CORPORATE SOCIAL RESPONSIBILITY TODAY INTEGRATES SOCIAL OBJECTIVES INTO PROFITMAKING: POSSIBILITIES OF UPGRADING CORPORATE VALUES IN THE CASE OF EGYPT

WP No. 221

February 2022

This working paper is prepared by the Egyptian Centre of Economic Studies as part of its reseach effort to support and invigorate the recovery of the Egyptian economy following COVID-19 pandemic. It focuses on one of the drivers of change that can have a positive impact on the economy. The research team for this paper consists of: Mohamed Hosny, and Abdelrahman Yasser, both Economists at the Egyptian Centre of Economic Studies

Abstract

Historically, Corporate social responsibility (CSR) and profit making were viewed as two diverging concepts. CSR has traditionally been a positive social activity that a corporation would invest in, separately from its main profit-generating purpose. Corporations seek profit maximization using possible legal means, while using CSR to invest in positive social programs to improve their image. More recently however, there has been an evolution in the perception of both concepts, bringing them closer together instead of having them as the complete antithesis to one another. The process of convergence began shortly prior to the outbreak of the COVID-19 pandemic, however; it led to the acceleration of the process. During the process of convergence, the values of big corporations began to shift, meaning that they are now not only accountable to generate profit for their shareholders, but also fulfill a purpose towards their respective communities, turning them into purpose driven corporations. The state of abnormality brought on by the pandemic helped show businesses how focusing on their stakeholders and not only their shareholders, would be pivotal, for their existence and continuation as a business.

Key words: New Corporate Values, Corporate Social responsibility, profit-making, profit maximization, purpose driven corporations.

الملخص

تاريخيا، كان يُنظر إلى المسؤولية الاجتماعية للشركات وتحقيق الربح على أنهما مفهومان بعيدان عن بعضهما البعض؛ فتقليديا، كانت المسؤولية الاجتماعية للشركات نشاطا اجتماعيا إيجابيا تستثمر فيه الشركات بصورة منفصلة عن هدفها الأساسي الرامي إلى تحقيق الربح؛ وبينما كانت تسعى إلى تعظيم الأرباح التي تحققها باستخدام الوسائل القانونية الممكنة، كانت تستخدم المسؤولية الاجتماعية للاستثمار في البرامج الاجتماعية الإيجابية لتحسين صورتها. ولكن في الآونة الأخيرة، تطورت النظرة لهذين المفهومين؛ حيث أصبح هناك تقارب بينهما بعدما كان يُنظر إلى كل منهما على أنه نقيض الآخر. وفي حين كانت عملية التقارب بين المفهومين قد بدأت قبل ظهور جائحة كوفيد-19 بوقت قصير، جاءت الجائحة لتعجل منها. وأثناء عملية التقارب، بدأت قيم الشركات الكبيرة في التحول، بمعنى أنها أصبحت ليست فقط مسؤولة عن تحقيق الربح لحملة أسهمها، ولكن عليها أيضا أن تحقق أهداف في مجتمعاتها، ومن ثم تحولت إلى شركات مدفوعة بتحقيق الأهداف. وساعدت الحالة غير العادية التي أحدثتها الجائحة على أن تبين للشركات أهمية التركيز على جميع الأطراف المعنية وليس فقط على حملة الأسهم من أجل الحفاظ على وجودها واستمراريتها كعمل تجاري.

الكلمات الرئيسية: القيم الجديدة للشركات، المسؤولية الاجتماعية للشركات، تحقيق الأرباح، تعظيم الأرباح، الشركات المدفوعة بتحقيق أهداف.

1. Introduction

For centuries the cornerstone of businesses was to make profit, while Anything apart from this point was considered peripheral, and thus irrelevant (Primeaux and Stieber 1994). However, the 1950s and 1960s witnessed the birth of the concept of corporate social responsibility (CSR), a concept which never existed before, which in turn was met with opinionated skepticism and dismissal. American economist Milton Friedman was among the skeptics who not only rejected the rationale of CSR but also deemed it as irrelevant. CSR at this point, from the perspective of corporations, was perceived as an antithesis to their profit-making goals, and, virtually useless as it does not provide them with any form of profit. Recently, there has been a change in the perception of both concepts, bringing them closer together, instead of having them as polar opposites. This process of convergence started before the COVID-19 pandemic, but the pandemic helped accelerate the process.

The objective of this paper is to trace the new changes in the business values of big corporations, which brought both concepts (CSR and profit-making) together; and explain how these values can be practiced in Egypt, while also looking at international perceptions of CSR and the effects of COVID-19 on the entire process. This paper consists of five main sections including the introduction; Section II covers what is meant by the recent evolution of corporate values, and Section III discusses how these new corporate values were implemented internationally. Section IV discusses the impact of COVID-19 on the corporate values, and the final section, discusses the Egyptian case in detail as well as setting the roadmap for how Egypt can catch up with the changes in corporate values.

2. Recent Evolution of Corporate Values

This section explains what corporate values mean and analyzes its two main components; profit-making and corporate social responsibility. It will then trace the evolution of these concepts over time.

2.1.What is Meant by Corporate Values?

Corporate values are traditionally a guiding set of principles, that shape the identity of a company, which relate to its community, environment or stakeholders. A familiar meaning of corporate values is that they are the ethical standards of managers. Thomsen defines corporate values as the eventual outcome of governance by owners, managers and stakeholders. The outcome is a result of not just the moral character of these players, but also the nature of good governance between them (Thomsen 2004). A company with good corporate values is a company that ensures its long-term sustainability and profitability, but is also accountable for any damage it may cause to its stakeholders and wider community. Corporate values have also been referred to as the 'Triple Bottom Line' principle, which implies that businesses should serve economic, as well as social and environmental causes. This idea is reflective of the main policy goals of the government, and therefore cooperation between the two spheres can better promote these objectives and bring about improvements in furthering their policy goals.

2.2. Profit-making and CSR (The Silent Traditional War)

A commercial enterprise traditionally exists with the sole legal claim of generating money for its owners. To ensure that profits are as large as possible, costs need to be minimized while sales revenue is maximized. Neo-classical economic theory asserts that as firms chase profit maximization, this will result in the efficient allocation of resources to satisfy the needs and wants of society. Profit maximization can be defined from both a technical and a behavioral perspective. From the technical perspective, managers will continue to produce (until the marginal cost increases, due to diminishing returns) to reach the marginal revenue. If a firm continues to produce more of the product, then marginal cost would be greater than marginal revenue and the firm would be making less profit. From a behavioral perspective, profit maximization is defined as producing the right goods and services at the lowest possible cost, that society wants within the legal confines of the law. Friedman stated that any business should aspire to profit maximization using its technical and behavioral definitions.

In 1953 Howard Bowen, known as the "father of CSR", coined the term in his publication titled "Social Responsibilities of the Businessman". The target of CSR was to describe how a business becomes accountable to its stakeholders, prioritizing this point along with making profit. The stakeholders can be employees, customers or simply members of the community in proximity to the company. CSR can also be defined as a strategic management tool that offers win-win prospects for the community and corporation (Boadi et al., 2019; Mahmud et al., 2020). An external stakeholder group of a firm i.e. "community", can be demarcated on any number of communal traits, such as history, religion, culture, geographic territory...etc. and related beings to the firm's supply chains across the localities, or the globe as a whole (Kapelus 2002); CSR is a term used to describe how a business becomes accountable to its stakeholders. According to Friedman, any corporate donations to the community are a hidden tax that workers, shareholders, or customers (through higher prices) have to pay. Therefore, it would be better if corporations maximize profits and let the shareholders use their money to make charitable donations. This theory absolved corporations and business leaders of any responsibility in the local community. CSR was viewed as a burden to profit-making, and that it was carried out only when it was legally mandatory. Friedman's famous quote was that "the Social Responsibility of Business Is to Increase Its Profits", implying that a business has no responsibility at all except to maximize profits. This way of thinking spread within the US Business Roundtable which stated that the purpose of a corporation was to maximize profits for shareholders.

2.2.1 Evolution of the perception of profit-making and CSR

The US Business Roundtable (BRT) is an association of CEOs of the most prominent corporations, that lobby to promote policies in favor of their businesses. The BRT released a statement in 1997 expressing that the "paramount duty of management and of boards of directors is to the corporation's stockholders" and that the interests of other stakeholders and the community are "derivative to the duty of shareholders". It also stated that the "principal objective of a corporation is to generate economic returns to its owners" (Val Morrison, 2020). During that period most businesses followed this philosophy of maximizing profits regardless of the concerns of society or stakeholders (the traditional approach based on Friedman's theory).

