

Chapter 53

Leadership Consciousness to CSR: Royal Industrial Trading Co.

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ABSTRACT

The purpose of this case study is to discuss the leadership role in Corporate Social Responsibility (CSR) and thus on the company's competitiveness, performance, and reputation. The case highlights the adoption of CSR as a long-term strategy in a manufacturing family business located within a highly volatile country in the Arab world where awareness of CSR is not prevailing. By interviewing the owners and senior managers of Royal Industrial Trading Company, one is able to understand how they view their social responsibilities and how they insert CSR into the company's strategy. Royal has a number of corporate social responsibility policy aims but its current disclosures do not provide a sufficient level of detail to adequately assess the social impact of their activities or link their activities to the achievement of specific stated social aims. The company is enjoying the rewards of improved competitive position, the benefit to their shareholders, and the benefit to the society at large.

ORGANIZATION BACKGROUND

Royal Industrial Trading Co. (Royal), a manufacturer of U-PVC pipelines was established in 1993 in Palestine. A family business in the private sector, Royal employed twelve people and was owned and managed by six young brothers who had just returned from the US after working there for about ten years. The six brothers from the Zghier family formed the board of directors, and worked very hard during the last few years to enlarge their businesses. In spite of the Israeli restrictions on movement of goods, by the year 2000, the company had become well established, thus the owners met and decided to work in a more professional way. They distributed the management functions of the top management among the

DOI: 10.4018/978-1-5225-3909-4.ch053

six brothers as follows: Mr. Nabil is the chairman; Mr. Mazin is the general relationship manager; Mr. Monzer is the directing manager; Mr. Nafiz is the export manager; Mr. Mutea is the general manager and Mr. Majdi is the executive manager. Nowadays they have five young male children working as supportive managers in different fields.

The company's origins lay in the manufacturing of different kinds of sanitary ware and water network products in the northern part of Hebron City in the south of Palestine. Today the company employs over 550 employees within an area of more than 23,734 square meters. It has expanded its production lines to include the production of sewage installation pipes and many other products in the same field. The company launched a new range of household products in 2007 and at the beginning of 2010 started exporting to thirteen countries in Asia, Africa and always aimed to please customers and remain strongly committed to worldwide quality standards.

The company operates on a 24/7 basis in order to produce 90,000 products a day. These include high quality plastic and wood products such as pipelines, fitting, furniture, packaging, household and kitchen products and more. It is one of the very first companies in Palestine that applied the quality management system ISO 9000 standards. Royal also keenly studies the needs of its customers in order to deliver products that help solve built environment problems.

Royal is considered as a very responsible corporate citizen in Palestine where it has introduced a number of workplace policies that are not only unique but also extremely effective in addressing a number of social and environmental issues.

SETTING THE STAGE

Before 2010, Royal was providing financial assistance to individuals and non-governmental organizations based on the need of these parties and the financial status of Royal (i.e. out of obligation and responsiveness to rising needs). In 2010, Royal decided to change its policy by allocating a budget at the beginning of the year to fulfill the activities Royal is planning to fund. The Fund was based on the company's understanding that it does not operate in a social bubble, but rather plays a significant role in the Palestinian community, and thus developed its unique mission in order to give back to the society in which it operates.

Royal's direction since launching CSR is based on a strategic vision that provides the community with human, social, cultural and health services. That strategic vision is a reflection of the company's commitment to implement its human and developmental role. Royal also aims to give back to the community via all its activities, events and programs in order to contribute to mobilizing the wheel of socio-economic development in Palestine.

Those who adopt the neo-classical view of the firm would believe that the only social responsibilities to be adopted by business are the provision of employment and payment of taxes. This view is most famously taken to the extremes of maximizing shareholder value and reflected in the views of Friedman (1962). An alternative view of the firm following the behavioral theorists (Cyert and March, 1963) might view corporate social activity from a standpoint that examines the political aspects and non-economic influences on managerial behavior.

Cannon (1992) discusses the development of CSR and the relationship between business, society and government. The areas defined by advocates of CSR increasingly cover a wide range of issues such as social, environmental and economic sectors. Whether or not businesses should undertake CSR, and the

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