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# Collaborating to achieve higher societal and environmental value creation: The case of Albani

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# ABSTRACT

Title: Collaborating to achieve higher societal and environmental value creation: The case of Albani

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This thesis deals with the complexities faced by the construction company Albani (Lebanon), in its effort to have a positive environmental impact benefiting society as a whole, alongside its normal entrepreneurial activities. This company aims at offering reasonably priced houses to the population of Lebanon, but in order to do so needs to find a good collaborator to begin improving its environmental impact.

My first question in the teaching case study focuses on ways to create social value from within the company's products, processes and activities, noting that good environmental impact alongside good social impact is the end goal of our solution because degradation of the environment is negatively impacting the society's well-being. Our second question then focuses on ways to engage with the environment to keep social value an ongoing process, and finally, our last question goes through the available managerial tools that the organization can implement to create a collective impact.

With my analysis I propose different key tools that construction companies can apply depending on their characteristics. This study can function as a guideline to construction companies by offering them simple practices to overcome common social issues that might be impacting their economic growth and the community's social growth. They can find advice to spot important social issues, shape their potential collaboration and implement substantial social value creation activities through collective impact.

Esta tese foca-se nas complexidades enfrentadas pela empresa de construção Albani (Líbano) no seus esforços para assegurar um impacto ambiental positivo, juntamente com as suas atividades empreendedoras habituais. A companhia tenta oferecer casas a preços razoáveis para a população Libanesa mas, para tal, necessita de um parceiro qualificado para melhorar o seu impacto social.

A primeira questão apresentada no CASO DE ESTUDO foca-se nas várias possibilidades para a criação de valor social, partindo dos produtos, processos e atividades da empresa. Simultaneamente, denota-se que impacto ambiental positivo, aliado a um impacto social benéfico é o objetivo final da solução apresentada, uma vez que a degradação ambiental tem um impacto notoriamente negativo no bem-estar da sociedade. A segunda questão concentra-se em determinar abordagens a nível ambiental que permitam assegurar a durabilidade do processo de criação de valor social, enquanto que a terceira e última questão se centra na análise de ferramentas de gestão ao dispor da companhia para criar um impacto coletivo.

Através da minha análise, proponho várias ferramentas chave que podem ser aplicadas por outras empresas do setor de construção, dependendo das suas características. Este estudo poderá funcionar como um conjunto de linhas condutoras para essas empresas, oferecendo-lhes abordagens simples para ultrapassar questões sociais comuns, que possam impactar o seu crescimento económico e o progresso social como um todo. Poderão ainda encontrar sugestões para mais facilmente identificar impactos sociais comuns, estruturar a sua potencial parceria e implementar atividades que assegurem o desenvolvimento substancial de valor social através do seu impacto coletivo.

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# 1 INTRODUCTION

In this dissertation I present the case of Albani, a construction company– in order to investigate how companies in developing countries can be financially sustainable while achieving a socially and environmentally oriented mission.

During the past 10 years, shared value and collective impact studies have gained more and more attention among researchers trying to develop a deeper understanding of the correlation between social value creation and economic growth. This dissertation draws from this literature, in order to understand what sources and tools of social value creation a private company can implement.

Albani, despite being a private company has set its social mission very high: it wanted to position its residential projects below the prices of the market to offer rational prices to the people that could not afford buying a house in Lebanon. In fact, there was a mismatch between valuation of the real estate sector and purchasing power. In order to answer to Albani’s problems and drawbacks, I set to myself one overarching research question: **What are the main tools and practices that a private company could implement in order to create long and lasting social value?** To begin my research, I interviewed several times Ali Mcheik, the owner and general manager of the company, to understand well his project and his knowledge regarding social issues in Lebanon. After my interviews with Mr. Mcheik, the importance for Albani to create a collaboration in order to answer to the complex social issues became clear. This is why in my dissertation we will be answering to the managerial problem that follows: **How can a collaboration between Albani and another Lebanese construction company first create long and lasting social value, and sequentially increase its financial or economic value?** After gathering information from Ali Mcheik, I had to study the real estate sector and the issue of environmental degradation in Lebanon. Finally, I had to collect data on other impactful projects by interviewing other companies working in Lebanon with a similar mission of social value creation as the one of Albani.

Data Collected	
<b>Interviews with Albani</b>	4
<b>Lebanon official reports and studies analysed</b>	3
<b>Other companies studied</b>	2
<b>Total number of interviews</b>	7

**Table 1 - Primary and secondary data collected**

This thesis is structured as follows:

First, the case study presents Albani with its activities and drawbacks, to then introduce the problems of: 1) high valuation in the real estate sector, and 2) environmental degradation in Lebanon. And finally, comparison between some of Albani's activities and other companies' activities concluded the case study.

In the literature review I first set a definition for shared value creation and collective impact to then find related studies that develop social value creation. Finally, my research was focused on the exploration of managerial instruments that companies can apply to create a collaboration.

The teaching note is designed for a class discussion where students are invited to analyse the research question and match the theories with the data they have to reach a conclusion where the best collaboration is identified.

Finally, in the conclusion I summed up everything to recap the key issue that we have observed throughout the case study and solutions available for Albani to create substantial social and environmental value. Moreover, I suggest what further could be done by the organization to achieve its mission.



## 2 CASE STUDY

Albani, a privately owned construction company that was founded in 1994 by Mr. Ali Mcheik, stands within the top 10 construction companies in Lebanon. This company proved its value for money and quality in its most recent project called Greenhills, a residential project with more than 25 buildings.

The main social issues related to construction is that people in Lebanon cannot afford to buy a shelter for their families anymore. That is due to the very high inflation rates in the real estate sector that created a mismatch between real estate valuation and purchasing power. Furthermore, Lebanon is facing environmental issues, ranging from air, water, and soil pollution, to deforestation, and destruction of fauna and flora. The number one treat to the Lebanese environment comes from the unsustainable work of construction companies that disregard and neglect their impacts on the environment.

Albany is very aware of the problem of overpricing in the real estate sector and is currently working on Sama Residence, a project located in the outskirts of Beirut; the capital of Lebanon, and offering prices much cheaper than the prices available in the capital city and in the areas around. Both projects, Sama Residence and Greenhills are conceived to offer extra services for residents such as 24hours security guards, surveillance cameras, a supermarket, a fresh butcher shop, and a tennis and football field.

Noting that sustainable construction is getting more popular and private companies are the only ones creating projects considered as green and social, we are first, going to study the good impacts of Albani in Lebanon, to then take a look at its activities and notice what are its drawbacks as well as the ways in which they can be improved. Our study in this case will help us answer to this specific problem; How can a collaboration between Albani and another Lebanese construction company first create long and lasting social value, and sequentially increase its financial or economic value?

### **2.1.General facts about Lebanon and main problems that affect construction**

Lebanon suffered a civil war that started in April 1975 and ended in 1990. The war lasted for 15 years. This war had many impacts on the Lebanese territory as a whole and its negative impacts keep on showing until now. It did not only damage the country's infrastructure but as

well, it destroyed its economy, exhausted its natural resources and tremendously polluted its environment.

Lebanon has been going through a reconstruction and rehabilitation phase since the war has ended and the Lebanese economy is still not able to get past through all the physical damages caused by the war. Unfortunately, In June 2006, Lebanon suffered another devastating war against Israel. This war was very severe and destroyed many more of its infrastructure; buildings bridges, tunnels, main roads, electricity and all sorts of energy companies. Nowadays, the economy is Severely affected by all the debts it had to take in order to fix the main post-war issues, and the Lebanese government failed to support activities to fully rebuild and fix Lebanon's infrastructure in a sustainable way.

**Figure 1 - The past wars left scars - Beirut's bullet-riddled Holiday Inn**

<https://www.theguardian.com/>



In addition to all that, Lebanon has been suffering from power and water shortages for the past twenty years due to the lack of sustainable infrastructures set to supply them. Now, putting the past aside and focusing on the present, the only noticeable actors to fix Lebanon's infrastructure and build in a sustainable way are local private construction companies taking loans from banks to secure the required financial resources and undertaking their own private projects.

## **2.2.Focus Organization: Albani**

Albani is a construction Company based in Beirut, Lebanon which was founded in 1994 by Mr.

Ali Mcheik, who now is the only owner and General Manager of the company. Albany only operates in three cities in Lebanon; Aley, Baabda and Beirut, and is focused on residential and commercial construction.

Their financials have been continuously increasing, after 2006, and they stand within the top 10 construction companies in Lebanon. In the last 3 years, they have completed 5 projects which are considered medium to large scale projects. Their two biggest projects which also happens to be their most recent ones are Green Hills and Sama Residence.

Green Hills, is a big compound comprising 28 buildings, with an average of 12 floors each, and with every floor divided into two apartments; one on the right side and another on the left side. The apartments vary in sizes between 170 square meters, 200 square meters and 220 square meters, and they all have 3 bedrooms, and either 3 or 4 toilets. Green Hill's full area consists of only 22% of buildings, 35% of green spaces, and 43% of parking lots and roads. Green Hills offers good quality of living, and extra services for people living in the compound like, 24hours security guards, surveillance cameras, a supermarket, a fresh butcher shop, and a tennis and football field for a well-studied low price.

