

## **Exploring Corporate Social Responsibility in Saudi Arabia: The Challenges Ahead**

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*Corporate Social responsibility (CSR) has been accepted as a business idea worldwide and is no longer seen as a pure philanthropy. It has become part of the corporate values, policies and practices which looks beyond narrow defined business and economic goals of the organization. In that backdrop, the present paper attempts to explore and analyze CSR practices existing in Saudi Arabia, and documents the steps undertaken by various stakeholders in that regard. Looking beyond charity and adopting strategic CSR initiative are some of the challenges before the Saudi firms to achieve a place in the global market. CSR is in its infancy in Saudi Arabia, and its Islamic and cultural values can play important role in leveraging strategic philanthropy in Saudi Arabia.*

### **INTRODUCTION**

Worldwide, companies are trying hard to portray their images as being socially responsible. Corporate social responsibility (CSR) is a new business reality and making profits without taking due care of society is no longer possible. The world view is converging towards pursuing economic goals in line with the social and environmental goals and there is a renewed interest in CSR (Aguinis & Glavas, 2012; Serenko & Bontis, 2009; Wagner et al., 2009; Carroll & Shabana, 2010; Pelozo & Shang, 2011; Carroll, 2008). In fact, the corporate social responsibility has emerged as a movement and has won the battle of ideas, with more and more business leaders becoming active in promoting CSR principles and practices (Senser, 2007). Acceptance of UN's Global Compact Principles, Global Reporting Initiative (GRI), Social Accountability 8000 Labor Standards, ISO 26000 Guidelines for Social Responsibility among other published standards of corporate responsibility indicates the appeal of CSR for the corporations across the globe. With that background, the present paper attempts to explore and analyze CSR practices existing in Saudi Arabia, and also documents the steps undertaken by various stakeholders in that regard.

## **DEFINING CORPORATE SOCIAL RESPONSIBILITY**

Defining CSR is a difficult thing (Peloza & Shang, 2011) and its definition and understanding have evolved with time. Bowen's work (Bowen, 1954) can be seen as seminal in this regard and Krumweide et al. (2012) is of the view that CSR emerged as a separate and distinct framework in business literature in 1950s with Bowen (1954). Carroll (1999) discusses on the evolution of the definitional construct of CSR and endorses the view that Bowen deserves the appellation of the Father of CSR. CSR is a modern term and did not appear in common use until the 1960s when it was found in academic literature (see also, Carroll, 1999). CSR is seen as "the duty of a corporation to create wealth in ways that avoid harm to, protect, or enhance societal assets" (Steiner & Steiner, 2009). Backman's work (1975) articulated the social and environmental components of CSR whereas Jones (1980) contributed towards bringing the idea of CSR from the stakeholder perspective. Hopkins (2005) defines CSR as being "concerned with treating the stakeholders of the firm ethically or in a socially responsible manner. Stakeholders exist both within a firm and outside. The aim of social responsibility is to create higher and higher standards of living, while preserving the profitability of the corporation, for its stakeholders both within and outside the corporation". The early concept and the definition of CSR examine compatibility of the social goals with the economic goals of the business. At the Business Roundtable in 1981, 200 CEOs of the largest US corporations adopted a statement on corporate responsibility. It said "economic responsibility is by no means incompatible with other corporate responsibility in society...a corporation's responsibility include how the whole business is conducted every day...its business activities must make social sense" (Steiner & Steiner, 2009).

The idea of CSR in the Europe was first mentioned in 1993 by the President of the European Commission, Delors when he appealed to all European companies to combat social exclusion. The concept of CSR was accepted by the European Council in Lisbon in 2000 associated with the European goal to become the most competitive and dynamic knowledge-based economy in the world (Metaxas & Tsavdaridou, 2010). Consequently, the European Union in 2001 defines CSR as a concept whereby companies integrate social and environmental concerns in their business operations and through interactions with stakeholders on a voluntary basis (European Commission, 2001). The World Bank defines CSR in a more extensive way stating "corporate social responsibility is the commitment of businesses to contribute to sustainable economic development by working with employees, their families, the local community and society at large to improve their lives in ways that are good for business and for development" (cited in Blowfield & Murray, 2008).