However, due to rising inequality and declining living standards, this philosophy has come under criticism as being short-sighted that only benefits the few shareholders. Further criticism pointed out that this way of thinking also made corporations unsustainable in the long run, which eventually did not benefit them. This led to the BRT overturning the 1997 profit-focused statement in 2019 in a declaration, titled "statement of a purpose of a corporation," which was signed in August 2019 by 181 business leaders. This statement outlined that the purpose of their corporations was not only profit-making, but also to reach a set of ethical and moral commitments to its stakeholders and community. These commitments are about giving good customer value, treating employees fairly, ensuring an ethical supply chain, supporting the local community, and ensuring the value of the business is sustainable in the long run. What is noteworthy is that these commitments were presented by business leaders of these corporations, rather than by government regulators or local stakeholders.

The table below explains the difference between the old and new commitments and what they imply, and how they led to a change from Friedman's old way of thinking of focusing solely on profit-making towards a new era of corporate thinking.

Table 1. Five commitments of business roundtable and how they diverge from the traditional view of profit-making

Commitment	Description of commitment	Difference from profit-making as an only target
Delivering value to our customers. We will further the tradition of American companies. Leading the way in meeting or exceeding customer expectations.	This commitment varies depending on the product the company produces, and ensures the product is safe to use and does what consumers expect it to do. The quality of products a business produces needs to go beyond complying with health and safety regulations.	Traditionally most companies would create products that meet the minimum legal safety requirements that can be sold to maximize profit. There was no regard to improving the product to benefit the consumer, especially if the producing company was a monopoly.
Investing in our employees. This starts with compensating them fairly and providing important benefits. It also includes supporting them through training and education that help develop new skills for a rapidly changing world. We foster diversity and inclusion, dignity and respect.	This commitment means paying employees a decent wage, providing them with multiple benefits and adequate training. However, this commitment means corporations should go beyond that and invest in their employees. Instead of providing employees only adequate training for their job, there needs to be a shift towards life-long learning even if the skills and knowledge do not directly benefit their job. This gives them greater satisfaction and job security for the future.	Traditionally this means providing employees with the minimum training to do their job and a basic salary. Most business owners were averse to investing heavily in training employees, out of fear they would leave, thus losing the investment on training. Employees were also easily laid off at the slightest financial pressure, instead of the company investing in their growth. Since the financial crisis of 2008 many workers were forced to sign unethical or illegal contract terms that force them to work as freelance contractors rather than full time employees with benefits. This has accelerated during the boom in the sharing economy, which does not provide a stable source of income, exposing their livelihoods to market forces.

Dealing fairly and ethically with our suppliers. We, as good partners, are dedicated to serving the other companies, large and small, that help us meet our missions.	Corporations should not only act responsibly and ethically but also deal with suppliers and providers that also act in the same manner. This commitment is unique since it spreads the ethical corporate values to other corporations in the value chain, instead of limiting those practices to within the company.	Corporations would purchase from the cheapest and fastest suppliers regardless of their ethical actions. They would also utilize their strong buying power not to push companies to act ethically but rather to get lower prices. It has been common for large corporations to exploit their strong buying power to buy raw materials at low prices forcing small business suppliers into bankruptcy. This has been practiced by large food producers in the United States, which jeopardizes the wellbeing of farmers. The Netherlands has seen the rise of business cooperatives which act as a trade intermediary with strong selling power between farmers and the manufacturing food industry. Some non-profit institutions and universities globally follow a set of principles when dealing with their suppliers but this is limited especially when it comes to corporations. On an international scale, many developing countries that export raw materials are at the mercy of large buyers that force them to sell raw materials at much lower prices on the international market.
Supporting the communities in which we work. We respect the people in our communities, and protect the environment by embracing sustainable practices across our businesses.	Large American and Chinese corporations invest in local communities they operate in, usually by building health clinics or transportation networks. This helps benefit both the community and the business by having a reliable infrastructure and a healthy population. Many corporations started to realize operating in a community with a strong infrastructure and access to social services also benefits itself. These companies, however, have neglected any environmental damage unless there are legal regulations. This is the first time the BRT statement voluntarily proposed environmental protection without the need for government regulation.	Investing heavily outside of the physical premises of the corporation was seen as a waste of money as it does not generate a financial return on the business.

Generating long-term value for shareholders, who provide the capital that allows companies to invest, grow and innovate. We are committed to transparency and effective engagement with shareholders.	Due to the financialization of the economy, many shareholders only looked at short-term profits and for the share value of the company to continuously keep growing, making it more attractive for stock traders. This commitment emphasizes the long-term health of the company and ensures that shareholders are invested in the long-term health of the company. This commitment emphasizes the separation of management and ownership.	Shareholders focused on unlimited growth of a company and ensuring dividends are always paid out. Ensuring the sustainability of a business was ignored by business owners.

Source: ECES research based on "US Business Roundtable statement".

These commitments reveal how many leaders of these companies decided to shift from simply being profit-driven corporations with a CSR program, to have a new set of values that allow profitmaking to happen simultaneously with improvements in the well-being of stakeholders.

Historically, CSR programs were launched with the purpose of improving the image of a corporation. Managing a trade-off between risk management and compliance management was seen as a crucial balance for a company to survive financially, while retaining a positive public image. Risk management ensures that the company is financially stable, while compliance management ensures the company has good internal governance, treats its employees fairly, and does not harm the community. A company's responsibilities go beyond making profit and must include goals that benefit the society as a whole, and be accountable to itself and its stakeholders.

The concept of CSR is now perceived as a necessary means for the sustainability of a business, and is no longer understood as a charitable act from profits earned from business activity or separate from the operations of the business. It has evolved to be a vital component of the operations of a business, that is necessary for maintaining standards of living of its stakeholders. This evolution towards these new values reduces the perception that CSR is the antithesis to profit-making.

A corporation that shifts to these new superior values is a corporation that is purpose driven. A purpose-driven corporation follows the triple-bottom line principle, which - as mentioned earlier - is driven equally by economic, environmental, and social goals instead of being purely driven by profit. These dimensions are not interchangeable and when one of these three dimensions is ignored, it usually negatively affects the others. A purpose-driven organization also serves the community within a very specific area of focus.

An example of a purpose-driven organization is a company that manufactures consumer products strictly using biodegradable waste materials from farming. Although using non-biodegradable material leads to greater profits because of lower costs and increased output, the company in the short run, decides to create an organization with purpose that does not harm the environment and gives local farmers an income by selling their waste. In the long run, this will benefit the community as the company will be able to sell products back to the community, generating greater income and more appreciation for the company that protects their environment. It is important to note that while protecting the environment and helping farmers is not necessarily part of the business model, it helped with the sustainability and profitability of the company in the long term. This is in contrast to a profit-driven company that harms the environment, but may donate money to unrelated health and social causes as part of a CSR program.

3. Examples of International Implementation

Many countries in the industrialized world have realized that these new, superior values that integrate profit-making and CSR can help develop their economies. As the general public over the past decade has become increasingly aware of how corporate behavior can damage their communities, the perception of CSR and its importance has changed. For a corporation to simply have a CSR program is no longer seen as a sufficient way to benefit the community. In addition, a corporation needs to be purpose-driven and to have a set of guiding values that influence the way it carries out its business. Many governments utilize various tools and instruments, such as introducing laws, incentives, partnerships, and economic policies that encourage firms to implement CSR, and to shift towards these news values. Table 2 lists and explains these instruments and the degree of their voluntary nature.

Table 2. Various instruments and tools used to encourage corporations to adopt CSR and corporate values

Legal regulation	Legal	Legally requiring corporations to meet certain environmental, social or labor standards.
Semi-voluntary CSR	Economic	Giving subsidies and tax breaks for companies if they engage in CSR

Voluntary CSR	Informational	Legally requiring corporations to disclose information on the extent of their CSR activities.
	Partnering	Having the government or stakeholder partner with corporations on an ad-hoc basis to reach collective agreements.
	Hybrid	A mix between informational and partnering, which usually involves the government agreeing on an ad-hoc basis with private sector companies to inform the consumer.

