Corporate Social Responsibility in Israel: The Promise and Practice of Corporate Social Responsibility in the Promised Land

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Background

The origins of Corporate Social Responsibility can be perhaps best be traced back to Bowen and Johnson's (1953) classic, *Social Responsibilities of the Businessman*. Mindful of the dramatic increase in the influence of business, and those operating them, on the everyday lives of the both the individual and society, the authors pondered: "What responsibilities to society may businessmen reasonably be expected to assume?" (p. xi). With time, and the growth of the role of the corporation in the business world, "Social Responsibility" ("SR") became known as the "Corporate Social Responsibility" (here to fore "CSR") and assumed a central place in organizational research (Carroll, 1999). The purpose of this chapter is to examine the manner in which CSR emerged and evolved within the context of Israel.

CSR: An Overview and a Definition

Before delineating the manner in which CSR has been understood and, subsequently, undertaken in Israel, it is sensible to first address *why* it is important to study CSR and *what* it is that one is exactly studying when one studies CSR. The eminent sociologist, Daniel Bell, suggested that "to think of the business corporation as an economic instrument is to fail totally to understand the meaning of the social changes of the last century" (quoted in Beesely and Evans, 1978; p. 16). Indeed, the business organization - particularly in its "corporate garb" - can be viewed as one of the most important societal changes of the last century, with the size and strength of the modern corporation growing to rival that of sovereign nations.

Tellingly, in 2012, D. Steven White noted that among the top 175 “economic entities” in the world, 63% were business corporations and 37% were sovereign nations (INTERNET).

Thus, there should be little wonder that CSR had emerged as a central focus of organizational research that, by 2012, encompassed nearly 600 peer reviewed articles and another 102 books or book chapters (Aguinis and Glava, 2012). Reviewing and analyzing the growth of a distinct CSR literature, Carroll (1999) suggested that it was possible to distinguish a transition between an initial period of conceptualization and definitional ferment in the 1960s and 1970s, to a more mature and scientifically rigorous period associated with the emergence of empirical research concerning CSR from the 1980s onward.

However, it may have been a bit premature in 1999 (and perhaps even today) to suggest that the aforementioned "definitional ferment" has subsided. Rather, new and varied conceptualizations of CSR continue to emerge alongside the growing and increasingly more robust empirical literature on CSR. By the beginning of the twentieth century, Dahlsrud (2008) would note the existence of at least 37(!) different definitions of corporate social responsibility. While noting this multitude of alternative understandings, Dahlsrud also observed that there existed a tremendous *similarity* among those definitions; with them all typically containing:

1. An Environmental dimension: related to ideas of stewardship and sustainability etc.
2. A Social dimension: related to the creation of a better society and a better relationship between business and society
3. An Economic Dimension: related to the role of business in economic development
4. A Stakeholder dimension: related to the responsibilities of business to multiple constituencies
5. A Voluntariness dimension: related to the need to undertake actions for the common good not expressly prescribed by law.

Recent works (i.e. Horrigan, 2010, Carroll, Lipartito, Post and Werhane 2012, Bar-Haim and Karassin, 2014) have noted that there continues to exist no *agreed* upon definition of CSR. For the purpose of this work, CSR will be understood to be a management policy characterized by the decision of management of a business concern: "to integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis" (Commission of European Communities, 2001, p. 6). With that definition in mind, the examination of CSR in Israel will be addressed via the role played by central actors relevant to CSR; including: (1) government, (2) NGOs, (3) consumers, (4) the media, (5) Academia and (6) those from the corporate world, itself.

Examining CSR in an International Perspective

There has been a significant increase in research regarding CSR from an international perspective over the last 20 years (Fulop, Hisrich and Szegedi, 2000; Chan, Fung and Yau, 2009; Ioannou and Serafeim, 2012). Following an initial period in which most of the work concerned CSR in the United States, works have appeared concerning CSR in various geographic areas, including Europe (De la Crus Deniz, and Suarez, 2005; Hąbek and Wolniak, 2016), Africa (Amaeshi, Adi, Ogbechie and Amao 2006), the Far East (Kemp, 2001; Kusku and Zarkada-Fraser, 2004; Henderson, 2011)) and in the Middle East (Jamali, 2007; El-Asmar, 2009; Thibos and Gillespie 2011). Many of those works (e.g. Amaeshi et al. 2006) explicitly examine the degree to which the various "local" versions of CSR presented represent "mimicry" of other - usually North American - versions of CSR, as opposed to a version of CSR with "indigenous" elements related to local culture and circumstances.

Indeed, as suggested by Roome, Doove and Postema (2006), CSR can most correctly be viewed as "emerging simultaneously as a social and business phenomenon within the fabric of the society" in which businesses are embedded" (p. 79). As such, in order to understand CSR in the Israel, it is crucial to provide a historical perspective regarding the background and context in which Israeli corporations grew and evolved.

Israel: From "Workers' Commonwealth" to American-style Market Economy

Israel can best be viewed as an "ideological start-up." In 1897 a young ideological entrepreneur, named Theodore Herzl, put forward a blueprint which brought together the trend toward nationalism in Europe with traditional Jewish thought regarding the reestablishment of Jewish sovereignty in (then) Turkish-controlled Palestine (Elon, 1971). As is often the case with business start-ups, Herzl and his successors in the Zionist movement subsequently faced the task of locating the backing needed in order to transform their idea into a product. Having gained the necessary backing in the form of the United Nations decision to partition then British controlled-Palestine into two separate Jewish and Arab states, the product of the Zionist movement; the state of Israel - was established in 1948.