Sama Residence, an even bigger project than Green Hills, is currently being constructed. With 32 buildings overall, and apartments varying between 131 square meters and 180 square meters, Albani will be offering a variety of cheap prices depending on the apartments sizes. This project offers the same services for people living in the compound as Green Hills, with some extras such as a Private Gym, and an indoor swimming pool. Both projects try to meet the demand of people who seek good quality apartments for a rational price, but as Mr. Mcheik states in the interview, Sama Residence's focus will be more on the environment.

### **2.2.1. The socialization process at Albani**

Albani recruits bright young people, that have just graduate from universities, as well as skilled professionals that are evaluated based on their skills and knowledge. Open interviews are conducted with all the potential recruits, and then, the ones that passed the initial interview stage are in a trial for 3 months.

Employee's socialization happens overtime, with the use of training sessions, reward systems, and weekly meetings between new employees and their respective coordinator. Employees that show good productivity and inspirational work-related practices and behaviours, are given discounts on apartments if they were financing one of the company's apartments.

### 2.2.2. Social issue that Albani identifies: Mismatch between real estate valuation and purchasing power in Lebanon

People in Lebanon cannot afford to buy a shelter for their families anymore due to very high inflation rates in the real estate sector. In order to exemplify how high real estate prices are in Lebanon compared to other countries in the world, I am going to compare prices between Beirut and Lisbon.

Nowadays, in Lebanon, real estate valuation does not correspond at all to the purchasing power of locals that would constitute the real demand. People who depend on current income in Lebanon are by far priced out of the market. The price levels have reached levels so high that are totally unjustified and out of reach for the vast majority of the people who would normally constitute the real demand.

Now, if we compare the ratio of real estate prices per SQM over GDP per Capita in Beirut, we get a ratio of 24.6% which is much higher than the ratio we get for Lisbon (9.29%). Furthermore, if real estate prices in Beirut are to be the same as in Lisbon (relative to purchasing power parity), the price/sqm in Beirut should be of \$1,356 while in reality it is of \$3,591; meaning that the current prices are 165% higher compared to what they would have been if we use Lisbon standards!

Country	City	GDP/Capita (USD)	Average Real Estate Price Per SQM	Ratio (%)
Lebanon	Beirut	14,600	3,591	24.60
UAE	Dubai	42,384	4,010	9.46
Austria	Vienna	43,324	6,166	14.23
Turkey	Istanbul	18,348	3,922	21.38
Argentina	Buenos Aires	12,034	2,804	23.30
Uruguay	Montevideo	16,037	2,589	16.14
Portugal	Lisbon	25,305	2,351	9.29
Jordan	Amman	6,148	1,326	21.57

**Figure 2 Average real estate price and GDP/Capita- Lebanon and other countries**

<http://www.arabbusinessreview.com>

### **2.2.3. How does Albani respond to the overpricing in the real estate sector?**

Albani sets its prices in Sama Residence at 1,300\$/sqm, which is much lower than the prices in Beirut, that are around 3,591\$/sqm. We do not have access to any source of reliable information showing the average prices/sqm in the area surrounding Dawhet Al Hoss but we do know that apartments situated outside the centre have an average price/sqm of 1,908.1\$ and usually vary between 1,500\$ and 2,500\$.

Sama Residence is located in the outskirts of Beirut, neighbouring Dawhet Al Hoss. Let us assume the lowest possible prices from the data mentioned above; Dawhet Al Hoss's real estate price/sqm would then be 1500\$/sqm. As we can see, Sama Residence will be offering prices lower by at least 200\$/sqm for apartments that have more quality and services than other ones in the area in the area.

It is clear now that Albani sets its prices lower than the current available prices in the market while offering more quality and services. Therefore, Albani's social mission is in positioning itself in a market where a lot of demand is present, but none or few companies are trying to meet this demand as they are all profiting from the high prices and making more profits.

As the General Manager of Albani clearly states in the interview: "Our focus is to create social impact by offering affordable prices to our customers". They meet the need of cheap apartments because people cannot afford the prices of the market in Lebanon anymore.

The company is clearly meeting the societal need of people that want to have affordable prices to buy a shelter for their families. They are doing so by designing well their apartments in a way that offers all the necessary quality standards while still being much cheaper than the current market price.

### **2.2.4. Albani's activities and drawbacks.**

One of Albani's unique missions, is to deliver good quality apartments but for a lower price, and one that is affordable, because of the overpriced market. In fact, the company uses cost reduction techniques without hindering the overall quality of the products offered in its projects.

Of course, there are always compromises when a company is trying to cut costs and for Albani, the compromises are visible in its non-eco-friendly activities and environmental practices. However, the lower price they offer does not imply that Albani's projects are not good or, not as good as its competitors. Albani covers all the important aspects for it to deliver good quality for a lower cost than its competitors. but at the expense of the environment.

Albani cuts costs in many ways, and their decision regarding construction material is making the biggest level of difference. Construction material cost consists of material cost, shipping charges and taxes if any apply, and Albani eliminates shipping charges and extra taxes and uses the best local material that is cheaper than the sum of imported material, shipping prices, and taxes. Taxes that apply here are under the form of the value added tax that represents 10% of the value of any imported goods.

As we said earlier, the company offers a lower price at the expense of the environment, and that is noticeable by looking at its partners, suppliers and regulatory requirements. Albani does not hold any green certificates, and does not seek partners or suppliers that have. They also tend to neglect natural regulatory requirements that are present, but not fully implemented by the weakened government. And all those important practices are neglected in order to cut costs. This trade-off between environmental value and social value is clearly present at Albani, and the lack of environmental friendly activities is a major drawback for the firm, relatively to others.

If we compare Albani's eco-friendly activities to other companies we notice that other companies in the industry are doing good in terms of their environmental practices, following natural regulatory requirements, holding a Bream certification and only working with partners or suppliers that have the same level of certification.

Matta Et Associates is a big Lebanese contracting company that established itself long ago and is executing projects that have impressive structures, including some of Lebanon's better known landmarks and only operating under the regulations of Breeam certification.

Highland, a construction company that not only holds Breeam certification, but also implemented solar power, organic recycling and composting machines, stands at the top when it comes to environmental practices.

#### **2.2.5. Sama Residence:**

Sama Residence is still under construction and is located 10 kilometers away from the centre of Beirut, neighbouring Dawhet Al Hoss. The way to Sama Residence, coming from Beirut is to take the Khaldeh Highway, and from there, the exit that leads to La Cite school. Sama is about 1km away from La Cite school, on a straight line that leads up the hills. The project, is located on the hills of Dawhet Al Hoss, an area with low density population.

There are a couple of buildings next to it, a school, a mosque, and another project, the Doha Hills. They are all far away from the populated area of Dawhet Al Hoss. When spotting the lacks and weaknesses in the area, we can start by saying that the transport infrastructure is weak. Roads to this part of the area are small, with almost no lightning at all, hindering the nocturne visibility of drivers coming in and out of the residences.



**Figure 3 - Sama Residence, under construction**

#### **Albani's Booklet**

We can further say that an efficient transport infrastructure would provide economic and social benefits to both projects in the area by improving market accessibility, promoting labour mobility and connecting communities. Furthermore, by making it safer and better for drivers and families living in the area, Albani would attract more people to buy its apartments. As Albani is a construction company, engineering and creating roads with good lightings is one of its expertise.

#### **2.3.Highland and its green project:**

HighLand is a construction company in Lebanon, that only worked on BeitMisk, a very big

project based in between Aatchaneh, and Saquyat Al- Misk; two villages in the mountains area in Lebanon. Before going into the details of BeitMisk, we will talk a little bit more about its founders and the company.

HighLand was founded in 2008, and is a Joint Venture between GZA Group and Emaar. Emaar is the company that built the Dubai Tower, and the GZA Group is the main group that incorporates all of George Zard Abou Jaoude's activities, investments, expansion plans, and especially his real estate developments.

George Zard Abou Jaoude is a successful businessman and entrepreneur with high financials. He is very reputable in real estate. Over the years, he partnered with many Lebanese investors and entrepreneurs and therefore, created a flow of job opportunities for Lebanese living locally and abroad. Aside from BeitMisk, co-developed with EMAAR and totalling over 650,000 sqm, Abou Jaoude is currently involved in over 30 cutting-edge residential, commercial and mixed-use developments and resorts.

BeitMisk is the only project that HighLand worked on, and it is one of the biggest projects ever developed in Lebanon. In fact, it totals an amount of 2000 housings, and has three types of different accommodations; apartments, townhouses and villas.

First, we notice five different neighborhoods that are designed for apartments. Patio, Keena, Acacia, and Miska neighborhoods all have modern apartments, but Amber neighborhood has traditional apartments.

Second, there are three neighborhoods with modern town houses; Reyhan, Rawand, and Ward neighborhoods. Then, we can spot four neighborhoods with villas; Rawassi, Yasmeen, Lailac, and Meysan.

The last neighborhood is MiskTown. It is a unique neighborhood with very short buildings that have stone-paved piazza, and lots of green areas to procure a village like-atmosphere. Even though Misktown is a neighborhood with apartments, it is a very unique one and stands out higher; living in an "old village-like" neighborhood with traditional architecture.

