used by companies to pay for KFAS. On the website of the “Chamber of Commerce and Industry”, the chamber explains that when the Amir in 1967 asked Kuwaiti companies to participate in supporting KFAS, firms accepted this social action to send out the message that Kuwaitis are one family and that this family “believes in God and love benevolence” (Chamber of Commerce and Industry Website, 2012). The role of the Amir as a stakeholder in such compulsory contributions is recognisable, and the justifications used by firms to explain their acceptance reflect that the understanding of firms of their social role is rooted in religious values, as will be discussed in this chapter.

### **5.3 Influence of the Islamic Context on CP Motivations and Justifications**

All banks consider the influence of the beliefs, values and norms of the Islamic context “expected”, “undeniable” and “part of the identity of Kuwaiti banks”, as interviewees suggest. Analysis of banks’ motives in regard to CP suggests that banks do know and consciously act out a role that has religious implications (Dodd and Seaman, 1998). In the same vein, banks understand that CSR is CP, and this confusion was explained – in previous studies in developing countries – with reference to two main reasons: the word “social” in CSR confuses firms who link the term “social” to philanthropy, while the term “corporate responsibility” without “social” can be used to refer to economic, legal, and ethical responsibilities (Jamali, 2007: 21). Also, due to social needs and religious values, philanthropy played a significant role through the history of developing countries causing lack of appreciation to other CSR responsibilities and giving legitimacy to the confusion between CSR and CP (Jamali and Mirshak, 2007; Ozen and Kusku, 2009).

When justifying CP activities, and explaining their social motives, findings suggest that the Islamic banks use Islamic justifications more than commercial banks. For the Islamic bank KFH, CP is justified by Islamic values, Kuwaiti traditions, the bank’s Islamic identity, and the importance of the bank’s role in society:

“KFH’s social responsibility drive stems from its continuous striving to contribute in initiatives compliant with the Kuwaiti tradition and values, which benefit society as a whole”. “The mission KFH adopted in devising Islamic banking notions included its duty towards society and its individuals. This social responsibility is seen in our support for the vital sectors in the lives of society individuals” (KFH CSR annual Report 2010, no page)

When it comes to the commercial banks, their annual and CSR reports show that they prefer to use ethical justifications reflecting ethical motives. NBK states that the motivation is “to benefit the society in which we operate”; CBK states that “social responsibility has been among CBK's priorities since its establishment”; and ABK “believes passionately in its social mission, which it regards as an essential part of the Bank’s overall policy objective” because of the bank’s awareness of “the importance of carrying out this vital role, and supporting social organisations that operate in the wider community”. For BB, “CSR has always been an

important part of the way we do business”, and this is motivated by “our values of trust, commitment, progression and excellence” (from bank documents mostly written in Arabic).

However, it should be underlined that justifications on the part of both types of bank may be influenced by Islamic beliefs in spite of these differences in the wording of their justifications. Interviewees from the commercial banks state that ethical justifications do not contradict their religious ones:

“As commercial banks, we may use different words to the Islamic banks to justify our social involvement. Sometimes words are related to the image and identity of the firm. We refer in our bank, for example, to the humanitarian motive to justify giving, but in the end we learnt to care for humans from our traditions and religion. Religion is not what we say, it is what we do” (interviewee/commercial bank).

Kuwaiti banks using shared Islamic, ethical, and national justifications to their CP motives are suggested to be reflecting their understanding of their broader responsibilities to stakeholders and society (Basu and Palazzo, 2008). This understanding of social responsibility is rooted or referenced, as the finding suggests, in the two principles of Islam: the charity principle, where religion requires fortunate individuals to help less fortunate ones; and the stewardship principle, where fortunate individuals are asked by religion to see themselves as caretakers not just as shareholders, aiming to benefit their societies (Lantos, 2001). These frames of reference are sources of templates or models that facilitate the adoption of similar justifications by members of the group (Marquis et al., 2007).

#### **5.4 The Influence of the Islamic Context on CP Focus and Forms**

In this part, the research reviews the available documents of the banks (from 1992 to 2011) and illustrates the findings in Table 5.2. Four main findings are discussed in detail:

First, banks seem to focus on social activities that are of a non-economic nature and are considered the traditional concerns of religions and the traditional needs of developing countries. To make this point clear, I follow Moore (1995) and divide banks’ activities in relation to the core business of the banking sector. The focuses of Kuwaiti banks’ activities are divided in Table 5.2 into four categories:



A. Peripheral and unrelated activities in relation to core business: Most of the activities of the Kuwaiti banks in Table 5.2 fall into this category. These activities include donations to activities of a religious nature, to the vulnerable (patients, elderly and disabled), to supporting local education, sport, culture, and health, and donating outside Kuwait to countries affected by war or a disaster.

B. Activities that aim to support employees: this includes, for example, supporting job opportunities and national employment programmes.

C. Activities that aim to support business development and business education: this is when these banks, for example, sponsor investment, real estate, and economic conferences.

D. Activities related to the banks' core business: this is when firms use their own expertise or products to support the community (Moore, 1995). This includes, for example, training school students inside the bank in the summer or providing support and financial facilities to national projects.

Table 5.2 suggests that the philanthropic activities that are attractive to this sector are mainly peripheral in the sense that they are not related to the core business of the banks (for example, education, health and social support). While Kuwait is a rich country, and while the government is able to handle the needs and concerns of its people, banks still play a part in this role. The banking sector is thus not different from local firms in developing countries that give on a normative altruistic basis, which targets activities that take the form of philanthropy or are an extension of philanthropy (Lu and Castka, 2009; Jamali and Keshishian, 2009; Visser, 2008; Jamali and Mirshak, 2007; Ahmad, 2006; Arora and Puranik, 2004).

Second, Table 5.2 suggests that there is a great deal of isomorphism in relation to the activities that attract the banks' contributions. While these banks are divided into Islamic, converted and commercial, this division is not reflected clearly in the focus and forms of the social activities attracting banks. For example, all of the banks are giving in relation to the traditional needs of developing countries.

Banks were open in discussing the reasons for focussing on traditional activities; first, these traditional sectors benefit a wide spectrum of people, and banks like their CP to spread

widely. Second, banks think that developing these sectors is important in terms of developing the whole society, and thus improving different aspects of the Kuwaiti context. Third, banks state that, while the Kuwaiti government is rich and thus should handle these issues, due to bureaucracy and corruption this is not the case. This inability on the part of the Kuwaiti government to handle its social role causes banks to support such activities. Moreover, banks discuss how such giving to education and health is preferred by not only stakeholders but even shareholders. Shareholders consider donations to such issues a Kuwaiti tradition; they have long supported education and health, built mosques, helped the poor and so on during Kuwaiti history. Finally, banks suggest that these sectors are encouraged by religious teachings, values, and norms, which give such traditional social activities a spiritual value.

It seems that CP practices are therefore influenced by the religious and ethical justifications discussed earlier. This is because “how we talk about behavior influences that behavior” (Ferraro et al., 2005: 16). Moreover, focusing on urban services, education and health goes with Islamic teachings that encourage Muslims to target projects that entail benefits to the society, as is widely known in different Islamic communities (Hasan, 2006; Krafess, 2005). Islamic values, encouraging giving to the poor and vulnerable, seem to define preferred desirable CP practices, while Islamic norms through the history of Islam and Kuwait specify how things should be done; both thus define the legitimate means to pursue valued ends, and encourage the adoption of similar practices by members of the banking sector (Marquis et al., 2007).

To explain more how the shared models of traditional CP practices are shared between Kuwaitis through the history of the country, I would like to present another example. A Kuwaiti minister was asked: Why do business and rich people donate to support education and health, and to build governmental hospitals and schools, when the government is rich? The minister answered that such contributions are not because the government lacks financial or social possibilities. She explained that these donations are motivated by Kuwaitis’ love for their homeland, and their eagerness to serve their country. She continued that these donations are influenced by Kuwait traditions to volunteer for such institutions, and reflects the synergies of those who donate with their government, aiming to fulfil the prosperity of society (Al Watan Newspaper, 2009).

Third, the availability of some activities that has a religious nature between forms of CP is interesting, and indicates how much value banks place on religion. Examples of religious

activities are supporting Holy Quran activities, sponsoring visits to Mecca, and providing food to break the fast in the fasting month of Ramadan. Table 5.2 suggests that all banks – whether Islamic or commercial – have at least one activity of this kind. This suggests that having religious activities is one of the characteristics of isomorphism in this sector and indicates that these religious activities come as a response to the religious context, not as a response to the identity of the bank. However, when comparing the commercial banks as a separate category in relation to the number of religious activities, one may see that these commercial banks vary. While some of these commercial banks contribute a lot to Islamic activities, other commercial banks give the minimum and just in Ramadan.

Focusing on the banks that converted from being commercial to being Islamic, the findings suggest that these banks started their Islamic philanthropic activities before converting to the Islamic banking system. In their documents, one can notice that converted banks started intensive Islamic CP activities before the year of conversion (Kuwait International Bank (Al Dawli) converted in 2007, while AUB converted in 2010). The question about the relation between CP contributions and converting to the Islamic banking system will be discussed when explaining banks' CP strategies in the next chapter.

Fourth, another influence of the religious context is restricting some commercial banks from practicing activities that are not accepted by the Islamic traditions of the society. These banks explain that they avoid any social activity that may provoke the community on Islamic basis:

“We avoid, for example, using parties as a charity event. Although parties are not forbidden in Kuwait, we think that parties are not a preferred social tool” (Interviewee/commercial bank).

Another example from a second commercial bank

“One of the churches in Kuwait asked us to donate to a certain activity, but we didn't. We thought that donating to activities in the church may be misunderstood by the society, and preferred not to” (interviewee/commercial bank).

Nature of the bank	Bank	Activities peripheral or unrelated or core business				Activities that support business development and business education	Support for employees' interests	Related to core business
		Activities of religious nature	Vulnerable (Patients, elderly and disable)	Supporting local education, sport, culture and health	Donating outside Kuwait			
Commercial Banks	NBK 1952	<p>In the holy month of Ramadan, a cause- related campaign is conducted for the benefit of the disabled.</p> <p>In the holy month of Ramadan 150,000 meals are provided to break the fast.</p> <p>In Ramadan, special traditional gifts and sweets are delivered to children and patients in hospital</p> <p>In Ramadan, a special celebration day is conducted at Kuwait Red Crescent Society.</p>	<p>Giving gifts and sweets to children in .hospitals.</p> <p>Sponsoring graduation days and exhibitions in schools for the disabled.</p> <p>Donations for the renovation of orphans' housing (including the nursery building).</p>	<p>Building a hospital which was entrusted to the government.</p> <p>Covering the whole costs and salaries - for three years - for visiting doctors from Britain (specialists in cancer and surgery).</p> <p>Establishing a building where marriage parties can be held, under the supervision of a co-operative.</p> <p>Sponsoring and donations to schools and university.</p> <p>Sponsoring scientific and media conferences.</p> <p>Awareness campaign (for blood donation, breast cancer, environment and public safety)</p> <p>The annual walkathon (since 1994).</p> <p>Health exhibitions.</p> <p>Sponsoring youth sport activities.</p>	<p>Donations for Lebanon and Palestine due to poverty and war.</p>	<p>Sponsoring business conferences.</p>	<p>Kuwaitisation, supporting job opportunities and national employment programmes.</p>	<p>Internal training for school students in summer</p> <p>Providing support and financial facilities to leading national corporations in the vital fields of petroleum, energy, transportation and telecommunications.</p>
	CBK 1960	<p>Sponsoring Omrah (a visit to Mecca) for the blind, cancer patients, farmers' federation, and an Omrah done by disabled for the spirit of the dead Ruler</p>	<p>Celebrating national and religious days by giving gifts and sweets to children in hospitals</p>	<p>Sponsoring school and university activities.</p> <p>Sponsoring scientific conferences.</p>	<p>Donations for tsunami, victims of 9 September, Lebanese in the war against Israel in 2006</p>	<p>Sponsoring investment, real estate, career and economic conferences.</p>	<p>Parties for welcoming new employees.</p> <p>Exhibition of employees' hand crafts.</p>	<p>Training school students in summer.</p>

		Sheik Jabber.  In Ramadan, the bank started a cause-related campaign for the benefit of the disabled.	Sponsoring graduation day and exhibition in disabled schools.  Donating to educating needy children.	Donating computers to some schools.  Awareness campaign (for smoking, heart problems, environment and shore cleaning, street traffic).  Walkathon.  Health exhibitions.  Sponsoring youth sport activities. Football games. Golf day  Supporting cultural activities.				
	Gulf Bank 1960	Printing the Holy Quran in a special format for people who are blind.	Sponsoring graduation day and exhibitions in disabled schools.  Donating toys and sweets for needy and orphan children.	Sponsoring youth and sport activities.  Supporting environment and drug awareness activities.  Blood donation campaign.  Sponsoring school and university activities.	Donating to the Red Crescent.	Sponsoring CSR conferences.	Kuwaitisation, supporting job opportunities and national employment programmes.	
	ABK 1967	Sponsoring Omrah for Journalist Committee (an NGO).  In Ramadan, the bank started a cause-related campaign for the benefit of the disabled.	Sponsoring graduation day and exhibition in disabled schools.  Donating to disabled NGOs.	Supporting football teams in schools.  Environmental awareness.  Sponsoring activities in schools and universities.  Donating to support Kuwaiti family values, by donating to the ideal mother competition.		Sponsoring economic conferences.	Kuwaitisation, supporting job opportunities and national employment programmes.	Training school students in summer.
	Burgan Bank (BB) 1977	Some celebration activities in Ramadan.	Donating and sponsoring graduation days, exhibition and celebrations for NGOs and disabled schools.  Celebrating national and religious days by	Sponsoring school and university activities.  Sponsoring scientific activities.  Sponsoring youth sport activities. Football games.		Sponsoring investment, career and economic activities.  Sponsoring a financial centre in Kuwait University for financial	Kuwaitisation and commitment to employees.	

			giving gifts and sweets.  Training course for the children of prisoners of war and martyrs.	Blood donation campaign.  Health and environment awareness campaigns.  Supporting cultural activities (publishing books and supporting diving tradition day).		training.		
Converted Banks	Kuwait International Bank (Al Dawli) Converted in 2007 Was a specialised bank, named "Kuwait Real Estate Bank" established in 1973.	Donating to a Holy Quran trust.  Sponsoring a trip to Mecca.  Donating to the Holy Quran institutions.  Establishing a Holy Quran competition for new Muslims.	Visiting hospital patients and orphan nurseries and giving them gifts.  Visiting the disabled.  Sponsoring walkathon for disable.	Donating and sponsoring school and university activities.  Sponsoring youth exhibitions.	Donations for Kuwaiti charities working outside Kuwait.			
	AUB  Converted in 2010  Was a commercial bank, named the Bank of Kuwait and the Middle East (BKME), established in 1971	Sponsoring Islamic financial conference.  Sponsoring activities related to Holy Quran.  A spiritual lecture around Islam and Shari'ah.  A gathering to thank "The Supreme Consultative Committee" for their support.	Sponsoring sport activities in disabled schools and NGOs.  Celebrating national and religious days by giving gifts and sweets.	Donating and sponsoring school and university activities.  Sponsoring traffic and safety exhibition.	Donations for Kuwaiti charities working outside Kuwait (children with cancer in Lebanon)	Sponsoring Islamic financial conference.		Training school students.
Islamic Banks	KFH 1977	Donating to "Al-Zakat House" with this money to be spent according to Islamic criteria.  Donations are to be spent inside and outside Kuwait.  Sponsoring a degree in "Islamic Finance" at	Donating to "Al-Zakat House". Donations are spent inside and outside Kuwait on poor families inside Kuwait and charities, religious students, and meals to those fasting.  Sponsoring	Building a government hospital.  Donating for 15 emergency centres.  Awareness campaign (for smoking, drug awareness).  Donating to NGO specialised in supporting sick and hospital patients.  Donating and sponsoring school and	Spending part of the "Zakat" outside Kuwait.  Donations outside Kuwait, e.g. on disasters in Lebanon and Pakistan.	Sponsoring a degree in "Islamic Finance" at Kuwait University.	Kuwaitisation, supporting job opportunities and national employment programmes  A health day: checking the health of employees.	

