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The Role of Multinational Companies in Sustainable Socioeconomic Development: The Case of Palestine

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Authors' contributions

This work carried out in the collaborations between both authors. Author YI designed the study, performed the statistical analysis and wrote the protocol. Author MS wrote the first draft of the manuscript, managed the analysis of study and the literature review. Both authors read and approve the final manuscript.

Research Article

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ABSTRACT

Aims: Our study investigates different aspects of the Strategic Success Paradigm [1] and examined the relationships among MNCs' environmental turbulence, MNC strategy aggressiveness, MNC capability responsiveness, and MNC corporate social responsibility (CSR) posture in Palestine.

Study Design: The target population for this research included multinational corporations (MNCs) and domestic Small and Medium Enterprises (SMEs) that had operations in or were contemplating undertaking foreign direct investment (FDI) in Palestine. An online survey data used and the results by using Spearman's rho, there are statistically significant relationship between MNC CSR posture and MNC financial performance; between MNC CSR posture and MNC social performance and between MNC financial performance and MNC social performance in Palestine.

Methodology: The methodology for this research study was based on the Strategic Success Paradigm presented [2]. This methodology was operationalized in this study through the relationship between MNC environmental turbulence (ET), MNC strategy aggressiveness (SA), and MNC capability responsiveness (CR). Specifically, the study hypothesized that organizational performance was improved when MNC strategy aggressiveness, MNC capability responsiveness, and MNC CSR strategic posture were

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aligned with MNC issue turbulence. As part of the MNC's strategy, CSR was considered an integral part of the overall core business strategy to optimize economic and social performance for companies operating in Palestine.

Results: This study provides practical implication to researchers and professionals with tools for aligning the business environment with the political environment and for maximizing stakeholder legitimacy strategy and CSR for optimal financial and social performance.

Conclusion: Our study findings contributes to the field of strategic management by empirically testing and validating hypotheses regarding the relationships between environmental turbulence, MNC strategy aggressiveness, and MNC capability responsiveness for MNCs operating in a conflict-prone zone such as Palestine.

Keywords: Capability responsiveness; corporate social responsibility; strategy aggressiveness; Palestine.

1. INTRODUCTION

Integrating corporate social responsibility (CSR) into MNC's core business has become the center of management decision-making. MNCs face challenges to provide products and services that add value to society and to prompt economic development and social transformation in host countries. The firm of the future would become a socioeconomic institution, and the firm's business strategy would not be based purely on financial performance, but would include political and social considerations along with its commercial ones [2].

The turbulent political environment in Palestine, coupled with severe socioeconomic conditions, presents multinational companies with external societal challenges. Successful multinational companies operating in this challenging market have diagnosed their environmental turbulence with inside-out and outside-in approaches to optimize their long-term economic and social profitability. An organization's issue management as a management process wherein the goal is to preserve its markets, reduce risks, and create opportunities to manage assets for the benefit of the organization and the public [3]. There is a need for ethical and socially responsible issues management to be integrated as part of the organization's strategic management decision-making [4].

This study examined the background of the MNC issue management and clarifies the strategic approach of CSR as an integral part of the overall core business strategy for optimal organizational performance for companies operating in Palestine. This study one of the first researches that examine the role of multinational companies (MNCs) and their impact on sustainable socioeconomic development in Palestine [5].

This study contributes to the field of strategic management by empirically testing and validating hypotheses regarding the relationships between environmental turbulence, MNC strategy aggressiveness, and MNC capability responsiveness for MNCs operating in a conflict-prone zone such as Palestine. The study provides researchers and professionals with tools for aligning the business environment with the political environment and for maximizing stakeholder legitimacy strategy and CSR for optimal financial and social performance.

The target population for this research included multinational corporations (MNCs) and domestic Small and Medium Enterprises (SMEs) that had operations in or were contemplating undertaking FDI investment in Palestine. An online survey data used and the results by using Spearman’s rho, there are statistically significant relationship between MNC CSR posture and MNC financial performance; between MNC CSR posture and MNC social performance and between MNC financial performance and MNC social performance. The practical implication with integrating corporate social responsibility (CSR) into MNC’s core business would improve the organization’s financial and social performance in Palestine.

1.1 Literature Review

The Strategic Success Paradigm (SSP) to define the relationships between a firm’s performance and its environmental turbulence (ET) and between strategy aggressiveness (SA) and capability responsiveness (CR), as they ultimately relate to strategic posture [2]. The Strategic Success Paradigm provides a framework for diagnosing the future prospects of a given firm. This model has been empirically validated through the work of several authors [6,7,8,9,10,11]. This research study evaluated the role of sustainable corporate social responsibility programs (CSRs) as related to Ansoff’s Strategic Success Paradigm [2].

The level of “environmental turbulence” describes the types of opportunities, threats, and trends in the environment that an MNC faces in its international operations. Palestine is characterized by, and encumbered by, a small market and an uncertain political and business environment, which creates multifaceted threats, surprising trends, and bountiful opportunities. MNCs must vigilantly watch and measure these conditions for relevance to their processes and policies (Table 1).