Central to the ideology which led to the establishment of the state were the socialistic ideas of its "Labor Zionist" founders. Indeed, for most of those involved in the maturing and management of the Jewish community it was neigh impossible to imagine the Jewish political entity as anything *but* socialistic in character. The economic and political institutions of the state in the making (from 1920-1948) and in the nascent state, itself, were clearly socialistic in nature and part of an overall drive to create a "workers' commonwealth." To that end, in 1920 the General Labor Federation (or in Hebrew, "Histadrut" or “self-reliance”) was formed. The Histadrut would quickly become the one central source of political and economic influence, as it oversaw and coordinated the activities of agricultural settlements, trade unions, industrial concerns, urban (nonagrarian) cooperative arrangements in the area of housing, trade, and transport, a newspaper and publishing house, a sick fund, and a bank.

Levi-Faur, Sheffer and Vogel (2014) would note that it is impossible to overestimate the impact and importance of the Histradut throughout the first nine decades of the 20th century.

As noted, on the background of the ideas and achievements of Labor Zionism, the state of Israel was born. The end of the British mandate further strengthened the influence of the Labor Zionist base, as all public properties and resources were transferred to the new government of Israel that was led by a coalition of three rather orthodox socialistic parties with personal and ideological ties to the leaders of the Histradut. Indeed, for many decades to come, the Histradut sector would flourish at the expense of two equally sized sectors: the government and a rather maligned private sector (Kay, 2012).

Indicative of the tone of the Israeli economic discourse, Segev (1998), notes that the ideological underpinnings of early Israeli economic policy were perceived such that internal correspondence of the British Foreign Office and the United States Department of State indicate that both nations viewed the fledgling state as “teetering” between Eastern (“communist”) and Western (“capitalistic”) influence. As such, the American government included Israel as one of the nations that were to receive propaganda materials pointing out the advantages of “the American way.”

Despite the overwhelming prevalence of the Labor Zionist narrative in Israeli society during the formative years of the state, by the early 1960s dissenting voices concerning economic policy options began to be heard in a more organized and vigorous fashion. Many of those arguing for the liberalization of the economy would coalesce in 1961 to form the Liberal Party—the first political movement whose raison d’être was the advancement of a market economy and the corollary strengthening of independent economic actors.

However, the state remained the most important actor in the Israeli political economy until the mid-1980s. It was only a looming economic disaster associated with an annual rate of inflation of 500% and emptying of the public coffers that would lead Israeli leaders to consider making fundamental changes in the economic system (Levi-Faur 1998; Maman 2001). The 1985 "Economic Stabilization Plan" did just that.

The focuses of the "Economic Stabilization Plan" were:

1. A reduction in the size of government and in government spending
2. A reduction of government intervention in the economy via liberalization of fiscal, trade, and labor policies
3. A reduction of the tax burden and
4. Privatization and encouragement of competition

As can be seen, the various aspects of the plan had the potential to contribute to the growth of a both the economic rights of the individual as well as the growth of a much larger and more diverse private sector via increased access to capital and financial tools for the investment of their own capital. In this context, it is interesting to note that between 1988 and 1993 the annual turnover in the Tel Aviv Stock Exchange grew *tenfold* and exceeded $30B; with the stock market rising from 7% of GDP in 1984 to 46% by 1992 (Blass and Yosha, 1998).

The growth of the economy, and particularly the private sector was swift and significant. Shefir and Peled (2002) note that the very term "business community" to describe the private sector emerged only in the 1990s, in the wake of the emergence of a sector of business people interested primarily in profit making and not under the hold of the state, nor the Histradut nor the semi-socialistic values associated with the founding generation in Israel. Lane (1998) note that the abundance of available free market capital played a crucial role in the emergence and growing strength of this new business community.

In addition to the liberalization of the capital markets, a determined privatization policy resulted in the government's share of overall market activity decreasing from 27% in 1985 to only 6% in 1995. This policy not only took the government *out* of the forefront of economic activity, it brought *new players* to the forefront. Significantly, government assets were purchased almost exclusively by individuals and business organizations who had not previously held a dominant position in the economy. Indeed, by the end of the 1990s **none** of the large business organizations that existed prior to the liberalization policy remained in existence (Kosenko, 2008).

In their place emerged a number of large, family-led "pyramid" holding corporation groups leading to a high level of economic concentration and low levels of competition since their appearance on the scene. These business groups were controlled by a new business elite that shared both broad social and business relations. By the end of the first decade of the 21st century a rather small number of these family corporations (18 in number) accounted for 40% of the total business activity in Israel; making Israel among the most centralized economies in the world (Kosenko, 2008). As will be later noted, in recent years, the primacy, potency and priorities of these corporation have been at the core of intense public debate.

Another important dynamic that contributed to the rapid growth of the private sector in Israel was the emergence of Israel as a major player in high-tech. While Mardon (1990) noted that Israel ranked second from last among Third World countries with regard to the share of firms fully owned by foreigners, that would change in the wake of economic reform. The growth of the high tech sector in the 1990s was both the result of - and catalyst for - the arrival and subsequent expansion of major multinational technological firms such as Apple, Cisco, Google, HP, IBM, Intel, Microsoft etc. Some of the above are among the largest employers in Israel. No less significant, four out of the top ten most highly regarded employers in Israel are American-based high-tech firm (Heruti-Sover, 2015). It is currently widely accepted Israel that the high-tech sector is - and will remain - the engine pulling the Israeli economy forward.