		<p>Kuwait University.</p> <p>Sponsoring preachers to teach religion to non-Muslims.</p> <p>Donating to “The Holy Quran” competition.</p>	<p>disabled schools.</p> <p>Donating to educating needy children.</p>	<p>university activities.</p> <p>Donating computers to university.</p>				
	Bank Boubyan 2004	<p>In Ramadan, the bank provides meals during the month to break the fast.</p> <p>Sponsoring a film done by youth and focusing on Islamic values.</p>	<p>Donating to educate needy children.</p>	<p>Sponsoring academic and youth conferences.</p> <p>Donating and sponsoring school and university activities.</p> <p>Sponsoring youth exhibition.</p> <p>Sponsoring a film done by youth and focusing on Islamic values.</p>		<p>Sponsoring real estate and career opportunities exhibition.</p>		
Specialised Banks	Industrial Bank of Kuwait 1974	<p>Publishing an Islamic Encyclopaedia related to the Islamic economy.</p>	<p>Sponsoring disabled and cancer-afflicted children.</p>	<p>Donating and sponsoring university activities, participating in environmental projects.</p> <p>Sponsoring youth exhibition.</p>	<p>Donations to tsunami victims.</p>	<p>Sponsoring investment exhibition.</p>	<p>Training new employees on banking skills.</p>	<p>Training youth on how to establish new projects.</p>

**Table 5.2:** Focus and giving strategies of Kuwaiti banks, 1992–2011

Source: Author (2013)

Fifth, when considering forms of social activities, I discussed with the banks the reasons behind supporting schools, for example, instead of developing new innovations in relation to education. Banks seem to face a problem in generating new initiatives for CP, and thus follow what they used to do. Furthermore, when I discussed with banks the inefficiency of certain activities, the lack of procedures and criteria, the scattered and unplanned giving for certain activities, I got no answer. Banks seems to lack training and education related to facilitating CP processes, which is also the case in other developing countries (Katsioloudes and Brodtkorb, 2007).

Banks reveal that there are many different sources for social initiatives:

**Competitors:** Banks look at competitors as a main source of CP initiatives. Thus, while commercial banks look to NBK as a leader in relation to CP, Islamic banks look to KFH as a “school’ (as they call the bank). This is because both banks were the first to be established in Kuwait of their kind (commercial or Islamic). At the same time, both Islamic and commercial banks look to each other for ideas.

**NGOs:** This sector forms another main source of CP initiatives. NGOs approach banks asking for contributions and suggesting projects that reflect the needs of the society.

**Other stakeholders:** Shareholders, especially those who are members of the board of the bank, may come up with initiatives. Employees may also suggest other initiatives. Furthermore, in Islamic banks, the Shari’ah committee may be a good source for initiatives. Customers, especially those of a high net worth, neighbourhood schools, cooperatives and what the newspapers write may all be sources of ideas.

**The Amir or the government:** Sometimes the Amir himself or the government asks banks to donate as a voluntary action to certain projects.

**The history of CP in the bank:** Banks evaluate their social activities yearly, and repeat the “good” activities in the next year. Banks evaluate their activity by asking two questions: what do people



say about these activities, and how many people attended the activity. No other forms of measurement are used.

Finally, the spectrum of activities: In general, banks prefer to have a wide spectrum of social activities that cover most of the social issues, while also aiming not to be different to the other banks. However, some banks try to focus on certain social issues – for example, issues involving people who are disabled – and thus aim to build a unique social image. Banks also try to have activities that cover the whole year, and to focus on religious activities on religious occasions.

### **5.5 Influence of the Islamic Context on Banks' Relations with CP Recipients**

Aiming to shed light on the kind of relation these firms have with the recipients, and the strength of firms' engagement in these relations, this study uses Austin's (2000) Collaboration Continuum (CC) – discussed previously in Chapter 2. Austin (2000) views CP within a framework of CC. In this framework, Austin (2000) considers donations as the basic relationship between firms who give and those who take. In the middle of the framework comes the transactional stage. In this stage, a mutually beneficial relationship appears between the firm and recipients, which includes forms of giving such as sponsorships and cause-related marketing. At the end of the CC comes the integrative stage. In this stage, a mutual mission relationship appears between the firm and the recipients, leading to a higher level of interaction and increased value to both the firm and the recipients.

When applying Austin's CC framework to Table 5.2, it shows that the relationship between the banking sector and recipients in Kuwait – whether recipients are NGOs, co-operatives or governmental institutions – is still at the philanthropic and transactional stages with no signs of any integrative relation. This finding is consistent with finding in other developing countries, where firms are also still in the first stages of the continuum (Jamali, 2007).

The relationship between banks and NGOs is the one most influenced by the religious context, especially those NGOs of a religious nature (i.e. NGOs that work under Islamic identity). This connection can be divided into three categories:

1. Some Islamic banks prefer to implement CP activities through Islamic NGOs. The reason may be that the shareholders or the management of the bank have good relations with these NGOs and find these NGOs more able to understand the Islamic identity and restrictions of the bank.
2. Some Islamic banks deal with both Islamic NGOs and also with any NGO working in Kuwait. This was explained by the bank that as long as the society accepts such NGOs, then the bank will accept working with it. These banks aim to be more open to all NGOs in the society and not restricted to Islamic ones as they say.
3. Some commercial banks prefer to deal with both Islamic and other NGOs. These banks want to work with Islamic NGOs, thus aiming to “break” the image that commercial banks are “non-Islamic”, and to open channels of relations with religious society.
4. Finally, some commercial banks deal only with NGOs that do not have an Islamic identity. One of these commercial banks says: as long as those Islamic NGOs look at our banks as a non-Islamic bank that deals with interest, then why do they come to take from our “haram” money”?

Banks seem to have some obstacles in building relations with NGOs. One of the things that I found surprising is that some of the banks have a budget for CP, and yet they find themselves unable to spend it by the end of the year due to the lack of sound initiatives suggested by NGOs:

“Last year, the association had a budget, and I was not able to spend even 10% of it due to the lack of trustworthy projects. This year I started a proactive action, and searched for an NGO instead of waiting for the NGO to come to the bank. I even know that we would

agree to adopt any project if this project proves to be of great value for the society, unfortunately, NGOs are not able to come with such good projects” (interviewee/KBA).

One of the obstacles is having no database that includes a full profile of the NGOs and charities in Kuwait. Banks find a problem when they need quick and comprehensive information about an NGO. Moreover, NGOs are not trained in the creation of creative and transparent initiatives to attract banks. Finally, not all NGOs are trusted by banks, which mean that banks prefer those NGOs that are recommended by the manager or by an employee.

## **5.6 The Influence of the Islamic Context on CP Purposes**

Banks prefer to show that altruism is at the heart of their social activities even if these activities are tackled through the PR department and carry benefits to the firm. Three explanations are used by these banks: 1) all the participants I interviewed insisted that there are some activities tackled by banks for just altruism and nothing more. Moreover, some of these banks point out that these activities may not be reported in detail in bank documents. 2) Participants claim that banks’ social activities are purely voluntary and come under no pressures from the media, NGOs, customers, or the government. 3) Banks point out that when social benefits come at the expense of economic benefits, social benefits are preferred:

“We are giving back to our society because we think that this is a commitment. As we have an economic role, we have also a social role. We give while no pressures are practiced from any NGOs, the media and public. We give while we expect little and sometimes no financial benefits, as in the case of donating to orphans or the disabled” (Interviewee/commercial bank).

“When we decide to start a social activity, we try to choose those activities that benefit the bank and society at the same time, economic benefits like attracting potential customers or capitalising on our image as a bank. But in many cases we find that while

people benefit from the social activity, we don't get the economic benefits that we expected. What happens is that we continue this social activity regardless of the economic benefits. We prioritise social benefits over the bank's benefits" (Interviewee/commercial bank).

"We started many activities that aim to benefit both the bank and the community, and we look at these activities as part of our PR. Sometimes we continue repeating the activity although we know that its costs are more than its benefits" (interviewee/Islamic bank).

These findings suggest the existence of the influence of Islamic beliefs and principles. When banks prefer to say that the economic benefits are not the only purpose for CP, and when these banks insist that social benefits are sometimes preferred over economic benefits, this is consistent with Islamic beliefs. According to Islam, profit should not be the only purpose of economic activities, and Islam emphasises the importance of spiritual and moral considerations as determinants of human welfare (Kroessin, 2008). As a result, economic activities should incorporate social cooperation instead of being a mere struggle and competition.

However, banks nevertheless point out that they expect benefits from most of their social activities. Banks explain that they use CP as a tool for PR, to compete with other firms, to avoid any expected future social and religious claims, to show that the bank is financially strong and generating good profits, and to strengthen the reputation of the bank:

"While there are no direct pressures from stakeholders on the bank to contribute to social activities, the bank avoids behaving in any way that may lead to any backfire. We give and keep giving because maybe if we don't give somebody will criticise the bank" (interviewee/commercial bank).

This finding in Kuwait is supported by a study of Jamali and Mirshak (2007) in Lebanon:

"In other words, profitability, while certainly important in the Lebanese context, may not qualify as the driving force for CSR adoption as in Cyprus or Finland, particularly that Lebanese firms do not benefit from tax deduction or other direct fiscal incentives when pursuing CSR. Other shorter-term indirect benefits (e.g. branding, reputation, and public relations) seem more salient in the Lebanese context, noting that these are likely to reflect positively on bottom line performance over time. (Jamali and Mirshak, 2007: 259).

Another important benefit mentioned by two of the commercial banks specifically is that social donations aim to soften the image of these banks as “whales”, as some people call them. This is because banks gain a lot of money from interest, and are owned by wealthy families.

Islamic banks have two kinds of CP: giving from Zakat and Sadaqa (discussed in Chapter 3) and giving for PR. When Islamic banks spend from Zakat and Sadaqa, these religious actions should be accompanied with religious intentions and with a clear desire to satisfy God. The purpose of these social actions is to benefit society, with no concern for the benefit of the bank. One of the Islamic banks points out that the more the bank gives, the more this activity will be accepted by God, and the more success this bank will have. The Deputy CEO swears that it “is like magic; when we give, God give us more profits back”.

For the contributions that Islamic banks donate through the PR department, these banks clarify that the money used in such spending is part of the budget of the bank and aims to benefit the main financial strategy of the bank. However, when I asked these banks about the reason that these contributions focus on traditional forms, such as health and education, I found that their answers were no different to the answers of the commercial banks, and they relate such giving to the preference of the shareholders and the community.

## **5.7 The Influence of the Islamic Context on CP Reporting**

Reporting CP seems to be influenced by the religious context in three ways. First, some banks tend not to report some details related to their social actions, particularly those details related to the vulnerable. Banks state that it is not part of the tradition to mention the names, or put out pictures of those who receive donations. Moreover, some banks think that Islamic values encourage banks who donate to hide what they give, and that announcing such donations may harm the bank's reputation in a society of intense traditions that encourage hidden donations:

“Do you know that some banks hesitated to report their CP giving twenty years ago? This is because they didn't want people to know about these donations. This is because shareholders were driven by Islamic values, and Islam encourages people to hide their giving, just God will know about it. Moreover, people used to accuse those who report their CP giving of being instrumental; they want their own benefit and reputation not the country's benefit.” (interviewee/ KBA).

“We don't announce some of our activities, especially those which are related to the vulnerable. For example, we furnished an orphan house. We did this for religious reasons, because we are Muslims” (interviewee/commercial bank).

“The bank deliberately avoids advertising details about part of its giving, aiming not to embarrass the poor and needy who receive such giving” (interviewee/Islamic bank).

Second, reporting religious CP activities and even publishing such activities in the media may have different aims for different banks. For converted banks, this reporting was a way to prepare the society for the change in the identity of the bank. For commercial banks, the aim may be to break the stereotyped picture of these banks as follows:

“It was important for this commercial bank to put in the newspapers pictures that show the manager of the bank shaking hands with certain Islamic NGOs and figures. By doing

this, the bank aimed to bridge the gap between Islamic and “non-Islamic banks”, as some people call them” (interviewee/commercial bank).