## **AREAS OF CORPORATE SOCIAL RESPONSIBILITY**

A large range of CSR activities have emerged in the recent past. What is relevant and not, needs to be analyzed and understood by the firms, considering their values, business contexts and business priorities. The Committee of Economic Development comprising US corporate leaders identify three concentric circles of responsibility as: creating products, jobs and contributing to the economic growth, having sensitivity to the changing social values, and dealing with emerging responsibilities such as poverty and urban plight (Carroll, 1991). Analyzing the CSR activities undertaken by the corporations, it was found in the 2005 Ashridge Business School Study that the activities can be grouped into seven main areas which are: leadership, vision and values of the firm, marketplace activities, workforce activities, supply chain activities, stakeholder engagement, community activities, and environment related activities (Ethical Performance, 2006). CSR is an integral component of the operations of a company whereby it contributes to society in terms of economic, environmental, ethical and social investment (Kanji & Chopra, 2010) and it should be built around the values of the firm and the practices. Conceptualizing CSR, Kanji and Chopra (2010) presents the following CSR initiatives to be undertaken by firm to call it socially responsible:

- i. Undertaking ethical practices in employment and labor by improving the workplace,
- ii. Involved in building local communities and communicating with them regarding the consequences of its policies and products,

- iii. Investing in building social infrastructure,
- iv. Contributing towards a cleaner environment, its protection and sustainability, and
- v. Contributing by way of corporate governance to economic development at large (Kanji & Chopra, 2010).

Carroll (1991) presents the pyramid model of corporate social responsibility and suggests that four kinds of social responsibilities constitute the total CSR. These are economic, legal, ethical, and philanthropic responsibilities. These responsibilities have always existed to some extent, but only recently have ethical and philanthropic functions taken a significant place and the economic responsibility that lies at the foundation of the pyramid upon which all responsibilities rest. Blowfield & Murray (2008) identify business ethics, legal compliance of the business, philanthropy and community investment, environment management, sustainability, animal rights, human rights, workers' rights and welfare, market relations, corruption, and corporate governance as the emerging areas of the CSR.

### **CORPORATE SOCIAL RESPONSIBILITY IN MIDDLE EASTERN COUNTRIES**

CSR has been accepted as a business idea worldwide and is no longer seen as pure philanthropy. It has become part of the corporate values, policies and practices which looks beyond narrow defined business and economic goals. There is no denying the fact that CSR as a postulate for ethical and responsible behavior in business has received wide attention but very little is known about CSR practices in developing countries and it seems more Western centric in academic publications (Jamali & Mirshak, 2007). Most of the CSR researches have been undertaken in the developed countries such as Western Europe, the USA and Australia and there is need for more CSR research in the developing countries (Belal, 2001). The research conducted in the developing countries or in the emerging markets also remain centered towards the Asian and Latin American countries and very little has been written about the Middle Eastern organization and even less about the values and practices of organizations in this area (Obay, 2009). There is a dearth of research about CSR practices in Middle Eastern countries (Katsiolouides & Brodtkorb, 2007) and very little available which can help understand the cultural context and dynamics of CSR in this region. Tayeb (1997) explains the Islamic values and its impact on workforce behavior. Weir (1993) notes that there is a distinguishable and distinct Arab managerial paradigm which emphasizes kinship and networked market orientation. In another research related to ethics, Saeed et al. (2001) comments on the ethical disposition of the market from the Islamic perspective. Izraeli (1997) and Marta et al. (2004) write on the dynamics of business ethics in the Middle East region. Commenting on the ethical disposition and cultural distinction, Izraeli (1997) report that the "western norms of business ethics did not apply in the Middle East".

CSR research in the Middle East is small and those available indicate a general disconnect between CSR practices and the strategic intent of firms. Jamali and Mirshak (2007) examine the philosophy and approach of eight CSR-active Lebanese companies and find that the understanding and practices of these companies are still grounded in philanthropic action. The CSR approach of these companies was amateurish and sketchy and none of them have developed clear targets, rigorous metrics and due diligence in their pursuit of CSR. In more research on CSR practices in 403 companies in UAE (Katsiolouides & Brodtkorb, 2007), it was revealed that the sense of awareness of CSR prevails among the business community in the UAE; and 93 percent of the sampled companies indicated strong commitment to CSR whereas 86 percent are of the view that ignoring CSR will harm the commercial and financial performance of the firm. The researchers also find that the companies in the UAE are generally socially responsible to community needs and many are engaged in goodwill pursuits. However, most of this social giving lacks strategic alignment with the business objectives, and UAE firms lack a firm grasp of the concept of CSR as promulgated in Europe and America. Krumwiede et al. (2012) study CSR practices in the USA, Canada, Hungary, Italy, Taiwan, and Lebanon, and find poor correlation between TQM and CSR in Lebanon. They also report that Lebanon has little or no CSR research to date. In another study on CSR, Dabbas and Al-Rawashdeh (2012) find a significant relationship between CSR activities and