### **2.3.1. The socialization of Employees at Highland**

Highland recruits bright young people coming straight out of top local universities in order to socialize them with a set of required value. They offer better salaries than other companies, as they are positioned in the premium sector of construction, and generously offer half to full scholarship for employees that seek certifications, masters or MBA degrees that fit their positions. When hiring professionals is required, the Hr team, searches amongst its applications



to choose the top in terms of education, skills, experience and other activities that meet the companies mind sets and qualifications.

When employees are accepted, the socialization process happens during the first two weeks and they get to meet all relevant co-workers and supervisors. When being selected, applicants go through Interviews, case studies, and a problem-solving exercise. Highland cares about its employee's productivity and uses training sessions, and reward systems to increase employees' good productivity.

They reward employees who exemplify corporate values in their work behaviour with salary bonuses, and discount vouchers and treat them very well. For example, if employees at Beitmisk are having non-job related problems that are affecting their focus and concentration at work, the company tends to give them short breaks from work which are generally of 1 working week (Monday to Saturday), and in which employees do not work but still get payed for them.

### **2.3.2. Issue that Highland identifies; Environmental degradation**

Lebanon is facing environmental issues, ranging from air, water, and soil pollution, to deforestation, and destruction of fauna and flora. Many species are nowadays endangered and on the way of extinction. Examples are wolf, squirrel, river fish, eagle, and many types of birds. The main factor of the endangerment of species is rapid urbanization, with new neighbourhoods, towns, cities, roads and construction works, taking the place of forests and animal habitats.

Nowadays, Forest degradation in Lebanon has reached an alarming stage with the fear of trees like the Cedar becoming extinct, and with desertification affecting Lebanon's green areas. Highland believes that the number one treat to the Lebanese environment is due to all the local projects and construction works that disregard and neglect their impacts on the environment.



**Figure 4 - Buildings covering mountains in Lebanon**

<https://www.flickr.com>

First of all, pollution is high due to elevated CO<sub>2</sub> emissions and toxic wastes coming from the poor planning and unsustainable practices of construction companies. Examples are private power generators, toxic water and sewage thrown into the beach and rivers, poor recycling, non-sustainable waste practices, throwing waste in open areas where they are later on burnt.

Secondly, resources are excessively abused, examples are drilling and destroying mountains to extract rocks and stones, extracting sand from natural sand beaches, deforesting on very high levels to extract wood materials and finally unsustainable use of water; water wells are implemented under every building to extract natural water from the ground and therefore exhausting underground natural water supplies that then leads to a certain level of desertification.

As we said in the introduction, the only noticeable actors to fix Lebanon's infrastructure and build in a sustainable way are local private construction companies. Furthermore, building in a sustainable way and creating societal value requires eco-friendly activities to restore the nature previously destroyed and take care of our environment. The main activities that we are going to take into consideration in this part of our case study, are the environmentally focused activities of Highland.

### **2.3.3. How does Highland respond to the environmental degradation in Lebanon?**

Highland is currently working on a very big project in the mountain area in Lebanon called BeitMisk. It is a green and sustainable project that consists of a big compound with buildings, houses and villas. The company completed 20% of the project so far and is planning to accommodate 2,000 families at the end of the project. Beitmisk stands at the top in Lebanon when it comes to environmental harmony and eco-friendly activities.

In fact, Beitmisk is one of the few companies in Lebanon that holds a Breeam certificate, which implies that their project must sustain a certain level of environmental, social and economic sustainability. Furthermore, it should only procure goods from suppliers or partner with other entities that hold the same level of Breeam certification. Their first concern at Beitmisk was planning accordingly in order to minimize energy use while working in the project. They also have a partnership with the American University of Beirut.

What Beitmisk did differently from other companies in Lebanon, is integrating innovative approaches to minimize the impact on the environment. They are the only ones that

implemented technological innovations such as; solar power for water heaters as a preheater system to lower energy use, power plants for water recycling to clean rain and sewage water before releasing to nature and minimizing pollution, photovoltaic (PV) system to reduce energy use and carbon impact, lighting simulations and models for buildings and houses to minimize the amount of lighting used, and finally an effective gas network for boilers, kitchen and heaters to lower CO<sub>2</sub> emission. Other eco-friendly activities are set in place and functioning, such as, paper and plastic recycling, organic recycling and composting machines. They replanted all the trees that they had to remove to make room for construction and repositioned natural rocks that were also removed all around the project.

The company also chooses higher priced material and equipment that are better for the environment over others that are cheaper and less good for the environment. Examples are but not limited to LED lights, clean transportation, Thermal comfort as in double walls and proper insulation that minimizes energy use, native flora to stimulate and improve the local microenvironment such as flowers, trees, orchids, jasmine, oaks, and finally, cleaner construction trucks and equipment that emits less CO<sub>2</sub> emissions.

Regardless of all the eco-friendly activities and practices that Highland implements, they still believe that they are not doing good enough due to the critical level of resources in Lebanon. They believe that they can still improve in areas such as energy use by implementing solar systems that fully heat water vs preheaters, and fully recycle water in order to reuse it.



**Figure 5 - Landscape of Beitmisk**

<http://beitmisk.com>

#### **2.3.4. Highland's activities and drawbacks:**

It is true that construction companies could implement the same material, equipment, and activities of Highland to minimize the effects on the environment and improve the environment

around them. However, due to all those green practices, prices at Beitmisk do not come cheap, and vary from 2,200\$/sqm to 3,000\$/sqm.

Earlier in this case study, we saw how high the prices of apartments are compared to the purchasing power of people that work in Lebanon and we saw how other companies like Albani are responding to this problem by cutting costs in their projects and selling apartments for 1,300\$/sqm.

Nowadays, construction companies that want to create social value in Lebanon have to position themselves lower than the market price in order to offer a reasonable price for average locals. Unfortunately, companies like Highland depend on people that are coming from high social classes and buy out of wealth.

### **2.3.5. Beitmisk:**

The company has based its project between two villages in the mountains where they are isolated from any town. One should take the Matn express highway from Beirut to get to Beitmisk or drive 20minutes down the highway from Bromana. The closest town from Beitmisk is Bromana which is another 20minutes drive up the highway. The highway is big, well lightened and safe.

However, there is almost no petrol stations, shops and minimarkets on the highway and this is the main issue that drivers face when driving in the area because they feel alone and unsecured. When the weather conditions get bad in winter, the roads are very slippery and in case of emergency situations or car crashes, help is very hard to find as the highway is deserted. Beitmisk is currently trying to sponsor petrol stations to open on the highway and encourage locals to open small shops, drive-through restaurants and minimarkets.

### **2.4.Matta Et Associes:**

Matta Et Associes is a big Lebanese contracting company that established itself long ago and is executing projects that have impressive structures, including some of Lebanon's better known landmarks. In 1966, the engineer Jacques Matta joined the company founded in 1944 by his uncle Alfred Matta, becoming his business partner a few years later in the contracting company "Alfred Matta Et Jacques Matta ". Since 2006, Jacques Matta is leading on his own the company which became the Contracting Company "Matta Et Associes Sal".

The company has executed some of Lebanon's biggest and strongest projects including and not limited only to the AUB-Medical Centre, Waterfront City Marina Dbayeh, Grand Lycee Franco-Libanais, Faculty of Sciences and dorms- USEK, Residence Des Pins- French Ambassador Residence.

They work with both, the private and Public sector and the sectors they cover are universities & schools, hospitals, hotels, commercial and residential areas, leisure complexes, public works, and official residences. The company is well of in terms of sustainable practices. As a business they are accountable to their clients, as well as the community at large. Throughout all their operations, they implement practices that ensure quality and safeguard the impact on the environment. they place the safety of their employees as a priority, enforcing clearly-communicated procedures on-site and in the workplace.

The company has over 100 engineers, 200 employees and 2000 labourers. Between 2014 and 2015, the company enjoyed an annual turnover of approximately USD 80 million. The company's firm financial foundations have enabled it to enjoy access to major banking facilities and permanent relations with leading Lebanese banks.

#### **2.4.1. Waterfront City, Marina Dbayeh:**

Waterfront City is Matta's big commercial and residential project located in the city of Dbayeh and, planning to have apartments and offices with a variety of cafés, restaurants, shops and convenience stores at their doorstep. The project claims to be one of the greenest projects in Lebanon and also holds a big dock for private boats which allows residents owning boats to rent or buy docking spaces and people coming by the sea to dock in. Around the marina, a health club, a spa and a swimming pool will be present, providing members with a complete leisure and fitness experience.

The company started to build the project in 2013, and the project is very big and still not completed. The project is sustainable and environmental friendly, with green areas and recycling practices.



**Figure 6 - Master plan of Waterfront City Dbayeh**

<http://waterfrontcity.com>

#### **2.4.2. How does Matta Et Associes respond to the environmental problem identified earlier:**

Matta Et Associes started by seeking a Breeam certification for Waterfront City and acquired it. This first step shows their incentives to work with environmental friendly suppliers and partners. Having a Breeam certification also implies that the project must sustain a certain level of environmental, social and economic sustainability.