Table 1. Levels of environmental turbulence

Level	1	2	3	4	5
Turbulence Characteristics	Repetitive	Expanding	Changing	Discontinuous	Surprising I
Complexity	National	+	Regional	+	Global
Familiarity of Events	Familiar	Extrapolable		Discontinuous	Discontinuous Novel
Rapidity of Change	Slower than Response		Comparable to Response		Faster to Response
Visibility of Future	Recurring	Forecastable	Predictable	Partially predictable	Unpredictable

According to the Rhetoric and Realities in CSR (RARE) project approach to analyzing CSR in Europe, two different forms of CSR processes exist [12]. RARE holds that the two legs it forms of CSR are the “built-in” and “bolt-on.” When CSR is “built-in,” it constitutes an integral part of the company’s operations and includes efforts to (a) make corporate processes more sustainable; (b) improve the social properties of products and services; (c) promote sustainable marketing; (d) manage raw material extraction and “greening” of material sources; (e) create sustainable production and distribution processes; and (f) promote fair trade practices and consumer information and compliance with ILO labor standards, including the renunciation of child labor. The instrument of CSR is defined as a tool to facilitate the incorporation of sustainability concerns into a company’s operation.

On the other hand, when CSR is “bolt-on,” companies engage in socially beneficial initiatives and activities beyond their core business operations by collaborating with external stakeholders to integrate the objectives of the company as part of their mission statement.

A platform for common grounds where organizations and their stakeholders can realize both their corporate objectives and societal needs are [13]. Their findings suggested that turbulence might be mitigated with the help of CSR, if CSRs were implemented in a manner that ensured a positive, stabilizing influence. In developing countries, CSRs tend to be weak, with serious macroeconomic constraints that might concentrate company attention onto issues of basic viability and on securing shareholders' returns [14]. In 1979, there are four types of corporate social responsibility: economic, legal, ethical, and discretionary [15]. Economic and legal responsibilities were “socially required”, ethical responsibilities were socially expected, and philanthropy was socially desired [15]. Each of these responsibilities comprised an essential component of the total CSR of the business. Responsive CSR depends on addressing the social harm the business creates [16]. An organization's capability of satisfying stakeholders' demands is a key factor that determines the organization's competitive advantage [17].

The general management capability of an organization consists two key factors, the capabilities of the general managers and the capabilities of the management organization [2]. Levels of strategic aggressiveness and capability responsiveness appropriate to the level of environmental turbulence are required for business success [2]. Basically, the CSR management system represents the capabilities of the top management to craft the CSR initiatives. The leadership competencies included courage, business acumen, and a vision of the company's legacy. They added that a leader should be remembered as a person who designed, not just a company, but a society that is educated and economically sustainable [18].

The complex way organizations understand themselves in relation to stakeholders sometimes requires major transformations with respect to policies and, in this case, to policies specific to sustainable development [18]. The corporate social responsibility can be a strategic engine for long-term corporate profit and responsible social development, even where there are complex, dire issues to be dealt with. While there are challenges to daily operations under the principles of CSR, companies can still balance their social and environmental responsibilities with their responsibility to earn a profit [19].

To date, there has been little discussion about transformational efforts to build an MNC role in sustainable socioeconomic development around the world [20]. This research, which studied the role of MNCs in sustainable socioeconomic development, specifically in the troubled region around Palestine, is unique as it hypothesized strategic CSR integration with core MNC business strategies with the larger goal of creating sustainable development that further leads to a secure, peaceful, and sustainable world. In essence, the Palestinian Reform Development Plan (PRDP) set out a strategy to implement future union [21]. The strategy reflects an assessment of the PNA's capacity to absorb project development. The plan mentions several important premises for implementation. The key national priorities outlined are (a) to bring the rule of law to the occupied territory and to combat violence, (b) to manage Palestinian internal administrative affairs, and (c) to implement institutional reforms in the PNA.

The rest of the paper is organized as follows: Section 1 discusses methodology and model, Section 2 presents data, Section 3 discusses findings, and finally, Section 5 concludes the research.

2. RESEARCH METHODOLOGY AND MODEL

The methodology for this research study was based on the Strategic Success Paradigm [2]. This methodology was operationalized in this study through the relationship between MNC environmental turbulence (ET), MNC strategy aggressiveness (SA), and MNC capability responsiveness.(CR) Specifically, the study hypothesized that organizational performance was improved when MNC strategy aggressiveness, MNC capability responsiveness, and MNC CSR strategic posture were aligned with MNC issue turbulence. The environmental turbulence was the driving variable that determined whether the firm's strategic behavior would succeed in an environment. As part of the MNC's strategy, CSR was considered an integral part of the overall core business strategy to optimize economic and social performance for companies operating in Palestine.

The two processes can be considered as a continuum with management systems "building in" responsibilities beyond compliance with regard to both goals and measures followed by codes of conduct and reporting activities, while contributing at the same time to sustainable development. The CSR management system aggressiveness requires that the firm's top management craft a CSR plan to transform the firm's behavior. The elements that contribute to CSR sustainable management system aggressiveness are derived from the elements of strategic aggressiveness in Ansoff's Strategic Success Paradigm [2]. Table 2 summarizes the five levels of CSR management system aggressiveness that correspond to the five levels of MNC issue turbulence and Table 3 also summarizes CSR MNC management system responsiveness verses MNC issue turbulence.