Source: ECES research based on based on "Steurer (The Role of Governments in Corporate Social Responsibility)"

The above instruments used to encourage corporations to adopt CSR within the old model, which was seen as a trade-off with profitability of the company. Over time the use of these instruments has changed to encourage these same firms to move to a superior set of values. Although each country has their own unique experience regarding the policy methods and tools used, we can see that there is a common global trend towards a set of new values that promote the idea that corporations should be purpose driven by integrating profit-making and CSR.

Table 3 shows a number of international experiences and accounts regarding how the implementation of CSR has evolved over the past few decades, and what were the instigating events that caused a change towards these new values. Table 3 is extracted from the appendix, shows how many countries evolved their attitude from a business having a CSR program to evolving towards new and superior corporate values.

Table 3. Change in the concept of CSR by country

Country	Old model of CSR	New model of values incorporating CSR with profit-making	Events that led to new values
EU countries	The EU has advocated implementing voluntary CSR in exchange for removing legal regulations on corporations. This led to many companies not applying them and has normalized the bad behavior of corporations as the general public became used to it (Steurer 2010).	In response to the unethical behavior of companies and public pressure, the EU published the "A renewed EU strategy 2011-14 for Corporate Social Responsibility," which stressed two important points. Firstly, the need to implement legal regulations in addition to keeping its old voluntary CSR strategy. Secondly, it stated that enterprises should have a goal to "integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy" simultaneously with profit-making. This signaled the start	Although the voluntary CSR instruments were not effective enough, their heavy marketing of these instruments did raise awareness among the public. The younger generation became more aware of environmental issues while the older generation became more aware of labor issues.

		that corporations can have goals other than making profit.	
China	The national and local Chinese five-year economy plans focused solely on GDP growth. Only 1% of Chinese companies issued CSR reports between 2001 and 2005.	In 2012 Chinese President Xi issued a declaration that GDP growth should not be the primary goal of the national economy, but that social and environmental issues should be considered. However, local regions in China continued to focus on GDP growth. Between 2011 and 2018 CSR disclosures grew by 8.5% despite the fact this was not legally required at the time. In 2020 CSR disclosures became legally required.	The 2008 Sichuan Earthquake resulted in 70,000 deaths and US$ 150 billion of property destruction. This led the general public to demand corporations to contribute their expertise to the recovery. As a result of Chinese industrialization, a growing middle class, more educated and aware of corporations selling unsafe products to consumers, pressured corporations to improve their business model (Ramasamy and Yeung,2009).
China (continued)	Chinese business leaders viewed CSR as a means of generating employment and building the economy. There were limited donations to charity by corporations. Chinese companies did not invest in their local community's infrastructure, while only opting to give to charity. Chinese companies saw little benefit in building health and logistics in foreign countries due to their limited presence internationally, and had no interest anyway.	Chinese business leaders view CSR as giving their companies a competitive edge. Like the products and services, they sell, their CSR activities should be better than their competitors. Chinese companies stress the importance of investing in local infrastructure of where the company is. National infrastructure is still left to the government. Chinese companies helped build local health and logistical infrastructure in the foreign countries they operate in.	Chinese companies have become globally more visible. Out of the top 500 companies, 124 are based in China, compared to zero in 2000. More Chinese companies also started investing internationally. As a result of this visibility many of these companies realized they needed a set of new values.

India	During the 20th century, state-owned companies in India (known as public undertakings by the Indian government), were seen as the main entities responsible for CSR while private companies should seek profit. Private companies limited their philanthropic activities to donations to charity. Many multinational companies operating in India did not have an active CSR program. They viewed their responsibility as generating employment and giving some charity donations.	In 2018, Indian companies spent US$1 billion on CSR initiatives, 47% more than 2014. The largest dimension in these initiatives was education. Many multinational companies operating in India have pledged to increase their CSR activities, and released disclosures in their home countries promoting the development of India. This disproved many skeptics of the CSR law that believed that it would be a burden that would drive out foreign investors. This law puts more emphasis on supporting the local community where the business operates. This has been criticized because it creates inequality in areas that have no large corporations present.	Between 1980 and 2013 economic liberalization, privatization and globalization led to the shrinking of state-owned enterprises (main actors of CSR) and the expansion of the private sector (traditionally averse to CSR except through charity). The shift in capital from the public to private sector, led the country to pass a mandatory CSR law in 2014. This law also incorporated many of the global SDGs into the CSR program.

Source: Prepared by ECES based on (Kapelus 2002); (*Ramasamy* & *Yeung 2009); (Thomsen* 2004).

4. COVID-19 as a Trigger for Change of Values

This section discusses how the hardships associated with COVID-19 highlighted the concept of CSR, also functioned as an accelerator for converging the concepts of CSR and profit-making towards a set of new corporate values.

4.1. Impact of COVID-19 on Corporate Values (CSR and Profitmaking)

The COVID-19 outbreak struck communal life, making communities too vulnerable to lead their everyday lives. People’s health, income, shelter, and other life goals are now challenged by even more risks and uncertainties arising from the upshots of COVID-19. Community trust is the crucial rope that ties the mutual interests of businesses and communities, and empathy is an important cue for establishing trust (Boadi et al. 2019). Big corporations endured heavy losses resulting in straining labor markets, economies, and enterprises, (including global supply chains) leading to widespread business disruptions. Non-core business activities that were aimed at investing in the community rather than a return on investments were put under pressure as businesses were forced to cut down costs.

For big corporations, CSR in this case is conveyed as a golden opportunity to create a lasting impression on local communities and society since, any CSR practiced during COVID-19 will be amplified given the difficult circumstances of the pandemic. In addition to achieving long term profits, CSR in this particular case will provide corporations with short term acknowledgment and credibility from businesses as well as local communities. Thus, in this critical period, companies' moral duty is to assist their best neighbors (communities) through their philanthropic actions (e.g., feeding the hungry, donating medical equipment, information sharing, financial donations, providing advice, all grants and in-kind contributions, and other forms of corporate giving).

On the global and international level, the notion of "Leave no one behind", one of the main points being pushed forward by the practice of CSR, has become the headlining slogan for the UNSDG (United Nations Sustainable Development Goals) for the year 2030. This shows how the practice of CSR is on par with modern development goals, and was seen more and more as a futuristic and evolutionary point towards a superior set of values rather than a utopian idea with no benefits from the corporate perspective.

Helping the marginalized, weaker, or disenfranchised population from living under poor circumstances due to COVID-19 was seen as important for global development. The G7 summit, that took place in June 2020 further emphasized this point as they agreed to help the poorer countries, which were not able to procure COVID-19 vaccines. The bloc pledged to supply one billion vaccines for poorer countries, although they were criticized for delaying the delivery until the end of 2022. From a CSR perspective this action not only assists the poorer countries but also benefits the G7 in the long run, as they will eventually interact with developed countries through immigration, trade, and international travel. This act of CSR is perceived as both a charitable act, as well as a precautionary measure for G7 members which will require poorer countries to maintain economic trade. If these countries are too frail to fight outbreaks, they will be unfit for commercial trade, not to mention dangerous to their own people.

4.2.The Resulting Convergence of CSR and Profitmaking

As discussed above, the impact of COVID-19 is noticeable on both concepts of CSR and profit-making, if anything COVID-19 helped accelerate the process of CSR implementation, which is an element of profit-making in the long run. This is one case where COVID-19 had a positive impact despite various negative impacts, by converging both concepts closer towards a superior set of corporate values in a shorter period of time rather than over decades.

Corporations were quick to realize that having these superior corporate values that go beyond just CSR, is one of the few ways in which they will be able to survive and prosper in the future rather than just restoring their old policies after the pandemic. COVID-19 acted as a convergent between both points, and showed that both concepts were dependent on one another, and that they can be practiced in parallel with each other.

Over time, corporations arrived at the conclusion that moving to superior corporate values bears multiple advantages, while meeting their own profit-making goals in the long run. This phenomenon is slowly being observed in some industrialized countries, where implementing these corporate values does not place a burden on profit-making. With the gradual passage of time, many came to notice that the targets of both CSR and corporate profits are converging and feeding into one stream, and that both concepts no longer seemed distant from one another.