Overall, in the course of the last three decades, the Israeli economy has evolved from one in which centralized planning of the government has been increasingly replaced by market forces. From an economy that was relatively "inner-focused" to one in which global forces play a central role. From an economy driven primarily by internal ideological forces to one that - as a recent member to the OECD - must take into account outside expectations. Indeed, as will be seen, Israel's desire to join the OECD - and it subsequent accession to the OECD in 2010 - would have a significant impact on CSR in Israel.

Concurrent to the above, Israeli society has gone from being one of the more economic egalitarian economies in the West to one with the largest level of economic disparity among OECD countries. From a society in which farmers and workers were seen as models of economic actors to one in which those engaged in entrepreneurship and finance are seen to hold the keys to the future. A society in which individuals contemplated the advantages and disadvantages of the Neoliberal project underway in Israel to one in which, increasingly, emerging leaders and followers have known no other economic and societal reality.

It is on the background of the above, that a more nuanced and informed discussion of CSR in Israel can take place.

The Genesis of CSR In Israel

In their seminal work, Corporate Responsibility: The American Experience, Carroll et.al. (2012) note that the corporation was the dominant organizational form in the American economic reality from the end of the 19th century onward. As has been seen here, that has not been the Israeli experience. Rather, corporate influence is a rather late arrival to the Israeli scene, emerging in full-force only in the last decade of the 20th century. Miles (1987, p.17), suggested that CSR can best be seen as related to processes the corporation develops "for understanding and responding to development in the corporate social environment." As such, in many ways, all parties involved in the Israeli CSR landscape; whether the corporations themselves, government regulators, academics and other stakeholders such as employees and customers are relatively new to the "CSR game" (Verbin and Freeman, 2010; Filberg, 2014).

The following section will present the manner in which relevant "partners" to the Israeli CSR reality conceive and act upon CSR related matters.

CSR in Israel: The Actors and their Roles

As previously noted, our examination of CSR in Israel will be addressed via the role played by a number of different actors; including: (1) government, (2) other important actors such as NGOs, the Media and Academia (3) consumers, and (4) those from the corporate world, itself.

<u>Israeli CSR and the Government</u>

Business companies are the creation of the law and - as such - have no independent existence apart from that determined by law. It is political conflict that invariably shapes both what corporations are *allowed* or are *not allowed* to do; as well as what they may *choose* or *not choose* to do (Carruthers and Babb 2000). This section will examine the attitudes and actions of government vis-a-vis CSR in Israel as the initiator and interpreter of the legal entity called "the company." The discussion here will speak to the role of both elected officials and others operating within governmental frameworks regarding three important legal mechanisms related to CSR in Israel: (1) "The Companies Law," (2) "The Securities Law" and (3) recently enacted rules in the area of the environment and employment.

"The Companies Law" that was enacted in the 1950s was based upon pre-existing British mandate period guidelines. While this law was reconstructed a number of times in the first decades of Israel's existence; by the 1980s it was widely viewed as inadequate. Perhaps the first indication of a change in the attitude of government-related institutions toward business can be found in a 1983 Supreme Court ruling in which Chief Justice Meir Shamgar suggested that: "the clear trend is that a company and its management must take into account not only the best interests of shareholders, but also that of the employees of the company, its consumers and the wider community" (Supreme Court of Israel; 1983). With that, substantial change in the "letter of the law"; if not the "spirit of the law" would come much later. ,

In fact, the next - and existing - version of the law would only emerge only in the year 2000, after an exhaustive eighteen year legislative process. While, American attitudes and actions vis-à-vis companies and corporate law greatly influenced the law; the process by which the law was developed and implemented varied greatly from the American experience (Ben Zion, 2006). Specifically, legislators had a much larger impact in its development in Israel than in the American case. One outcome of this process was that legislators acted to transform suggested clear, "bright-line rules" into standards in major areas such as piercing the corporate veil, fairness duty owed by shareholders towards the company and the reimbursement rate given to the plaintiff in a class action suit. While, it is difficult to fully ascertain the intentions behind the above, in practice the purpose of a bright-line rule is to produce predictable and consistent results in its application. The "standard" framework allows much greater discretion regarding the application and interpretation of the law. As such, economic actor may have greater latitude in - potentially - influencing the use of legal sanctions against it as outlined by the law.

According to "The New Israeli Companies Law" the purpose of the company is to act to maximize its profits. With that, it can, but is not obligated - to take into account non-financial matters. Specifically, the law notes that companies are to:

> "operate in accordance with business considerations in realizing its profits, and within the scope of such considerations, the interests of its creditors, its employees and the public may inter alia be taken into account; similarly, the company may donate a reasonable sum for a proper object, even if such donation is not within the scope of business considerations as aforesaid, if a provision for such is laid down in the articles of association."

The law distinguishes among four types of companies; (1) privately owned companies, (2) companies listed on the stock market, (3) governmental companies (on the national and the municipal level) and (4) non-profits. Each category of company was seen to have different reporting requirements. With that, the law does not include any formal requirement to report on non-financial matters; except with regard to those business organizations that have a large environmental "footprint."

In recent years, the interest in "sustainability" in general, and environmental aspects of the above have drawn the attention of lawmakers and government employees. One indication of this is evident in the 2013 publication of a comprehensive guide regarding how to advance environmental sustainability in the operations of government companies. With that, Ortar (2014) noted that these guidelines are more descriptive than proscriptive. That is to say, that the actual nature of the disclosures are unclear, as are the means by which such information is to be disseminated and shared.

But, it is the publically traded companies that have the greatest obligation to report on its activities. Indeed, both the "Companies' Law" and the "Securities Law" address the nature of those obligations. The "Companies' Law" calls on those firms traded on the stock market to produce: a description of the corporation’s business; a directors’ report concerning the state of the corporation’s affairs; financial statements; additional details concerning the corporation; and a report on the effectiveness of internal auditing regarding financial reporting and disclosure. Not surprisingly, recent years have seen companies being called upon to also report regarding potential environmental risks associate with the activities of the firm.