The project surely has a big level of social sustainability, especially coming from the big areas and amenities that create interaction, security, comfort, benefits, opportunities, and pleasures. In this project, the company worked hard to create a harmonic environment of work, relaxation, and fun, where offices and apartments have a wide range of cafés, restaurants, shops, convenience stores, a marina, a health club, a spa and a swimming pool at their doorstep. Waterfront city stands well in its procurement from suppliers that have sustainable practices and therefore environmental focused practices.

It implements energy saving activities in the construction and implementation of the project by remodelling and carefully planning its project to reach a certain level of sustainable energy usage. It also uses sustainable practices such as lighting simulations and models for

buildings and houses to minimize the amount of lighting used, as well as an effective gas network for boilers, kitchen and heaters to lower CO2 emission and pollution creation. They do not have water recycling but have plastic and paper recycling.

As opposed to Beitmisk when they started with the project, the land was not fertile, with very little green trees and plants or flowers. But with the project growing and progressing, Waterfront City has been planting a lot of trees, and plants to attain a certain level of greenery. Other than the practices mentioned above, Waterfront City does nothing more for the environment, and its green and eco-friendly activities are very limited compared to the ones of Highland. In fact, highland went deeper into the integration of innovative approaches to minimize the impact on the environment, and chose higher priced material and equipment that are better for the environment over others that are cheaper and less good for the environment. The use of native flora (flowers, trees, orchids, jasmine and oaks), is a very good example of that.

#### **2.4.3. How does Matta Et Associes respond to the social problem identified earlier:**

We earlier saw that Lebanon's real estate sector valuation is by itself a very critical social problem. The increase in prices of apartments over the past few years has reached levels so high that are totally unjustified and out of reach for the vast majority of people who would normally constitute the real demand.

Construction companies that nowadays want to make an impact for the society should focus on delivering apartments with prices considered as rational for locals who depend on local salaries. We saw how Albani was able to fulfil this social mission and deliver apartments at a cost of 1,300\$/sqm. Of course Albani does not offer all the amenities that Waterfront City offers and Albani does not deliver apartments with quality as high as the quality in Waterfront City. Therefore, a direct price to price comparison between Albani's products and Waterfront City's products is not possible.

However, we know that Waterfront City offers a price of 3,000\$/sqm and more for its apartments which is very close to the unreasonable prices available in the city centre of Beirut, the capital of Lebanon.

It is clear that Waterfront City is going to target a clientele from high social classes buying offices for their businesses and buying apartments for their children and families, or from the very low percentage of people that earn extremely high salaries for Lebanese standards and can depend on their salaries to buy those apartments. Furthermore, we can say that Matta

Et Associes failed to respond to the social problem in Lebanon.

## **2.5.How to address environmental degradation and the increasingly unrealistic prices in the real estate sector in Lebanon:**

Due to the mismatch between real estate valuation and purchasing power, Albani sets its focus on implementing cost cutting strategies in order to offer apartments with a rational price to local people depending on local salaries in Lebanon. On the other hand, Highland a company that stands at the top and stands better than Matta Et Associes when it comes to green and environmental friendly activities, is remodeling and optimizing its activities in order to offer a project that meets all the requirements to fight the environmental degradation problem in Lebanon.

Furthermore, the environmental degradation and increasingly unrealistic prices in the real estate sector in Lebanon, are the two main social problems that need immediate attention in Lebanon. Other companies in Lebanon are only focusing their efforts to create economic value, disregarding the two problems we already mentioned. Only when the two problems are addressed together, we can say that construction companies are building in a sustainable way and creating social and economic value at the same time.

Due to the complexity of those problems, and because until now, no company has proven to be able to fix them together, we are going to see how a Collaboration between Albani and Highland, knowing that each company is specialized in activities to solve one of the two mentioned problems, is going to build in a sustainable to first create long and lasting societal value, and sequentially increase its financial or economic value.

How to produce long and lasting societal and economic value? The theory of shared value says that by creating social value, companies create more economic value. There are three ways to create social value; reconceiving products and markets, redefining productivity in the value chain, and building supportive industry clusters at the company's locations.

After understanding the concept of shared value, we will notice that isolated impact is not enough, so we will further apply collective impact along with shared value theories in order to create long and lasting societal value. Collective Impact Initiatives are long-term collaborations between important actors from different sectors who share a common vision for change, which is a common agenda, and therefore have a common understanding of the problem and an interacted way to solve it through agreed upon actions.



## 3 LITERATURE REVIEW

### 3.1. Introduction

In recent years, business has been increasingly perceived as a major cause of social, environmental, and economic problems (Porter & Kramer, 2011, p. 4). Indeed, most firms have been focusing, on cutting costs and increasing short term profits, underestimating the negative impact of their actions on the environment and society. For these reasons, companies are perceived to be growing at the expense of the broader community (Porter & Kramer, 2011, p. 4). The major cause of the problem comes from within companies themselves, because they keep believing in an outdated, very narrow approach to value creation, optimizing short-term financial performance, but missing the most important customer needs and ignoring the broader influences that determine their longer-term success. (Beschoner, pp. 1,2)

Nowadays, Firms cannot compete like in the old days anymore. In fact, Firms need to take into consideration that their ways of functioning that are resulting in environmental and social harms will affect not only their reputation, but will also imply increased costs on the long term. (Epstein, p. 20)

Now, let us consider the construction industry, focus of this thesis, as an example: If a certain company is exhausting the natural resources in a way that is not sustainable at all, in the short term, it will be profiting from the excess access to a big amount of local natural resources, because it will be using it in its construction, but this will imply higher costs in the future because resources are limited. Sustainable development is a future oriented concept, the sustainable use of environmental resources in companies is crucial for their long-term survival. (Hahn, Figge, & Barkemeyer, 2007, p. 496)

In this Literature Review, we will deeply examine how to pursue lasting societal and economic values at the same time. For that, we will start by studying the theories of shared value and collective impact going from what are shared values and collective impact, all the way to how to create them.

Shared value and collective impact:

the creation of economic and social value at the same time has been explored in Michael Porter's theorization about shared value, inquiring that social value and addressing social needs will subsequently create economic value and make room for improvement. This well-defined theory by Porter is:

“The principle of Shared Value, which involves creating economic value in a way that also creates value for society by addressing its needs and challenges. Businesses must reconnect company success with social progress. Shared value is not social responsibility, philanthropy, or even sustainability, but a new way to achieve economic success. (Porter & Kramer, *Creating Shared Value : The Big Idea*, 2011, p. 1)”

Porter's theory suggests that by creating social value, companies create also more economic value.

There are three sources of shared value creation: a) reconceiving products and markets, b) redefining productivity in the value chain, and c) building supportive industry clusters at the company's locations. (Porter & Kramer, *Creating Shared Value : The Big Idea*, 2011, p. 4).

In the same line, the “collective impact” framework developed by Kania & Kramer (2013) also deals with the creation of economic and social value. Collective impact also allows to take into consideration both economic and social aspects.

As Kania explains in his article called: “Collective Impact”, Collective Impact Initiatives are long-term collaborations between important actors from different sectors who share a common vision for change, which is a common agenda, and therefore have a common understanding of the problem and an interacted way to solve it through agreed upon actions. He further explains that their actions must be supported by a shared measurement system, mutually reinforcing activities, and continuous communication. In other words:

“The power of collective impact lies in the heightened vigilance that comes from multiple organizations looking for resources and innovations through the same lens, the rapid learning that comes from continuous feedback loops, and the immediacy of action that comes from a unified and simultaneous response among all participants (Kania & Kramer, 2013, p. 2).”

### **3.2.The First tools for social value creation**

First, in order to create social value, companies need to start by identifying social issues, then socialise the company's employees towards the common goal of value creation and finally, reconceive its products and markets in order to meet the social or environmental needs around it. Second, social value can be created by redesigning the company's activities.

#### **3.2.1. Identifying the social issues, socializing employees and Reconceiving Products: first steps to create social and economic value at the same time**

As it is initially explained by Porter, the first two steps of shared value measurement process identify the social issues to target. (Porter, Hills, Pfitzer, Patscheke, & Hawkins, 2011, p. 4)

To start with, social issues need to be identified and prioritized in ways that represent opportunities to increase revenue or reduce costs. In order to that, the different collaborators need to search unmet social needs and gaps. This results in a list of prioritized social issues that a shared value strategy can target.

Second, after identifying potential social impact at one or more of the three levels of shared value that are mentioned in (Porter M. E., 2011, p. 4), the company will have to develop a strong business case. To do that, substantial research and analysis to show how the social improvement will lead to business performance is very crucial. this step includes three areas; first, we need to identify what are the targets and specify what activities are required for every shared value opportunity as well as how much they will cost. Second, the company will have to shape the potential business and assesse the social results relative to the costs, and lastly, decide whether to proceed with the implementation or not.

After the social issues are identified and a decision to start implementing the necessary activities is taken, managers use many strategies and tactics to achieve a high degree of value sharing. McDonald (1992) says the first step for a company to create social value is to correctly socialize and align its employee's mind-sets towards the social initiative of the company(McDonald, 1992, pp. 72,73).