This unlikely marriage of ideas and different business perceptions was ratified according to the Business Roundtable's "Statement on the Purpose of a Corporation" which was signed, only a few months prior to the COVID-19 outbreak. The statement signaled a change in the concept of profit-making, by pointing to the importance of a corporation being purpose-driven, rather than profit-driven. Profit-driven corporations have sometimes practiced CSR by investing in positive social programs such as healthcare and education. However, this was done without focusing on the social goals and business practices of the corporation. A purpose-driven corporation is one that has a social goal on improving society, instead of focusing that goal only within a separate CSR department. It has a mission statement similar to an NGO, whose charter has a goal or belief to create positive change within a certain aspect within society. In the long run purpose-driven organizations will also benefit from gaining loyal customers, as public trust in corporations has fallen within the general public (Stathaki, 2021). Instead of simply being charitable towards the community, this roundtable statement focuses on corporations changing their behavior. In short, if a business aims for profit instead of a purpose it will fail at both in the long run (Wolf 20018).

A purpose-driven organization is accountable to its stakeholders in contrast to a profit-driven organization that is only accountable to its shareholders. A business logically should be accountable to those that are most committed to it, as those are the actors that the business will benefit from. Due to the financialization of the global economy that occurred over the past few decades, shareholders have shifted to becoming investors rather than permanent owners. Other stakeholders such as employees and the local community have a much larger commitment towards the corporation as it is not as easy to change jobs or move to a different geographic region, while investors can easily move their financial assets. The COVID-19 pandemic has cemented the fact that the long-term survival of businesses, let alone their prosperity, is tightly linked with the purpose of the company.

5. The Case of Egypt

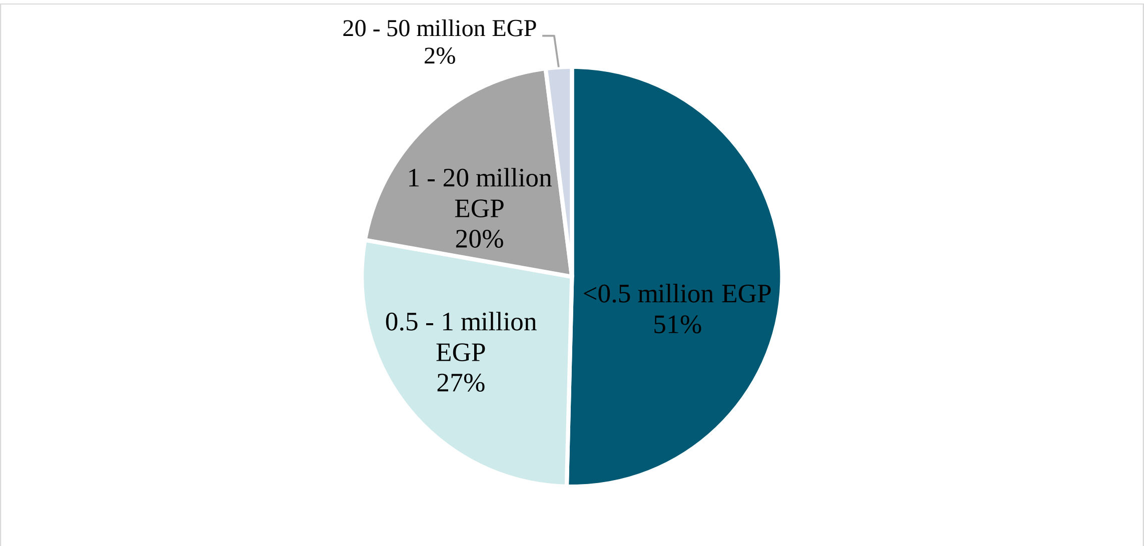
This final section looks at how CSR is implemented in Egypt, what are the impediments to practicing CSR, how COVID-19 has affected the business community in Egypt and how to shift towards these new corporate values. Where CSR is not looked at as a separate activity but rather as an integral part of the overall values of corporations which, does not hinder the profit-making process but rather fortifies it.

5.1. Positioning of the Egyptian Business Community as far as CSR and Profit-making Are Concerned

5.1.1 Overview of the Egyptian business community

The Egyptian economy is composed of large corporations and smaller companies known as small- and medium-sized Enterprises (SMEs). Most Egyptian firms are SMEs which represent more than 99 percent of companies. According to the CBE, there are over 2.5 million SMEs registered in Egypt. The majority of these SMEs in Egypt (58 percent) have a single owner, which is expected given that this business structure is easier to register. A further 30 percent are partnerships with few owners, most of these are family owned. Only about 9 percent of SMEs are owned by shareholders or are subsidiaries of larger corporations. Furthermore, nearly half of SMEs are in the informal sector (Elsaid, Alsaid and Zaki 2014).

Figure 1 Percentage breakdown of sales revenue of Egyptian SMEs

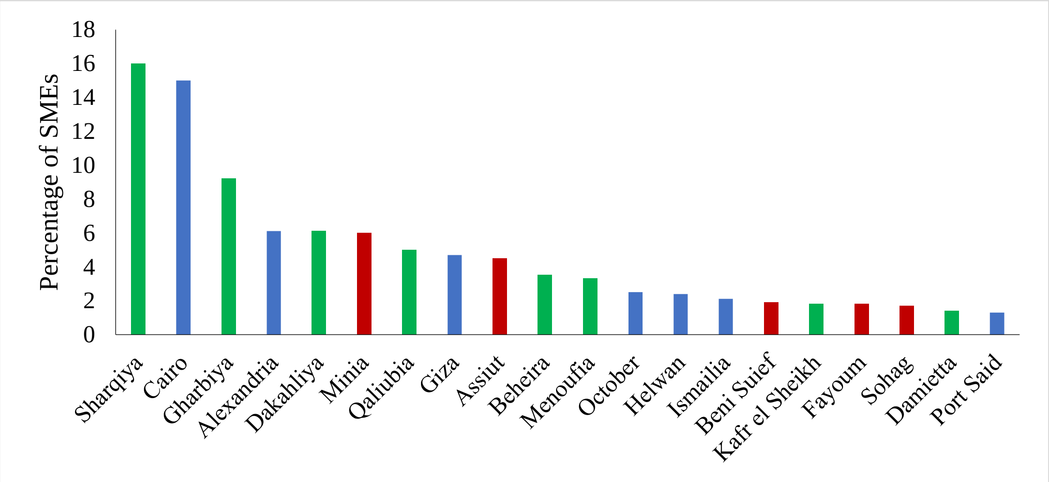


Source: Prepared by ECES based on data from (Elsaid, Alsaid and Zaki 2014).

Figure 1 reveals that just over half of SMEs make less than EGP 0.5 million in revenue annually, while 27 percent generate revenue between EGP 0.5 and EGP 1 million. Only 2 percent of SMEs generate revenue over EGP 20 million. This reveals that the vast majority of SMEs are micro-enterprises, which usually do not employ many people.

As shown in figure 2, the geographic distribution of SMEs in Egypt is also uneven, with most SMEs being concentrated in Lower Egypt followed by the metropolitan areas. The large number of firms in metropolitan areas is due to the heavily centralized Egyptian economy where economic activity is strongest in large cities. The large number of firms in Lower Egyptian governorates is due to the poor infrastructure and poor-quality roads, making it difficult for large corporations in Cairo and Alexandria to market and transport their products, presenting an opportunity for smaller enterprises to operate in these areas.

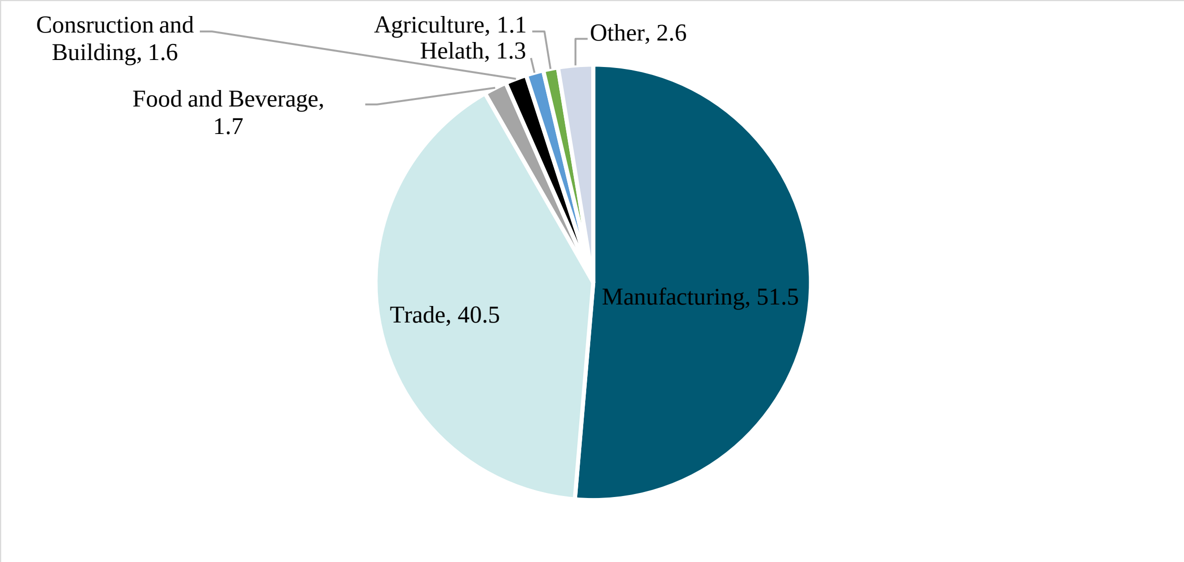
Figure 2. Distribution of Egyptian SMEs by governorate



Source: Prepared by ECES based on data from (Elsaid, Alsaid and Zaki 2014.)

