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# Padico Holding: Developing Responsiveness through Corporate Social Responsibility

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## Abstract

The field of business ethics is an area of growth, both in the business and education sectors in the Arab world, including Palestine. But most research on this subject has been carried out in the USA and Europe, which gives most of the issues related to this field a distinctively American or European character. As an alternative, this case attempts to shed the light on a wide range of socio-economic, educational and business issues that are typically encountered in Palestine and to explain innovative approaches to resolving key dilemmas related to resolving the skill shortage that affects the competitiveness of Palestinian enterprises. It will do so by looking at Padico Holding, a pioneer in developing a creative program adapted to the enterprise sector's needs. The case draws its analysis from international theories and concepts by explaining Padico's sense of responsibility towards community inspired by Kant's ethics of duty, which is demonstrated in its business societal orientation built around the "stakeholder model."

## Keywords

corporate social responsibility, Kant, business ethics, Palestine

## 1. Introduction

The field of business ethics is an area of growth, both in the business and education sectors in the Arab world, including Palestine. Advances in internet and telecommunications technology (ICT) have facilitated the rapid dissemination of breaking news in the business sector on a global scale. In the Arab region, the public is becoming increasingly aware of the news and scandals in

the business world and some of the disasters that result from little regard to corporate social responsibility (CSR). The recent Arab Spring with its spillover effects on countries in the region has given rise to questions in the public mind about the ethics of both business and government. Businesses in Palestine are therefore becoming increasingly under pressure to define their ethical standards and establish and communicate formal written codes of conduct.

It is notable that most work on this subject has been carried out in the USA and Europe, which gives most of the issues related to this field a distinctively American or European character. The legal, political and economic context in the Arab region is quite different from that of the United States or Europe, and more specifically Palestine, ethical dilemmas in business are certainly quite different and require different solutions.

This case attempts to shed light on a wide range of socio-economic, educational and business issues that are typically encountered in Palestine and to explain innovative approaches to resolving key dilemmas related to resolving the skill shortage that affects the competitiveness of Palestinian enterprises. By exploring strategic responses as demonstrated by Padico Holding, a well-known Palestinian investment company to a complex and sometimes volatile context. The case illustrates how organizational culture deeply rooted in ethical theory drives strategic planning and guides communication and courses of action. The keyword in Padico's approaches as an ethically responsible business is "innovative partnerships" that seek to help graduates acquire relevant skills that widen their employment opportunities and enterprises to train and recruit employees from a pool of qualified university graduates.

Padico Holding is a pioneer in developing a creative program adapted to the enterprise sector's needs. To this effect, it sought and found equally motivated and committed partners from academia and civil society who joined the company in steering this program towards success. This was achieved by bringing a number of different stakeholders on board, achieving consensus among them, and effectively combining their resources and experiences to create and finance a program that addresses both the skills- employability gap and the lack of competitiveness that plague the enterprise sector.

Padico's creative approaches and proactive stance could be of value to company executives, managers, policy-makers and students who seek to widen their horizons and pursue in greater depth issues related to business ethics, unemployment and competitiveness.

The case draws its analysis from international theories and concepts by explaining Padico's sense of responsibility towards community inspired by Kant's ethics of duty, which is demonstrated in its business societal orientation built around the "stakeholder model" as it attempts to reconcile CSR with

self-interest. To this effect, the case describes the complex context surrounding Padico using the PESTLE (political, economic, socio-cultural, technological, legal and economic) framework, explains the partnership program entitled *Tamayyaz* and looks into the process of developing and implementing the first comprehensive program of this kind in Palestine.

## 2. The Organization

Following the signing of Oslo Peace Accord with Israel in 1993, Padico Holding was founded as a Public Shareholding Limited Liability Company by a number of Palestinian and Arab business leaders. The positive climate and the hope for the betterment of lives of the people in Palestine and the Middle East region by the 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 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. A pioneer in social and ethical engagement, Padico Holding is active in getting other community stakeholders it partners with involved in tackling socio-economic problems of the communities in which it operates.

Padico Holding, a member of the UN Global Compact, has a strong reputation for social and ethical commitment. The company derives its competitive advantage from integrating CSR into its strategic planning and from its knowledge based on its solid experience in surfing through economic downturns and political turmoil in Palestine.

## 3. The Challenge

During the last five years the high unemployment rate among Palestinian graduates (youth unemployment reached 35% in 2010),<sup>1</sup> deteriorating living standards and signs of political unrest in the region (namely the ensuing Arab Spring revolt against corrupt governments), brought the issue of investment in human development, particularly, the youth sector to the forefront. This problem alongside the negative consequences of occupation, restrictions on mobility, settlement activities, confiscation of land and resources, the Separation

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<sup>1</sup> World Bank (2012). Towards Economic Sustainability of a Future Palestinian State. West Bank and Gaza, OPT.

Wall, and political divisions continue to raise grave concerns among various social strata, as well as business and political circles. Furthermore, there are serious concerns over the spillover effects of the Arab Spring that represent a major revolt of the youth against social injustice and unethical conduct by governments, in neighbouring countries. Padico Holding had a sense of duty inspired by Kant's dictum to find motivated and committed partners to jointly devise creative strategies that would spare Palestine from slipping into political unrest given the diminishing economic prospects for Palestinian youth. A problem that would normally be left to governments to grapple with but the tendency of the PA to do less is due to its shrinking policy space which is increasingly constrained by the occupation and weak financial resources.