Socializing efficiently employees and specifically new comers, is a very crucial aspect for an organization, and needs to be given highest levels of importance in order to achieve rapid adjustment, good job performance, and commitment. (Reichers, p. 17;25) Furthermore, McDonald identifies the actions designed to socialize employees toward the organization's required value set. He starts by saying that it is more effective to socialize people when they enter the organization, rather than making socialization a long process and letting it happen overtime. He also found that managers cannot afford to ignore external influences on employees' work-related values. These influences might come from local, ethnic, and societal reference groups. Furthermore, organizations mostly use training sessions, reward systems, and internal corporate communication programs in order to socialize their employees towards the organizational value creation mind set (McDonald, 1992, pp. 72,73). Uma, with his study on training importance has proved that good training sessions are the main determinants of employees performance (Uma, 2013, pp. 137-140) . Also, organizations operate systems designed to identify and reward employees who exemplify corporate values in their work behaviour. In a shared value creation model, corporate values tend to be aligned to shared value creation and those rewards are usually given to employees that showed great skills and achievements towards social goals the organization has set (McDonald, 1992, pp. 72,73). Organizational culture has major impacts on the job satisfaction, employees' commitment and the retention of the employees in the organization (Habib, Aslam, Hussain, Yasmeen, & Ibrahim, 2014, pp. 215-222). Therefore, organization need to carefully think about their culture's alignment with its employees. Finally, in addition to the popular medium of company newspapers, some companies provide employees with wallet-sized plastic cards stating the corporate mission and listing the societal values of the company. (McDonald, 1992, pp. 72,73)

Reconceiving products and markets is the first source of shared value creation and means meeting societal needs through well designed products and addressing unserved or underserved customers (Kania & Kramer, 2013, p. 4)

As we saw earlier, for an organization, the first source of shared value is to recognize all the societal needs, advantages, and damages that are or could be trapped in the company's products themselves. The opportunities are not stable; in fact, they constantly change because innovation advances, economies grow, and societal needs and priorities differ. And an in depth research for societal needs will lead organizations

to find new opportunities for differentiation and repositioning in conventional markets, and will make them see the chances in new markets they previously ignored. Addressing needs in underserved markets regularly requires redesigned products or different distribution methods. These prerequisites can trigger basic advancements.

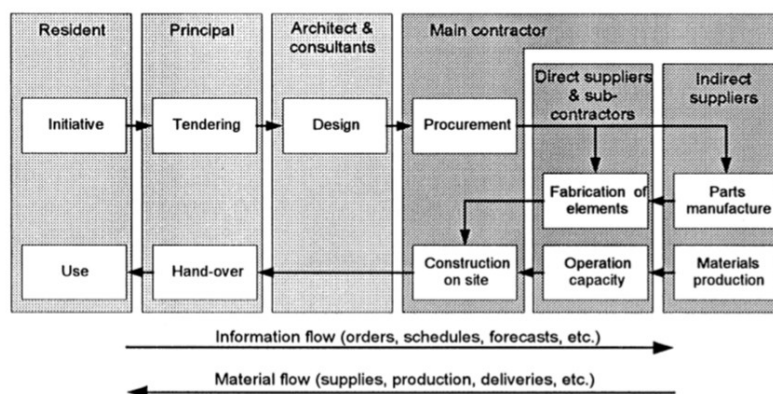
### 3.2.2. Redesigning Activities: the second step to create social and environmental value at the same time

Conditions of the environment surrounding a firm usually has direct impacts on its efficiency and future productivity; this is why sustainable innovation is crucial for the firms' economic value and the community's social value. (Ketata, Sofka, & Grimpe, 2014, pp. 1,2)

The way in which companies design their activities influence how they can create social value and economic value. Drawing from the shared value framework, we can see how to redesign organizational activities to create economic and social value at the same time:

Kaplinsky offers a good definition of value chain, saying that it is the full range of activities which are required to bring a product or service from conception, through the different phases of production delivery to final consumers, and final disposal after use. (Kaplinsky & Morris, p. 4)

4) All construction companies have a wide range of value-adding activities that convert inputs into outputs and help create competitive advantage. A value chain typically consists of inbound logistics, manufacturing operations, outbound logistics, marketing and sales, and after-sales service. These activities are supported by purchasing or procurement, research and development, human resource development, and corporate infrastructure. (BusinessDictionary, n.d.)



**Figure 7 - Typical configuration of a traditional construction supply chain.**

Moreover, construction supply chains are characterized by pointing all materials to the construction site

where the unique project is built from specific, incoming materials (Vrijhoef & Koskela , 2000, p. 171) .

However, even in normal situations the construction supply chain has a large quantity of waste and problems (Vrijhoef & Koskela , 2000, p. 1) .Those activities fail to meet social needs in many aspects. First, logistical activities tend to have bad social and environmental impact due to cost minimizing techniques and material that do not meet the required social and environmental standards. Second, companies tend to procure the cheapest material from cheapest suppliers neglecting the effects that those suppliers have on the environment and society around them. This is often regarded as a source of external costs as companies only understand the indirect impacts of their activities in the future. Third, construction operations require a set of equipment, machinery and tools that are very costly, and paying a premium price for innovative equipment and machinery that make less harm to the environment and society, or use less energy is not regarded as cost efficient. Blayse explains more the disadvantages in the activities of construction companies and explains why continuous innovation in all the domains of construction companies is very crucial (Blayse & Manley, 2004, pp. 143-154).

Redefining productivity in the value chain is the second way of creating Shared value. Nowadays, with shared value thinking, firms can invent new ways to address societal issues by creating major improvements in different functional sectors. This implies that with new technological improvements and several innovative approaches to transform their value chain, firms can tackle major societal issues (Porter M. E., 2011, p. 4)

First of all, due to the complex relations between companies, suppliers, and customers, new ways measuring and changing the use of energy use in the entire value chain are being implemented. (Luzi, Marilungo, & Germani, 2014, pp. 1-6) The use of energy in the value chain has been studied, and improvements in energy utilization has been attained with better technology, recycling, cogeneration, and many more practices that all created shared value. (Porter M. E., 2011, p. 4) Second, many of researches on logistics innovation is done, highlighting the importance of those innovations (Grawe, 2009, p. 360 to 377) .Logistical systems are starting to be redesigned in order to improve for example shipping distances and conditions or improve vehicle routing (Porter M. E., 2011, p. 4). Third, there is a positive correlation between technological change and environmental policy, because environmental impacts are affected by technological change, and because strict environmental policies from governments are creating

constraints to companies and incentivise technological developments (Jaffe, Newell, & Stavins, 2002, pp. 41-69). Environmental awareness, and increasing technological improvements have, nowadays, been playing a major role in areas like efficiency and resource usage. (Porter M. E., 2011, p. 4) Fourth, Porter identifies that traditionally, companies practice strategies to impose maximum bargaining power on suppliers in order to reach the lowest cost possible to purchase supplies. Firms have also been outsourcing to suppliers in lower-wage locations. However, these strategies will only be competitive and cost efficient to firms for short periods of time because they are not improving their quality in a society where everything is evolving and changing to better. In this case, companies cannot remain productive or sustain and improve, their quality. This is why today, firms have been sharing technology, and providing financing, in order to improve supplier quality and productivity while ensuring access to growing volume. When suppliers get stronger, they become more efficient and shared value is created because their environmental impact is reduced tremendously. More research proves the benefits of improving supplier quality on the company's performance. (Krause , Handfield , & Tyler , 2007, pp. 528-545).

Activities to re-examine and change the value chains from the perspective of shared value will make room for new innovations and unlock the doors to modern economic value that the majority of other firms have missed. (Porter M. E., 2011, p. 4)

### **3.3.Engaging with the environment to keep social value an ongoing process.**

Everything we saw until now is related to the internal sources of social value creation. However, if we want to create substantial social value and keep it going for a long term, we have to engage with the environment. (Nishitani, Kaneko, Fujii, & Komatsu, 2012, pp. 121-130) .Companies have three ways to do this; first, by taking into consideration the external changes in their competitive environment, second by allowing local cluster development around key locations around them, and third by engaging in mutually reinforcing activities. Those two ways of engaging with the environment, will play a crucial role in the survival and expansion of the social value created.

### **3.3.1. Actions designed to radically alter the organization's required value set in response to perceived changes in its competitive environment**

Competitive environments of firms are constantly changing, and in some cases, for the survival of firms, organizational change that suits these competitive environments is necessary. (Banutu-Gomez & Banutu-Gomez, 2007, pp. 69-90)

If managers want to keep social value creation an ongoing process, they need to constantly observe their competitive environment and spot the changes in order to know how to modify their traditional sets of shared value. (McDonald, 1992, p. 73)

McDonald (1992) identifies that companies have to radically alter their required value set in response to perceived changes in their competitive environment. Organizations attempt to modify their traditional sets of shared values as a means of gaining competitive advantage. How people perceive values in the community is constantly changing, and more specifically, organization's environments are constantly changing with new trends practices and focuses always rising (Armenakis, 1999, pp. 293-315). Organizations need to know how to change their shared values to align the company with its environment and get competitive advantage. McDonald stated two broad challenges in doing so. First, companies have to constantly search and identify what value set is desired in order to provide strategic advantage in the market place. Second, this desired value set needs to become alive and embedded in the corporate life. (McDonald, 1992, p. 73)

### **3.3.2. Local Cluster Development**

Enabling Local Cluster Development is one of the sources of creating shared value. By building clusters, Firms improve company productivity and at the same time solve the different gaps or failures in the overall body surrounding the cluster. (Porter & Kramer, 2011, p. 6)

local clusters are generally a big hub for innovation and learning beneficial for everyone. (Isaksen, 2007, pp. 366-384).