We can see in figure 3 that the most common economic activity of SMEs is manufacturing at 51.5 percent, and trade which is at 40.5 percent. The remaining sectors constituted only 8 percent. Despite agriculture being 30 percent of Egypt's GDP there are very few SMEs in Egypt's agriculture sector due to the fact that most farmland is privately owned by individuals. The large proportion of trade and manufacturing SMEs are due to the low barriers of entry, since they have less legal regulations and lower skills, compared to other sectors such as health and construction.

Figure 3. Percentage distribution of SMEs by sector



Source: Prepared by ECES based on data from (Elsaid, Alsaid and Zaki 2014).

5.1.2 Overall business environment

The Egyptian business environment suffers from several drawbacks that might hamper the shift towards these new corporate values within the business community. Similar to most developing countries, the Egyptian economy suffers from the "missing-middle" meaning that there is a low number of SMEs, while most employment is being generated by micro-enterprises and large firms. This structure results in lower employment, particularly for educated youth and women. Although this issue has improved slightly given that growth in employment by SMEs exceeded overall employment growth, there is still a lack of SMEs in Egypt to generate a balanced business community (Assaad and Sohel 2019).

The business community in Egypt is highly centralized with most businesses being based in the greater Cairo area and Alexandria. Even within the other companies that operate in other regions, they often have a head office in Cairo or Alexandria that executes all the major business decisions. This results in the company management being detached from the local community that it is based in, and hence, unaware of the issues and problems it faces.

There is also a lack of financial transparency among publicly listed corporations in Egypt, which makes it harder to analyze the financial performance and activities of a business. There have been a number of issues with companies submitting late, incomplete or even incorrect financial reports. A company that is usually opaque about its financial performance is likely to be just as opaque about its commitment to society.

CSR Egypt is a biannual event that has been held since 2015 between the business community, the government and multinational corporations. The latest forum was held on 16th of November, 2020 in Cairo and focused on how the private sector practiced CSR in light of COVID-19. In addition to holding a biannual conference, the forum aims at providing technical and marketing consultations to small businesses on how to practice and spread awareness on CSR. It also aims to bridge the link between practicing CSR on an individual level and providing economic development.

Regarding dealing ethically with suppliers, a significant number of suppliers operating in Egypt are from the informal sector and thus are more prone to being pressured and abused by big corporations. Big corporations should set an example in Egypt by negotiating on more even grounds with suppliers as this will make suppliers keen on developing and working on themselves and on the quality of their products and thus meeting the standards of corporations. This point is mutually beneficial to suppliers given that they will be improving their quality and productivity and thus attracting more big corporations to collaborate with them.

Customer expectations are only met by big corporations, given that their financial ability to hire research and development teams allows them to meet their customers' overall experience and enhance it. As for smaller companies, it is much harder to tailor customer satisfaction, and thus they follow a more general "one-size-fits-all" approach when it comes to meeting customer expectations. Since 2015, growth in local consumption has been a key driver for growth in the Egyptian economy. The floatation of the Egyptian pound has pushed some companies to try to reduce cost at the expense of improving the product. Egypt's meeting customer expectations or achieving customer satisfaction remains a luxury given the cost and effort of pursuing this endeavor.

5.1.3 Traditional understanding of CSR and profit-making

In Egypt, similar to all other countries, profit-making is the sole target of all companies regardless of their size. Profit-making in Egypt is not only pursued out of a desire to make money, but usually due to a lack of understanding of the importance of other financial indicators. Large companies usually focus on generating money for their shareholders, especially if they are family businesses. Smaller companies also focus on maximizing profit simply to guarantee their security and continuity as they are more vulnerable to market forces. Usually, charitable donations are done after profits are collected. While these donations may be beneficial to the community, they don't guarantee the proper ethical behavior of the company.

This view of profit-making has partly been the cause of low social development and environmental damage in Egypt as a result of neglect of the community and little money reinvested in companies.

The most recent Egypt CSR Forum highlighted the importance of being charitable. There was more focus on helping Egyptians rather than developing their local communities. Most private companies work with large charities on the national level, by sharing their expertise or donating money that provides relief to many around the country. This reflects a very traditional view of CSR in Egypt, which although positive has little to do with the communities where the business is located. This is due to the centralized nature of the state, which results in even basic community support becoming centralized.

The notion of investing in their employees, whether it be through training or compensating them, is sometimes opposed by some business owners. These business owners claim that providing employees with training will result in them leaving the company and using their skills to find a better paying job. However, if corporations look at the bigger picture, they should provide training regardless as it will benefit the local community and the economy even if it does not directly and immediately impact their own business. Focusing on these new corporate values more consistently should illuminate this notion of investing in employees in the near future. There have been some attempts by the government to ensure that big corporations invest in their workers by providing off-the-job training so that workers can use their skills to find a job in a company that would not usually pay for their training. The Industrial Training Council (ITC) was created as an NGO supported by the Ministry of Industry along with a grant from the UAE in 2014 to provide off the job training, however it is limited in scale.

CSR programs are usually carried out mainly by big corporations such as multinationals and conglomerates due to their resources. The traditional way of understanding CSR by Egyptian companies is that they are done because of the goodwill and generosity of business leaders and corporations, even if they place a slight burden on their profits. This traditional understanding of CSR also has many shortcomings such as:

- CSR reports by Egyptian companies are usually outdated. Out of the small sample of large Egyptian companies surveyed in 2021, the latest CSR reports were published between 2012 and 2018. This means that most of these companies have not published if and how their CSR programs have changed in light of the COVID-19 pandemic.

- A lot of the CSR reports give very vague information, with no data on the value or scope of their CSR activities. These CSR programs are placed into broad categories such as "health". This makes it hard to quantify their scale and their impact on the local community.
- Many of the CSR activities carried out are while positive, completely unrelated to the business activities of the company. This highlights the issue that many of these corporations do not have a focused purpose and are carrying out CSR with no ultimate goal on how they would improve society.
- A lot of CSR reports confuse (intentionally or through ignorance) between what they are legally obliged to, and their responsibilities towards society. For example, releasing public financial statements or distributing 10 percent of the profits as a bonus to workers are legal obligations, not a service to society.
- In response to COVID-19, many Egyptian companies announced donations to various hospitals to treat patients. While these donations were helpful, they were done on an ad-hoc basis, rather than part of an overall commitment to achieve greater corporate values for the businesses.

5.2. Toward Catching up with International Trends of Changing Values

As mentioned earlier, the traditional understanding refers only to practicing CSR as well as focusing on profit-maximization, while the new corporate values require combining CSR and profit-making. Having discussed the importance of CSR extensively throughout the paper, we will delve further into explaining how they are not fulfilled in Egypt and the impediments facing their implementation.

5.2.1 Rationale

Encouraging Egyptian companies to move away from the traditional view of CSR, and adopting these new corporate values are important not just for improving the lives of the local community, but also for the development of the Egyptian economy and the long-term health of Egyptian firms. As international companies operate in Egypt, they are likely to incorporate these new corporate values in the future, which will be contrasted to local companies revealing their lack of commitment towards the community. Corporations will shift towards these new corporate values as they realize they contribute to long-term sustainability and due to changing global trends. As the Egyptian economy opens up to foreign investors, the number of foreign companies operating in the country has increased. This significant gap between the superior corporate values of foreign companies and the traditional CSR view of local companies has become clearer, resulting in local companies having a negative public image. In this case, companies can choose to either adopt the new corporate values to remain viable and competitive or risk their long-term health due to their short sightedness, and lose their competitiveness.