The second major potential legal influence on CSR is found in "The Securities Law" which was enacted in 1968. That law created the regulatory framework for the operation of the Tel Aviv Stock Exchange and the companies traded on it. It also created the Israel

Securities Authority (ISA), an independent regulatory body, whose "function is to protect the affairs of the securities investing public, as determined in the law." Central to the above was the drive toward transparency; allowing potential investors access to salient investment-related information.

Within the framework of the above, companies are obligated to report significant environmental impacts that may affect their outlays and competitiveness. Traditionally, Israel's environmental policy was not well developed; with neither "informal" public nor formal government being very prominent. However, that has changed in recent years. For, the rise in global interest in matters such as global warming has not escaped the eyes of Israeli citizens and their elected representatives. Israel's previously mentioned entrance into the OECD also served as a catalyst of change in the area of formal rules and regulations regarding the environment. Indeed, a variety of laws and regulations regarding pollution levels, hazardous waste etc. to "integrate environmental policy with economic growth" have been put into place (OECD 2011).

Thus, there has been an increase with regard to both formal environmental legislation in Israel, as well as the introduction of voluntary reports as Israel entered the 21st century. Alongside a mandatory "Pollutant Release" report that must be submitted regarding known environmental damage associated with the activities of a company, there are also a number of non-mandatory efforts such as the "Voluntary Climate Index" and the "Greenhouse Emissions Report." With that, Karrasin (2007) pointed out government leniency regarding the above and Karrasin (2009) suggested that there exists concurrent widespread non-compliance with environmental regulations, as well as relatively low levels of voluntary activity in the area.

Not surprisingly, OECD reports indicate that Israeli consistently and significantly underperforms on OECD environmental targets. Indeed, in a recent report related to air pollution and water quality, Israel placed 37 out of 38 and 36 out of 38, respectively, among OECD countries on those two matters (OECD, 2015). Recent legislation, in the form of the "Integrated Pollution Prevention and Control Legislation of 2014," has been put into place in order to simplify the myriad regulations associated with various organizational frameworks and tighten oversight regarding the above. While the above is indicative of an increased mindfulness of government figures regarding the environment, it is still too early to assess the real impact of this effort.

The last aspect of government activity related to CSR to be addressed here relates to labor relations. Israel has experienced a steep drop in the number of unionized employees over the last two decades. Perhaps not completely unrelated to the above, social activists and government officials, alike, have noted the crumbling of employee rights. This, general, development has been augmented by the arrival to Israel of an increasing number of foreign workers - many not legally able to work in Israel.

In the wake of the above, and calls to contain - if not reverse - the trend, in 2013 the "Legislation for Strengthening and Enforcing Labor Law" was put into place. The law outlined both new sanctions related to the workplace, as well as improved means of enforcement methods to try to curb the encroachment on worker rights. Following the above, in 2014 the government also acted to tap "educated self-interest" of companies by putting into place a plan to provide monetary grants for organizations that adopted voluntary work-rights codes. Here too, it is still too early to see the impact that these measures may have.

One last matter relevant to both the previous discussion of the juxtaposition of the political sphere and CSR, and the upcoming discussion of the juxtaposition of NGOs and CSR is a proposed law to institutionalize CSR in Israel. "The CSR Law" is a joint product of a number of (primary left-leaning) members of the Israeli parliament and the Corporate Social Responsibility Institute. The proposed law was introduced for debate in August 2016, and calls for the obligatory submission of an annual CSR report for all Israeli companies that (1) employ at least 250 employees or (2) have annual revenue of at least seven million USD or (3) in which the ratio between the highest monthly salary and the lowest one is larger than 30 times (Knesset Israel, 2016). Among other things, these annual reports are to address the following CSR-related areas, including: corporate governance, the environment, relationships with suppliers and labor related matters such as unionization, diversity and access to employment for disabled individuals.

If the composition of the Knesset members associated with the law is any indication, there is little - if any - chance that the law will be brought to a vote in the current Israeli political reality.

CSR in Israel and Other Important Actors

NGOs

In contrast to the United States and many nations in Europe, CSR in Israel did not emerge in the wake of "popular" demands for such. Rather, it was the influence of foreign (primarily American) multinationals operating in Israel and local NGOs that triggered the first kernels of CSR in the Israeli context in the mid-1990s (Shamir, 2004; Verbin and Freeman, 2010; Ortar et al., 2013). Indeed, it is fair to say that NGOs remain far more an interested and potent force in the area of CSR in Israel than the Israeli public, itself. Thus, the discussion here regarding additional "communities" (other than government) that influenced the emergence and evolution of CSR in Israel will begin with an examination of the crucial role of NGOs in the above (the role of foreign business organizations will be addressed in the section regarding the business community, itself).

One of the earliest, and arguably currently the most important, NGO actor in the area of CSR in Israel is an organization called "Maala" that was formed in 1998; and funded - significantly - by two overseas Jewish foundations (Shamir, (an, . Currently, a quarter of

Israel's 350 largest companies in Israel are associated with the activities of Maala. These companies include high profile Israeli firms that comprise the backbone of the local economy and its largest employers representing approximately one-third of Israel’s GDP (Maala, 2017). Significantly, many of these firms participated in the first national level CSR business forum held under the auspices of Maala in November 2015.