As Porter says in his article, "When a firm builds clusters in its key locations, it also amplifies the connection between its success and its communities' success. A firm's growth has multiplier effects, as jobs are created in supporting industries, new companies are seeded, and demand for ancillary services rises." (Porter M. E., 2011, p.



6). Furthermore, Porter that what plays a major role in building clusters is the effort of firms to enable and create fair and open markets. This is best done in conjunction with partners, and will allow the company to procure reliable supplies and as well, increase suppliers directions towards quality and efficiency while improving the standard of living of local citizens.

To support cluster development in the communities in which they operate, firms have to search and spot the lacks and weaknesses in areas such as logistics, suppliers, distribution channels, training, market organization, and educational institutions.

### **3.3.3. Mutually reinforcing activities**

Just like in any other industry, relying on the impact of individual organizations will only improve the private sector in which they operate, and lead to the isolation of the non-profit sector that they are not involved in (Kania, 2011, pp. 5,6) . Therefore, if we want to create substantial social value, improvements, not only, in the companies' products and projects should occur, but improvements all around the project and the society as well. Due to the usual complexity of social issues, no single handed firm can fix them for good (Kania & Kramer, 2013, p. 2). Now, let us consider the activities of construction companies to improve certain social issues around them. If the company wants to improve its waste, resource use, and level of pollution created in its construction projects, it could invest in new technological equipment such as machines, material and tools, that will only lower their level of environmental degradation. Nevertheless, its broader activities with suppliers, partners and other parties of the big society are still not social or non-environmental friendly activities, which shows us that the improvements of this single firm has small impact on the society. So, as a whole, a single company will not be able to create substantial levels of social value. (Lepoutre & Heene, pp. 257-273)

Mutually reinforcing activities is the third condition of collective impact. (Kania, 2011, p. 40). Because a Collective Impact Initiative is a long-term collaboration between important actors from different sectors; it requires that every group of participants executes the specific set of activities in which it stands out in ways that it supports and is synchronized with the actions of others. The power of Collective action does not come from the number of its participants, or their consolidated efforts, but from the coordination of their differentiated activities, through a mutually reinforcing plan of

action. What this condition is saying, is that if long and lasting societal value was to be created, a collaboration between important actors from different sectors who share a common vision for change needs to happen. Every sector’s participants need to be doing the activities they are best in, while supporting and coordinating them with other sector’s participants who are also doing the activities they are best in, in order to maximize the effectiveness of the outcome.

**Figure 8 - Isolated impact vs collective impact**

Isolated Impact	Collective Impact
<ul style="list-style-type: none"> <li>◆ Funders select individual grantees that offer the most promising solutions.</li> <li>◆ Nonprofits work separately and compete to produce the greatest independent impact.</li> <li>◆ Evaluation attempts to isolate a particular organization’s impact.</li> <li>◆ Large scale change is assumed to depend on scaling a single organization.</li> <li>◆ Corporate and government sectors are often disconnected from the efforts of foundations and nonprofits.</li> </ul>	<ul style="list-style-type: none"> <li>◆ Funders and implementers understand that social problems, and their solutions, arise from the interaction of many organizations within a larger system.</li> <li>◆ Progress depends on working toward the same goal and measuring the same things.</li> <li>◆ Large scale impact depends on increasing cross-sector alignment and learning among many organizations.</li> <li>◆ Corporate and government sectors are essential partners.</li> <li>◆ Organizations actively coordinate their action and share lessons learned.</li> </ul>

### 3.4. Building the collaboration and tracking progress

In the rest of our study, we will be focusing on what is still missing to create collective action or, in other words, how to create collective impact, knowing that collective impact is stronger than isolated impact. (Kania, 2011, pp. 1,2)

#### 3.4.1. What do we need before launching a collective impact initiative?

Companies and communities need to seek collective impact if they want to achieve the highest degrees of social value creation. (Raderstrong & Boyea-Robinson, 2016, pp. 181-193)

Three preconditions together, will create the chance and will incite people who have previously never worked together, to work in a collective impact initiative. The three conditions, before launching a collective impact initiative are: an influential champion, adequate financial resources, and a sense of urgency for change. So we need to clearly set and define in our case, who is the influential champion, and be sure that we have adequate financial resources and a

sense of urgency for change. (HanleyBrown, 2012, pp. 2-9)

As HanleyBrown further explains, the most critical factor by far is an influential champion (or small group of champions) that will align managers and leaders together and keep their engagement continuous with time. Second, there must be adequate financial resources to last for at least two to three years, generally such as one private company that is the funder and that is engaged from the beginning of the collaboration and can support and mobilize other resources to pay for the needed infrastructure and planning processes. The final factor is that an urgency for change needs to be present in order to incentivise the different actors to work together. Conducting research and publicizing a report that captures media attention and highlights the severity of the problem is another way to create the necessary sense of urgency to persuade people to come together. (HanleyBrown, 2012, pp. 2-9).

Only after we have met those three preconditions, that we can start building our collective impact initiative. Now, we will have an in depth look on the different stages that we need to pass by in order to set and run Collective impact

### **3.4.2. The three different phases of collective impact to create a collaboration?**

Now that we have all the tools needed to create long and lasting societal value, let us create the collaboration. HanleyBrown identifies three distinct phases of getting a collective impact effort up and running in his journal. (HanleyBrown, 2012, p. 3)

As regards to the first Phase, which is Initiate Action, it requires a complete comprehension of the major players and the work that needs to be developed. In addition to that, the abovementioned Phase demands proper data regarding the social problem in order to develop the case for change. Lastly, it demands a preliminary governance structure that comprises strong and credible actors.

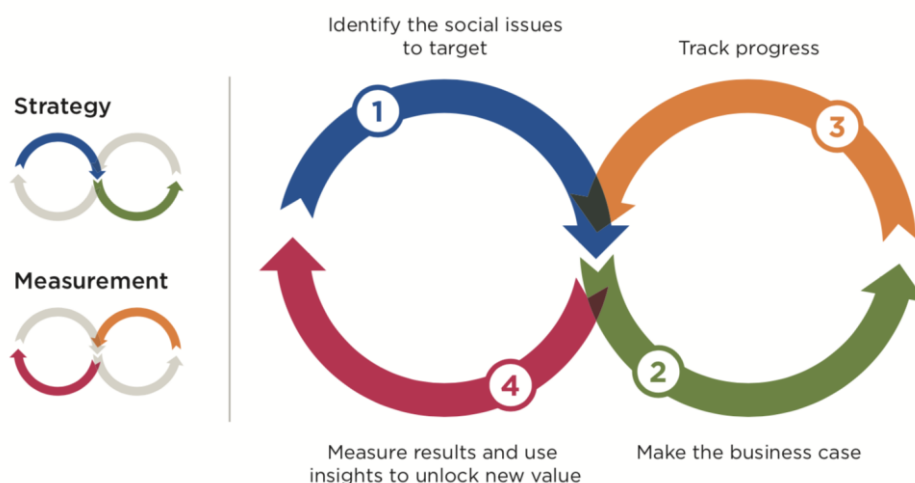
The second phase, is organize for Impact, and requires that all stakeholders work alongside in order to impose common goals and shared measures, and begin the process of aligning the organizations, companies, or actors associated with the shared goals and

measures.

Sustain Action and Impact, is the last phase of collective impact. It requires that the agents for change follow prioritized areas for action in a coordinated way, collecting data altogether, and setting in place sustainable practices that will allow them all to constantly learn and correct their course as they track progress toward their common goal. (HanleyBrown, 2012, p. 3). To finalize, in order for collective impact initiatives to be successful, they need to implement evaluation of their impact to make better decisions about the future (Parkhurst & Preskill, 2014, pp. 17-19). The process of tracking the progress will be further explained by Porter in the section bellow.

### 3.4.3. Track progress and measure results

Last but not least, in order to make social value creation a long term process, we need to be able to track and measure results; validating the anticipated link between social and business results and determining whether the outlay of corporate resources and efforts produced a good joint return. As it is further explained by Porter, shared Value measurement process requires four steps (Porter, Hills, Pfitzer, Patscheke, & Hawkins, 2011, p. 4). Two of which we already covered at the beginning of the literature review, that help actors identify the social issues that needs attention, and build the business case. The last two steps show how to track progress and measure results:



**Figure 9 - Integrating shared value strategy and measurement**

In order to track progress, firms should use their business case as a roadmap and follow the desired targets. This step includes tracking inputs and business activities, outputs, and financial performance (revenues and costs) relative to projections. (Porter, Hills, Pfitzer, Patscheke, & Hawkins, 2011, p. 4)

Measuring results and using insights to unlock new value can be divided in two steps. First, firms should validate the predefined link between social and business results and determine if a good joint return was produced. Firms can then use insights and lessons from the first step to potentially unlock further value creation by refining the shared value strategy and execution. (Porter, Hills, Pfitzer, Patscheke, & Hawkins, 2011, p. 4)

## 4 TEACHING NOTES

### 4.1. Introduction

The case study of Albani describes the story of how a profitable construction company can create social impact in a developing economy, starting from the idea of creating social value alone and making its way into creating collective impact. Mr. Ali Mcheik (the owner and general manager of Albani) first created a company that goes further beyond just making profits to actually making social impact, giving the example to other construction companies. However, in order to make substantial impact, Mr. Ali needs to find a good collaborator that will work closely with him and undertake other activities in which he is well knowledgeable of.