For Islamic banks, some point out that they report their Islamic activities because they think that CP is different to individual philanthropy, and while individuals are asked to hide their giving, institutions and corporations are asked to advertise it. This Islamic bank explains that the bank views CP as a tool to strengthen confidence in the Islamic bank, to strength the bonds between people in society, and to strengthen the Islamic context, which they believe are the main objectives of any Islamic firm. Thus, some Islamic banks affirm that CP is a strategic tool to support the main financial strategy of the banks:

“When we fund a chair in the university to teach “Islamic finance” or when we build mosques, we should be proud of such giving and report it clearly. It is part of our message as Islamic institutions; to establish Islamic societies” (interviewee/Islamic bank).

Finally, another influence of the religious context of bank reporting can be traced in avoiding pictures – in bank publications – that may provoke the community on a religious basis:

“We are very cautious when we put a picture of a lady in our CP publications. I remember one time when the lady in the picture was wearing a sleeveless dress. We had to change the picture. Although some Kuwaiti ladies do wear such dresses, we don’t want to provoke any customer” (Interviewee/commercial bank).

I end this part by stating that while all banks’ CP reporting is influenced by Islamic values and norms, responses to this influence vary from one bank to another due to the identity of the bank and sometimes to the perception of the bank, as will be discussed in the next chapter.

## **5.8 An Isomorphic Model of CP of a Non-Economic Nature within the Kuwaiti Banking Sector**

In this chapter, the study examined the influence of the religious context on CP as evaluated by the main decision makers in regard to CP (shareholders, managers and Shari'ah members) who were interviewed in this study. The study suggests that the religious context is salient and has an impact on CP, and this impact includes all aspects and elements of CP. Elements of CP discussed are: CP motivations and justification, CP focus and forms, banks' relations with NGOs, methods of reporting CP and finally purposes and benefits from CP. This impact creates a clear isomorphism between banks, as described in the next words:

“Don't expect to find major differences between Islamic and commercial banks in relation to CP. You may be surprised that not only Islamic banks are the ones who are known for giving influenced by Islamic values and beliefs. This is because all types of banks are owned by Muslims and work in a Muslim country” (Interviewee/KBA).

Findings suggest that Islamic beliefs and principles are exerting mimetic isomorphic pressures influencing the banking sector motivations and justifications to CP as follows: 1) all banks know and consciously act out a social role that has religious indications related to Islamic principles. 2) All banks use humanitarian, ethical and national justification for CP. The differences between banks are that some banks – mostly the Islamic banks – may use more Islamic expressions to justify their social giving.

With regard to the focus and forms of CP, a great deal of isomorphism occurs in relation to the banking sector's focus and forms of CP, and that the traditional concerns of Islam (urban services, education, and health) inspire the majority of these activities. 1) All banks, commercial and Islamic, focus on philanthropic issues related to the socio-economic needs of the society. 2) All banks make contributions of a religious nature. Within this isomorphism, banks vary in the



amount of religious activities tackled by the bank, and this variation cannot just be explained in relation to nature of the bank, whether Islamic or commercial.

For banks' relations to NGOs, while all banks implement part of their activities in partnership with NGOs, variations can be seen in relation to the Islamic identity of the NGO. This is because the findings suggest that banks vary in their relations with Islamic NGOs, and while some banks have clear restrictions preventing them from implementing CP activities through any NGO of a non-Islamic identity, other banks do not have such restrictions.

For the purposes of CP activities, all banks, influenced by Islamic beliefs, prefer to show that altruism is at the heart of their social activities even if these activities are tackled through the PR department and entail benefits to the firm. This point will be examined more in the next section, which aims to explain how banks argue that an "altruistic case" exists for CP in that sector.

Finally, for reporting CP activities, the study discussed that all banks are keen enough not to report CP activities in a way that provoke the Islamic norms of the society. Moreover, all banks have a concern that while reporting CP is good for improving the image of the bank, there is a possibility that reporting may harm the bank's reputation in a society of intense traditions that encourage hidden donations. Finally, the study found differences between banks in relation to reporting Islamic activities, although these differences are not related exactly to the nature of the bank.

From the previous findings, the study suggests that the religious context is influential in shaping certain aspects of CP of a non-economic nature. The beliefs and values within this Islamic context restrain certain CP aspects, encourage other aspects, and may create new opportunities, creating this isomorphic model of CP on a field level (Johns, 2006). For example, while the religious context restrains commercial banks from tackling certain social activities (for example, parties as a charity event), these banks have started to perceive avoiding such activities as a way to provide evidence of their respect for the values and norms of the Islamic context. Moreover,

commercial banks may implement CP of a religious nature as an opportunity to reduce the “gap” between themselves and the Islamic banks. In addition, converted banks may use intensive religious CP activities to prepare society for their conversion. Finally, some Islamic banks consider religious CP activities as a way to underline the Islamic identity of the bank and invest heavily in these activities. More details of how different stakeholders work as drivers of this isomorphic model of CP of a non-economic nature within the Islamic context is the main discussion of the next chapter.

## **5.9 An Altruistic Case for CP**

When comparing the nature of CP in this study with the nature of CP discussed in the Western societies as illustrated in Chapter 2, the findings suggest a significant difference. While a “business case” is a constant undercurrent in Western societies, this study suggests that an “altruistic case” exists for CP in the Islamic society of Kuwait. Figure 5.2 illustrates the three faces or categories of altruism practised by the banking sector as follows:

First, this research discussed the existence of pure altruistic social activities; these activities are voluntary, come at the expense of banks’ profits and are not reported in detail. Examples are contributing to the vulnerable, and these activities may be undertaken by both the commercial and Islamic banks. These findings are supported by findings in other developing countries that philanthropy is the most significant motivation for CP (Arora and Puranik, 2004).

The second category of CP includes those social activities that carry both economic and social benefits. Economic benefits discussed in this chapter may include the need to improve PR, to compete with other firms, to avoid any expected future social and religious claims, to show that the bank is strong and generating good profits, and to strengthen the reputation and image of the bank. Banks explain that although these activities entail benefits in the long term, these activities are voluntary and are not done in response to direct pressures from the media, NGOs, customers or the government. Moreover, banks claim that when the social benefits generated from these

activities come at the expense of economic benefits, social benefits are preferred and the activities continue to run. Furthermore, banks prefer justifying these activities with religious, ethical, or national explanations, avoiding giving purely economic reasons.

In relation to the second category of CP, banks discuss how the focus and forms of CP that attract the banking sector are mainly the traditional concerns of Islam (for example, education, health, and the vulnerable). These activities are “altruistic in nature” (Jamali, 2007: 21) because they are not designed to be synergistic with the firm’s mission, goals, and objectives as would be the case in a company implementing strategic CP (Foster et al., 2009; Bruch and Walter, 2005; Porter and Kramer, 2002).

Finally, in relation to this point, not moving to strategic philanthropy seems to be a deliberate choice due to a conception that strategic CP is self-serving (Jamali, 2007). Strategic CP is not preferred by shareholders who find it contradicting with the concept of “care” and “commitment” that is expected to motivate CP in Islam and through the history of philanthropy in Kuwait. Moreover, the inherited tradition that business should pay “Zakat” or support charitable giving makes it difficult to accept the combination of doing good and doing well in relation to CP. Jamali et al. (2009) reached the same findings in Lebanon, stating that:

“the SME managers interviewed also opted not to strategize, formalize, or publicize their CSR practices, which was associated with a common apprehension that formalization risks undermining the spiritual rewards and satisfaction derived from social involvement” (Jamali et al., 2009: 317).

This “altruistic case” for CP is supported by other studies in developing countries where local firms give on a normative basis, and where CP takes the form of philanthropy or is an extension of philanthropy (Lu and Castka, 2009; Jamali and Keshishian, 2009; Visser, 2008; Jamali and Mirshak, 2007; Jamali, 2006, 2007; Ahmad, 2006; Arora and Puranik, 2004).

The third category of altruistic CP is those activities that are tackled by Islamic banks, and where altruistic CP constitutes a new paradigm for strategic philanthropy. To unfold this point, the study discussed how Islamic banks are those banks that are guided by Islamic values (Dusuki, 2008a). These values encourage firms to promote social as much as economic roles. When Islamic banks tackle their philanthropic social role through paying “Zakat” and “Sadaqa”, these banks consider these altruistic contributions to be “strategic”. This is because, although these contributions target powerless people in society, they are synergetic with the values of the Islamic bank, which itself targets both social and economic objectives. Strategic benefits – as claimed by these banks – can be spiritual such as the acceptance and support of God, and can be tangible such as to empower the religious context, reinforce the public trust in Islamic finance, strengthen the social bond, and, in the end, strengthen these banks. These Islamic banks point out that while their main intention from such social initiatives is to follow Islamic teachings and values, these benefits are aligned with these activities and cannot be avoided. These findings are compatible with the findings of Dusuki (2008a), who studied stakeholders of Malaysian Islamic banks and states that:

“This may be attributed to the present prevailing thinking in the Malaysian society that Islamic banking as an Islamic enterprise should first attend to social needs of the society rather than emphasizing profit maximization or any other commercial objectives espoused within the capitalist enterprise” (Dusuki, 2008a: 144).

However, it should be mentioned that while religion encourages the perfection of what people do, CP in the banking sector nevertheless does not attain this perfection. The situation in these banks seems to not be so different to what Moore (1995) wrote when describing firms in the UK at that time:

“All of this would seem to suggest that everyone is happy: firms are happy to be involved and to see some return for their efforts; employees are happy to work for firms who

support their own voluntary activities; the community is happy because it gets a significant input of time, resources, equipment and expertise” (Moore, 1995, 176).

Purely Altruistic CP	CP targeting non-economic objectives, underpinned with altruism	Strategic altruistic CP that constitutes a new paradigm for strategic philanthropy
•Practised by all banks	•Practised by all banks	• Practised by the Islamic banks

**Figure 5.2:** Three categories of altruistic CP practised in an Islamic context

Source: Author (2013)

However, just because “everybody is happy” this does not mean that “everything is good”. Banks lack the perfection in CP decision-making process which may be related to being a developing country, where the culture of perfection is not inherited in business behaviour. Studies in developing countries found a lack of awareness in relation to the processes, practices, and evaluation of CP (Arora and Puranik, 2004; Gupta, 2007; Katsiolouides and Brodtkorb, 2007). Gupta (2007: 655) indicates that “CSR in India has yet to realize its full potential... There is certainly no lack of CSR programs and projects in India: what is absent, however, are clear metrics for evaluating their actual impact in improving social conditions”. Similarly, Arora and Puranik (2004: 98) from India also found that, “There is a need to increase the understanding and active participation of business in equitable social development as an integral part of good business practice”. Katsiolouides and Brodtkorb (2007: 19) suggest that firms in the UAE lack an understanding of what CSR policies and practices are and how they should be implemented. Katsiolouides and Brodtkorb (2007) suggest that turning those policies into actual performance

can then be facilitated through regular training and education, which would apply to all levels of the firm, from workers to CEOs. When coupled with constant governmental support, this would then encourage these firms not only to practice CSR policies but also accurately to report on them to improve their efficiency.

## **5.9 Summary**

Chapter 5 explored the influence of the Islamic context on CP using bank documents and interviews. The findings suggest that the religious context is salient and impactful, and this impact incorporates all aspects and elements of CP. Elements of CP discussed are: motives and justification, CP focus and forms, banks relations with NGOs, methods of reporting CP and finally purposes and benefits from CP.

The study found a great deal of isomorphism in relation to CP elements within the banking sector, where banks, both commercial and Islamic, affirmed the religious influence. Besides isomorphism, the study discussed differences in the elements of CP between banks. Although banks operate in the same sector, differences exist between them, and these differences may be referred to as organisational factors that moderate (increase or decrease) the influence of the religious context. In the next chapter, the study will discuss how the institutional and organisational forces are related, interact and influence each other within the religious context and how each of the banks develops its strategy in ways that contain distinctive components of religious CP activities.

## **Chapter 6:**

### **Evaluation of Findings and Modification of Conceptual Framework**

#### **6.1 Introduction**

Chapter 5 discussed the influence of the beliefs and values of an Islamic context on different elements of CP. The chapter also affirmed the existence of an “altruistic case” for CP in this sector shaped by the religious context, and examined the various faces of this altruistic case. Chapter 5, thus, prepared the study to answer its main question: if the Islamic context is influential in terms of CP, how did this influence – within a specific country and a specific sector – shape the non-economic nature of CP?

Chapter 6 aims to answer the research question by implementing the research plan, and analysing the data needed to validate and complete the proposed conceptual framework. The chapter will start by defining the mobilised stakeholders on the field level and discussing how they influence CP. Then, the chapter focus on the organisational level and analyse the organisational characteristics working on that level and how they moderate the influence of institutional pressures. Finally, this chapter will examine the CP strategies of different banks in relation to religion as a contextual factor. Within this chapter, the study will discuss how the organisational and institutional dimensions relate, interact, and influence each other within the Islamic context in Kuwait.

#### **6.2 Institutionalised Stakeholders Influencing CP in the Kuwaiti Banking Sector**

The literature of CP in developing countries finds that a few stakeholders are institutionalised and influential, while the others are deinstitutionalised and silent. In this section, the study aims

to investigate who are the institutionalised stakeholders within the banking sector of Kuwait. Moreover, how do these stakeholders exert pressures that shape and control the different elements of CP as discussed in Chapter 5. The section aims also to investigate how the banking sector came to share a common thread of isomorphism, and adopt similar understandings and practices in regard to altruistic CP.

### **6.2.1 Community as a stakeholder**

The findings suggest that the Kuwaiti community imposes institutional coercive pressures on banks, thus determining banks' CP behaviours (Oliver, 1991) and leading to shared frames of reference in relation to CP (Marquis et al., 2007). These pressures are related to different elements of CP. The ethical and religious motivations of giving are encouraged by Islamic beliefs, where the fortunate are expected to help the less fortunate and are asked by Islam to see themselves as caretakers aiming to benefit their societies. Giving to the vulnerable, education and health are forms and practices that have attracted people's Zakat and Sadaqa for years in Kuwait and are accepted as preferred patterns of giving back to the society. In general, Islamic beliefs and norms, throughout the history of Kuwait, have meant that CP has been predominantly of a non-economic nature, and more precisely of an altruistic nature, which is something expected by the community:

“This community looks at philanthropy as part of its nature and identity, as a social band in the days of poverty and need, and as a way of showing loyalty and commitment to the society (Interviewee\commercial bank).