The Egyptian government should do its very best to provide substantial incentives for these plans to be implemented, as these new corporate values alleviate pressure on the government and leads to less government spending. Specifically, it removes a severe economic and political burden off the government's shoulders if these corporate values are practiced and accordingly, disenfranchised and poorer communities would benefit, which leads to less crime, and more prosperity, as well as fewer problems and issues for the government.

5.2.2 Impediments to the spread of superior corporate values

It is likely that there will be various obstacles and impediments to implementing these new corporate values.

- **Culture towards helping the community**: There is no culture within the local business community of operating ethically without harming the community. Rather the dominant thought is focused on donating to charity after profits are collected. This outdated perspective is more common and is seen as a less tiresome alternative. In the short run, it saves company resources on doing research on how to shift their behavior to a more positive method.

- **Legal Structure**: There are various laws and regulations that relate to implementing and practicing CSR in Egypt. However, many of these laws are related to the traditional thinking of CSR despite many of these legislations being passed recently. The current law does not encourage corporations to behave ethically, is focused on the traditional understanding of CSR and only encourages its traditional view of CSR.

(Box below represents the legal articles along with a brief assessment for its efficacy)

- *Article 36 of the Egyptian Constitution: "The state shall encourage (stimulate) the private sector to perform its social responsibility in serving the national economy and society".*
- *Investment Law no. 72 of 2017 allows for tax deductions when up to 10% of corporate profits are donated to a charity or cause that helps the community.*
- *A "Smile Face" program was implemented in Egypt for the first time in 2020 due to in the face of COVID-19. The program recognizes companies that follow the CSR guidelines that go beyond their legal responsibilities.*
- *In 2022, companies listed on the Egyptian Stock Exchange will be required to fill an ESG report. This report is based on 21 KPIs detailing how this company affects the environment and the local communities. In addition, corporations whose value exceeds EGP 500 million are required to disclose a more detailed report titled <<Task Force on Climate Financial Disclosure>>.*
- *The ESG report goes beyond traditional CSR reports, since it will be mandatory, and should detail the day-to-day practices of a business. It also requires a company to list the output performance metrics rather than just the investments it made into the community. Companies are required to disclose:*
    - *Effects on climate and the environment.*
    - *Whether the company considers the effect on climate when forming its new strategy.*
    - *Whether the company promotes gender equality in the workplace.*
    - *Employee health and safety rights.*
    - *Whether the company aligns itself with SDGs.*
    - *Whether they respect data privacy.*

- The ESG report is expected to be confidential and will be disclosed only to the regulators,; it will not be disclosed to the public.

  The constitutional article is passive in meaning, as it does not define how the private sector should perform its social responsibility making it unclear what activities or services should count as CSR or towards bettering the local community.
- The article merely touches upon the "possibility" of private sector helping out, which raises the issue of the value of this article since, it does not specify or entail anything in particular and merely discusses encouragement and not obligations or duties. The words "encourage" or "stimulate" further emphasize that the private sector is not obliged to give back to the community, which implies that CSR work is a voluntary charitable action and not a duty.
- Despite the number of laws, regulations and constitutional amendments passed recently regarding CSR, there is no specific definition on what CSR is.
- The current investment law does not take into account the trend of the convergence of CSR and profit-making towards newer corporate values. As there aren't any restrictions on the behavior of corporations in private sector, this needs to be addressed and changed. The investment law defines a corporations' social responsibility in "serving the national economy and society" as simply as donations from profits earned. This usually leads to corporations' over-allocation their resources on one dimension of society while neglecting the

other. The investment law also does not specify what are the priorities of Egyptian society that need to be improved.

Source: Prepared by ECES.

- **Informality of the economy**: The business community in Egypt is dominated by micro-enterprises, with the vast majority being in the informal sector. Many of these small businesses are struggling to keep afloat, let alone show any concern towards CSR or new corporate values, and the notion of changing their corporate behavior will seem irrational. The informality also makes it harder to approach these businesses given that there is no official data on their activity or geographic location.

- **Large number of family-owned businesses**: Most of the large corporations in Egypt are family-owned, and therefore their management and ownership are identical. Companies that separate management and ownership are run by management and focus on other metrics such as growth, revenue or market share. When these metrics are pursued, a company is more likely to benefit the local stakeholders and become more purpose-driven. Given that this separation does not exist in family-owned corporations, they will ignore these metrics and be completely profit-driven. Family businesses are usually run without any formal protocols or communications, and upper management usually has a lack of legal training, which makes achieving these goals harder.
- **Centralized economy:** The Egyptian economy is highly centralized with most economic and financial decisions taken in larger cities. This results in company management being detached from local communities, and unaware of the issues and problems they face. Even when a company wants to attain these new values and become purpose-driven, it will be difficult without understanding the local needs of the community. Many decisions regarding CSR and community involvement are made without any understanding of the needs of the local community or stakeholders. Environmental regulation in Egypt is also very centralized. The legal regulations that exist do not consider the diverse natural environments in different parts of the country, which might require different rules and regulations.
- **Weakness of Value Chains:** Interactions within the value chain involves a lot of middlemen between the producers and the final consumer making the impact of adopting values difficult. Various studies, including the ECES food study, revealed the

market is dominated by food traders, who buy produce from farmers at a low price to sell to large food processing companies (Said and Mamdouh 2018). This gives these traders control over market prices, and it removes the ability of larger food processing companies to select their suppliers ethically. Although farmer cooperatives have existed in Egypt for a while, they mostly focus on production, rural development and buying inputs. Little progress has been made in utilizing these cooperatives to ensure that the relationship between suppliers and producers serves the community. Big corporations rely significantly on imports rather than assign jobs to smaller companies thus, making it difficult for small companies to benefit from the new values. The "big brother" approach is not implemented properly in Egypt since, big corporations prefer to not collaborate with smaller sized firms. This approach consists of a series of policy measures by the government to incentivize larger corporations to trade with smaller firms, it is intended to lead to the transfer of technology, knowledge and values to small firms from larger corporations.

- **No agreed definition of CSR:** Pinpointing a specific definition for the function of CSR in Egypt is very difficult, however; CSR Egypt, the official CSR forum in Egypt has defined it as "a voluntary, self-regulating business model that entails incorporating environmental and social concerns into a company's policies and practices". While this definition is valid, it applies to the traditional notion of CSR, which is only seen as a policy, does not take into account the recent trends, especially in light of COVID-19.

5.2.3 Basic preconditions for success

5.2.3.1 Suggested legal changes

- o More positive understanding and implementation of the constitutional article in the constitution addressing CSR so that the word encouraged is implemented in a proactive manner. This can be done by creating a legal understanding and consensus within the business community based on the constitutional article to emphasize how a corporation should serve the community.
- o Pass a law allowing the establishment of corporations with a purpose-driven approach as an alternative to the profit-driven approach. This organization type, known as "benefit corporations", is gradually becoming recognized worldwide, and it has a profit-driven goal like most corporations, but also a social goals similar to NGOs.

- Conduct research on what “serving the national economy and society should be,” what activities the private sector can perform quicker and more efficiently than the government, which will take a burden off the government’s shoulders.

5.2.3.2 Introduce other legal incentives

- Expand the provision on CSR from the investment law so that it helps change the behavior of the company, instead of only encouraging charitable donations from profits.
- Allow the ESG disclosure reports to be publicly available instead of simply being submitted to the government regulation agency. This will allow ethical and active investors to assess the behavior of a corporation to help better inform the public. While this will not immediately force corporations to adopt these new values, it will encourage more transparency, which allows civil society and the media to pressure those companies to act more ethically. It will also grant some consumers with more information which they can use to make buying decisions. This practice was adopted in India, especially after foreign companies entered the market. Many Indian companies responded by being more transparent to compete for public image with foreign companies.

5.3 Roadmap to Implementing New Corporate Values

To succeed in spreading new corporate values over the entire business community it is essential to have a roadmap which specifies which businesses and areas of the economy to focus on.

5.3.1 Roadmap by business size

It is essential to start with big corporations since they are of a higher readiness for such a move, and then proceed to the family owned business and finally the small ones. Large multi-nationals already have experience in practicing these corporate values in their domiciled countries so it would be relatively straightforward to transfer these values and practices in Egypt. Large local companies will follow and due to their small number and formal structure are easier to approach than smaller companies. Given that they are large and stable firms with greater financial resources they would be more willing to restructure their companies to accommodate these new corporate values. As mentioned earlier, these local large firms would eventually be forced to have superior values to improve their image in contrast to multinationals. As larger corporations have a greater visibility within the business community and general name recognition, they will set a model where ethical business practices wit respect to labor and the environment are normalized in society, and small businesses will adopt CSR to avoid being shunned in society. This will finally lead to family-owned firms and smaller firms to implement these values due to the value-chain linkages that will spread these new corporate values.