profitability of industrial companies in Jordan. Obay (2009) assesses the perception of executives on corporate governance and business ethics in UAE. She finds social commitment and philanthropy is widely prevalent in the UAE as per the responses of the executives. Encouraging employees to volunteer their time and effort for the social cause was also widely reported.

### **Islamic Values and Corporate Social Responsibility**

When we discuss Middle East corporations and the values of this region, because of the preponderance of its adherents to Islam, the Islamic values and ethos become highly relevant. Islamic values help in reinforcing the ethical disposition of the firm and being socially and ethically responsible towards the society, nature and mankind. Many conceptual studies have linked the Bible, the Quran and Rabbinical writings to the way the Abrahamic faiths expect their business to be undertaken (Epstein, 2002; Sacks, 2004; Stackhouse et al., 1995; Tamari, 1990; Zinkin, 2004 cited in William & Zinkin, 2010). Islam teaches to be a responsible human being who is concerned towards his or her society, community and environment. It teaches individuals to be responsible in life and business as well; and prescribes what is good and what is forbidden, *haram*. It also informs how businesses should be run and prohibits certain businesses as well. Ethics and religion go hand in hand in Islam and it expects the game should be played strictly in accordance with the rules of religion for the purpose of maximizing 'values' instead of 'profits'. A socially responsible business is required to spend money, and excessive accumulation of wealth should not be the objective of a Muslim (Jamaluddin, 2003). In a different Islamic analogy, it is free flow of spring and river water i.e., wealth, which keeps it free from impurities and makes it beneficial to the masses as opposed to the accumulation of water somewhere which makes it dirty and useless even for the accumulator. William and Zinkin (2010) investigate Islamic precepts and how they relate to UN Global Compact principles and argue that Islam is fully in accordance with the CSR agenda as codified in the UN Global Compact and it goes further in ways that could potentially lead to a better understanding between Islam and the West.

Islam has greatly influenced CSR practices in Middle Eastern countries with positive outcomes for CSR. Charity is not a new concept in Islam and Zakat (obligatory charity) makes it mandatory for Muslims to provide a minimum social safety net to fellow believers and they are encouraged to provide for the deprived and needy of all religions and races (Quran 51: 19). Islam also requires the state to provide an economic safety net for the needy people, and the Prophet (PBUH) is recorded as saying: "The Head of State is the Guardian of him who has nobody to support him" (Abu Dawood, Tirmidhi cited by Williams & Zinkin, 2010). These Islamic teachings are ingrained in Middle Eastern society and GCC countries. Katsioloudes and Brodtkorb (2007) study CSR practices in UAE where the official religion is Islam and argue that the practice of Zakat has settled an important CSR issue in the UAE i.e., a firm's responsibility towards the society as a whole opposed by the shareholders; this is still to be resolved in Europe and America. They also recommend that the heavy influence of Islam on businesses in the region warrants a strong Islamic foundation upon which CSR policies and practices should be built.

### **ABOUT THE PRESENT STUDY AND ITS METHODOLOGY**

This paper is an attempt to explore and document CSR initiatives and practices being undertaken by Saudi companies, and steps undertaken by its stakeholders in promoting CSR agenda and implementing CSR initiatives in the kingdom. As it is evident that there is little or no academic research available on CSR in Saudi Arabia, there is a pressing need to fill this gap. The paper tries to capture the understanding of CSR evolved in Saudi Arabia over the last decade, especially strategic CSR. It also discusses its inherent dispositions and dichotomy in a Saudi context. It provides an expansive review literature available with CSR from various sources in the form of government reports, company reports and other publications as well. This exploratory and evaluative review of CSR in Saudi Arabia is also reinforced by attending CSR seminars and workshops in Saudi Arabia by the researchers, and holding discussions with CSR stakeholders.