“The strong influence of religious values in the society explains why both Islamic and commercial firms practice similar social activities. All banks are Kuwaiti firms, run by Kuwaiti people, and working in a community with the same traditions, values, and expectations” (Interviewee\Islamic bank).



Banks accept such influence and indicate that firms' value systems are expected to fit in to or even to replicate national cultural characteristics (Nelson and Gopalan 2003):

“Any firm should reflect the values and characteristics of its society, and thus the Islamic aspect should be there in our identity as a Kuwaiti bank, because religion is part of the identity of our society” (Interviewee\commercial bank).

Kuwaiti banks agree that they consciously adopt to community Islamic values and norms in their CP actions, aiming to maintain a good relation with the community and to increase their sense of legitimacy (Delmas and Toffel, 2004):

“We aim to be close to our stakeholders. We want them to know that we share their interests and values, and religion is part of these values. For example, during Ramadan people are busy with fasting, so we don't want to be away from them in this holy month; we always want to be there, so we started our Ramadan activities” (Interviewee\commercial bank).

These findings are supported by other studies in developing countries. Katsioloudes and Brodtkorb (2007) in the UAE, which is a neighbouring country to Kuwait, stated that the business social practices in the UAE, while not necessarily mandated by Islam, are nonetheless consistent with and complementary to the moral and social teachings of the religion. Visser (2008: 493) points out that this is the same case in other developing countries with other religions, and that the spirit and practice of CSR is often strongly resonant with traditional community values and religious concepts in developing countries. Examples include African humanism (ubuntu) in South Africa and the harmonious society (xiaokang) in China.

Elites and leading businessmen within the community, and precisely the banking sector, played an important role in establishing norms of giving related to elements of CP. The banking sector was formed initially by merchants who, through the history of Kuwait, showed great

responsibility to their societies by sharing their goods and caring for their neighbours. Motivated by Islamic beliefs and mechanisms, those merchants used to pay not just Zakat and Sadaqa but even to have their own trusts through which they built mosques, sent pilgrims on the hajj, printed religious books, hosted and accommodated visiting scholars, sent students to study outside Kuwait, donated to other poor countries, and many other forms of giving (Al-Shatee, 2007). These merchants had a strong desire to show cohesion and demonstrate cooperation in this society, and were the social and economic force that demanded and implemented political and social reforms.

When these merchants became the owners of the main firms and banks, they institutionalised the concept of business commitment and responsibility to the community in Kuwait:

“The shareholders who established the first banks in Kuwait were raised in a time of poverty and religion. When they came to establish banks, they continued this giving attitude and made giving institutional in the sector. These big families are the big investors in the banking sector. When these people donate, they don’t target personal benefits” (Interviewee\commercial bank).

“We – the shareholders – were raised in our families, our schools, and our society on the values and practices of religion. Our traditions are rooted in Islam. In our hearts we have this intention to help the poor and needy, as well as to do good” (Interviewee\commercial bank).

Philanthropy has become part of the character of shareholders within firms. NBK, for example, was the first bank to be established and was established by those elites who participated in the establishment of modern Kuwait. As a prominent local firm, it is seen as a main leader for the banking sector, and serves as a template for appropriate board behaviour for community newcomers (Marquis, 2003).

### **6.2.2 Competitors as stakeholders**

Banks of different natures – Islamic and commercial – seem to facilitate coercive and mimetic pressures on each other. Five main points can be discussed in this part to explain why the competition between the two kinds of banks influences elements of CP.

First, as discussed earlier, the dual banking sector in Kuwait is divided into commercial and Islamic institutions, and the competition between the two kinds of banks is unique due to the existence of a “religious criteria” in the evaluation of these banks. This is because Islamic banks are those banks that run their financial operations according to Islamic principles. Islamic principles prohibit interest, and consider interest or usury “haram”, which means a great sin that dooms a person to hell according to Islamic beliefs. On the other hand, commercial banks are those banks that deal with interest. The competition between Islamic banks that work on the rules of Islam and commercial banks, which operate in such a way that their core financial system is built on “a sin” due to the charging of interest, makes the competition in this sector unique. It is difficult to find such competition in the furniture sector or in the telecommunications sector for example:

“Some people look at the commercial banking system as “a Jewish industry”, which isn’t welcome in a Muslim country. Islamic banks started because people needed these banks, and with the support of the Kuwaiti Ruler at that time, who ensured the importance of having Islamic banks that match our religion” (Interviewee\converted bank).

Commercial banks started to be classified as “non-Islamic banks” or “Banks of Riba (usury)” instead of being called “commercial banks” by some people. Commercial banks had to demonstrate their Islamic identity as local firms, and thus had to reposition themselves with an image that emphasises their appreciation of the Islamic values of the society. Some commercial banks used CP as a tool, specifically using Islamic CP practices as a way in which to express

their Islamic identity as local banks owned by Muslims. Commercial banks thus mimic the practices of the leading Islamic bank:

“We start to find that our commercial bank is being underestimated from a big portion on Kuwaitis on a religious basis, this is when they describe the bank as a non-Islamic bank instead of a commercial bank. We find it is important to rebuild the image of our bank. While it is difficult to change our financial system, we see charity as a tool that can express the Islamic tendency of the bank” (Interviewee\commercial bank).

“In the end, we are firms owned by Muslims, and we care for our religion and our society. This image of “Banks of Riba (usury)” is a tool that Islamic banks used against our commercial banks. Islamic banks are using religion in their favour” (Interviewee\commercial bank).

“In our commercial bank, we were giving to charity before Islamic banks were established. However, these donations were not advertised or institutionalised. In the 1990s, we decided to have a clear policy of CP, to match the internal competition and the international awareness of CSR” (Interviewee\commercial bank).

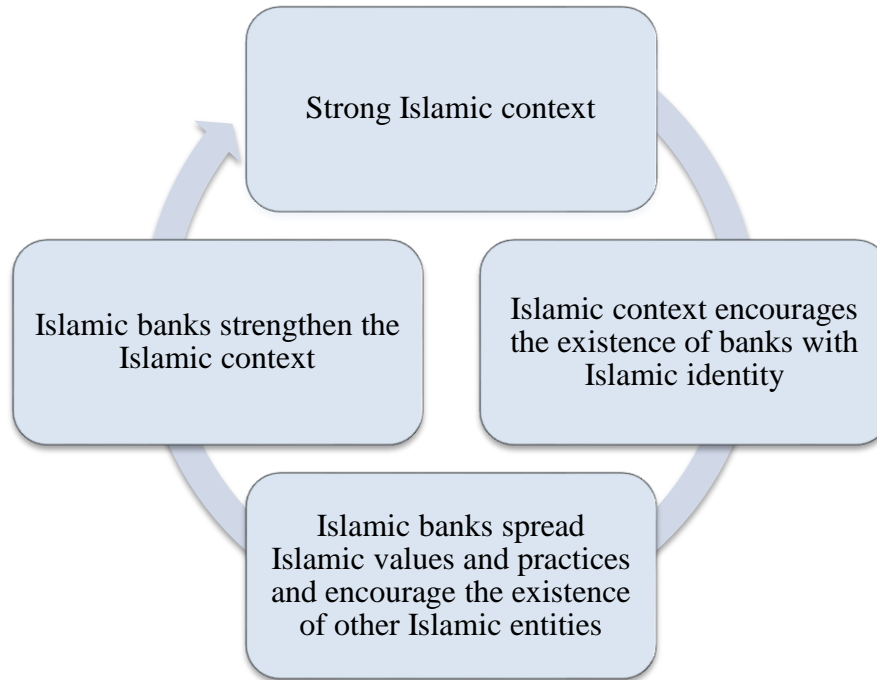
Second, the Islamic financial system proved to be financially successful and attracted customers all over the world, which makes this financial system a real competitor, an opportunity, or even a threat to commercial banks. To unfold his point, the first local commercial bank started in 1952, and by 1977 there were four commercial banks in Kuwait. At the beginning of the 1970s, calls started for establishing an Islamic bank that reflected the needs and beliefs of many Kuwaitis and in 1977 KFH started operations. When the first Islamic banks started, the commercial banks were looking at this new experience. A few years later, this Islamic bank started to compete strongly with a high growth rate, attracting both the customers and even the employees of some commercial banks for religious reasons.

Ziyadat (2011) summarises the financial competition between the two types of bank in Kuwait:

“With the rise in competition, it appears that Islamic banks outperformed (by a significant margin) conventional banks in terms of the growth of deposits in 2009 and 2010. Notably, total deposits at conventional banks decreased by KWD286.3 million (US\$1.05 billion) and KWD735.8 million (US\$2.69 billion) to KWD24.1 billion (US\$87.98 billion) and KWD23.4 billion (US\$85.83 billion) respectively in 2009 and 2010, with negative annual growth rates of -1% and -3%. Conversely, total deposits of Islamic banks amounted to KWD10.5 billion (US\$38.33 billion) in 2009 and KWD11.9 billion (US\$43.44 billion) in 2010, with annual growth rates of 8% and 12% respectively, marking an increase of KWD740.1 million (US\$2.7 billion) between 2008 and 2009 and KWD1.3 billion (US\$4.75 billion) between 2009 and 2010”.

This success of the Islamic financial system made this system, and even the Islamic identity of a firm, an opportunity. Some commercial banks started to think of converting from the commercial to the Islamic system of banking, and some started to think of establishing an Islamic bank. This created a tendency within commercial banks to “get closer” to the Islamic banking system and part of this tendency was to ape Islamic banks in terms of some of their practises, with CP being one such aspect.

Third, the positive relation between the identity of the Islamic banks and the identity of the Islamic context can be described as complementary. This is because, within the Islamic context, firms of an Islamic nature are encouraged. These firms gain political and economic power, which strengthens the Islamic context again, and the circle continues as illustrated in Figure 6.1. This strong relation was an advantage for the Islamic banks when competing with the commercial ones, and also made the Islamic financial system an opportunity in the country.



**Figure 6.1:** The mutual influence between the Islamic context and the Islamic banks

Source: Author (2013)

The fourth point the study needs to discuss is the influence of paying Zakat by Islamic banks on the competition between the two kinds of bank in relation to CP. When the first Islamic bank was established, this bank obtained permission from its shareholders to pay their Zakat. Zakat is 2.5% of the bank's Zakatable money (its "Nesab"), to be paid to certain categories of needy people. Zakat can be a large amount of money (in 2011 KFH paid KD 11 million as Zakat). These big amounts targeting the vulnerable influenced the level, focus, and forms of CP in general within the banking sector:

“Each million dinar we paid from our Zakat used to have its reactions inside and outside Kuwait. Our Zakat reached Japan, China, Indonesia and all over the world. We built Islamic centres, supported education and health, printed the Quran and other Islamic books, and also started small projects for poor Muslims and minorities. Inside Kuwait, we paid for many social activities that aimed to help the poor or to strengthen Islamic values” (Interviewee\Islamic bank).

The last point is a more general one. On this issue, banks discussed the influence of the two major leading banks (KFH and NBK) who serve as a models for newcomers in the banking sector, leading to isomorphism between these banks (Marquis et al., 2007):

“Every bank in Kuwait keeps an eye on the two leaders in the banking sector in Kuwait, NBK and KFH. Part of our social activities is influenced by the activities of these two banks, while the other part includes social activities that differentiate our bank from the others” (Interviewee\commercial bank)

“When we converted from a commercial to an Islamic bank, we started to deliberate about our CP strategy. The first thing we did is to look at the social activities of KFH as a template to follow. KFH was the first Islamic bank and has a long experience with CP, and of course its social practices are a part of its success” (Interviewee/converted bank).

It seems that when the two main banks started certain CP activities based on what they considered rational decisions, these activities were adopted by newcomers to the banking sector who looked on these activities as preferred and as expected of banks within the sector. As we have seen throughout this thesis, the banks tend, through a mimetic process, to model themselves after the two main banks that are seen as successful and legitimate (DiMaggio and Powell, 1983).

### **6.2.3 International political stakeholders**

Two kinds of political stakeholder have an impact on CP: international and local. For international stakeholders, and after September 11, American investigators believed that part of the money trail to Al Qaeda led back to the wealthy Gulf States (Winer, 2008). The American government started to ask the Kuwaiti government to exercise more pressure on any donations that go outside Kuwait. This is due to claims that it is difficult to control the ultimate beneficiaries of these contributions, and thus these donations may be used directly or indirectly in financing extremist and terrorist groups.

In response, the Kuwaiti government denied such claims and explained that there was no evidence given by the American government to suggest that Kuwaiti donations reached al-Qaeda. However, the amount and the recipients of money donated by individuals and firms outside Kuwait were not known exactly to the Kuwaiti government, which did result in tighter controls aiming for more transparency and accountability.

At that time, the existing Islamic bank KFH used to send part of its Zakat outside Kuwait to poor Islamic counties. The Islamic bank was known for sponsoring schools, orphan houses, mosques and Islamic centres in different Asian and African countries. The Central Bank in Kuwait recommended that the Islamic bank use a governmental body, “Al-Zakat House”, to send their Zakat outside Kuwait, and not to send it directly from the bank, and the Islamic banks accepted this recommendation:

“When these pressures started from the American government, we thought that it is better for this Islamic bank to follow the advice of the Central Bank and work through governmental charitable bodies. We are not supporting terrorism, so we have nothing to be afraid of. Moreover, we have some investments in America and Western countries, and we want it to continue” (Interviewee\Islamic bank).



This decision taken by Islamic banks to spend Zakat outside Kuwait indirectly and through governmental bodies decreased the social impact of these Islamic banks, where such giving was important for their international Islamic reputations and relations with other social bodies outside Kuwait.

#### **6.2.4 Local political stakeholders**

Local political pressures are of two particular kinds. First are those pressures that were exerted through the media and some politicians who were against the increasing power of these Islamic banks. These local stakeholders accused Islamic banks of using Zakat to support the campaigns of some Islamic candidates in the Kuwaiti Parliament. While these Islamic banks denied such a political role, however, Islamic banks started to do two things: first to give Zakat to a governmental body – “Al-Zakat House” – to spend it locally and, second, to avoid working with Islamic NGOs that are known for their political interests. These two actions weakened the influence of the CP of these Islamic banks locally, and decreased direct spending on social issues.