Maala offers a variety of CSR-related services and activities including conferences, "hands-on" professional development workshops aimed at helping organizations develop and manage a CSR policy, CSR consulting, a special CSR-based providential fund and the annual "Maala CSR Index." It was is the annual Maala index, compiled since 2003, for which Maala is most well-known, and that which will be the focus of the discussion here.

The Maala Index offers an overall score on CSR of the business organization. The score is determined by an independent body of experts comprised of representatives of social and environmental activist groups, academics and the business community. The index, itself, addresses the following matters: Companies are judged based on their performance in eight major areas: Ethics & Transparency, Work Environment & Employment, Human Rights, Diversity & Inclusion, Responsible Supply Chain, Contributions, Volunteerism, Environmental Management and Corporate Governance.

While the annual publication of the index has received increasing interest and attention both within the business community and elsewhere, the ranking itself, seems to have little impact on the Weltanschauung of the business community and those who interact with it. For, while nearly a decade and half after its initial publication a quarter of the largest corporations take part in the index, three times as many of these companies *do not*. In addition to the above, some (Verbin and Freeman, 2014) have noted that the method by which the index is assembles (outside experts assigning an overall CSR rating) is hardly a substitute for the company - itself - preparing and publishing a detailed report of its various

CSR-related factors. Indeed, the authors suggest that the Maala index may serve to protect the organizations from public scrutiny and contradicts the key CSR principles of transparency and accountability.[i] With that said, it seems fair to say that Maala is the NGO most often associated with CSR in Israel and has made an important contribution to the advancement of CSR in Israel.

Another important NGO operating in the Israeli CSR scene is "Matan" ("Giving"), an organization aimed at facilitating partnerships between the business sector and community organizations. Established in Israel in 1998, and associated with the United Way, as of 2014 there were over 100 business organizations associated with Matan; who had facilitated the contribution of more than 50 million USD and 95,000 hours of volunteer hours to community groups.

Operating in a similar manner to Matan are two smaller organizations: "Temura" and Zionism 2000. The former was established in 2002 and has over 100 partners, primarily in the high tech sector. It serves as an intermediary between companies in that sector who transfer equity via Temura to community organizations. In that many start-ups are strapped for cash, Temura aims to allow those who would like to give, if they could, to do so. Leibtag, 2014) noted that Temura's efforts have allowed for the transfer of over 9 million USD to the community.

For its part, Zionism 2000, the first NGO operating in the area was founded in the early 1990s and focuses on the enhancement of business social responsibility. While its website indicates that it has worked with over 120 businesses since its inception - and roughly 6 million USD that it has brought from business to the betterment of the community, the organization remains a relatively unknown actor in the area.

The Media

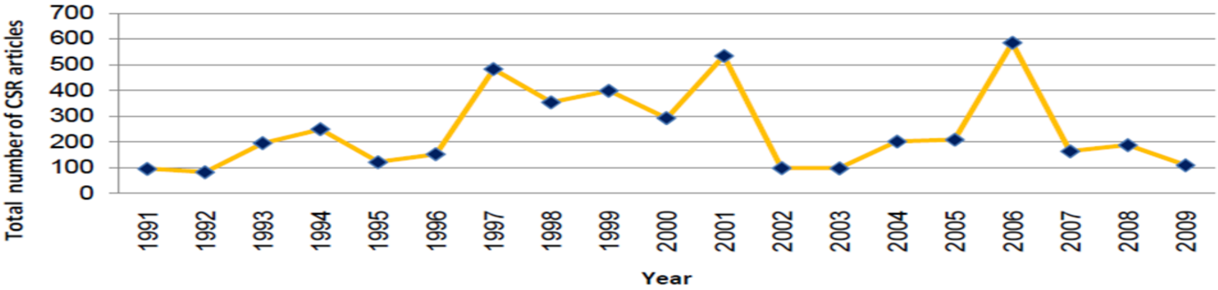
In their pioneering study on the way the English Financial Times covered CSR, Buhr and Grafstrom (2007) noted the potential impact of the business media on the manner in which way managerial ideas, in general, and CSR in particular is viewed by the public. Carroll (2011) suggested that any examination of the interrelationship between the media and CSR should examine the volume, tone and topics of the media coverage. For their part, Zyglidopoulos, Carroll, Georgiadis, and Siegel (2009) added that there are many reasons to assume that media can play a crucial role in the development and understanding of CSR because it can correct the information asymmetry that typically exists between business organizations and t various stakeholder groups. Noting that the nascent literature on media and CSR is primarily American and European, Carroll (2011) called on similar research to be undertaken in other venues. Friberg (2014) does just that with regard to media and CSR in Israel.

In fact, Friberg's (2014) examination the manner in which Israel's leading liberal newspaper, HaAretz, covered CSR-related issues from 1991-2009 is the only published research regarding the matter. What emerges from the above study is that it becomes apparent that even in HaAretz, Israel's most liberal media outlet; CSR was a "non-issue" during most of that period.

Along the lines of the suggestion by Carroll (2011), Friberg examines the volume, tone and content of the coverage of CSR in HaAretz. Volume, of CSR-related pieces ebb and flowed during the period in question as a function of the intensity of coverage of other - usually security related - matters. In fact, references to CSR-related issues essentially vanished in the wake of the second intifada in 2001, only to reemerge in 2006 as a, relatively, off-center business topic. With that, coverage of the topic significantly decreased after the

2006 peek; and returned to the levels of coverage in the early 1990s. Table 1, below, addresses the volume of CSR-related topics in HaAretz.

