

## **PHILANTHROPY OF THE BUSINESS SECTOR IN ISRAEL**

**Tamir Rozentel<sup>1</sup>**

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### ***Abstract***

*The article describes the patterns of social responsibility in Israel based on two elements: one element is obedience to the law and the other is philanthropic activity. Ma'aleh is a non-profit organization that ranks leading companies in social responsibility and surveys philanthropic activity.*

**Keywords:** *social responsibility, Maala Organization, Israel, philanthropic, Business, contribution, Non-Profit, Companies*

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## **THE PATTERNS OF CORPORATE SOCIAL RESPONSIBILITY IN ISRAEL**

According to the research study of Dr. Abu Inbal from 2013, the fact that the Israeli field is not a product of social struggles and that its channels of import are characterized by a market orientation shaped to a great extent, according to Barkai (2008), its character. In the global space and in Israel, there is a wide variety of models of social responsibility, which are almost all based on two elements:

1. The obedience of the law of the state and the adherence to the agreed-upon international standards in the fields of work relations, human rights, and environmental protection.
2. Philanthropic activity that includes financial donations and involvement of the workers in the community (Carasco, Singh, 2003).

However, work relations and environmental protection obligated them to adopt and to develop models that directly address the implications of their business activity on these issues. The corporations in Israel adopted less complicated models of social responsibility that emphasize the philanthropic component of social responsibility and ignore almost completely the components

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<sup>1</sup> SWU “Neofit Rilski” – Blagoevgrad, Faculty of Economics, Management and Marketing Department, PhD Student, tamirroz@gmail.com

that pertain to the intra-organizational practices and moral social implications of their business activity (Barkai, 2008).

The few research studies performed in Israel support these conclusions and indicate that the development of the field of social responsibility in Israel focuses on the methodical translation of the concept into philanthropic practice and the formation of the idea of the social responsibility of corporations as a marketing device (Barkai, 2003, 2008; Kreizler, 2005; Shamir, 2007; Toledano, 2003). Reichel, Gidron, and Shani (2000), who examined the relationship between the indications of social responsibility and the firm's organizational characteristics and different dimensions of social responsibility found that the pattern of social responsibility of the business sector in Israel is characterized for the most part by randomness and lack of method and that for the most part social responsibility is still not perceived as an integral part of the business activity (Reichel et al., 2000). Toledano (2003), who followed up in her research study after the processes of the development of a strategy of social responsibility in a large Israeli corporation in the food industry, found that the process of the construction of the organization's social strategy is very similar to that of the construction of a commercial brand and that the goal was not social change or improvement of the organization's social and environmental performances but improvement of the organizational image. Toledano also found, in the practices and in the discourse of the social responsibility accepted by the organization she researched, the identification of the concept with actions of contribution and involvement in the community, with the avoidance of the relationship between the organization's social performances and its main business activity.

The research of Kreizler (2005), which examined the perception of the social responsibility among 65 firms traded on the stock market, found that social responsibility is perceived by the Israeli corporations as a primarily philanthropic action based on charity and community support. According to Kreizler (2005), all the expressions and references related to social responsibility found in the reviewed financial statements reflected the reduction of the idea of social responsibility to only philanthropy and the 'involvement in the community' was found to not be related to the corporation's main areas of occupation and to the topics that characterize its system of decision making. In her research study, Kreizler (2005) did not find evidence indicating that the corporations perceive the need to be more socially responsible as an integral part of their ongoing business activity.

Despite the broadening of the discourse in Israel that engages in social responsibility in recent years, as well as the broadening of the activity and

cooperation between businesses and mediating organizations in the field (for example, Maala, Zionism 2000 and Giving), findings that indicate a perceptual change regarding the social responsibility among the firms were not found. A comprehensive research study performed by the Ministry of Industry, Trade, and Employment in the year 2006 that examined the scope and dimensions of the involvement of the businesses in the community (Bar-Zuri, 2008) found that about 66% of the firms declared that they do not know or know only slightly the importance of the contribution of social involvement to their economic-business behavior. The research study of Sitbon et al. (2010) that examined the social performances of firms that participate in the Tel Aviv 25 Index in the year 2009 found that the philanthropy is perceived by the corporations as a more essential and important than their policy of social responsibility and that most of the large Israeli corporations still think in terms of the 'first generation' of social responsibility.

According to Barkai (2008), alongside the prominence of the signals of the global influences on the local field, there are differences between the model adopted in Israel and accepted models of social responsibility, which adopt an inclusive strategic approach of organizational practices both towards the inside and in relation to the community. The Israeli field tends to adopt the model of corporate citizenship, which extends the perception of the good citizen towards businesses and focuses on philanthropic activity. This argument is supported by the findings of the few research studies conducted in Israel that found that according to the model forming in Israel social responsibility is shaped as a part of the mechanism of the corporation's human resources and as a part of the mechanism of the marketing of its image (Kreizler, 2005) and not as an investment that yields future revenues and as a strategy with business worthwhileness (Bar-Zuri, 2008).