The second kind of pressures targeted commercial banks. Some Islamic members in the Kuwaiti Parliament continue asking the government to “Islamise” the banking sector or, at least, for more control over the percentage of interest that these banks take. This affected the image of the commercial banks and put their legitimacy under pressure. These pressures led commercial banks “to give more donations and to report broadly their CP donations, aiming to reduce such a risk” (Interviewee\commercial bank).

It is important to understand how the international and local political pressures on both types of bank –Islamic and commercial – reduced the gap between them. While Islamic banks reduced the level and range of their CP, they also avoided working with NGOs that might have a political Islamic interest. On the other hand, commercial banks increased the level and range of their CP and started to target NGOs of a religious (although again not political) identity. In the end, these

coercive political pressures encouraged a model of isomorphism related to CP on a field level, and reduced the differences between banks in terms of their identity.

### **6.2.5 Stakeholders as source of CP initiatives**

The government, employees, customers, and NGOs influenced CP only as source of CP initiatives. Although these stakeholders do not have the capacity to oblige banks to behave in a certain way, however, these stakeholders influence to some extent the forms of CP by recommending, applying or maybe attending such social activities. As Gugler and Shi (2009) described, these stakeholders in developing countries are the object of CP initiatives more than subjects who are active in shaping the CP agenda.

## **6.3 Moderating Factors**

Within the same sector, banks are subject to different levels of pressures. In this section I will discuss why banks differ in their responses to these pressures.

### **6.3.1 Factors related to the shareholders of the bank**

The ownership of the bank is a factor that may moderate the institutional pressures and increase the influence of the religious context. When the bank is owned by powerful families who were the founders of the Kuwaiti community or by elites who have a big share in the bank, the altruistic nature of the CP tends to increase (Jamali and Mirshak, 2007; Ararat, 2008; Ozen and Kusku, 2009). This is because these families feel committed, want to have a reputation for being generous, and tend to behave as being more responsible:

“When you look at the names of the men who established this bank, NBK – you can find these names in the entrance of the bank – you wish to take a photo near these names. These names are milestones, names with a special value. Why do you think that these

people donate? They donate because they are used to giving to their community and love their country” (Interviewee/commercial bank).

Moreover, when these families participate in running the bank by being members of the board, their influence increases further:

“The difference between our bank and NBK is that the families owning NBK are members of the bank’s board. This makes these owners more aware of CP and free to decide. In our bank, just one of the owning families of the bank is a member of the board, and thus we give less money and give less importance to CP” (Interviewee/commercial bank).

The finding is supported by other studies suggesting that the strong relation between the bank and the reputation of these families who are considered main shareholders of the bank leads these families to decide to support social goals despite the negative impact on shareholder value and even on minority interests (Belal and Owen, 2007; Belal, 2007; Ararat, 2008).

### **6.3.2 The Islamic identity of the bank**

The Islamic identity of the bank seems to increase the bank’s levels of altruism. This is because there are more demands and expectations on Islamic banks than commercial ones to account for social objectives due to their religious identity (Dusuki, 2008b). Moreover, Islamic banks have four sources of funds allocated for social activities, and these funds strengthen the altruistic nature of giving within these banks (see Table 6.1).

First, most of the Islamic banks in Kuwait are authorised by their shareholders to pay their Zakat. While this suggestion to the bank to pay shareholders’ Zakat is optional according to Islamic Law, KFH instituted this giving, and most of the Islamic banks that were established later

followed this action. This gives an indication that shareholders in Islamic banks accept altruistic CP and support the continuity of such altruistic giving.

<b>CP funds in Islamic banks</b>	<b>Description</b>
Zakat	2.5% of the bank's Zakatable money once a year.
Sadaqa	Sadaqa is an amount of money that some Islamic banks take as a penalty from those who do not pay their loans back on time, and this money does not go to the bank (it is not interest) but rather to the poor and needy.
Tainted Funds	Tainted Funds are all earnings that have been released from sources or by means prohibited by Shari'ah (Islamic religion), and thus should be considered for disposal to charitable causes as resolved by the Shari'ah Board.
PR	Funds allocated to PR are used for the economic benefit of the bank.

**Table 6.1:** Four sources of funding for CP in Kuwaiti Islamic banks

Source: Author (2013)

Islamic banks pay Zakat yearly, and Zakat may be a huge amount of money spent on social projects and the vulnerable as discussed earlier. For example, KFH's Zakat for 2011 was around KD 11 million, a huge amount of money (interviewee/KFH). Zakat has been an influential social tool for Islamic banks to strengthen their existence and acceptance in Kuwaiti society, and played an important role in institutionalising forms of giving within the sector. However, due to the political pressures on the Islamic banks discussed earlier, these Islamic banks decided to give their Zakat to "Al-Zakat House" – which is a governmental institution specialising in spending Zakat money – to spend it inside and outside Kuwait. Islamic banks thus do not spend Zakat directly any longer. Moreover, the government now takes 1% of the Zakat money from all banks. Thus, while Zakat once played an important role in increasing the level of donations and encouraging those forms of giving that target the vulnerable, this is no longer the case. However, one can recognise the huge amounts of money generated by these Islamic banks and spent according to Islamic principles through "Al-Zakat House".

Second, Islamic banks have another important source of money for CP, which is called "Tainted Funds". These are all earnings that have been released from sources or by means prohibited by Shari'ah, and thus should be considered for disposal to charitable causes as resolved by the Shari'ah Board. It should be noted that one of the restrictions on these funds that is the bank should not get any benefit from this activity, not even in terms of publicising the bank's name as a sponsor (Interviewee/Islamic bank):

"In some of our financial projects – especially those implemented in non-Islamic countries– we may gain some money which is considered by Islamic law as not being "hala". This money is considered as "tainted funds" and we spend it on certain social projects without connecting the name of the bank on the social activity. This is because this money is spoiled (Interviewee/Islamic bank).

The converted banks have huge amounts of this money, as an interviewee explained:

“When this bank converted from commercial into Islamic, the bank had to deal with huge amounts of money that the bank earned before from prohibited “interest”. “Interest” money can’t be part of the new Islamic bank, and thus we spent it on social projects for the poor and needy, in a similar way to Zakat, and under the supervision of the Shari’ah Board” (Interviewee/converted bank).

Third, Sadaqa, which is an amount of money that some Islamic banks (this source is not accepted by other Islamic banks and still debatable) take as a penalty from those who do not pay their loans on time. Importantly, such money does not go to the bank (it is not interest) but to the poor and needy:

“We had a problem with some of our customers, especially some firms, who take out loans and do not pay them back on time. And because Islamic banks don’t take interest for the delay, we needed to find a way to make them pay on time. The Shari’ah Board in our bank allowed the bank to take a penalty in such cases, especially from those firms who delay deliberately. However, these penalties are considered Sadaqa and should be spent on social projects” (Interviewee/Islamic bank).

Fourth, funds allocated to PR and are used for the economic benefit of the bank. These funds are part of the economic not religious activities of the bank, and are used as decided by the PR department. However, Islamic banks nevertheless still spend these funds on CP of a non-economic nature, being influenced by the culture of giving within the banking sector as discussed in the last chapter.

To summarise this section, Islamic banks have four sources of funds for CP while commercial banks have just one fund, which is allocated to PR. This means that these Islamic banks are able to spend more on altruistic CP. Moreover, tainted funds and Sadaqa are not part of the

shareholders' wealth, and thus banks are free to decide on these two funds and do not have to get permission from shareholders as in the case of Zakat.

### **6.3.3 Banks' perceptions of competing banks**

In this section, the study discusses factors related to the perceptions of the managers and shareholders of the banks that may increase or decrease the influence of the religious context. One of these factors is related to the tendency of the commercial bank to convert into Islamic institutions or to buy an Islamic bank. Managers in a commercial bank who are planning to convert the bank to an Islamic one may start focusing on Islamic CP to prepare people for the change:

“When this commercial bank started to think of starting some Islamic financial business or maybe about buying an Islamic bank, the bank wanted to prepare the society for this step. The commercial bank had some fears related to the credibility of this new Islamic bank, which is managed by staff with experience in managing commercial banks. The management thought that they could increase the credibility by launching some Islamic CP activities in the commercial bank. The aim was to pave the way for the next step of buying an Islamic bank” (Interviewee/commercial bank).

“When we started converting to an Islamic bank, we started by changing our CP activities to match our new identity as an Islamic bank. We also gained huge amounts of “Tainted Money” from our previous non-Islamic operations, and we started to spend these funds on charities” (Interviewee/converted bank).

Another factor that increases the altruism of the bank may be related to how the bank views the competition that exists between the bank and other banks. While competition was discussed earlier on the field level, it is discussed here from another approach. To unfold this point, competition here is related to the needs of an individual bank and how this bank perceives

stakeholder pressures. For example, a commercial bank may perceive a certain Islamic bank as its competitor, due to the competition between the two banks as to which should lead the sector, and then may focus on more religious CP to narrow the gap between the two banks:

“When the first Islamic bank was established, it became a specific threat to the commercial bank that used to be leading the banking sector. The profits of the Islamic bank were growing incessantly, and this was not good news for the competing commercial bank, the one who used to lead the sector. That commercial bank was the one which looked at the Islamic bank as a competitor, while other commercial banks didn’t think the same” (Interviewee/Islamic bank).

Another example, wherein an Islamic bank looks at a certain commercial bank as its competitor due to a competition between the two families owning the two banks, may result in the Islamic bank reducing its religious social activities, aiming to moderate the Islamic identity of the bank:

“The family owning that Islamic bank has a historical competition with the family owning our commercial bank. This competition encouraged that family to start less Islamic social activities to attract the customers from our commercial bank, and to send out the message that their bank, although Islamic, is still modern” (interviewee/commercial bank).



Institutional forces	Moderating factors	CP strategies of the dual banking sector in Kuwait
Community as a stakeholder.  Competitors as stakeholders.  Political international and local stakeholders.  Stakeholders as source of CP initiatives.	Factors related to the shareholders of the bank.  The identity of the bank (Islamic or commercial).  Bank's perception of other competing banks.	Acceptance-driven CP strategy: When a commercial bank chooses a less religious CP strategy.  Positioning-driven CP strategy: When a commercial bank chooses a high religious CP strategy.  Leverage-driven CP strategy: When an Islamic bank uses a less religious CP strategy.  Alignment-driven CP strategy: When an Islamic bank uses a highly religious CP strategy.

**Table 6.2:** A framework of institutional pressures moderated by firm characteristics resulting in different CP strategies of a non-economic nature in an Islamic context

Source: Author (2013)

**6.4 Four CP Strategies**

When I discussed with participants in both banks if they have strategies guiding the bank's CP activities, I realised that not all of them could give a clear and direct answer. It also seems that the alignment and fit between different actors within banks in relation to CP objectives and plans seem to be poor. For example, in a case where the manager is aware of this strategy, the head of the CSR department is not. Moreover, some of the banks were surprised when I suggested that

CP in the bank seems to serve such a strategy, which indicates that CP is not considered by all banks as being a strategic tool.

This study suggests that banks follow four strategies that are identified in a matrix with two axes: 1) the nature of the bank in regard to whether its core business entails an Islamic or commercial role; and 2) the nature of the philanthropic activities, in regard to whether they are more Islamic or less Islamic. To be “more Islamic” may mean three things: The bank uses religious expressions in justifying the social activity, the bank implements Islamic activities (Ramadan activities for example) and the bank implements CP projects through NGOs with an overtly religious identity.

The matrix used in this study is influenced by the matrix introduced by Kasper and Fulton (2006) (see Figure 2.3) to identify the appropriate strategy for their philanthropy. In the Kasper and Fulton matrix, the matrix identifies two key axes of choice for corporations: (1) how responsive or proactive your company wishes to be in its approach to philanthropy and (2) how integrated with the larger corporate business strategy you want your philanthropic activities to be. In this study I replaced the former dimension with “the nature of the bank, whether Islamic or commercial” and the latter with “the nature of the philanthropic activities, whether Islamic or normative”.

#### **6.4.1 Acceptance-driven CP strategy**

In this quadrant a commercial bank chooses a low religious CP strategy, and this strategy seems to align with the main financial strategy of the bank as a non-Islamic bank. Banks in this category seem to be in a stage of acquiescence discussed by Oliver (1991). In this stage of acquiescence, commercial banks practise altruistic Islamic CP for three reasons (Oliver, 1991): 1) A “habit tactic”, involving unconscious or blind adherence to pre-conscious or taken-for-granted rules or values relating to pursuing social facts (ibid: 152), for example supporting health and education; 2) An “imitate tactic”, where the bank mimics institutional models, for example

Ramadan activities; and 3) A “comply tactic”, where the bank obeys the rules consciously, for example avoiding parties as a way to collect donations.

I call this quadrant “acceptance-driven CP” to describe that what the bank in this quadrant aims to do, which is three-pronged: 1) to show its understanding of religion as a cultural aspect; 2) To avoid any external claims or pressures; 3) To gain the necessary societal confidence to continue its core activities (Oliver, 1991). Banks in this quadrant have no intention to start any Islamic financial activities, and sometimes the family owning this bank wants to keep the bank’s liberal identity.

#### **6.4.2 Positioning-driven CP strategy**

In this quadrant, a commercial bank chooses a highly religious CP strategy, although this strategy seems not to be aligned with the main commercial strategy and identity of this non-Islamic bank. Banks in this category seem to be in the stage of manipulation discussed by Oliver (1991). Within this stage, a “co-opt tactic” is used by the commercial bank through its pursuit of institutionalised stakeholders and social actions as part of the bank’s strategy. Three examples are: 1) the commercial bank may use religious justifications for its CP actions; 2) the commercial bank may undertake CP actions that take a religious form; and 3) the bank starts to work with religious NGOs on some religious activities, and advertises this relation clearly to wider society.