This study evaluated four independent variables: (a) MNC issue turbulence, (b) MNC strategy aggressiveness, (c) MNC capability responsiveness, and (d) MNC CSR strategic posture.

The MNC strategy aggressiveness gap and the MNC capability responsiveness gap were the two intervening variables. The two dependent variables were the MNC's financial performance and the MNC's social performance. The data for each variable were evaluated based on interval scales. The research consisted of statistical hypothesis testing using a descriptive correlation approach.

Table 2. CSR MNC management system aggressiveness verses MNC issue turbulence

Turbulence Level	1	2	3	4	5
Turbulence Characteristics	Static/ Repetitive	Slowly changing	Rapidly changing	Discontinuous	Surpriseful
CSR Stakeholder Approach	Stakeholder information with no interaction	Stakeholder debate	Stakeholder dialogue and informal contacts	Interactive strategic stakeholder dialogue	Partnerships and alliances
Use of Technologies	Use only current existing technologies	Adapt to new technologies and quality control management systems	Implement periodic/incremental technologies	Implement continuous/incremental creative technologies	Seek novel technologies
Change Management	Reject change and seek stability	Welcome change for existing instruments	Adapt to change for new CSR instruments	Change for potential risk and opportunity	Integrate creative change
CSR Strategy Integration Mindset	Maintain CSR strategy isolation	Maintain financial responsibility to shareholders	Maintain profit maximization with limited philanthropic activities	Strategic issue management and strategic philanthropic activities	Strategic CSR as a form of engagement with stakeholders

2.1 Research Model

The success of the CSR strategy depends on the internal CSR capabilities of the firm, which are functional, such as research and development, marketing, production, or general management capability. As the environmental turbulence level changes quantitatively and qualitatively, so does the firm's strategy—capability couplings have to change to fit the turbulence level for optimal organizational performance.

The research model reflects MNC strategy “aggressiveness” and MNC capability “responsiveness,” both of which influence the strategic CSR posture of the MNC. The research model describes two gaps, the MNC strategy aggressiveness gap and the MNC capability responsiveness gap. These are defined respectively as the difference between the perceived level of environmental turbulence and the reactive-to-proactive nature of MNC CSR posture to MNC activities. This study hypothesized that as the absolute value of MNC strategy aggressiveness gap decreases, performance of the MNC increases. Similarly, as the absolute value of MNC capability responsiveness gap decreases, performance of the MNC increases. The MNC CSR strategic posture is, then, theorized to have a significant relationship to the social and financial performance of MNC.

This research aimed to answer some fundamental questions regarding the needs of the Palestine region in terms of business development in the 21st century. It also aimed to provide a very current picture of why the area is ripe for CSR policy and why and how multinational companies that move into the market there can enact change that will be both good business and good corporate social behavior.

The social, political, and business environment in Palestine is characterized by instability and severely challenged socioeconomic development that influences every facet of MNC strategic behavior, from stakeholder relations to human resources to environmental impacts. The region has seen the frequent, unpredictable, and surprising occurrence of uprisings and blockades that make the business environment complex, constantly changing, and volatile. The level of environmental turbulence in the West Bank/Gaza region is reflected in the complexity of the business environment. Change is often reactive rather than proactive due to the constancy of chaos. Successful, that is, proactive rather than reactive, corporate responsibility strategy requires its integration into MNC's core business strategy. The Research Model is presented in Fig. 1, below.