5.3.2 Roadmap by business activity

Within the business community, the most common type of activity is in manufacturing followed by trade as shown in Figure 3. Starting to push these corporate values to the manufacturing sector is the most logical, due to its size, and the high interaction of this sector with consumers makes it even more urgent to encourage them to adopt these new values as it impacts the population. Providing information to consumers should be followed by utilizing media campaigns, as they provide more and more awareness about the corporate values of companies that produce and sell products in their community. In particular, with social media attracting huge crowds of audience and making information more accessible to many, media campaigns seem the perfect fit for encouraging the practice of these new corporate values. In the long run this will put pressure on manufacturers to ensure they only manufacture products that are ethical towards the community. When manufacturers strive to sell high-quality products to their consumers, they will naturally demand higher quality supplies from their suppliers, which will spread across the value chain. The nature of the high distribution and interaction of the manufacturing activity means these ethical business practices will be spread more rapidly. Given that trade is the second most common type of business activity it follows that this sector should also be given priority. Encouraging the trade sector to shift to local small suppliers will strengthen the interlinkages and allow these new corporate values to spread to smaller local suppliers that operate in other activities.

5.3.3 Roadmap according to geographic location

Given that Egypt experiences a disproportionate amount of large corporations located in Greater Cairo and Alexandria, and SMEs are located mostly in Shrarqya and Cairo as referenced in figure 2. This high concentration of businesses in a small area means these provinces should be targeted first to have the greatest initial effect. Given the small geographic area and large concentration of people and businesses located this will be very effective way to target a large portion of economic activity with minimal logistic effort and cost.

5.4. Benefits of Applying New Corporate Values

The purpose of these new corporate values is to encourage greater collaboration between the public and private sectors as their objectives are often complementary, as well as create social value, improve social welfare, and to drive economic growth, which constitutes the main goals of government policy.

In order to encourage big corporations to move towards these new corporate values, there needs to be more awareness on how global thinking on corporations has changed, which has shifted CSR from being a burden on a company, to having purpose-driven approach with new corporate values, if the company will be sustainable in the long run. Once there is more awareness regarding benefits to corporations, there will be more readiness to implementation. This was revealed in the US BRT statement, which exhibited how big corporations viewed the application of these corporate values as a win-win situation rather than as a zero sum game. This in turn entails that practicing them bears some outstanding precedence. Below are some points that show how having these new corporate values is mutually beneficial to businesses as well as to communities (in both normal times as well as COVID-19 era):

- Better brand recognition.
- Positive business reputation.
- Increased sales and customer loyalty.
- Employee loyalty.
- Operational cost savings.
- Better financial performance.
- Greater ability to attract talent and retain staff.
- Organizational growth.
- Easier access to capital.
- Access to finance – ethical investors are more likely to back a reputable business.
- Attracting positive media attention.
- Reducing regulatory burden - good relationships with local authorities can often make doing business easier.
- Identifying new business opportunities.

Many multinational companies operating in Egypt have already identified these advantages in their home country, and have partially moved to these new corporate values to benefit the long-term sustainability of their business. In addition to legally requiring large corporations to disclose their Environmental and Social Goals, many larger corporations will implement them as a method of differentiating themselves from multinationals.

5.4.1 Incentives and facilitation

There are various tools that can be used to help corporations move to new values that emphasize that the purpose of a corporation is both to make profit and serve its stakeholders. In addition to improving the legal environment the government needs to provide a number of incentives and facilitations towards the private sector if they are to carry out these new corporate values.

- The most common tool used in Egypt to change the behavior of corporations is through legal methods, where the government enforces the laws to make corporations behave in a certain manner. These types of methods already exist through various consumer and employee protection laws. However, applying further legislation is slow and there are other tools that can encourage implementing these new values.
- A strong emphasis on improving living conditions in Egypt's economic plan instead of focusing solely on economic growth. As mentioned above in table 3 China no longer focuses only on GDP growth in 2012 in its economic plan, but also on a broader range of indicators that reflect the well-being of its citizens. Having such an economic plan that focuses on citizen well-being ensures the small day-to-day business practices protect the well-being of its citizens.
- Utilizing the various business associations in Egypt and coordinating with the public sector to ensure how to standardize their practices and agree on a set of ethical principles that reflect the needs of Egyptian society. As mentioned earlier, the US BRT statement agreed on five points that redefined the purpose of an organization, have had a ripple effect by raising awareness within the US business community, and has raised public discussion on the purpose of a corporation.
- Canada has been one of the first major countries to allow the legal establishment of benefit corporations. These are entities that have the legal obligation to serve the community, but still allow profit-making for shareholders to make them more sustainable. They combine the community service of NGOs with the incentives of a corporation. The establishment of benefit companies legalizes the purpose of a corporation. This means a corporation is not only accountable to its stakeholders, but will also have to legally disclose how close it is to achieving its mission. This is still a young idea globally and has yet proven to be successful, but it might benefit Egypt if it takes the initiative to be one of the first countries to implement it (refer to appendix).
- Many EU countries introduced tax cuts in accordance with how much a corporation allocates to its CSR budget, and while this has significant results more needs to be done

to attain those new corporate values. The proper application of CSR in Egypt can start a new field of competition between corporations, which will ultimately benefit all parties involved, and lead to progress in these new corporate values and more economic stability overall. While the investment law gives tax deduction to companies that invest their profits into social causes, this model focuses only on the traditional thinking that CSR reduces profits, and does not take into account the convergence of CSR and profit making that led to these new values. Incentives should be extended to encourage businesses to operate more ethically and to have a purpose. For example, tax deductions can be given to a company that hires youth in long-term fixed jobs, jobs that provide training, or for a company that sources its energy from renewable sources. Furthermore, tax incentives can be given annually to quantify how far a company has implemented these new values. This creates incentives for corporations to restructure their practices to become more ethical.

- The government should also explore partnering with some large companies to push them to take specific positive action. Partnering has traditionally been disregarded by Western industrialized countries as it was seen as government interference in the private sector with no legal role; however, it is becoming more accepted. Given that a large portion of the economy is controlled by a few large companies, an informal agreement with those companies can be more effective and more tailored to their needs, than to pass general laws that can usually be bypassed. Partnering is done on an ad-hoc basis in Egypt between the government and private business; however, the focus is usually on job creation and manufacturing. This type of partnering can also be done to make sure that corporations reach their purpose easier. Since informal interactions between government officials and the private sector have become more common, this should be utilized to encourage good corporate behavior.

6. Conclusion

In conclusion, Egypt needs to move quickly on this file not only to cope with international trends of the new corporate values but also for the large advantage accruing to their own businesses, and to the government and to the Egyptian society as a whole.

Appendix

Country	Old Mode of CSR	New model of values incorporating CSR	Events that led to these new values
China	The national and local Chinese five-year economy plans focused solely on GDP growth. Only 1% of Chinese companies issued CSR reports between 2001 and 2005. Chinese business leaders viewed CSR as a means of generating employment and building the economy. There were limited donations to charity by corporations. Chinese companies did not invest in their local community's infrastructure, while only opting to give to charity. Chinese companies saw little benefit in building health and logistics in foreign countries due to their limited presence internationally, and had no interest anyway.	In 2012 Chinese President Xi issued a declaration that GDP growth should not be the primary goal of the national economy, but that social and environmental issues should be considered. However, local regions in China continued to focus on GDP growth. Between 2011 and 2018 CSR disclosures grew by 8.5% despite the fact this was not legally required at the time. In 2020 CSR disclosures became legally required. Chinese business leaders view CSR as giving their companies a competitive edge. Like the products and services, they sell, their CSR activities should be better than their competitors. Chinese companies stress the importance of investing in local infrastructure of where the company is. National infrastructure is still left to the government. Chinese companies helped build local health and logistical infrastructure in the foreign countries they operate in.	The 2008 Sichuan Earthquake resulted in 70,000 deaths and US$ 150 billion of property destruction. This led the general public to demand corporations to contribute their expertise to the recovery. As a result of Chinese industrialization, a growing middle class, more educated and aware of corporations selling unsafe products to consumers, pressured corporations to improve their business model (Ramasamy and Yeung,2009). Chinese companies have become globally more visible. Out of the top 500 companies, 124 are based in China, compared to zero in 2000. More Chinese companies also started investing internationally. As a result of this visibility many of these companies realized they needed a set of new values.
Canada	Like the EU, the Canadian government approached the issue of CSR through voluntary instruments, while removing legal regulation.	The national Canadian government released CSR guidelines entitled "Doing Business the Canadian Way" in 2009. These guidelines are still voluntary, but the Canadian government pledged not to give business contracts to those that do not follow it.	Canada followed the EU model of voluntary regulation, and noticed how it has been ineffective in Canada and the EU.