I call this quadrant “positioning-driven CP” to describe that what the banks in this quadrant aim to do is to neutralise institutional opposition and enhance the bank’s legitimacy (Oliver, 1991) as follows: 1) to position the bank near the Islamic banks, aiming to narrow the religious gap with the competitive Islamic banks; and 2) in some cases to prepare society for its conversion to an Islamic bank or establishing of a new Islamic bank.

### **6.4.3 Leverage-driven CP strategy**

In this quadrant, an Islamic bank chooses a less religious CP strategy, despite a more Islamic CP strategy being expected of the bank. This is because this bank is under two religious pressures, one related to the religious context and one related to the bank's Islamic identity. Banks in this category seem to be using a compromise strategy as discussed by Oliver (1991). The tactics used in this stage are "a balancing tactic" as follows: 1) the bank may focus less on religious CP; 2) the bank may use other justifications rather than religious ones (for example, to justify giving as an act to give back to the society, or due to being a Kuwaiti bank); and 3) the bank may work with non-religious NGOs.

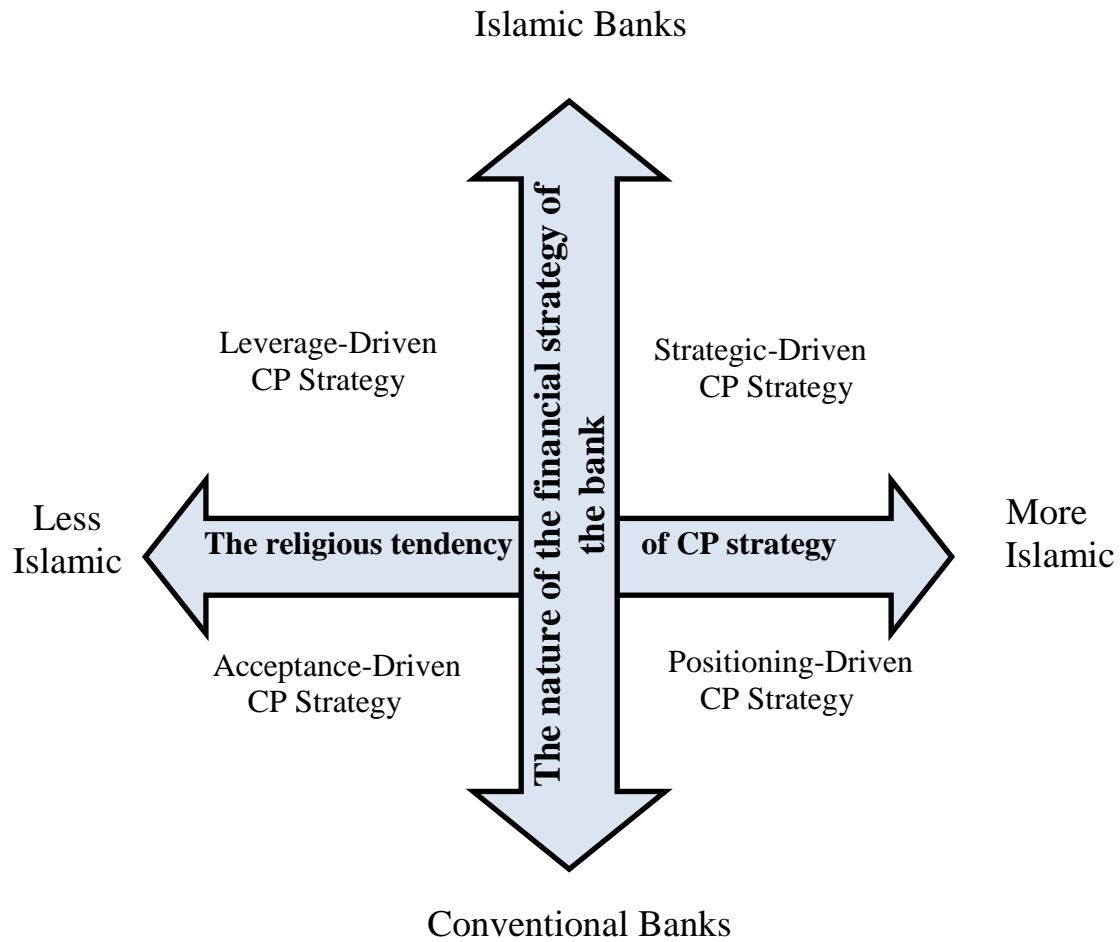
I call this quadrant the "leverage-driven CP strategy" to describe that what the bank in this quadrant aims to do is to leverage the capabilities of its core business strategy through balancing what is expected from the bank as an Islamic entity with three intentions benefiting the shareholders: 1) to attract customers (from both Islamic and conventional banks); 2) to position itself as a modern Islamic bank; and 3) to minimise the gap with commercial banks.

### **6.4.4 Strategic-driven CP strategy**

In this quadrant, an Islamic bank uses a highly religious CP strategy that is clearly related to the main Islamic identity of the bank. Banks in this category also seem to be in the stage of manipulation discussed by Oliver (1991). However, the Islamic bank uses an "influence tactic". Such a tactic is applied as follows (Oliver, 1991): 1) the Islamic bank institutionalises social forms and the level of giving; 2) the Islamic bank manipulates the value system in the society and uses religion in justifying its CP actions; and 3) the bank influences the religious context through the empowering of religious NGOs.

I call this quadrant "strategic-driven CP strategy" to describe that what the bank in this quadrant aims to do is: 1) to strengthen the religious context in which this bank operates through systemic

clear religious impact on the society; and 2) to align CP strategy with the core Islamic business strategy of the bank and thus meet stakeholders' expectations.



**Figure 6.2:** CP strategies implemented in a context of intense Islamic beliefs and values

Source: Author (2013)

## **6.5 Altruistic/Strategic CP: A Discussion**

This study started with reference to the calls in the literature that criticised the dominance of the instrumental/strategic approach to CP, encouraging studies to investigate broader explanations for altruistic corporate social behaviours. An example of such studies is that by Margolis and Walsh (2003), who reviewed the literature from 1972 to 2002 and found that most of the texts (109 of 127 studies) related corporate social actions to the financial benefit of the firm. Saiia et al. (2003) conducted a survey of corporate giving managers of US firms that have had an established giving programme of at least five years, and their data showed that corporate giving managers believe their firms are becoming increasingly strategic in their philanthropic activities. Post and Waddock (1995) similarly suggested that a significant number of experienced corporate givers moved from “philanthropic strategy” to “strategic philanthropy”, aiming to positively affect the firm as well as the society.

The study then argued that business responsibilities should be understood in connection with the society wherein the business is embedded (Granovetter, 1985). The instrumental/strategic relation between business and society that is dominant in the available literature should be understood in the context of Western countries where capitalism is influential. Other societies are expected to exhibit different relations between business and society, and some of these relations may be less instrumental and more altruistic. The argument in this study continued that the literature within developing countries in general and Islamic countries in particular highlights that religion as a contextual factor is not just influential, but also encourages CP of an altruistic nature (Visser, 2008). The study then proposed investigating the relation between business and society in a rich Islamic country where poverty is less influential in terms of this relation. This chapter reported the findings that are suggested to explain how Islam is influencing CP and how firms behave in such an Islamic context.

On the field level, the findings suggest that Islam influences banks through mobilised stakeholders. One of the main dominant stakeholders in this study is the community. Within the

Kuwaiti community, a shared pattern of appropriate CP was established through the history of Kuwait as an Islamic country that encountered different elements of CP of a non-economic nature. Within the community, leaders and businessmen mobilised by Islamic beliefs and values institutionalised altruism as an approach to CP. This suggests that the assumption of the conflict between the two approaches (altruism and instrumental) holds true when firms find themselves in a context wherein they are asked to justify how giving is adding value to the bottom line of the firm. However, this is not the case normally with firms working under Islamic institutional pressures and values, where societal normative actions are more important than costs for both shareholders and the community.

The availability of Islamic banks within the Islamic context encourages competition of an altruistic nature. Islamic banks through different philanthropic Islamic tools – Zakat, Sadaqa and tainted profits – initiated CP of an altruistic nature. In turn, commercial banks, which also see Islamic values and traditions as part the Kuwaiti identity of the bank, accepted such competition, thus directing their CP to have more altruistic implementations. Political pressures from stakeholders inside and outside Kuwait played an important role in reducing the gap between the two kinds of banks. These pressures reduced the enthusiasm and rush of Islamic banks to CP through putting strict instructions on Islamic banks CP. On the other hand, political pressures encouraged commercial banks to give more importance to CP, aiming either to reduce threats or to take opportunities. Other stakeholders – i.e. customers, employees, the media, and government – are weak, and their role is to propose CP initiatives and benefit from them.

The organisational-level pressures were related to banks' characteristics and perceptions. Banks with a long history of philanthropy tend to be more committed to CP. Moreover, commercial banks with the intention to convert to the Islamic model or to start some Islamic activities tend to give more importance to altruistic CP. Islamic banks by their nature are committed to CP, but this commitment may sometimes take a less Islamic shape due to the need on the part of the bank to convey a more modern image.

This study ended with an attempt to illustrate the strategic responses of banks to the Islamic context, where each bank practises a strategy that reflects its needs and choices. The findings suggest that, within a religious context, competition of an altruistic/strategic nature exists. Moreover, this paper introduced Kuwait as a case where altruistic CP constitutes a new paradigm for strategic philanthropy in a religious context.

## **6.6 Summary**

In this chapter then, the study implemented the proposed framework in the banking sector in Kuwait. The chapter discussed the five main institutional field stakeholders who are mobilised by the religious context and who influence corporate social actions. These are the community as a stakeholder, competitors as stakeholders, political international and local stakeholders, and other stakeholders as a source of CP initiatives. These institutionalised stakeholders push the banking sector to an isomorphic model of CP, with altruism at its heart.

Subsequently, the chapter introduced certain moderating factors, including the history of the families owning the banks, the nature of the bank, and managers' perceptions of other competing banks. The chapter ended with the four strategies implemented by banks: acceptance-driven CP strategy, positioning-driven CP strategy, leverage-driven CP strategy, and alignment-driven CP strategy. The framework suggests that bank' strategies, as an outgrowth of the two pressures on the two levels of analysis, reflect their need to respond to threats or to identify opportunities within this context.



## **Chapter 7:**

### **Summary and Conclusions**

#### **7.1 Introduction**

This final chapter discusses the overarching themes of the thesis that extend beyond the research questions. The aim of this chapter is to achieve a clear organisation of the theoretical themes and findings, and to allow for observations beyond any single level of analysis. Furthermore, this chapter draws attention to the contributions of this research within the literature, highlights the limitations of this study, and finally offers directions for future research.

The contributions this thesis seeks to make are: a) to contribute to the institutional theory; b) to further our understanding of CP in developing countries; c) to offer a robust understanding of altruistic CP as it is influenced by an Islamic context; and d) to extend our understanding of CP in Islamic banks.

#### **7.2 Theoretical Contributions**

##### **7.2.1 Contributions on institutional theory**

This study extended the institutional theory by illustrating how institutional pressures within a context of intense Islamic beliefs, values and norms shape CP. Although previous scholars have acknowledged that organisational practices are contextualised within institutional environments (Scott, 2001), most researchers have overlooked the influence of religious beliefs, values and norms within the societies in developing countries in field-level analysis. Without understanding of the religious context of intense beliefs and values such as have been explored in this thesis,

and linking CP to specific facts on the field and society levels, it would not be possible to explain corporate social behaviours and to give meaning to these actions (Johns, 2006; Rousseau and Fried, 2001). The study hopes that this contribution supports a more holistic understanding of the influence of the context on CSR in general and CP in particular, and provides evidence to studies encouraging the incorporation of the context more explicitly in the CSR/CP research (Athanasopoulou and Selsky, 2012; Wood, 2010).

Furthermore, the study suggested that the religious beliefs and values within the context are more influential than the identity of an individual bank. If one looks at Islamic banks as those banks which follow what CP in Islam should be (in theory), and at commercial banks as those banks that follow what ongoing practices of CP in an Islamic culture are (the actions and implementations), one may understand how influential a context of intense religious beliefs and values can be. The religious institutional forces were so strong that they decreased the difference between the two kinds of banks, shaping an isomorphic model of CP where differences related to CP elements between the Islamic and commercial banks are difficult to recognise. CP in this case then is not a sum of the individual values of a firm but is rather a collective action influenced by contextual beliefs and values (Buchholz and Rosenthal, 2006).

While this study started with calls criticising the dominance of the economic approach in CP studies, this study responded to these calls by using a non-economic approach to CP. In doing so, the study redirected attention away from CP as an organisational behaviour motivated only by economic purposes and introduced a framework where CP of a non-economic nature is a dynamic product of a complex interaction of field and organisational institutions (Athanasopoulou and Selsky, 2012). The study followed other scholars (Marquis et al., 2007) and examined CP as a dependent variable, located in a context with intense religious beliefs and norms. As Powell and DiMaggio (1991: 150) explain, organisations compete not just for resources and profits, but for political power and institutional legitimacy. Thus, firms are not independent units able to develop and implement strategy in isolation from the influence of the

external environment; rather, institutional pressures are central in the formulation of a firm's organisational actions (Hoffman, 2001). Marquis et al. (2007) describe this effort of dealing with firms as embedded in their context as an explicit effort to recognise that corporate practices are anchored in networks of relations, on the structural, field, and firm levels, in the communities to which firms are tied. Through this discussion, the study hopes to provide some insights into the question of how firms come to adopt CP of a non-economic nature in some developing countries with intense religious beliefs and values, and to what extent CP of a non-economic nature takes place there.

### **7.2.2 Contributions on CP in developing countries**

This study moved from a developing-country-based perspective, which is the case of most studies in Asia (Bruton and Lau, 2008), to a developing-country-driven perspective. This objective was realised through the study's investigation of "how" CP differs in a developing country setting from that in a developed Western country setting, and "why" this difference occurs. Moreover, the study introduced a framework that explains the relation between religion as a contextual factor and altruistic CP, instead of examining CP frameworks as developed in the Western context (Bruton and Lau, 2008). Moreover, the influence of the institutional pressures within the Islamic context on CP holds strong even in the absence of poverty. While studies of CP in developing countries created a synchronisation between poverty and CP, this study which was applied to a rich developing country suggested that the religious context influences CP even in the absence of poverty.