Table 1



Reprinted from Friberg (2014)

The tone of the coverage, itself, was generally negative, with much greater attention directed at lapses in what might be expected or accepted with regard to business behavior than to positive aspects of such behavior. With that, the tone seemed to vary over time, without any clear direction or explanation. Particularly central in the criticism of business was matters related to the environmental consequences of business activity. Finally, Friberg notes that no clear trend can be found with regard to the subjects discussed with relationship to CSR; though the two central CSR-related topics alluded to in the HaAretz coverage were: the environment and social issues related to business.

Thus, the coverage of CSR-related issues in HaAretz that was - and remains - relatively low. That being said, it still remains the main venue in which a more challenging view of the business world is found.

<u>Academia</u>

There do not exist any formal academic degrees in Israel in the area of CSR. With that, there are a few programs dedicated to the professional training of individuals for the management of NGOS and other social enterprise frameworks. In addition to the above, there also exist a number of research centers and a significant number of individual researchers associated with academic institutions that address CSR.

One of the academic centers is the previously mentioned Corporate Social Responsibility Institute (co-author of the new CSR legislative initiative). Interestingly, the institute is associated with the relatively new and not highly ranked Ramat Gan College of Law and Business. Somewhat surprisingly, it is more common to find such CSR-related activities in the smaller - and less highly academically regarded - colleges than in the major, veteran universities such as: the Hebrew University, Tel Aviv University, Haifa University and Ben Gurion University. An exception to the above is the recently established Ackerman Center for Israeli Corporate Governance at Bar Ilan University.

Indeed, a Google search done by this author in January 2017 combining the name of the leading universities in Israel and CSR-related terms yielded almost no results other than those related to the individual research activities of faculty. While that research is both expansive and varied, it too is in its infancy. One indication of the above can be found in the fact that the very first in-depth empirical study of CSR behavior of Israeli companies was only published by Bar-Haim and Karrasin in 2014. Here again, the catalyst of this CSR-related activity was the interest of a foreign (European) foundation had in getting an accounting of the CSR reality in Israel. The above effort is reminiscent of a non-academic work undertaken by this author in 2013 on the behalf of a large European insurer who had recently purchased a local insurance company and was interested in examining local CSR-related needs.

<u>The Public</u>

As previously noted, the Israeli economy experienced tremendous upheavals in the 1980s. The first part of that decade was marked by a then familiar sense of economic foreboding and anxiety, the second part by a fresh sense of economic freedom and activity.

The business sector was both the primary reason for and the recipient of the benefits associated with the tremendous growth of the Israeli economy in the wake of the liberalization process that marked the end of the 1980s.

Indeed, in the decade following the Economic Stabilization Plan while the overall national GDP increased by 30%, that of the business sector increased at a pace almost two-and-a-half times of that, to the tune of 69% (Central Bureau of Statistics, 2007). In that report, the Central Bureau of Statistics also reported a significant growth in consumer spending and an increase of 43% increase of disposable for the 1985-1995 period. As such; overall, Israelis were enjoying a standard of living that increasingly resembled that of Europe and less Israel circa 1985. During that period of time the Oslo Peace Process was still moving forward and Israel's high-tech sector emerged as one of the leading centers entrepreneurship and innovation in the world.

All of the above may help explain why, until the beginning of the 21st century, there would be little public debate about the role and responsibilities of the emerging business elite (Verbin. 2013). With that, as Israel entered the 21st century and the increased impact of the business community became more clearly felt, that community became the focus of increased scrutiny and criticism. The tow prime matters driving the criticism above were the growing disparities in income in society and the increased concentration of economic power in the hands of a few, primarily family organized business frameworks. These developments led many to question the direction that the Israeli economy and society was heading; and led the former president of Israel, Shimon Peres, to decry the emergence of a "piggish capitalism" in Israel (gandeste, 2017).

With that, oddly enough, it would be the price or cottage cheese that would eventually set off the largest public debate in the history of Israel concerning the relationship of business and society. A Facebook post in 2011 concerning the high price of cottage cheese and a suspicion of price-rigging among producers went viral. That post, along with a similar one concerning the difficulty that young people have in affording housing set off massive public protests, as well as the establishment of tent-cities in central areas of the major cities in Israel. These activities culminated in nationwide protests, including the country's largest protest in history with 300,000 people in Tel Aviv.

A sympathetic local media pointed out the growing economic hardships associated with the ascent of "big business" in Israel and began speaking about "a revolt by the middle class." The Washington Post, for its part, observed:

> Israel’s former economic incarnation was a welfare state of sorts with heavy government involvement and ownership of most major companies. Later, governments began privatizing assets … placing prime public assets in a small number of private hands. In recent years, Netanyahu’s government has further sped up this process with far-reaching orthodox free-market reforms.

All of the above also heightened concern regarding the impact corporate actors may have on the government in general, and with regard to matters related to the general public welfare.

To paraphrase Daniel Bell's (1976) classic work, *The Cultural Contradictions of Capitalism*, it was only in 2011 that the Israelis began to truly focus on the "social disconnect" often tied to the clash between an "economizing" logic driven by and toward efficiency and a "sociologizing" logic driven by and toward concerns for societal needs. The passion generated by this reassessment of where Israel was and was going created a sense that what had become was not what was to be.