In essence, according to the few research studies performed, social responsibility in Israel focuses on two main areas of social responsibility – management and policy of social responsibility and involvement in the community (Barkai, 2003; Bar-Zuri, 2008; Kreizler, 2005; Reichel et al., 2000; Shamir, 2007). These research studies show that in the past decade there has been almost no change in the perception of the business firms of the social responsibility, although more and more Israeli firms assimilate social commitment through the institutionalization of an organizational function responsible for the field, charity programs, different types of social projects, fundraising, and/or volunteer work, and their declarations of tasks that include social commitment. The level of institutionalization of the social responsibility

in the Israeli firms is low, and their practices of activity are mainly philanthropic (Shamir, 2007).

## **MAALA ORGANIZATION**

In Israel, as in other countries, there is a considerable number of organizations that work in the 'new profession' – consulting for social responsibility. Most of the organizations do this not for profit, but some are business organizations in all respects. Advertising offices have joined the effort, and they launch campaigns for the community.

One of the main organizations active in Israel in the field of social responsibility of the business sector is the Maala<sup>1</sup> Organization. This is a nonprofit organization established in the year 1998 that helps businesses in Israel develop and implement a business strategy approach of social responsibility that contributes to their business success and to the improvement of society in Israel.

The Maala Organization provides the business sector with services of consulting, support, and direction throughout the entire cycle of social activity: initiation, analysis of alternatives, performance in actuality, evaluation of the results, and ongoing update on what is happening in the field in Israel and around the world for the purpose of the formation of future policy. The organization's services are provided for a fee.

Every year the Maala Organization publishes the Maala ranking for the companies leading in social responsibility. The ranking expresses many variables that enable the examination of the social responsibility of the businesses ranked at a comprehensive and in-depth level.

The businesses included in the Maala ranking are public companies included in the Tel Aviv 100 Index of the Tel Aviv Stock Exchange and the public and private companies whose revenue cycle is at least one hundred million dollars in the fields of services and trade, industry, construction, and infrastructure. A total of 66 companies participate in the ranking (47 public companies, 16 private companies, and 3 government companies).

## **PHILANTHROPY OF THE BUSINESS SECTOR IN ISRAEL**

One of the most developed areas in Israel from among the fields of social responsibility in Israel is the involvement in the community and especially

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<sup>1</sup> <http://en.maala.org.il/maala/about-us/>. The word 'maala' in Hebrew is an acronym standing for the commitment of businesses to society in Israel.

philanthropic activity in the business sector for the good of the third sector. Philanthropy is the donation of monies, grants, donations in kind, time, and volunteers, and it can be done by individuals, public and business organizations, philanthropic institutions, and non-governmental organizations. A research study of the Administration of Research and Economics in the Ministry of Industry, Trade, and Employment in the year 2008 found that about 8.9% of the businesses and about 20% of the workers in the business sector in Israel were involved at the time of the performance of the survey in activity for the community. About 60.9% of the businesses provided donation in kind, about 17.7% provide financial donation, and about 21.4% combined the two patterns.

Data on the contributions of the business sector for the year 2013 are presented here according to the reports of income tax and donations of the public companies traded on the stock exchange collected by the Maalah Index.

Table 1 presents the data of the income tax on the donations to non-profit organizations reported for the purpose of receiving a tax credit in the year 2013.

**Table 1.** Data of Income Tax on the Contribution of Non-Profit Organizations that were Reported for the Purpose of Tax Credit in the Year 2013

Levels of Donation	Total Donations Businesses & Households	Donations - Employers		Donations – Households	
		Total Donations	Number Donors	Total Donations	Number Donors
Donation Sum in Millions of Shekels	1,483	772	13,287	711	80,104
In percentage:					
Up to 2,000	3	1	36	5	59
2,000-10,000	9	3	33	15	29
10,000-50,000	16	8	20	24	11
50,000-100,000	7	6	5	8	1
100,000-500,000	15	18	5	11	1
500,000-1,000,000	7	10	1	5	0.1
1,000,000 and above	44	55	1	32	0.1
Total Percentage	100	100	100	100	100

Source: Maalah index (2014)

The table indicates that in the year 2013 the total of the donations reported to the non-profit institutions for taxation purposes was 1.48 billion shekels, of which about 772 million shekels were donated by about 12, 287 businesses (52% of the reported donations) and about 711 million shekels by households (48%). However, there is a difference in the sums of the donations. Thus, 55% of the business donations were received from the donations of more than one million shekels and were donated by 1% of the business donors, as opposed to 32% of the donations of households and 0.1% of the private donors.

We will note that in the years 2011-2013 there was an increase in all the measures of the donation to non-profit institutions that were repeated for the purpose of taxation, an increase in the total donations, total donations from businesses, and general number of donors and businesses.

As aforementioned, the Maala Organization has operated since the year 1998. It is an umbrella organization of about 110 companies that work to promote issues of corporate responsibility and the development of standards of responsible management in Israel.