The study discussed how the structure of relations between the banking sector and its stakeholders in a developing country shaped and changed particular elements of CP. Isomorphism was found to be a result of organisational reaction to the change in the context, through accepting or influencing this process of change. The study discussed in detail how four stakeholders – the community, the competition, external and internal politicians and stakeholders

– as sources of social initiatives played a critical role in shaping the non-economic nature of CP, which can be traced in firms' motivations, forms, relations with NGOs, ways of reporting, and purposes of CP. Findings in this study suggest that religious values and norms within the context of developing countries mobilise certain stakeholders who may have powerful coercive and mimetic effects on CP.

Rarely is CP in Kuwait addressed in the literature written in English. The Kuwaiti banking sector discussed in this thesis thus presented a unique model that stems from the fact that Kuwait is a rich developing country where religion is almost free from the interference of poverty, which distinguishes the case from many developing countries. Moreover, Kuwait has dual banking systems in the form of Islamic and commercial banks, which gave depth to this study related to the ability to compare the two kinds of banks using five Islamic banks and five commercial banks working in the same context. Moreover, the study sheds light on CP in Islamic banks in Kuwait, which are known for their leadership in the Islamic banking industry.

Hence, this research contributes new data to the literature of CP that is taken from the unique case of the Kuwait institutional context, underlining that studying the influence of a religious context on CP in a developing country can provide an indication of the challenges faced by the business sector in these countries and how this sector performs in regard to these challenges. Moreover, by studying Kuwait, this study contributed to addressing the dearth of studies related to developing countries. This comes as a response to calls for more understanding of CP in developing countries, especially those countries that have never been investigated, such as Kuwait.

### **7.2.3 Contributions on altruistic CP**

My findings suggest that the context of intense Islamic beliefs and values does encourage altruism. Although the issue of whether CP activities may be purely altruistic is always a topic for debate (Chesters and Lawrence 2008), two main points need to be addressed. First, there are

certain purely altruistic activities discussed in the study, where no economic or non-economic rewards are expected by the banks. Such CP occurs in publicly owned banks where shareholders are dominant. CP is justified as a commitment, a way of paying back society and sometimes to get God's blessings. Second, there are other forms of activities where the motivations are a mix of altruism and non-economic benefits. Firms expect non-economic benefits in terms of acceptance and positioning. Although non-economic benefits do occur, however, the shareholders and managers nevertheless argue that CP is underpinned by altruism. They repeat that CP is voluntary, targets activities that carry social more than financial benefits (education and health, for example) and are not tied to any specific corporate objective.

Moreover, the study gave examples of situations where altruistic CP was strategic for some Islamic banks. In some of these Islamic banks, altruistic CP is seen as a strategic tool to empower the religious context, reinforce the public's trust in Islamic finance, and in the end to strengthen these banks. Moreover, there is a belief in some of these Islamic banks that benefits should not be seen just in an economic sense but also in a religious sense, as a part of the philosophy of the bank.

The religious principles encouraging altruism are consistent with those discussed in 1899 by Carnegie, the famous Western industrialist and thinker (Wulfson, 2001). Carnegie justified CP on the basis of two religious principles: the charity principle, where religion requires fortunate individuals to help less fortunate ones, and the stewardship principle, where fortunate individuals are asked by religion to see themselves as caretakers not just as shareholders, aiming to benefit their societies (Lantos, 2001). Although Carnegie was discussing Christianity, it seems that stakeholders' principles regarding CP in an Islamic context are similar. The difference is that Islam encourages two particular sources: *Zakah*, which is obligatory, and charity, which is voluntary (Maali, 2003). The study therefore provides evidence to religious thinkers that certain religious principles can be applied to business activities and thus encourages a reflexive approach to altruistic CP (Lantos, 2001).

### **7.3 Practical Implementations for Islamic Banks**

This study illuminated various practical implementations for Islamic banks. I interviewed the main decision makers in Islamic banks (shareholders, managers, and Sha'riah members), whereas many of the previous studies conducted on Islamic banks have depended on bank documents only. These interviews add depth to the literature on Islamic banks and thus gave this thesis the opportunity to reveal information that has not been studied before. The study discussed the four sources of funds used by Islamic banks in Kuwait to support social activities, while showing how commercial banks have only one source of such funds. The study also discussed religious social activities and how these activities are used carefully by both Islamic and commercial banks in two ways: some Islamic banks reduced these activities to position themselves as modern Islamic banks, while some commercial banks implemented these activities as a way to position themselves as commercial banks with a clear respect for the religious context.

Another theme related to Islamic banks refers to illustrating how Islamic banks work in an Islamic context where the institutional variables at one level of the analysis affect variables at another level (Johns, 2006). The study found that Islamic banks have three main connections with the religious context: the up-down effect; the down-up effect; and the moderate effects. For the up-down effect, the study discussed how different institutional stakeholders influenced CP within the whole banking sector, and Islamic banks are part of this sector. Another up-down effect is the role played by the religious context in establishing new Islamic banks, and even encouraging banks to convert from commercial to Islamic. Third, the Islamic context, through some external and internal politicians, entailed pressure on the Islamic banks to give Zakat through governmental bodies rather than directly through the bank, which influences the level and the scope of CP within these banks.

For the down-up effect, the availability of religious banks increased competition between Islamic and commercial banks, thus reinforcing and empowering a more religious context. Moreover, leading Islamic banks diffused religious CP activities, some of which become institutional

elements (Zucker, 1987). Finally, for the moderate effect, the study suggested that the Islamic identity of the bank increases the institutional pressures encouraging altruistic CP within the banking sector.

#### **7.4 Limitations and Directions for Future Studies**

Despite the contributions, this study is not without its limitations. This study was conducted in one institutional context (Kuwait), in relation to one religion (Islam) and one sector (the banking sector); thus, generalisation of the findings should be limited. Whether this framework is able to work in all Islamic countries is questionable because Islam, as with any other contextual factor, does not work alone but interacts with other economic, historical, political, and social forces. Thus, Islam is expected to be implemented differently in different countries, which gives each Muslim country its unique context. While this study managed to isolate poverty, this study was influenced by the prosperity of Kuwait as a rich oil-producing country. Third, although taking a whole sector was important to isolate the industry-specific influences, this sector presented a unique case of a dual banking system, which is not the case in other industries.

More questions could be answered by future research on the topic of the relation between religion, business and society. While the data provided by this study may be a starting point, more comprehensive and comparative studies on a national level are needed for further theorising and empirical investigation of the influence of the religious beliefs and values of an intense religious context on CP. Suggested studies may aggregate all religions in order to understand the general effect of a religious context, while other studies may focus on a certain religion in different contexts so as to similarly explore its own unique impact.

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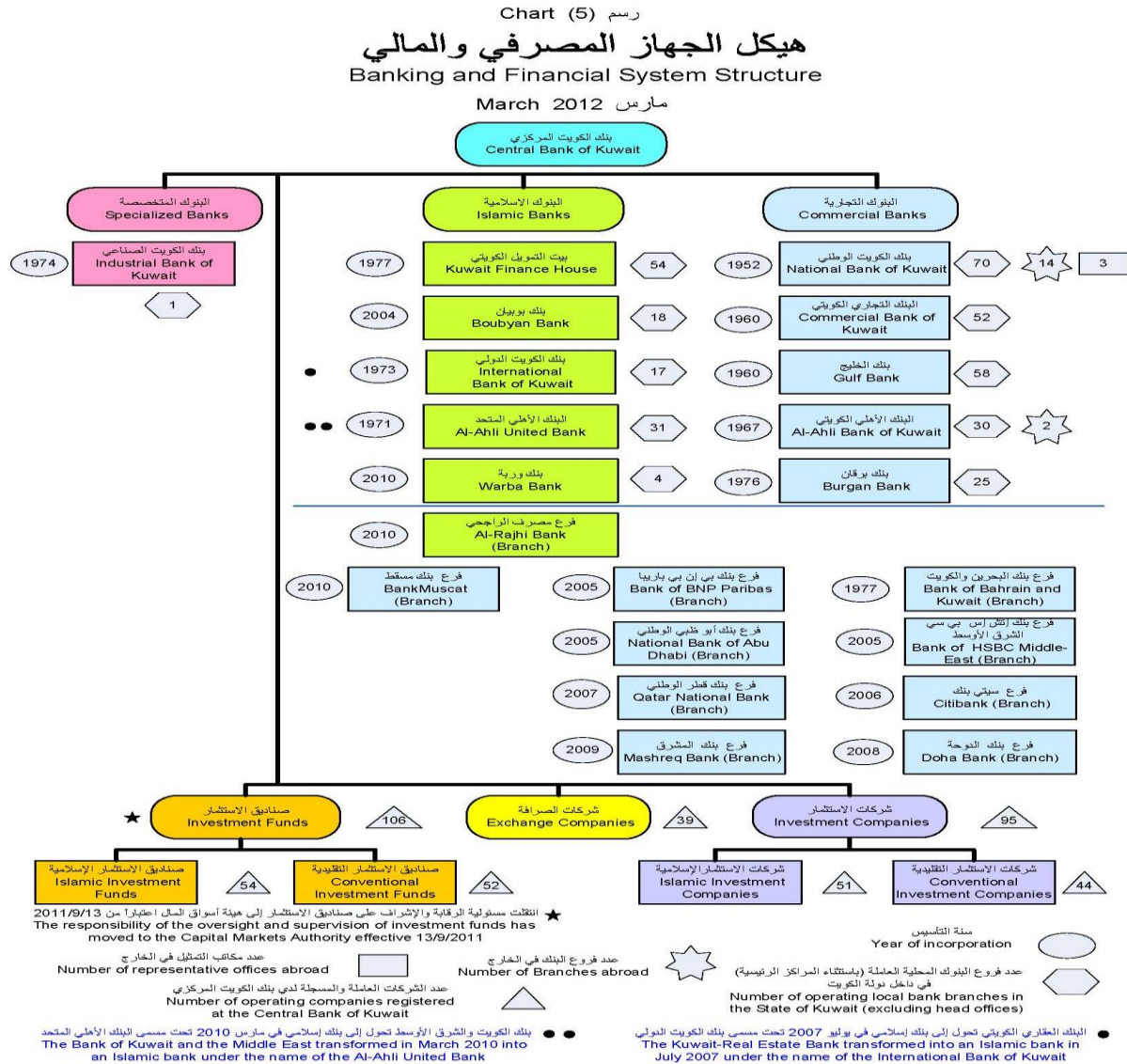
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# Appendixes

## Appendix A

### Banking and Finance System Structure in Kuwait



“Banking System Structure in Kuwait”. From website of the Central Bank of Kuwait.

([http://www.cbk.gov.kw/pdf/chart\\_5.pdf](http://www.cbk.gov.kw/pdf/chart_5.pdf)) retrieved in 26th April 2012

## Appendix B

### Material Consulted for the Study

#### 1. Comprehensive CSR Guides and Publications

- a. Kuwait Banking Association. 2007. *“Kuwaiti Banks: A 50 years journey of Giving 1992-2006”*. (It is a guide to the Kuwaiti banks CSR).
- b. Kuwait Banking Association. 2010. *“The Social Role of the Kuwaiti Banks: 1992-2008”*. (It is an updated guide to the Kuwaiti banks CSR).
- c. “Eda’at”, a handout of the banking sector CSR, December, 2011. Institute of Banking Studies.

#### 2. Banks CSR publications and Reports

##### Commercial Banks

##### 1. Burgan Bank

- a. “Touching Lives”, CSR at BB. 2009
- b. CSR report for 2011 pdf  
([http://www.burganbank.com/uploads/BB\\_CSR\\_eng.pdf](http://www.burganbank.com/uploads/BB_CSR_eng.pdf)) retrieved in 23th April 2012.

##### 2. Commercial Bank of Kuwait (CBK)

- a. CSR online report (<http://www.cbk.com/en/about-cbk/social-responsibility/>) retrieved in 23th April 2012.
- b. Al-Tijari News, issue 145. 2010. CBK 50<sup>th</sup> anniversary, 1960-2010.
- c. An internal report regarding CBK CSR activities from (2009-2011).



### 3. Gulf Bank

- a. CSR activities (<http://www.e-gulfbank.com/eng/aboutUs/csr/index.jsp>) retrieved in 23th April 2012.
- b. An internal report regarding Gulf Bank CSR activities from (2000-2010).
- c. Gulf Bank CSR Report, 2011.

### 4. National Bank of Kuwait

- a. “Caring for our Community”, 2007. CSR report.
- b. “Bringing Progress to our Community”, 2008. CSR report.
- c. “Care, Participation and Responsibility”, 2009. CSR report.
- d. “For a Better Future”, 2010. CSR report.
- e. NBK Website. 2012
- f. “A Story of Success: 1952-2002 . NBK 50<sup>th</sup> anniversary”. A book published by NBK.

## **Islamic Banks**

### 1. Al-Ahli United Bank (AUB)

- a. CSR report, in: “AUB annual report, 2011”.

### 2. Boubyan Bank

- a. Boubyan Bank awareness Campaign, “More water...better health, 2012”.

### 3. KFH

- a. CSR report for 2009 (<http://www.kfh.com/en/about/investor-relations/Social-Report/Index.aspx> ) retrieved in 23th April 2012.
- b. CSR report for 2010 (<http://www.kfh.com/en/about/investor-relations/Social-Report/Index.aspx> ) retrieved in 23th April 2012.
- c. KFH Website. 2012

- d. “The fatwa in economic issues”, 4 volumes, 1981. No year mentioned.
4. Kuwait International Bank (Al Dawli)
    - a. “The Convention”: The documentation of the converting of “Kuwait Real Estate Bank” to an Islamic bank: Kuwait International Bank (Al Dawli). December, 2009.

### **Specialised Banks**

1. Industrial Bank of Kuwait (IBK)
  - a. An internal report regarding IBK CSR activities from (2009-2011).

### **3. Newspapers and Magazines**

1. “Al Masaref” “The banks”. A monthly magazine that covers the activities of the banking sector in Kuwait. Issues available since 2000.
2. A number of press cuttings with regard to the Kuwaiti banking sector CSR from local newspapers and magazines.