RESEARCH MODEL

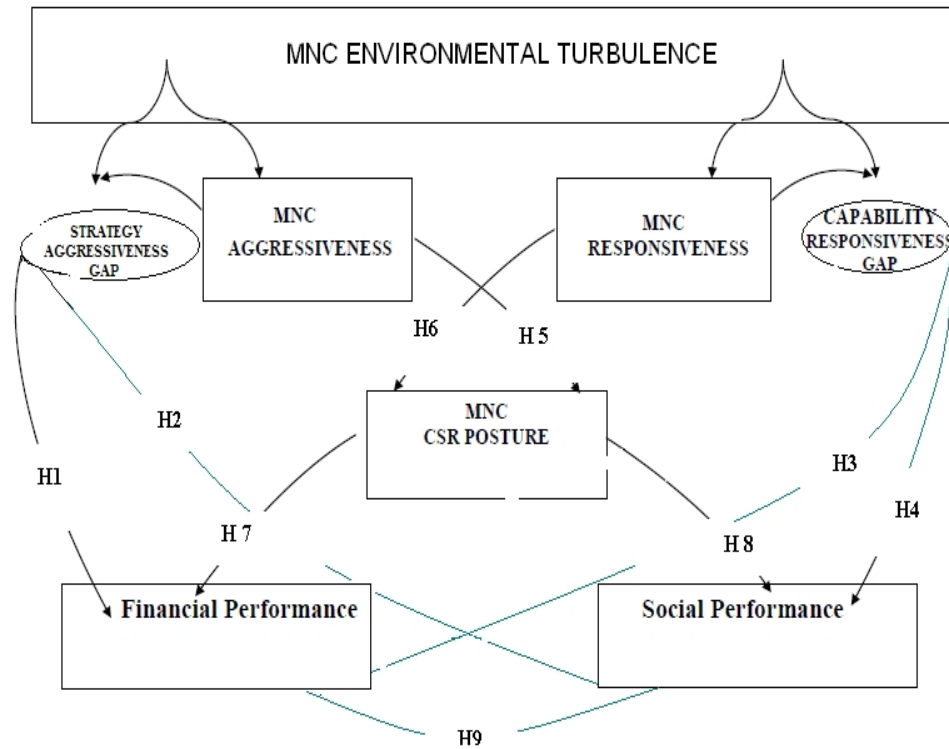


Fig. 1. The research model

Table 4 presents the research questions paired with the research hypotheses, and Table 5 presents a summary of research hypotheses statistical tests.

Table 4. Research questions and research hypotheses

Research Question	Research Hypothesis
<p>Q1.</p> <p>What is the relationship between the MNC strategy aggressiveness gap and the MNC's financial performance?</p>	<p>H1.</p> <p>There is a reliable relationship between MNC strategy aggressiveness gap and MNC financial performance.</p>
<p>Q2.</p> <p>What is the relationship between the MNC strategy aggressiveness gap and the MNC's social performance?</p>	<p>H2.</p> <p>There is a reliable relationship between MNC strategy aggressiveness gap and MNC social performance.</p>

Table 4 Continues.....

Q3.	H3.
What is the relationship between the MNC capability responsiveness gap and the MNC's financial performance?	There is a reliable relationship between MNC capability responsiveness gap and MNC financial performance.
Q4.	H4.
What is the relationship between the MNC capability responsiveness gap and the MNC's social performance?	There is a reliable relationship between MNC capability responsiveness gap and MNC social performance.
Q5.	H5.
What is the relationship between the MNC's strategy aggressiveness and the MNC's social responsibility (CSR) posture?	There is a reliable relationship between MNC's strategy aggressiveness and the MNC's social responsibility (CSR) posture.
Q6.	H6.
What is the relationship between the MNC's capability responsiveness and the MNC's social responsibility (CSR) posture?	There is a reliable relationship between MNC capability responsiveness and MNC social responsibility (CSR) posture.
Q7.	H7.
What is the relationship between the MNC's CSR posture and the MNC's financial performance?	There is a reliable relationship between MNC CSR posture and MNC financial performance.
Q8.	H8.
What is the relationship between the MNC's CSR posture and the MNC's social performance?	There is a reliable relationship between MNC CSR posture and MNC social performance.
Q9.	H9.
What is the relationship between the MNC's financial performance and the MNC's social performance?	There is a reliable relationship between MNC financial performance and MNC social performance.

Table 5. Summary of statistical tests

Research Hypothesis	Null Hypothesis	Statistical Test
H1 There is a reliable relationship between MNC strategy aggressiveness gap and MNC financial performance.	There is no relationship between MNC strategy aggressiveness gap and MNC financial performance.	Correlation (Spearman's <i>rho</i>)
H2 There is a reliable relationship between MNC strategy aggressiveness gap and MNC social performance	There is no relationship between MNC strategy aggressiveness gap and MNC social performance	Correlation (Spearman's <i>rho</i>)
H3 There is a reliable relationship between MNC capability responsiveness gap and MNC financial performance	There is no relationship between MNC capability responsiveness gap and MNC financial performance.	Correlation (Spearman's <i>rho</i>)
H4 There is a reliable relationship between MNC capability responsiveness gap and MNC social performance.	There is no relationship between MNC capability responsiveness gap and MNC social performance.	Correlation (Spearman's <i>rho</i>)
H5 There is a reliable relationship between MNC strategy aggressiveness and MNC social responsibility (CSR) posture.	There is no relationship between MNC strategy aggressiveness and MNC social responsibility (CSR) posture.	Correlation (Spearman's <i>rho</i>)
H6 There is a reliable relationship between MNC capability responsiveness and MNC social responsibility (CSR) posture.	There is no relationship between MNC capability responsiveness and MNC social responsibility (CSR) posture.	Correlation (Spearman's <i>rho</i>)
H7 There is a reliable relationship between MNC CSR posture and MNC financial performance.	There is no relationship between MNC CSR posture and MNC financial performance.	Correlation (Spearman's <i>rho</i>)
H8 There is a reliable relationship between MNC CSR posture and MNC social performance.	There is no relationship between MNC CSR posture and MNC social performance.	Correlation (Spearman's <i>rho</i>)

2.2 Data

The target population for this research included multinational corporations (MNCs) and domestic Small and Medium Enterprises (SMEs) that had operations in or were contemplating undertaking FDI investment in Palestine. The intended survey respondents must have had the knowledge and expertise regarding the political and the socioeconomic challenges in the Middle East, mainly of a conflict-prone region such as Palestine. Two multiple sets of samples were downloaded into a Microsoft Excel spreadsheet from two Web site sources: the Palestinian Trade Center (Pal Trade) and Palestine Stock Exchange (PSE), respectively [22, 23, 24]. Pal Trade is a national trade development organization that has 339 memberships for Palestinian leading businesses of various industry sectors in the West Bank and Gaza. There were 43 companies listed on the Palestine Stock Exchange in various industries, and they were actively traded on the PSE market. These companies were

mainly located in the West Bank and Gaza. Company names, contact persons, industry sectors, e-mail addresses, and telephone and fax numbers were tabulated. Companies that responded to the survey instrument were industries in the following: (a) manufacturing, (b) communication and advertising, (c) IT and networking, (d) real estate, (e) construction, (f) financial services and banking, (g) telecommunication, (h) retail, and (i) business consulting firms [23].