The organization has a number of instruments, including the ranking of Maala for the companies leading in social responsibility, the Maala Index in the Stock Exchange, and a database of donations of public companies:

- **Maala Ranking:** This measures from the year 2006 companies in the economy according to different criteria in areas of corporate responsibility: ethical aspects in business processes; health, safety, and balance; responsibility in acquisition; diversification and inclusion; contribution to the community; social involvement of workers; management and environmental quality strategy; climate and atmosphere; garbage, recycling, and water; corporate governance; management and social environment reporting. The companies included in the ranking are traded on the Tel Aviv Stock Exchange with an annual turnover of more than 320 million shekels or are included in the rankings of the leading companies in the economy.
- **Maala Index:** This has been traded on the stock exchange from February 2005 and is a financial instrument that represents the public companies that participate in the Maala Ranking, from the intention to create the possibility of investing in the stocks of companies on the basis of the extent of their social responsibility and not only on the basis of their financial performances.

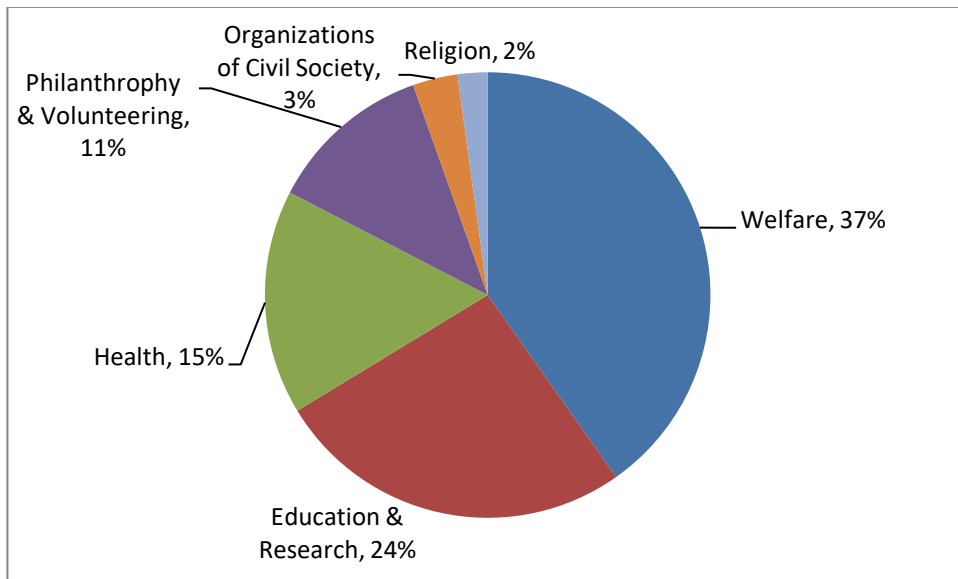
- Database: This is a database of the donations of the public companies in Israel, when this database is a collaboration among the Maala Organization, Tel Aviv University, and the Institute for Law and Philanthropy. It includes multi-year data on the donations of the public companies for the years 2013-2015.

Data on the contribution of public companies and workers' volunteering in the years 2015 and 2016 are presented as follows. As of the year 2015, approximately 500 public companies were traded on the Israeli stock exchange, and about 450 public companies were included in the database of donations, when of them about 218 companies reported donations in actuality.

In the year 2015 about 946.2 million shekels were donated by the public companies. This is an increase of about 28.4% as opposed to the year 2014, in which the total sum of the contributions was about 736.7 million shekels.

The following figure presents the segmentation of the areas of donation from the companies that reported the content of donation (public companies).

**Figure 1.** Areas of Contribution, Public Companies in Israel, 2015



**Source:** Maala Organization, 2016

From the companies that reported the content of the contribution, about 37% contributed to the areas of welfare, 24% to the areas of education and research, 15% to health, 11% to support of organizations philanthropy and volunteering, 8% to culture, entertainment, and sport, 3% to civil society organizations, and 2% to religion.

The data of the volunteering of workers for the year 2016 according to the Maala ranking for the leading companies traded on the stock exchange are as follows. About 7% of the workers in the companies that report regular volunteering and about 21% volunteered once. The highest percentage of regular volunteering was recorded in the sector of infrastructures in the reported companies (10%), and then hi-tech (9%), services (5%), banks, insurance companies, and investment companies (4%), and commerce (3%). The highest percentage of one-time volunteering was recorded among high-tech workers (43%), banks (32%), insurance and investment companies 921%), industry (19%), infrastructures (10%), and commerce (7%).

## **CONCLUSION AND OUTLOOK**

In the second decade of the 21st century there was a significant improvement in the economic situation of the State of Israel. The rate of growth is high (3-4 percent per year), the rate of employment is high both relative to the past and in international comparisons, the unemployment rate is at a very low level, wages rise, the debt-to-GDP ratio is low, and Israel ranks high in the S & P index. These data will cause the extent of social responsibility, with an emphasis on the financial contributions of the business companies, to grow over the years, which is consistent with the global trend.

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