### **3. Publication Related to Mandatory CSR**

1. “The Law No. 19 for 2000, Relating to Supporting National Manpower and Encouragement of National Manpower to Work in Non-Government Agencies and their Executive Rules Instructions”. Ministry of finance, Tax department, 2011.
2. “Law No. 46 for 2006 Regarding Zakat and Contribution of Public and Closed Shareholding Companies in the States’ Budget”. Ministry of finance, Tax department, 2006.

## **Appendix C**

### **List of Interviewees**

#### **Commercial Banks**

1. Al-Ahli Bank of Kuwait (ABK)
  - a. Board Secretary
  - b. Executive Marketing Manager
  - c. Public Relation Manager
  
2. Burgan Bank
  - a. Assistant General Manager
  
3. Commercial Bank of Kuwait (CBK)
  - a. Chairman and Managing Director
  
4. Gulf Bank
  - a. Chairman
  - b. General Manager-Board Affairs
  
5. National Bank of Kuwait
  - a. Board Secretary
  - b. Executive Manager

#### **Islamic Banks**

1. Al-Ahli United Bank (AUB)
  - a. Chairman and Managing Director
  - b. Acting DCEO

**2. Boubyan Bank**

- a. Chairman and Managing Department
- b. Senior managers, Corporate Communication Division
- c. Senior managers, Corporate Communication Division
- d. Manager, Shari'ah Supervisory Division

**3. KFH**

- a. Chief Executive Officer
- b. Marketing and Public relation Manager
- c. Unit Manager of Development and Researches: Shari'ah Compliance Department
- d. Senior Accountant: Shari'ah Supervisory Board

**4. Kuwait International Bank (Al Dawli)**

- a. Chairman
- b. Deputy CEO
- c. Manager, economic research department
- d. Shari'ah Supervisor

**5. Warba Bank**

- a. Marketing and Public Relation Manager

**Specialised Banks**

**1. Industrial Bank of Kuwait (IBK)**

- a. Administration Department Manager

**Association**

**1. Kuwait Banking Association KBA**

- a. Secretary General

# Appendix D

## Company Confidentiality Forms

### 1. Commercial Bank of Kuwait

**Brunel**  
UNIVERSITY  
WEST LONDON  
Brunel Business School  
Research Ethics  
**Company Confidentiality Form**

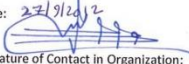
Dear Commercial Bank of Kuwait

This is to confirm that the research project "The Corporate Philanthropic Decision-Making process in a religious context" undertaken by "Aroub Al Rifai", student number "0829411", in part fulfillment of the degree of "Doctoral degree in Corporate Social Responsibility" will be viewed for assessment purposes only, by Brunel Business School/ the University of Brunel from June 2012 until September 2012.


The data may also be used for academic publications and presentations. Any arising publication will allude to the results in generic ways when mention the company or the business of the company whether directly or indirectly. The name of the firm will be completely anonymous and replaced with a code. All information and data will be fully referenced and attributed to the appropriate sources.

I need to interview the employees involved in the corporate philanthropy decision-making process in the bank in order to understand their different perspectives regarding the bank's CP decision making process. The interview may last around 90 minutes. This interview will be recorded, and the researcher will take some notes. Their participation is voluntary, and they can choose to withdraw from the study anytime. Their names and job titles will be anonymous and replaced with codes.

Signing this form indicates bank's agreement to participate in the study and for the data to be used and published with the terms and conditions of the study.

Date: 27/9/2012  
Signature of Contact in Organization: 

Signature of Student:



## 2. Burgan Bank



Brunel Business School  
Research Ethics  
**Company Confidentiality Form**

Dear Burgan Bank

This is to confirm that the research project "The Corporate Philanthropic Decision-Making process in a religious context" undertaken by "Aroub Al Rifai", student number "0829411", in part fulfillment of the degree of "Doctoral degree in Corporate Social Responsibility" will be viewed for assessment purposes only, by Brunel Business School/ the University of Brunel from June 2012 until September 2012.

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Signing this form indicates bank's agreement to participate in the study and for the data to be used and published with the terms and conditions of the study.

Date: 25/7/2012

Signature of Contact in Organization:

Signature of Student:


### 3. Al-Ahli United Bank

**Brunel**  
UNIVERSITY  
WEST LONDON

Brunel Business School  
Research Ethics  
**Company Confidentiality Form**

Dear Al-Ahli United Bank

This is to confirm that the research project "The Corporate Philanthropic Decision-Making process in a religious context" undertaken by "Aroub Al Rifai", student number "0829411", in part fulfillment of the degree of "Doctoral degree in Corporate Social Responsibility" will be viewed for assessment purposes only, by Brunel Business School/ the University of Brunel from June 2012 until September 2012.

The data may also be used for academic publications and presentations. Any arising publication will allude to the results in generic ways when mention the company or the business of the company whether directly or indirectly. The name of the firm will be completely anonymous and replaced with a code. All information and data will be fully referenced and attributed to the appropriate sources.

I need to interview the employees involved in the corporate philanthropy decision-making process in the bank in order to understand their different perspectives regarding the bank's CP decision making process. The interview may last around 90 minutes. This interview will be recorded, and the researcher will take some notes. Their participation is voluntary, and they can choose to withdraw from the study anytime. Their names and job titles will be anonymous and replaced with codes.

Signing this form indicates bank's agreement to participate in the study and for the data to be used and published with the terms and conditions of the study.

Date: 19/7/2012

Signature of Contact in Organization: 

Signature of Student:

 19/7/2012  
**Sherief El-Kholy**  
ADCEO - Retail Banking

#### 4. Al-Ahli Bank of Kuwait

**Brunel**  
UNIVERSITY  
WEST LONDON

Brunel Business School  
Research Ethics  
**Company Confidentiality Form**

Dear Al-Ahli Bank of Kuwait

This is to confirm that the research project "The Corporate Philanthropic Decision-Making process in a religious context" undertaken by "Aroub Al Rifai", student number "0829411", in part fulfillment of the degree of "Doctoral degree in Corporate Social Responsibility" will be viewed for assessment purposes only, by Brunel Business School/ the University of Brunel from June 2012 until September 2012.

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Signing this form indicates bank's agreement to participate in the study and for the data to be used and published with the terms and conditions of the study.

Date: 31/7/2012

Signature of Contact in Organization:



Signature of Student:





## 5. Warba Bank

**Brunel**  
UNIVERSITY  
WEST LONDON

Brunel Business School  
Research Ethics  
Company Confidentiality Form

Dear Warba Bank

This is to confirm that the research project "The Corporate Philanthropic Decision-Making process in a religious context" undertaken by "Aroub Al Rifai", student number "0829411", in part fulfillment of the degree of "Doctoral degree in Corporate Social Responsibility" will be viewed for assessment purposes only, by Brunel Business School/ the University of Brunel from June 2012 until September 2012.

The data may also be used for academic publications and presentations. Any arising publication will allude to the results in generic ways when mention the company or the business of the company whether directly or indirectly. The name of the firm will be completely anonymous and replaced with a code. All information and data will be fully referenced and attributed to the appropriate sources.

I need to interview the employees involved in the corporate philanthropy decision-making process in the bank in order to understand their different perspectives regarding the bank's CP decision making process. The interview may last around 90 minutes. This interview will be recorded, and the researcher will take some notes. Their participation is voluntary, and they can choose to withdraw from the study anytime. Their names and job titles will be anonymous and replaced with codes.

Signing this form indicates bank's agreement to participate in the study and for the data to be used and published with the terms and conditions of the study.

Date: 4/7/2012

Signature of Contact in Organization:

Signature of Student:

Yousef AlShallal  
37



## 6. National Bank of Kuwait

**Brunel**  
UNIVERSITY  
WEST LONDON

Brunel Business School  
Research Ethics  
**Company Confidentiality Form**

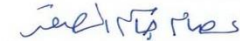
Dear National Bank of Kuwait

This is to confirm that the research project "The Corporate Philanthropic Decision-Making process in a religious context" undertaken by "Aroub Al Rifai", student number "0829411", in part fulfillment of the degree of "Doctoral degree in Corporate Social Responsibility" will be viewed for assessment purposes only, by Brunel Business School/ the University of Brunel from June 2012 until September 2012.

The data may also be used for academic publications and presentations. Any arising publication will allude to the results in generic ways when mention the company or the business of the company whether directly or indirectly. The name of the firm will be completely anonymous and replaced with a code. All information and data will be fully referenced and attributed to the appropriate sources.


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Signing this form indicates bank's agreement to participate in the study and for the data to be used and published with the terms and conditions of the study.



Date:  Isam Jasim Al Sager

Signature of Contact in Organization:

Signature of Student:   
25/6/2012

## 7. International Bank of Kuwait

**Brunel**  
UNIVERSITY  
WEST LONDON

Brunel Business School  
Research Ethics  
**Company Confidentiality Form**

Dear International Bank of Kuwait

This is to confirm that the research project "The Corporate Philanthropic Decision-Making process in a religious context" undertaken by "Aroub Al Rifai", student number "0829411", in part fulfillment of the degree of "Doctoral degree in Corporate Social Responsibility" will be viewed for assessment purposes only, by Brunel Business School/ the University of Brunel from June 2012 until September 2012.

The data may also be used for academic publications and presentations. Any arising publication will allude to the results in generic ways when mention the company or the business of the company whether directly or indirectly. The name of the firm will be completely anonymous and replaced with a code. All information and data will be fully referenced and attributed to the appropriate sources.

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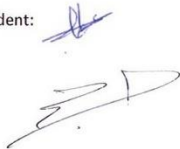
Signing this form indicates bank's agreement to participate in the study and for the data to be used and published with the terms and conditions of the study.

Date: 20/6/2012

**Dr. SADEQ J. ABUL**  
Manager Economic Research Dept.  
& Board Secretary

Signature of Contact in Organization:

Signature of Student:



## 8. Gulf Bank

**Brunel**  
UNIVERSITY  
WEST LONDON

Brunel Business School  
Research Ethics  
**Company Confidentiality Form**

Dear Gulf Bank

This is to confirm that the research project "The Corporate Philanthropic Decision-Making process in a religious context" undertaken by "Aroub Al Rifai", student number "0829411", in part fulfillment of the degree of "Doctoral degree in Corporate Social Responsibility" will be viewed for assessment purposes only, by Brunel Business School/ the University of Brunel from June 2012 until September 2012.

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Signing this form indicates bank's agreement to participate in the study and for the data to be used and published with the terms and conditions of the study.

Date: 13/6/2012

Signature of Contact in Organization:

محمود عبد الخالق النوري  
Mahmoud Abdulkhaleq Al Noori

Signature of Student:



## 9. Boubyan Bank



Brunel Business School  
Research Ethics  
**Company Confidentiality Form**

Dear Boubyan Bank

This is to confirm that the research project "The Corporate Philanthropic Decision-Making process in a religious context" undertaken by "Aroub Al Rifai", student number "0829411", in part fulfillment of the degree of "Doctoral degree in Corporate Social Responsibility" will be viewed for assessment purposes only, by Brunel Business School/ the University of Brunel from June 2012 until September 2012.

The data may also be used for academic publications and presentations. Any arising publication will allude to the results in generic ways when mention the company or the business of the company whether directly or indirectly. The name of the firm will be completely anonymous and replaced with a code. All information and data will be fully referenced and attributed to the appropriate sources.

I need to interview the employees involved in the corporate philanthropy decision-making process in the bank in order to understand their different perspectives regarding the bank's CP decision making process. The interview may last around 90 minutes. This interview will be recorded, and the researcher will take some notes. Their participation is voluntary, and they can choose to withdraw from the study anytime. Their names and job titles will be anonymous and replaced with codes.

Signing this form indicates bank's agreement to participate in the study and for the data to be used and published with the terms and conditions of the study.

Date: 27/6/2012

Signature of Contact in Organization:

Signature of Student:





## 10. Kuwait Finance House

**Brunel**  
UNIVERSITY  
WEST LONDON

Brunel Business School  
Research Ethics  
**Company Confidentiality Form**

Dear Kuwait Finance House

This is to confirm that the research project "The Corporate Philanthropic Decision-Making process in a religious context" undertaken by "Aroub Al Rifai", student number "0829411", in part fulfillment of the degree of "Doctoral degree in Corporate Social Responsibility" will be viewed for assessment purposes only, by Brunel Business School/ the University of Brunel from June 2012 until September 2012.

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Signing this form indicates bank's agreement to participate in the study and for the data to be used and published with the terms and conditions of the study.

Date: 28/6/2012



Signature of Contact in Organization:

Kuwait Finance House

Signature of Student:

## 11. Industrial Bank of Kuwait

**Brunel**  
UNIVERSITY  
WEST LONDON

Brunel Business School  
Research Ethics  
**Company Confidentiality Form**

Dear Industrial Bank of Kuwait

This is to confirm that the research project "The Corporate Philanthropic Decision-Making process in a religious context" undertaken by "Aroub Al Rifai", student number "0829411", in part fulfillment of the degree of "Doctoral degree in Corporate Social Responsibility" will be viewed for assessment purposes only, by Brunel Business School/ the University of Brunel from June 2012 until September 2012.

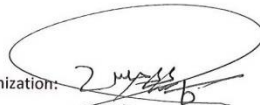
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Signing this form indicates bank's agreement to participate in the study and for the data to be used and published with the terms and conditions of the study.

Date: 10/6/2012

Signature of Contact in Organization:



Signature of Student:



## 12. Kuwait Banking Association

**Brunel**  
UNIVERSITY  
WEST LONDON

Brunel Business School  
Research Ethics  
**Company Confidentiality Form**

Dear Kuwait Banking Association

This is to confirm that the research project "The Corporate Philanthropic Decision-Making process in a religious context" undertaken by "Aroub Al Rifai", student number "0829411", in part fulfillment of the degree of "Doctoral degree in Corporate Social Responsibility" will be viewed for assessment purposes only, by Brunel Business School/ the University of Brunel from June 2012 until September 2012.

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Signing this form indicates bank's agreement to participate in the study and for the data to be used and published with the terms and conditions of the study.

Date: 26-06-2012

Signature of Contact in Organization:

*Hamad Al-Hasawi*

Signature of Student:

*[Handwritten Signature]*

إتفاقية صارت الكويت  
KUWAIT BANKING ASSOCIATION