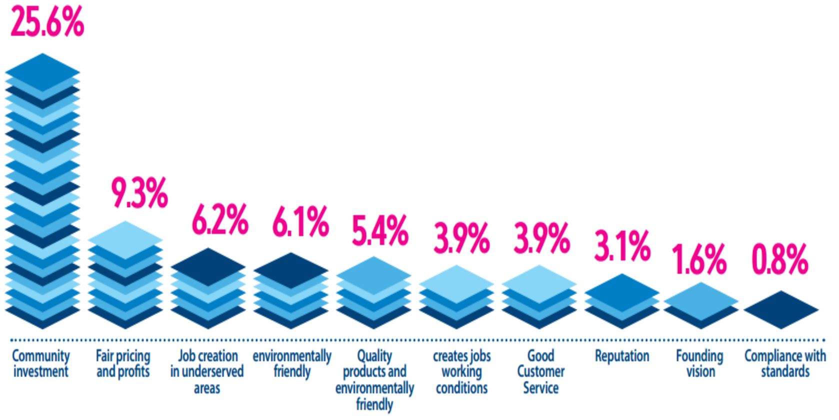
While these developments grabbed the attention of government, business and those involved in CSR-related NGOs, their impact quickly faded. A special Knesset committee established to deal with issues of economic concentration and housing prices issued a report that has sunk into the depths of the Israeli newsfeed. A temporary lowering of prices for certain items on the part of business came and went. In addition, after a dramatic, late- minute cancellation of an annual CSR conference scheduled for the period of the highest public protests; that - and later events - resumed as before. Thus, five years on from those heady days of protest and promise, words that King Solomon is purported to have written not far from the Knesset, nearly 3000 years ago seem to ring true: "That which has been is that which shall be, and that which has been done is that which shall be done; and there is nothing new under the sun (Ecclesiastes 1:9).

The Israeli public seems to have little faith in business - particularly local business organizations. A recent survey shows that while 30% of the public say that they have trust in global corporations operating in Israel, only 25% express similar feelings with regard to their local counterparts (Maala, 2014).

And, what acts, nevertheless, makes a corporation "socially responsible?" While Americans have been reported to see employee relations as the most important element of potential CSR (2017), Israelis see things differently. Indeed, in the graph below, one can see that - by far - the most important element of CSR in the eyes of Israelis seems to be "community giving" (Maala, 2014).

<u>Image 1</u>

Why is a firm considered to be socially responsible?



In a related matter, while Social Responsible Investing is still not well developed in Israel, research indicates that an almost identical percentage (23% vs. 25%) of Israelis Maala, 2014) and Europeans reported that CSR concerns have impacted their consuming behavior (Corporate Social Responsibility Monitor, 2001).

Business Actors

In this section the CSR-activities of two types of business actors will be addressed: (1) those who offer CSR-related services and (2) the corporate actors themselves. There currently exist a number of both global and local business organizations offering CSR-related services.

A number of international actors such as KPMG, BDO and Deloitte offer CSR-related services in Israel. Among the local actors, "Beyond-Business" is, perhaps, the leading organization in the area of CSR-services. They introduced GRI sustainability reporting guidelines (the G3) to Israel and translated the above in 2007. Following the translation and a massive public campaign that resulted in a sharp increase in media coverage of CSR (Filberg, 2014), the number of CSR reports published in Israel increased sharply; to roughly 20 reports annually (Ortar et al., 2013). Another additional important player in this field is the local representative of the international organization of "Good Vision" that helps corporate actors conduct and report on CSR-related matters such as community involvement, environmental and sustainability related matters, labor related matters and those related to consumer safety.

As has been alluded to earlier, the first corporate actors to engage in CSR-related activities were those from abroad. Indeed, almost since their arrival to Israel, firms such as Microsoft, HP, Cisco, Phillips and others have sought to cast the same CSR shadow via their local operations as they do at home. As opposed to most local corporations, the global actors have "dedicated" individuals on staff that lead these CSR efforts and release CSR-related reports in a proportion consistent to what is typical in their home country - and not Israel.

Not surprisingly perhaps, in light of possible economic ramifications on those firms resulting from their long-standing and broad involvement in Israel, many of these efforts are aimed at the interface between Israeli Jews and Arabs - and when possible between Israelis and their Arab neighbors. Common activities include educational and professional development of populations underrepresented in high-tech and support for high tech ventures from among those populations. The level and consistency of these activities may help explain the earlier mentioned finding that Israelis show more trust in these global corporations than local ones.

While the number of Israeli corporations engaged in CSR and releasing annual CSR reports is increasing, the numbers still pale by international standards. Less than 20 corporations released CSR reports in 2014 (Maala, 2014). To put that figure in perspective, a recent KPMG study (2013) indicated that less than 20% of the largest 100 Israeli companies reported on their corporate social responsibility in 2013 - the lowest rate of CSR reporting among all the 41 countries reviewed by KPMG.

Local research has also corroborated the relatively low level of CSR related activity in Israel (Abu, 2008) and the fact that it was only in 2008 that Israeli corporations started producing GRI-type reports. Curiously, an analysis of CSR-related reporting from 2007-2014 done by this author reveals that it is not uncommon to find corporations starting to report, only to stop and then resume the production of annual CSR-related reports. Thus, it seems that such reporting is not seen as an integral part of the organization - even if reports have been produced in the past.

With that said, both the CSR-related activities seem to be on the increase. One area of particular interest within this context is the high-tech sector. The actions of global actors and the increased international interface of the well-respected Israeli high-tech center have created the kernels of some very interesting and important CSR-related activity in that sector.

Specifically, The Israel Venture Network brings together high-tech entrepreneurs, business executives and venture capitalists in Israel and abroad in the support of programs aimed at the developing educational opportunities and social leadership in Israeli society via the leveraging of the skills and experience of business actors in this sector.

Though still in its infancy (or perhaps, "childhood"), CSR is also on the rise within Israel's more traditional - and veteran - corporations. The first annual CSR report released by an Israeli corporation was that of Israel Discount Bank in 2004. The banking sector has been a leader in both this area - as well as the related area of the development of ethical codes (Kay, 2009). To a great degree, those efforts - and those of other Israeli corporations - may be related to the international position of those firms and the associated host-country expectations and legislation (i.e. Sarbanes-Oxley, The Unites States Federal Sentencing Guidelines and European Union Codes of Ethics form European Employers).

