

# Chapter 4

## Proactive Corporate Social Responsibility (CSR) Strategies: The Case of PADICO Holding

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### **EXECUTIVE SUMMARY**

*This case attempts to shed light on a range of issues typically encountered in the business sector in Palestine. It illustrates innovative approaches to resolving socio-economic challenges and their implications on CSR practices, communication, and organizational behavior. It examines the leading role of the private sector in forging partnerships with universities to tackle the persisting and widening skill-employability gap and lack of business competitiveness. The case explores a program initiated by PADICO and built on a competence-based model, which is the first of its kind in Palestine. The model addresses unemployment among Palestinian youth and the undersupply of relevant skills to the job market that is handicapping Palestinian businesses. Despite the fact that it is a pilot program, PADICO's partnering strategies serve as a case in point of the shift in CSR focus, namely from building reputation and engaging in philanthropic activities to proactively engaging in issues of education and competitiveness.*

## **ORGANIZATION BACKGROUND**

Following the signing of Oslo Peace Accord with Israel in 1993, (PADICO HOLDING), a leading investment company in Palestine was founded as a Public Shareholding Limited Liability Company by a number of Palestinian and Arab business leaders. The positive climate and the hopes raised for the betterment of lives of people in Palestine and the Middle East region by advent of peace was viewed by founders as a significant opportunity to channel their resources towards helping build the nation by investing in key economic and developmental sectors across Palestine and the region.

The company has been listed on the Palestine Stock Exchange since 1997 and its shareholder base includes ‘a who’s who of Arab investors’ from Palestine, Jordan, the rest of Middle East and North Africa region, as well as investors from international markets. The sectors PADICO invested in included: Real estate, telecommunications, tourism, industry, agriculture, infrastructure, financial services and the environment. The company’s paid-in capital is USD 250 million. The number of shareholders has been steadily increasing, growing from 710 in 1998 to more than 10,000 in 2011 (PADICO, 2011).

A pioneer in integrating its CSR strategies and communicating its role in a clear and consistent manner, PADICO asserts that it is concerned with wide range of issues encompassing five main areas: community, workplace, marketplace, corporate citizenship and environment. Being the only company in Palestine to become a member of the UN Global Compact, PADICO emphasizes that its strategy of socially responsible diversified investment seeks to achieve strategic objectives of growth, profitability and a strong reputation for social and ethical commitment. The company derives its competitive advantage from integrating Corporate Social Responsibility (CSR) into its mission, strategies and plans and from its tacit knowledge based on its solid experience in surfing through economic downturns and political instability in Palestine. In fact, the role of communication in alleviating the negative perceptions of business as insensitive to social issues was also propounded four decades ago (Jacoby, 1973). Even though businesses are called upon to communicate their position that is built on being responsible citizens, leaders and contributors to society (Manheim and Pratt, 1986), communication remains the missing link in the practice of corporate social responsibility (Dawkins, 2004). An increased demand for improved CSR practices in developing countries is also taking new momentum. However, the concept and practices, including communication of CSR are not widely known in these markets.

In its mission statement, PADICO ascertains that it is committed to contributing to the development of Palestine and its economy through investment projects in

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