### 4.2. Learning Objectives

The key issue underlined by the case is the difficulties that a company, initially alone, and then in a collaboration, will face at the beginning of its quest to solve social and environmental issues.

After reading of the case, students should be able to identify:

- The first steps required by Albani to create social and environmental value,
- The type of activities that Albani should engage in with its environment to further enhance the social value created,
- The kind of collaboration that is required; identifying the collaborator and measuring results.

### 4.3. Assignment Questions

The assignment questions are designed to incentivise students in the discussion of the appropriate solutions that could be applied in this case. It is of high importance, that the students use their ability to implement their business knowledge in the analysis of this case of collaboration. In this line of thinking, the assignment questions are:

- 1) For the company, what are the preliminary steps to create social and environmental value?
- 2) What activities to engage with the environment and further enhance the social value created, best fit this company?
- 3) Which is the best way to create the collaboration? How? And with Who?

#### **4.4. Class discussions:**

The students should be engaged in a 50-minutes class discussion, in which they would have to analyse the case and create a flow of interlinked solutions answering to the three questions earlier proposed. The instructor can make use, as a guideline for discussion, of the detailed answers to the questions provided below.

##### **4.4.1. Introduction:**

The instructor should start by stating the drawbacks of Albani and remind the students to follow a flow of discussion to reach a final managerial suggestion, regarding collaboration, that Albani could implement to achieve high degree of social impact.

At the start of the discussion, answering the first two questions is based mainly on matching the literature review with the data we have of Albani; students can notice what the company has addressed and what still needs to be done. For the last question, students need to go beyond simple matching between organizational data and literature review, and actually create a collaboration using as guidelines the tools and theories exposed.

##### **4.4.2. Answer to Question n.1: For the company, what are the preliminary steps to create social and environmental value?**

Students should analyse the first question with attentions since it is the starting point to create substantial social value and a collaboration that will follow in the other two questions. Students should spend about 15 minutes in the identification of the main solutions that Albani is implementing and the drawbacks of its activities. After that, students should go further to identify solutions that can be implemented to target other social issues.

To structure a clear study, the instructor should incite students to draw a table that summarizes the tools to create social value reported in the literature review alongside the characteristics of Albani reported in the case study; this will help to have a clear vision of those issues that the company has already met and those that are still left to work on.

The idea is to structure a table in three columns: the first one outlining the activities stated in the literature review; the second column stating the solution Albani already implements and its lacks; and finally, the third column offering the solution that Albani could implement to target other social issue/issues.

**Table 2 - Primary tools to create social and environmental value**

<b>Tools</b>	<b>Albani’s Solution and its lacks</b>	<b>Other Solution</b>	<b>Results</b>
<b>Identifying social issues,</b>	As the General Manager of Albani clearly states in the interview: “Our focus is to create social impact by offering affordable prices to our customers”. They meet the need of cheap apartments because people cannot afford the prices of the market in Lebanon anymore.”	Albani ignores the environmental degradation issue. It has bad eco-friendly activities and bad environmental practices.	As a result of identifying both social issues and creating the business case, Albani will be shaping its strategies to meet the need of cheap apartments and improve the conditions of the environment.
<b>Socialise employees</b>	Albani fails to socialize correctly. In fact, two main drawbacks are spotted. First, employee’s socialization happens overtime, with the use of training sessions, reward systems, and weekly meetings between new employees and their respective coordinator. Second, Albani does not use internal corporate communication programs.	Albani should socialize people when they enter the organization, and use internal corporate communication programs.	If Albani wants to create social value, correctly socializing and aligning its employee’s mind-sets towards the social initiative of the company is required
<b>Reconceive its products and markets</b>	Because there is a mismatch between real estate valuation and purchasing power, Albani reconceived its projects in order to meet the need of cheap and rational prices. However, Albani is still not sustainable.	Albani should reconceive its projects even more, taking into consideration the issue of environmental degradation and its impact on the environment. It should also seek a Breeam certification	As a result of both solutions combined, Albani should be able to reconceive its products and markets in ways that create environmental and social value.
<b>Redefining productivity in the value chain,</b>	The company has shaped its value chain in ways to maximize quality and minimize costs. However this is having negative effects on its environmental activities.	Albani could change its value chain to improve its environmental activities. It could implement technological innovations, other eco-friendly activities, and material and equipment that are better for the environment.	As a result, Albani will be redefining its value chain to create high degrees of social value.



In the answering of this question, the starting point for students is to understanding what social issue is identified and what is still ignored by the company. Only after identifying those issues, that can the students follow the three mentioned tools in the literature review to create social value. It should be clear by now that the only social issue identified by Albani is the one related to overpricing in the real estate sector. However, the company is underestimating its negative activities on the environment and due to the high level of environmental degradation in Lebanon, people are tending to buy housings that are constructed by companies with environmental friendly activities. After identifying the ignored social issue, students should be able to go further and first suggest that the company has to create the business case and then, implement activities that: 1) require employees to be socialized when they first enter the company and, 2) implement internal corporate communication programs, in order for the company to socialize its employees correctly towards its social mission. Furthermore, the class should suggest that Albani reconceives its projects, taking into consideration the issue of environmental degradation and its impact on the environment. Seeking a Breeam certification would be a good initial move. Finally, students should be able to state the three ways by which Albani could change its value chain: 1) seeking technological innovations, 2) implementing other eco-friendly activities like water and paper recycling, and 3) using material and equipment that are better for the environment.

From this analysis, we can observe that the issue that still needs to be resolved is the one regarding the company's impacts on the environment, in particular, Albani must find environmental solutions with the three tools mentioned above.

#### **4.4.3. Answer to Question n.2: What activities to engage with the environment and further enhance the social value created, best fit this company?**

In this question, the instructor should set the discussion for 15-minutes, and brief the students with the different activities that could help companies improve their environment, previously introduced in the literature. The class should evaluate the three different activities and select the ones that best match the situation of Albani.

The following table summarizes the two activities that best qualify to be coherent with the case under analysis.

**Table 3 - Activities to improve a company’s environment**

<b>Tools</b>	<b>Albani’s activities</b>	<b>Other activities</b>	<b>Results</b>
<b>Radically alter the organization's required value</b>	The company perceived changes in its environment and noticed that people are demanding cheaper homes than the ones offered by the market. This is why it radically altered its required value in the recent years to offer cheaper prices.	What the company missed was that due to the environmental degradation in Lebanon, its competitors are offering high environmental focused projects. Which is hindering its reputation compared to its competitors.	Albani has to re-alter its value due to the perceived change towards a cleaner environment. It has to fully meet the demand of its customers to not lose market share.
<b>Local Cluster development</b>	Albani is willing to enable local cluster development around Sama Residence. By securing the roads with better lightings and better driving conditions.	However, due to the location of its project, which is in an isolated part of Dawhet Al Hoss, Albani cannot enable cluster development and increasing driving conditions is the only strategy it could implement.	No local cluster development is possible and required.
<b>Mutually reinforcing activities</b>	Albani’s activities in which it stands to be the best in are related to cutting costs, especially in the material it uses in order to offer the cheapest prices it could, while still offering good quality standards.	Albani should team up with one of the two companies that have proved to be efficient in solving issues related to environmental degradation in Lebanon.	By collaborating with an environment focused company like Highland or Matta, Albani will be creating Social and Environmental value.

Students should first be able to understand that Albani’s required value is different than what it is offering at the time being; its competitors are offering high environmental focused projects which is hindering its reputation compared to them. As we said earlier, people are tending to buy housings that are constructed by companies with high environmental friendly activities. Those activities are not limited to reforestation or to the level of greeneries a project yields, but to much more advanced technological innovations and ecofriendly activities that are elevating the status of the environment towards a cleaner one. Those activities are clearly still missing from Albani, and in the near future, if Albani does not implement the required change to go green, they will lose

credibility and market share as they will be considered to be deterring even more the environment. After suggesting that Albani has to re-alter its value due to the perceived changes towards a cleaner environment, students should analyze if local cluster development is possible or not around Sama Residence. Now, they should refer to the part in the literature study where the source of local cluster development is explained and take note that: “the effort of firms to enable and create fair and open markets plays a major role in building clusters”. The class should then arrive to a conclusion to remove local cluster developments. It does not fit with our case under analysis because of two facts: 1) due to the project being located in the isolated part of Dawhet Al Hoss there is no market to develop, and 2) securing the roads with better lightings and better driving conditions is not considered a cluster development, but a crucial safety condition that Albani has to secure for its residents. And finally, to conclude this question, the class should identify that cutting costs especially in the material used to offer the cheapest prices possible is the activity in which Albani stands out to meet the need for cheap housings.