	CSR policies and guidelines are left to the local Canadian regions to manage, rather than the national government. Canada has many mining companies operating abroad, which have a poor reputation of being exploitative towards workers with little health and safety regulations.	In 2019, Canada became the first country to seriously recognize "Benefit Companies," a hybrid between a corporation and NGO. The benefit company has a main goal for a public benefit similar to an NGO, but it is allowed to generate profit for its owners like corporations. As of May 2021, the Canadian government has pledged to investigate these mining companies.	The socially irresponsible behavior of Canadian mining companies damaged the country's reputation internationally.
Japan	Japan is viewed as a model country to other on how to implement CSR. Japanese companies are viewed as being responsible for their employees, in exchange for employee loyalty. This social contract is derived from cultural norms rather than an attempt to meet international standards like the ISO and UN Global Compact. Although local Japanese companies do not disclose CSR, they view their activities as culturally normal and do not need to reveal it. However, large Japanese multinationals have the highest rates of CSR disclosure globally, simply these standards. Businesses operate on a trust-based system without the need for lawyers or contracts.	Japan continues to be a model regarding CSR. Local Japanese companies started to perform better disclosure simply to meet international standards. These social norms continued.	Many local Japanese companies started exporting their products abroad and opened foreign branches making them more visible.

	Large Japanese enterprises (Toyota, Nissan) help share technology and skills with SMEs which act as suppliers.	Japanese businesses developed eco-friendly technologies that limit emissions to comply with environmental law. This led to a drop in emissions which even exceeded the legal regulations. These technologies continued to be developed which benefited companies to help reduce energy costs also.	
USA	The dominant philosophy among corporations and economic policy in the US was Friedman's shareholder theory. Corporations should maximize profits and that any CSR activity was slowing down economic growth. Companies preferred to negotiate with local communities instead of following national guidelines. They tend to focus on one issue with stakeholders rather than resolve multiple issues or follow an established guideline.	In 2018 a business roundtable signed a declaration of five commitments. This BRT declared that the purpose of a corporation is not to maximize profits but to benefit employees, customers, and citizens. More companies have started to develop guidelines on their CSR activity, whether those guidelines are the ISO, UN Global Compact or BRT statement.	The 2008 Financial Crisis led to extreme inequality, and the subsequent recovery mostly went to the wealthy. This raised questions on how economic growth does not lead to economic justice.
EU countries	The EU has advocated implementing voluntary CSR in exchange for removing legal regulations on corporations. This led to many companies not applying them and has normalized the bad behavior of corporations as the general public became used to it (Steurer 2010).	In response to the unethical behavior of companies and public pressure, the EU published the "A renewed EU strategy 2011-14 for Corporate Social Responsibility," which stressed two important points. Firstly, the need to implement legal regulations in addition to keeping its old voluntary CSR strategy. Secondly, it stated that enterprises should have a goal to "integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy" simultaneously with profit-making. This signaled the start that corporations can have goals other than making profit.	Although the voluntary CSR instruments were not effective enough, their heavy marketing of these instruments did raise awareness among the public. The younger generation became more aware of environmental issues while the older generation became more aware of labor issues.
India	During the 20th century, state-owned companies in India (known as public undertakings by the Indian government), were seen as	In 2018, Indian companies spent US$1 billion on CSR initiatives, 47% more than 2014. The largest dimension in these initiatives was education.	

	the main entities responsible for CSR while private companies should seek profit. Private companies limited their philanthropic activities to donations to charity. Many multinational companies operating in India did not have an active CSR program. They viewed their responsibility as generating employment and giving some charity donations.	Many multinational companies operating in India have pledged to increase their CSR activities, and released disclosures in their home countries promoting the development of India. This disproved many skeptics of the CSR law that believed that it would be a burden that would drive out foreign investors. This law puts more emphasis on supporting the local community where the business operates. This has been criticized because it creates inequality in areas that have no large corporations present.	Between 1980 and 2013 economic liberalization, privatization and globalization led to the shrinking of state-owned enterprises (main actors of CSR) and the expansion of the private sector (traditionally averse to CSR except through charity). The shift in capital from the public to private sector, led the country to pass a mandatory CSR law in 2014. This law also incorporated many of the global SDGs into the CSR program.
Country	Old Mode of CSR	New model of values incorporating CSR	Events that led to these new values

Source: Prepared by ECES based on (Kapelus 2002); (*Ramasamy* & *Yeung 2009); (Thomsen* 2004).

References

Asante Boadi, E., He, Z., Bosompem, J., Say, J. and Boadi, E.K., 2019. Let the Talk Count: Attributes of Stakeholder Engagement, Trust, Perceive Environmental Protection and CSR. Sage Open, 9(1), p.2158244019825920.

Assad, R., and R. Sohel. 2019. *Reinforcing the re-emergence of the "missing middle" in Egypt,* December 17. Retrieved from ERF Policy Portal: https://theforum.erf.org.eg/2019/12/02/reinforcing-re-emergence-missing-middle-egypt/

Elsaid, Hala & Alsaid, Mahmoud & Zaki, Chahir. 2014. *Small and Medium Enterprises in Egypt: New Facts from a New Dataset. Journal of Business and Economics*. 2. 142-161.

Enterprise. 2021. *ESG reporting is coming to Egypt in 2022*, October 5. Retrieved October 18, 2021, from https://enterprise.press/stories/2021/10/05/esg-reporting-is-coming-to-egypt-in-2022-55102/. Not cited, cite or delete

Kapelus, P., 2002. *Mining, corporate social responsibility and the" community": The case of Rio Tinto*. Richards Bay Minerals and the Mbonambi. *Journal of Business Ethics*, *39*(3), pp.275-296.

Mahmud, A., D. Ding, and M. M. Hasan. 2021. 'Corporate Social Responsibility: Business Responses to Coronavirus (COVID-19) Pandemic', SAGE Open. doi:10.1177/2158244020988710.

Primeaux, P., and J. Stieber. 1994. *Profit Maximization: The Ethical Mandate of Business.* Journal of *Business Ethics* 13 (4):287.

Ramasamy, B. and Yeung, M., 2009. *Chinese consumers' perception of corporate social responsibility (CSR). Journal of Business Ethics*, *88*(1), pp.119-132.

Said, R. and A.H. Mamdouh. 2018. A Case Study of the Egyptian Food Processing Sector. ECES Working Papers Series, WP no. 198. Cairo: The Egyptian Center for Economic Studies (ECES).

Solimon, M. .2020. Egypt's Informal Economy: An Ongoing Cause of Unrest. *Journal of International Affairs*. Retrieved from https://jia.sipa.columbia.edu/egypts-informal-economy-ongoing-cause-unrest

Stathaki, P. 2021. *Forget CSR, businesses that want to win in 2021 must focus on Purpose*, June 2021. Retrieved from The Marketing Store: https://www.themarketingstore.com/ideas/forget-csr-businesses-that-want-to-win-in-2021-must-focus-on-purpose

Business Roundtable. 2018. "Statement on the Purpose of a Corporation.". Aug. 2018. Web. 05 Jan. 2022.

Steurer, R. 2010. The Role of Governments in Corporate Social Responsibility: Characterising Public Policies on CSR in Europe. Policy Sciences, 43, 49-72

Thomsen, S. 2004. Corporate values and corporate governance. *Corperate Governance*.

Val Morrison, R. 2020. *Harvard Law School*, August 28. Retrieved from BRT Statement of Corporate Purpose: Debate Continues: https://corpgov.law.harvard.edu/2020/08/28/brt-statement-of-corporate-purpose-debate-continues/

Wolf, M. .2018. *We must rethink the purpose of the corporation,* December 11. Retrieved from Financial Times: https://www.ft.com/content/786144bc-fc93-11e8-ac00-57a2a826423e.