Overall, CSR-related activities of Israeli corporations seem to be on the rise due to both foreign and local circumstances. With that, both the nature and scope of those CSR-related activities differ from their overseas counterparts. Frantzman (2008) related that a study undertaken by a team of Hebrew University students (HaYisraeli, Keduri, Radai and Schiller, 2008) at Hebrew University, Frantzman (2008) noted that "under circumstances of shrinking government budgets over the past decade, nonprofit agencies and individuals in Israel have been turning increasingly to businesses for financial support."

This may help explain the results of the previously mentioned Maala (2014) study in which it was seen that the matter most associated with social responsible business was "community investment." Not surprisingly, corporate leaders seem to also view the above as the best manifestation of corporate social responsibility. Indeed, it is in the area of "giving" (or "corporate philanthropy") that most Israeli corporations focus their CSR efforts. This phenomenon, coincidentally or not, is similar to that reported by researchers regarding CSR in neighboring Jordan, Lebanon and Syria (Jamali, 2007; El-Asmar, 2009; Thibos and Gillespie 2011).

Maala (2014) shows that the main areas of corporate giving were "Welfare" (35%), "Environment and Housing" (27%) and "Volunteering" (25%). Frantz (2008) noted that while corporate giving in Israel is 60% "in kind" and 40% in actual financial support, in the United States that ratio is 82% financial support and only 18% "in kind." Indeed, Maala CEO Momo Mahadev, one of the biggest advocates of corporate CSR admitted that: “The balance in Israel between cash donations and giving of non-cash resources such as employee volunteer hours and in-kind donations is very different from what we see in the United States" (Leibtag, 2014). For instance, with regard to corporate giving to Israeli NGOs, that giving accounted for only 1.5% of the budgets of Israeli NGOs in 2013.

Indeed, not only is the *nature* of Israeli corporate giving different than that overseas, so is the *magnitude* of that giving. The general worldwide rule of thumb regarding corporate giving is that companies should be donating at least 1% of their pretax profits. Few, Israeli corporations have been reaching that mark. Others make the grade if "in kind" giving is taken into account.

In her in-depth, comparative analysis of corporate giving in Israel, Heruti-Sover (2013) noted that food and clothing firms stand out among the companies that have contributed more than 1% of their pretax profits; including the top giver in Israel the Strauss food conglomerate. With that, such giving is characterized by "in kind" giving of the firm's products and does not contribute to the development of individuals nor a civil society, in general. For example, Strauss made 2.7 million USD of contributions in 2013. Of that, 713,000 USD was in cash, 1,500,000 USD was in food products, and the remaining 487,000 USD was in the value of the volunteer hours of its employees.

In recent years, Israeli CSR has developed and begun addressing an additional area of activity: the environment. After reported alleged widespread non-compliance of the growing number of environmental regulations (Karassin 2009); corporate Israel has assumed increasing responsibility for the environmental consequences of their activities. One indication of this is evident in the fact that, by 2013 more than 50 major Israeli corporations - accounting for 65% of greenhouse gas emissions in Israel - participated in the Voluntary Climate registry.

However, the corporate "scorecard" in other areas such as product safety, diversity at the workplace and employee rights is far less impressive. In fact, a recent Maala (2014) survey indicated that very few Israeli corporations go beyond compliance with regard to employee relations and 39% admitted that they would act to *dissuade* employees from unionization.

Summary

As has been seen, CSR is a relatively new - and not necessarily a "home-grown" - phenomenon in Israel. The concept of social responsibility did not evolve in Israel in response to pressure of demand or social struggle against business enterprises. Rather, it was brought to Israel by local branches of international corporations and NGOs, influenced by global trends at that level, which worked to gain its acceptance in the Israeli business environment (Shamir, 2005; Barkai, 2008). Shamir is particularly critical of the "commoditization" of CSR and the sense that Israeli corporations view their CSR activities less as an investment in Israeli society than one in their image in society. A decade after the publication of his research, Niv (2015) echoed Shamir's fears.

With that, in recent years, CSR has grown and has become increasingly institutionalized; increasingly an accepted - and neigh - expected part of the Israeli corporate scene. Halperin (2017) noted a steady and significant increase with regard to both the number and the status of the individuals who act as CSR "officers" for local corporations. In fact, by 2013, CSR-related activities have found their place on the organizational chart of at least 150 Israeli corporations.

In light of their reticence to produce public CSR-related reports, Niv (2015) suggested that Israeli corporations exhibit lower levels of transparency than those abroad. While, the media has traditionally shown relatively little interest in the level of CSR of those corporations, that may become a non-issue as time goes on. For, research done in the United States has shown that almost half of the individuals queried had used the Internet to learn about the extent to which a company is or is not being socially responsible. It seems likely that their Israeli counterparts will also, increasingly, seek out - and find - information about the conduct of their own corporate entities.

Former United States Supreme Court Chief Justice Louis Brandeis famously suggested that; "Publicity is justly commended as a remedy for social and industrial diseases. Sunlight is said to be the best of disinfectants; electric light the most efficient policeman." It seems likely that despite previously noted impediments to the advancement of CSR in Israel, the internet may prove to be the "electric light" lighting the way to a substantial version of CSR in the coming years.

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[i] It seems prudent to note that the main critic of the Maala index is associated with a "competing" Israeli NGO operating in the area of CSR. While that, of course, does not necessarily make the criticism offered, any less accurate; the information is offered in the name of transparency.