At this point of our study, it is clear that a collaboration should be mentioned as well as the potential collaborators. Therefore, students should proceed to identify the two other companies mentioned in our case study as companies that stand out in activities that include improving their processes and meeting the requirements to be considered as environmental friendly. The two companies stand out with their environmental activities in two projects: 1) Highland with its project called Beitmisk situated in the mountains, and 2) Matta et associates with its project called Waterfront City situated in Dbayeh.

#### **4.4.4. Answer to Question n.3: How should we create the collaboration? And with Who?**

After the students have recognized the two main activities that will help the company under study engage with its environment, the instructor can proceed the next 20 minutes to the identification of the different stages that should allow albani to define a sustainable collaboration; that would offer the best solution to its issues.

First of all, the students should underline the three preconditions together of the literature review and then, proceed to the creation of the collaboration.

**Table 4 - The three preconditions of collective impact**

<b>Preconditions</b>	<b>Solution</b>	<b>Potential collaborators</b>	<b>Collaborator</b>
<b>Influential champion</b>	Albani was the first company to offer rational prices and to meet the need for cheap apartments when the market prices were overpriced. Its role will be to align managers and leaders together with a shared goal to create social and environmental impact.	Matta et associates and Highland are both companies with good environmental practices that could follow the influential champion to create the suitable impact.	With the results from our case, we can classify both companies as meeting the required values to create environmental impact. However, Highland proved to be the best when it comes to integrating technological and innovative practices in order to improve the environment.
<b>Adequate financial resources</b>	Albani has adequate financial resources and will act as the funder that is engaged from the beginning of the collaboration and can support and mobilize other resources to pay for the needed infrastructure and planning processes to attain its environmental goal.	Matta and Highland both stand high in terms of financial resources and can back up Albani with all the expenses	Both companies have adequate financial resources with minimal comparative differences. Therefore, the decision should come from the companies' sense of change.
<b>Sense of urgency for change</b>	The urgency for change is well known by everyone; companies need to meet the social need of rational prices without compromising their impact on the environment	The two potential collaborators have good practices towards the environment but lack to meet the social need of rational prices	Matta et associates did not prove a sense of social value creation, and all they cared about was quality and profits. However, Highland is a company that wants to increase its impact in Lebanon. Highland clearly stands to be the best collaborator.

After the students have identified the three preconditions and chose the collaborator, they can elaborate on the collaboration using the three phases described in the literature review. As identified in the literature review, phase I will require developing the case for change. The suggestion is that two strong and credible actors; Albani and Highland, partner and

both complement each other with the activities they are best in. The solution to the social problem identified until now is that both companies, by collaborating will create environmental friendly projects that will offer rational prices and will therefore solve the problems of: 1) Overpricing in the real estate sector and 2) Environmental degradation in Lebanon. For the phase II of the collaboration, students will have to identify that the two companies will impose common goals requiring both actors to share their knowledge and expertise to remodel the activities of their projects in ways that will create environmental impact without inflicting very high costs that could then hinder their positioning as cheaper than their competitors in the market. Only after imposing the common goals, that will the two companies start to be aligned with the shared goals and shared measures, and organize the impact. The last phase of collective impact requires the two companies to first, prioritize their area for action in a coordinated way to implement the necessary strategies and activities to create environmental impact without increasing their end product prices, and second, to systematically collect data, and put in place sustainable processes that enable active learning and course correcting as they track progress toward their common goals. Finally, in order to track progress, students should be able to identify that they will need to use the shared measurement system identified in the literature review. In order to do that, using the business case as a roadmap to track inputs and business activities, outputs, and financial performance (revenues and costs) relative to projections will be necessary. At a later stage of the collaboration, the two companies will be able to measure results and use insights to unlock new value.

## 5 EXECUTIVE SUMMARY

When Ali Mcheik first told me about his company that creates social value to help the people of Lebanon buy apartments for an affordable price, I understood how important helping the society was for him and I realized that my thesis which was in the general topic of corporate social responsibility could help him. Mr. Mcheik has worked hard to elaborate a strategy that could help his company create an impact by offering cheap prices, but he did not have enough time to analyse the drawbacks of his activities and create substantial social and environmental impact.

With this dissertation, I wanted to give to Albani some key insights of how a collaboration could help them increase their social and economic value creation, especially improving their environmental activities. In my study, I show how to set up a clear strategy to begin with the collaboration and to make it sustainable along time.

First of all, I had to collect information regarding similar companies that wanted to create impact and the country of Lebanon to clarify the social mission that the company needs to meet. Then, I set my attention on the crucial tools that a company must implement in order to create social value. Finally, I went over all the tools, that in my opinion are the best tools, that companies could apply to reach a collective impact.

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## APPENDICES

### 5.3. Appendix 1

#### First interview with Mr. Mcheik

..... **Part 1: General Info**

..... **Question 1.1: What is the company like?**

1. What is the name of the company?

The company's name is Albani.

2. What is your role in the company?

I am the owner and general manager of the company.

3. When was the company founded?

I founded the company in 1994.

4. In what type of construction does the company work?

We work on residential and commercial projects

..... **Question 1.2: What are the company's products like?**

5. In how many cities has the company been operating? What are the cities?

"Albani has undergone projects in 3 cities in Lebanon; Beirut, Baabda and Aley"

6. How many projects have you completed in the last three years?

"We have completed 5 projects so far not counting Sama Residence."

7. How does the company stand, compared to other construction companies in Lebanon?

"We stand in the top 10 best construction companies in Lebanon"

8. What differentiates Albani from other companies in Lebanon?

"We at Albani, focus on small apartments with very well studied low prices, offering the necessary standards to be considered as good quality apartments. We meet the need of cheap apartments because people cannot afford the prices of the market in Lebanon anymore"

9. What are your biggest projects so far?

"Our biggest projects so far are Green hills, and Garden City"

10. Are you planning to execute new projects anytime recently? If yes, how are they going to be different from the previous projects?

"Yes, the first project is Sama Residence, which is already under construction. It is designed to be a very large residential compound with high quality livings. In Sama Residence we will focus more on improving our environmental activities

The second project Raya, is still being designed and is planned to be a very large commercial compound that focuses more on modern trends than the previous ones."

## 5.4. Appendix 2

### Interview 2 – part 1 with Mr. Mcheik

..... **Question 1.1: Social issues – related to construction in Lebanon?**

1. What are the main social issues in Lebanon?

“First of all, people cannot afford to buy shelters for their families anymore, and second, environmental degradation has reached dangerous levels affecting the society’s well-being as a whole.”

2. What are other construction companies doing wrong in your opinion?

“One of the main reasons I decided to invest in the construction industry is because I knew that with proper engineering and design of our projects we can create good social impact in Lebanon. However not all companies think like we do, and most of them only care about profits. First due to the vicious circle of wealthy people buying more expensive apartments out of wealth and reselling them for higher prices, and second due to extensive local and international investments in the real estate sector, prices have been dramatically increasing to reach levels considered as irrational for average locals depending on average salaries.”

“But this is only one side of the problem, now due to the increase of prices in the market signalling that the demand for higher priced apartments has increased; most of the construction companies in Lebanon have directed their focus towards the higher end segment of the market leaving average locals with no affordable apartments to buy.”

3. How can construction companies in Lebanon help solve them?

“First, by redesigning their activities and projects in ways to sell good quality apartments for this desired low price market. Construction companies in Lebanon tend to design and build high quality and luxurious apartments for wealthy customers because they can make more profits out of it, therefore disregarding the need of average local people in need for cheap apartments. Second, all companies, with Albani included, should also consider choosing better activities, material, and partners to be environmental friendly.”

## 5.5. Appendix 3

### Interview 2 – part 2 with Mr. Mcheik

..... Question 1.2: How does Albani respond to the social problem?

4. Is the financial growth the only goal for the company?

“No, our social mission stands as high in importance, as our mission to grow financially. We want to keep on growing more to create more social impact.”

5. Do you consider social value while operating?

“Yes, our focus is to create social impact by offering affordable prices to our customers.”

6. Do you consider environmental value while operating?

“I believe that our focuses in the past projects were not to improve our effects on the environment, but to offer the most affordable prices in the market. But at Albani we are very well aware of the environmental degradation issue in Lebanon, and are trying to change towards a greener oriented company. However, we still lack resources, knowledge, and expertise to do so.”

7. On a scale from 0 to 10 how good do you consider the company in terms of corporate social responsibility? 0 being very bad and 10 being very good.

I consider the company in terms of CSR as doing very well and will assign 7 points out of 10 points, because our social mission stands as important as our financial growth. We care for our society and community and are doing our best to offer the most affordable prices. I remove 3 points out of 10 because we could be better towards the environment.

8. How are you more responsible than other companies in the same industry in Lebanon? “

What Albani does and no other company was able to do in Lebanon, is design and construct its projects that have good quality standards and offer prices much cheaper than the market. We carefully choose our material and only buy from local suppliers in order to avoid shipping costs from imported material, and value added tax that represents 10% of the value of any imported goods.

If our goal was limited to financial growth, we would be focusing on the higher end of construction just like all the other companies because there is more return in bigger, spacious and fancier apartments.