2.2.1 Data analysis

The survey questionnaire was sent to 316 companies that operated at the time of the survey taken in Palestine. There were 15 companies that responded to the survey. One company missed a major part of the questionnaire pertaining to financial and social performance and was removed from the sample. Another company in the technology sector was eliminated from the sample because it did not insert its financial performance. In addition, two more companies declined to participate in the survey. The research study was analyzed based on 11 returned surveys.

Reliability measurements were undertaken for the independent and dependent variables within the study using Cronbach's alpha. The reliability and descriptive statistics for these variables are presented in Table 6.

Table 6. Variable reliability and descriptive statistics

Variable	Alpha	Scale	Mean	Range	SD
MNC Environmental Turbulence	.818	1–5	3.17	2.13–4.50	.714
MNC Strategy Aggressiveness	.489	1–5	3.23	2.20–4.00	.598
MNC Capability Responsiveness	.821	1–5	3.66	2.77–4.38	.559
MNC CSR Posture	.641	1–5	3.26	2.60–4.60	.567
MNC Aggressiveness Gap	--	0–4	.55	.03–1.47	.489
MNC Responsiveness Gap	--	0–4	.61	.02–1.79	.549
Social Performance	.554	1–5	3.41	2.45–4.17	.526
Financial Performance (as ROE)	--	percent	8.12	-10–+27	12.38

Note. N = 11.

2.2.2 Research variables

This research investigated the independent, intervening, and dependent variables that comprised the data under analysis in the study. The issues under investigation were MNC issue turbulence, MNC strategy aggressiveness, MNC capability responsiveness, and MNC corporate social responsibility (CSR) posture. The survey included the intervening variables of the MNC strategy aggressiveness gap and the MNC capability responsiveness gap. The dependent variables were first, financial performance correlated with strategy aggressiveness gap, and second, social performance correlated with capability responsiveness gap.

2.2.3 Independent variables

2.2.3.1 MNC issue turbulence

Calculation: $(Q1 + Q2 + Q3 + Q4 + Q5 + Q6 + Q7 + Q8) / 8$

Questions 1 through 8 measured MNC issue turbulence in the survey. Questions 1 through 6 measured the perception of rate of change in the business environment in Palestine. Question 7 measured the predictability of change in the economic, political, and security closure policies relative to foreign direct investment activities. Question 8 measured the complexity of the host country's regulations and financial policies that affected the firm's behavior.

The MNC issue turbulence was calculated through averaging the scores on a Likert scale of 1-5 for a series of questions: where 1 means changes are rare and we don't worry about them; 2 means when changes come, we usually react easily; 3 means when changes come, we usually react in time; 4 means when changes come, we are usually trying to catch up; and 5 means changes are extremely fast and chaotic, and we struggle to keep up. Mainly, turbulence in the business environment requires new strategic responses, and management capability must be developed to assure the firm's successful operations [1].

2.2.3.2 MNC strategy aggressiveness

Calculation: $(Q9 + Q10 + Q11 + Q12 + Q13) / 5$

Questions 9 through 13 measured MNC strategy aggressiveness. Question 9 was designed to measure the company's approach to change on issues pertaining to corporate social responsibility (CSR). Question 10 was designed to measure the importance of CSR as an integral part of the firm's core business strategy. Question 11 measured the corporate social responsibility (CSR) mindset and goals of the organization. Question 12 measured the firm's receptivity to new technologies for development of high quality and safe products. Question 13 measured MNCs' approaches or their interaction with stakeholders.

Survey respondents rated each aspect of MNC strategy aggressiveness as they corresponded to five choices for each question. The scores for possible answers for each question ranged from 1 to 5. If a question was not answered, the score was based on the average of the remaining questions.

2.2.3.3 MNC capability responsiveness

Calculations: $(Q14 + Q15 + Q16 + Q17 + Q18 + Q19 + Q20 + Q21 + Q22 + Q23 + Q24 + Q25 + Q26) / 13$

Questions 14 through 26 measured MNC capability responsiveness. Question 14 measured top management's involvement in corporate social responsibility; this question was based on five choices for a respondent to answer, scored from 1 to 5. Questions 15 and 16 measured the extent to which CSR policies, standards, and programs were disseminated to stakeholders and the overall management-staff's level of knowledge of international CSR standards, guidelines, and initiatives. Questions 17 through 26 measured 10 elements of importance to the firm's decision-making regarding investment in Palestine.