#### 4. Padico Holding's Education Initiative

The need to develop the Palestinian economy and human capital has never been more pressing in Palestine, as an overwhelming majority of students (84% of 182,565 in 2008-9) enrolled in BA programs in specialization fields that are irrelevant to the needs of industry.<sup>2</sup> A small percentage (13%) join medium diploma or specialized technical programs. The fact that Ph.D. programs are unavailable reflects the focus on teaching while scientific and academic research is still marginal. In consequence, there has been a growing awareness to the mismatch between industry and universities in terms of skills, diplomas and lack of much-needed research that benefits industry and economy. In consequence, Padico Holding's had to recruit foreign staff where local skills and competencies are lacking, which also runs counter to the basic planks of its social business philosophy.

#### 5. Outcomes and Impact

Padico partnered with experienced NGOs and local universities to design the *Tamayyaz* program aimed at bridging the educational skill gap among Palestinian graduates by providing them with soft and leadership skills, critical innovative thinking, and real life access to successful role models—people who have succeeded in their lives while maintaining adherence to strong morals and ethical business practice. Two-hundred and forty graduates from three major local universities were chosen as beneficiaries of this program

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<sup>2</sup> Palestinian National Plan 2012-13: "Summary Strategy of Education, Higher Education and Technical and Vocational Training Sector," p. 13.

according to certain criteria developed by Padico and its civil society partners. A team of panel members from the partnering organizations interviewed university applicants to select those eligible to benefit from this program. A list of 40 volunteers representing prominent figures in the business sector and academia signed and committed to conduct workshops and give lectures to the program's beneficiaries tackling important issues and aiming at providing them with soft skills. These activities would be held on campus of partnering universities or during field visits to well-known enterprises.

## 6. Innovative Contours of the *Tamayyaz* Program

The program is innovative in its use of educational tools, design, methodology, practices and educational delivery and depends to a large extent on students' active participation and interaction via modules that engage them in new creative ways. It is a competence-based model that is based on building analytical skills and enhancing creative thinking, which demonstrates a radical departure from traditional models that are based on rote memorization. The program is built around improving collaboration between universities and industry in a way that is mutually beneficial by addressing industry's needs and improving the viability and relevance of university education. This is achieved through opportunities for universities to provide better content, teaching methodology, technology, and research expertise. To ensure consistent quality, *Tamayyaz* undergoes ongoing evaluation and modification to qualify as a model that can be rolled out to remaining universities and institutionalized therein and represents a case in point in university-industry education partnerships. The program has two main tracks: the employability track and entrepreneurship track with internships being part of track and not the main pillar thereof as in widely known cooperative programs.

Both tracks instill the spirit of good citizenship and enhance job-related skills among Palestinian youth by providing them with the opportunity to experience military service for the first time. Palestine does not have a military service tandem to independent countries. This type of service is normally experienced by those who choose to join security services. The security services component was introduced as the program evolved whereby 70 students spend four days and three nights living with trainees in the national security forces. They take part in boot camp, and gain a range of skills related to time management, discipline, and self-sufficiency. Thus *Tamayyaz* could be considered as an innovative initiative that seeks to make a turnaround in the role and traditional universities paradigm as it has features and components that seek to change traditional learning approaches and paradigms within

universities and enhance their role as educators and accelerators of knowledge and know-how. This is quite significant in view of the fact that the credibility of universities as creators of knowledge and know-how is increasingly being questioned. At the same time the program seeks to expand the innovation of new products and processes of industry by providing graduates with relevant skills and experiences.

## 7. Conclusion and Lessons Learned

The development and implementation of *Tamayyaz* program is related to the “stakeholder model” in a very wide sense, according to which the CEO’s job is to strike a balance between the interest of all the different groups of people who have a stake in the corporation. In this case the stakeholders included employees, the youth, civil society organizations, universities, customers, shareholders, employees, suppliers, other businesses and society at large. An extension of this model could include the government.

The case also displays applications of Kant’s ethic of duty, which also converges with the corporation’s commercial interests. According to Kant an action is morally right if done from a sense of duty, which can certainly be the motive. To act morally we must show respect for persons and never treat them as means to an end but always and primarily as an end in themselves, in other words as having an intrinsic and not merely an instrumental value. Padico’s CSR philosophy since its inception and CEO’s approach to facing the challenges of the Arab Spring ramifications and resolving the employability skills gap dilemma reflect a sense of duty towards community and society at large and treating people (the youth) as an end by creating a tailored program that addresses their needs in terms of skill building, which would result in achieving long-term profitability as well.

Through its consensual approach according to the “stakeholder” concept and the idea of partnerships, Padico strives to reconcile self-interest with moral one. The impressive list of business leaders and academics who volunteered to share their knowledge and experiences through conducting workshops that tackle important issues relevant to enhancing the skills of the beneficiaries show the application of stakeholder model and partnerships in a wide sense and ascertains the relationship between CSR and self-interest in business. This model and the program design can be emulated in similar contexts throughout the Arab region and with certain adaptations in developing economies suffering from the twin problem of skills shortage and unemployment. Clearly the choice of the program’s title *Tamayyaz*, which means to be distinct, is an innovation.

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