The scores for possible answers for these questions ranged from 1 to 5. Unanswered questions were not included in the arithmetic mean calculation for this variable.

2.2.3.4 MNC corporate social responsibility (CSR) posture

Calculations: $(Q27 + Q28 + Q29 + Q30 + Q31 + Q32 + Q33 + Q34 + Q35 + Q36) / 10$

Questions 27 through 36 measured MNC corporate social responsibility (CSR) posture. These questions measured the company's CSR posture as follows:

1. Question 27 measured the managerial staff's CSR focus.
2. Question 28 measured appropriate investment modes of entry into Palestine.
3. Question 29 measured strategy of the firm's operations to include the whole business and its supply chain.
4. Questions 30 through 36 measured the importance of cooperation by stakeholders operating in Palestine for success in the marketplace.

Question 27, 28, and 29 were based on five choices, and the scores for possible answers for each question ranged from 1 to 5. Question 28 included a box for respondents to answer the questions with "Other," which further allowed them to briefly state other answers than those provided. Questions 30 through 36 allowed the respondent to rate the importance of stakeholder engagement. Questions 27 through 36 were calculated through averaging the possible scores for each question. The value for MNC CSR posture was calculated as follows for each respondent: $(Q27 + Q28 + \dots + Q35 + Q36) / 10$.

2.2.4 Intervening variables

2.2.4.1 MNC strategy aggressiveness gap

Calculation: $| \text{MNC issue turbulence} - \text{MNC strategy aggressiveness} |$

The MNC strategy aggressiveness gap was an intervening variable with scores ranging from 0 to 4. It measured the alignment between MNC environmental turbulence and strategy aggressiveness. The MNC strategy aggressiveness gap was calculated by taking the absolute value of the difference between MNC strategy aggressiveness and MNC issue turbulence for each respondent.

2.2.4.2 MNC capability responsiveness gap

Calculation: $| \text{MNC issue turbulence} - \text{MNC capability responsiveness} |$

The MNC capability responsiveness gap was an intervening variable with scores ranging from 0 to 4. It measured the alignment between MNC environmental turbulence and management responsiveness. The MNC capability responsiveness gap was calculated by taking the absolute value of the difference between MNC capability responsiveness and MNC issue turbulence for each respondent.

2.2.5 Dependent variables

2.2.5.1 MNC financial performance

Calculation: (Q37)

Question 37 measured the MNC's financial performance and the average firm's return on equity (ROE) over the last 3 years' percentage of MNC operations (ratio of income to shareholder's equity). The respondents filled out the ROE percentage in the box to input whether it was positive or negative ROE.

2.2.5.2 MNC social performance

Calculations: $(Q38 + Q39 + Q40 + Q41 + Q42 + Q43 + Q44 + Q45 + Q46 + Q47 + Q48 + Q49 + Q50 + Q51 + Q52 + Q53 + Q54 + Q55) / 18$

Questions 38 through 45 measured important elements of MNC social performance that contributed to the firm's stakeholders. These measured the firm's social performance, as evidenced by implementation of beneficial programs to the firm's employees. Questions 46 through 55 measured the important elements and their contributions to socioeconomic development in Palestine. Responses were based on scores ranging from 1 to 5. The value of MNC social performance was calculated by averaging these scores for each respondent. Unanswered questions and questions marked N/A were not included in the arithmetic mean calculation for this variable.

2.2.5.3 MNC overall performance

The overall performance of the MNC desired result was that society at large is lifted in a lasting and meaningful way and that the company is financially successful. The "overall performance," then, is a cycle of successful policies in which all stakeholders are invested.

3. RESULTS AND DISCUSSION

3.1 Descriptive Statistics

The study looked at integrating CSR into firms' core business as part of MNCs' strategic CSR posture to optimize the firms' financial and social profitability based on Strategic Success Paradigm (SSP) framework [2].

The reactive to proactive nature of the firm's CSR management systems strategies was evaluated through the measured variables of MNC environmental turbulence, MNC strategy aggressiveness, and MNC capability responsiveness, and MNC CSR posture, financial and social performance of companies operating or contemplating to engage in foreign direct investment (FDI) in Palestine. Two gap variables, the MNC aggressiveness gap and MNC responsiveness gap, were calculated from the data for each company. These variables represented the difference between aggressiveness or responsiveness and MNC environmental turbulence, respectively. A reactive to proactive Likert scale ranging from 1 to 5 was used to measure and evaluate all the variables in this study, excepting the two gap variables, which were calculated as an absolute value on a scale of 0 to 4. Table 7 presents the descriptive statistics of the study's research variables. The relationships among these variables were evaluated in SPSS, utilizing Spearman's rho statistical analysis to compare

the variables. Spearman's correlation is a monotonic relationship. That measures the strength of association between two ranked variables [25]. All study results were tested at a 5% significance level for a 2-tailed distribution.

3.2 Empirical Findings

The statistical analyses of the hypotheses and additional findings for this research were conducted with Spearman's *rho* (r) correlation. Spearman's *rho* (r) is a non-parametric measure of correlation. It assesses how well a monotonic function could describe the relationship between two variables, without the assumption of frequency distribution of the variables [25]. The statistical outcomes of this study are presented in Table 7.

Spearman's *rho* revealed no statistical correlation for Hypotheses 1, 2, 3, 4, and 5 for a significance level less than .05. Spearman's *rho* revealed a statistically reliable relationship for Hypotheses 6, 7, 8, and 9 and was supported at a significance level of less than 0.05.

Hypothesis 6, the relationship between MNC capability responsiveness and MNC corporate social responsibility (CSR) posture, was supported ($p < 0.033$), indicating that those firms that scored high on capability responsiveness tended to score high on CSR posture. As the firm's managerial and organizational system had the ability to respond to CSR issues in the business environment, the firm's CSR posture became proactive and had the ability to build competence and implement CSR change management. Hypotheses 7 and 8 were statistically supported, respectively ($p < .010$ and $p < 0.033$), which indicated that relationships existed between an MNC CSR posture and its financial and social performance. Firms that scored high on MNC CSR posture tended to score high and increase their financial and social profitability. As the firm's CSR posture became proactive—to build a responsible behavior, implement CSR change management, and engage with stakeholders to respond to societal needs—the firm's financial and social profitability increased.

Hypothesis 9 showed a statistically significant relationship ($p < 0.026$) between financial and social performance. Firms that proactively implemented CSR posture and engaged with pro-social activities to respond to societal needs and scored high on social performance tended to score high on financial performance. This outcome indicated that as firms implemented successful CSR policies in which all stakeholders were invested, the company would be financially successful.

Table 7. Summary of statistical results

Hypotheses	Statistical test	(rho) value	p value	Supported
H1 Relationship between MNC Strategy Aggressiveness Gap and MNC financial performance	Spearman's rho	.137	.689	Not Supported
H2 Relationship between MNC Strategy Aggressiveness Gap and MNC social performance	Spearman's rho	.191	.574	Not Supported
H3 Relationship between MNC Capability Responsiveness Gap and MNC financial performance	Spearman's rho	.534	.09	Not Supported
H4 Relationship between MNC Capability Responsiveness Gap and MNC social performance	Spearman's rho	.424	.194	Not Supported
H5 Relationship between MNC strategy aggressiveness and MNC corporate social responsibility (CSR) posture	Spearman's rho	.385	.243	Not Supported
H6 Relationship between MNC capability responsiveness and MNC corporate social responsibility (CSR) posture	Spearman's rho	.642	.033	Supported
H7 Relationship between MNC CSR posture and MNC financial performance	Spearman's rho	.735	.01	Supported
H8 Relationship between MNC CSR posture and MNC social performance	Spearman's rho	.642	.033	Supported
H9 Relationship between MNC financial performance and MNC social performance	Spearman's rho	.665	.026	Supported

Note. $N = 11$.

The research findings also in Table 8 also showed a significant relationship with development of viable national economy ($r [11] = .781, p = .005$), a significant relationship with enhancing government institutions ($r [11] = .741, p = .009$), and a significant relationship with supportive investment climate ($r [11] = .740, p = .009$). It was found that MNC strategy aggressiveness had a significant relationship with CSR core business strategy incorporation ($r [11] = .831, p = .002$), a significant positive relationship with companies' approach to

interaction with stakeholders ($r [11] = .760, p = .007$), a significant positive relationship with MNC managerial skills ($r [11] = .960, p = .00$), and a significant positive relationship with MNC leadership skills ($r [11] = .819, p = .002$). These significant relationships indicated that companies that scored high on these variables tended to score high for a supportive business environment and a proactive CSR posture for firms operating in Palestine. For instance, there would be the need for a proactive posture to integrate strategic CSR in a firm's core business strategy, the need for interaction with stakeholders to define societal needs, and the need for managerial and leadership skills to implement a new change management and institutionalize CSR embedment in the firm's business operations for optimal financial and social performance.

Table 8. Additional hypotheses relative questionnaire for socioeconomic in Palestine

Additional Hypotheses Relative Questionnaire for Socioeconomic in Palestine	Statistical Test	(rho) Value	p Value	Supported
Relationship between MNC Environmental Turbulence and Viable National Economy	Spearman's rho	.781	.005	Supported
Relationship between MNC Environmental Turbulence and Enhancing Government Institutions	Spearman's rho	.741	.009	Supported
Relationship between MNC Environmental Turbulence and Supportive Investment Climate	Spearman's rho	.740	.009	Supported
Relationship between MNC Environmental Turbulence and Political Stability	Spearman's rho	.937	.000	Supported
Relationship between MNC strategy aggressiveness and CSR Core Business Strategy and incorporation	Spearman's rho	.831	.002	Supported
Relationship between MNC Environmental Turbulence and MNC Leadership Skills	Spearman's rho	.819	.002	Supported
Relationship between MNC Environmental Turbulence and MNC Managerial Skills	Spearman's rho	.960	.000	Supported
Relationship between MNC Capability Responsiveness and Sustainable Job Creation	Spearman's rho	.742	.012	Supported
Relationship between Supporting Peace Building and Cheap Labor	Spearman's rho	-.824	0.02	Supported

Palestine is characterized by, and encumbered by, a small market and an uncertain political and business environment, which created multifaceted threats, surprising trends, and bountiful opportunities. The level of environmental turbulence in the West Bank/Gaza region was reflected in the complexity of its business environment. The political and the socioeconomic environments in Palestine had seen frequent, unpredictable, and surprising upheavals [24]. Firms operating in Palestine should develop and install an environmental surveillance and capability analysis management system to detect discontinuities in the market place and proactively respond to societal challenges. The drivers for CSR pertaining to socioeconomic priorities and political stability ought to be implemented to achieve sustainable development in Palestine. MNC engagement with stakeholders could take the leadership in defining the societal needs pertinent to the location in Palestine through a social agenda as part of the core business strategy.

The strategic and systematic integration of CSR into the company's strategy would allow companies in Palestine to respond to societal needs while satisfying company and stakeholder financial and societal goals. The optimal performance of an organization would require MNC strategy aggressiveness and organizational capability responsiveness to match the level of environmental turbulence in which the firm operated [26]. Realizing that there were different types of environments, different strategy-capability couplings were required for successful operation in Palestine.

The additional findings of this study examined the relationships between MNC environmental turbulence and various factors that affect the business environment in Palestine for successful operations. The external political, socioeconomic, and legal environment was extensively researched and concluded that a supportive investment environment for companies seeking foreign direct investment (FDI) in Palestine needed a transparent, stable, and predictable investment climate for successful operations.

4. CONCLUSION

The study examined the relationships among MNCs' environmental turbulence, MNC strategy aggressiveness, MNC capability responsiveness, MNC corporate social responsibility (CSR) posture, and the financial and social performance of MNCs operating in Palestine. This study hypothesized that organizational performance was improved when MNC strategy aggressiveness and MNC capability responsiveness were aligned with MNC issue turbulence level. The sample sizes, means, standard deviations, and reliability outcome pertaining to the variables were presented in Table 6. Spearman's *rho* revealed no statistical correlation for Hypotheses 1, 2, 3, 4, and 5 for a significance level less than .05. Spearman's *rho* revealed a statistically reliable relationship for Hypotheses 6, 7, 8, and 9 and was supported at a significance level of less than 0.05.

The levels of strategic aggressiveness and capability responsiveness appropriate to the level of environmental turbulence were required for business success [2]. Basically, embedment of CSR management system in the companies' operations would require the capabilities of firms' top management to craft CSR initiatives and respond to socioeconomic challenges facing Palestine. This would (a) generate employment to alleviate poverty, (b) support capacity building, (c) support health-care provisions, (d) promote infrastructure development, (e) help peace-building, (f) help to rebuild weak government institutions, (g) institutionalize political reforms, and (h) preserve human rights, as well as (i) challenge governance gaps regarding social services and anti-corruption issues. The strategic posture of the firm was derived through diagnosing the future levels of environmental turbulence and the desired

strategic aggressiveness and capability responsiveness of the firm based on the gap analysis approach [2]. The closure of these gaps was the basis for implementing change management and further establishing the strategic aggressiveness and general management responsiveness required for optimum financial and social performance. The MNC CSR posture showed significant relationships with NGOs, civic and local government, and company interaction with stakeholders and NFP organizations. Mainly, MNC CSR posture showed a positive relationship with sustainable job creation for firms operating in Palestine.

The most important thing a corporation could do was to contribute to a prosperous economy because with that contribution, the corporation could change the state of affairs with regard to social welfare [16]. Based on the findings of this research study, incorporating strategic CSR into a firm's core business would improve the organization's financial and social performance.

In addition to these findings, multinational companies' engagement and collaboration with stakeholders, government, civic agencies, NGOs, and NFP organizations showed positive and significant relationships with MNC CSR posture that could lead to sustainable development. A carefully crafted coalition of international businesses, NGOs, and prominent businesses could be organized to improve economic conditions in Palestine [27].

This study contributes to the field of strategic management by empirically testing and validating hypotheses regarding the relationships between environmental turbulence, MNC strategy aggressiveness, and MNC capability responsiveness for MNCs operating in a conflict-prone zone such as Palestine. The study provides researchers and professionals with tools for aligning the business environment with the political environment and for maximizing stakeholder legitimacy strategy and CSR for optimal financial and social performance.

One of the limitations of this research study was that a limited number of multinational companies operated in the West Bank and Gaza territory. The private sector establishments constituted 90.7% of total businesses. These were largely family-based, small-sized, and low-capacity businesses. Consequently, CSR was new to Palestine, but MNCs doing business there were importing CSR policies that were well-established in developed countries. Domestic local companies and MNCs operating in Palestine were sought for this research study. Therefore, the number of companies that responded was limited, and a small sample of 11 companies was used to analyze and test the hypotheses in the research study.

Another limitation for this research study was the possibility of the population being conditioned to a high level of turbulence that might have produced bias from the respondents. The environment in Palestine has been shaped by conflict, violence, and continued unrest for many decades. The long-term social and cultural norms of acceptance of a high turbulence level might have shifted the business environment to acceptance of a moderate high turbulence level.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

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