## **SAUDI ARABIA: ITS ECONOMIC AND BUSINESS ENVIRONMENT**

Saudi Arabia is an oil-based economy and possesses 20 % of the world's proven reserve. It is the largest exporter of petroleum in the world and plays a leading role at OPEC. Saudi Arabia has a population of 26.13 million and with an area of 2,149,690 square km is the 13<sup>th</sup> largest country in the World (CIA, The World Factbook, 2012). Saudi Arabia acceded to WTO in 2005 and in recent time, it is striving hard to diversify its economy, encouraging its private sectors to play important role in that direction. Increasing competitiveness and being more socially responsible are issues of concern for most Saudi companies. Saudi Arabia was rated as the 13<sup>th</sup> most economically competitive country in the world according to IFC-World Bank annual "Doing Business" report issued in 2010. The ninth development plan (2010-2014) of Saudi Arabia adopts a set of key macroeconomic objectives including: increasing economic growth rates, combating inflation and stabilizing prices, maintaining stability of the exchange rate of the Riyal, achieving balanced development in all regions of the Kingdom, diversifying the structure of the national economy, increasing contribution of the private sector to economic development, increasing employment rates of Saudi labour, raising efficiency of markets, particularly the Saudi stock market, improving the balance of payments, caring for the needy social groups, strengthening economic integration with the states of the Gulf Cooperation Council in particular, with Arab states in general, and with friendly countries (Ministry of Economy and Planning, 2010).

The ninth plan aims at increasing real GDP from about SR855.8 billion in 2009 to about SR1101.2 billion in 2014 with an average annual growth rate of about 5.2% at constant 1999 prices. It will result in an increase in per capita income at constant 1999 prices from SR46.2 thousand in 2009 to about SR53.2 thousand in 2014 (3.75 SR= 1 US\$). The plan also envisages the growth of contribution of private sector to GDP at an average annual rate of about 6.6% which will lead to an increase of its contribution to GDP from about 57.4% in 2009 to about 61.5% in 2014. The Ninth Plan aims to achieve an average annual growth rate of 1.2% percent for oil leading to its contribution decreasing to about 19.6% by the end of the plan from 23.7 in 2009 (Ministry of Economy and Planning, 2010). It is quite evident here that the government aims to improve the quality of life of its people and is highly sensitive to the development of its human resource. It also makes special provision for needy groups and allocates resources for a balanced and equitable development across the region for inclusive growth.

## **CORPORATE SOCIAL RESPONSIBILITY IN SAUDI ARABIA**

Corporate social responsibility as a business issue has recently arrived in Saudi Arabia with the concept extending to all GCC countries as well. The government in Saudi Arabia is also encouraging companies to undertake CSR measures in serving the society at large. The UN Global compact principle has also become popular among large companies. Saudi Arabia is an Islamic country and there is no denying that the socio-cultural factors play a very important role in this regard. Islam recognizes responsible business and provides clear guidelines regarding fair and equitable business practices. Islamic values and practices are highly regarded in all spheres of life including work-life and businesses as well in Saudi Arabia. Despite successful CSR initiatives undertaken by few Saudi companies as evident by the local media coverage, there is an absolute dearth of organized research available on the corporate social responsibility in the Kingdom of Saudi Arabia.

As mentioned earlier, there is very little or no research available on CSR in Saudi Arabia. Emtairah et al. (2009) conducted research on the contextual realities that shape the perceptions and practices of CSR in Saudi Arabia. They are of the view that CSR in Saudi Arabia can be seen as a responsive within the normative and institutional pressures existing in the local context, and the lack of institutionalized and systemic approaches to CSR limit potential for a strategic CSR in Saudi Arabia. A recent study on CSR among Saudi Arabian firms by Mandurah et al. (2012) also reinforces this view. They find that CSR concept is in the early stage of development which is reflective of the country's early stage of private sector development. They also feel that CSR in Saudi Arabia tends to lean towards being classical and viewed as philanthropic/altruistic rather than having strategic orientation. In an exploratory study

conducted on Jeddah-based managers, the researchers find that Saudi managers are aware of the CSR concept and exhibit positive attitude towards it but there is a disconnect between employees and top management's perception about the CSR (Mandurah et al., 2012).

Of late, CSR has become part of a government agenda in Saudi Arabia to achieve global competitiveness, and the Saudi Arabian General Investment Authority (SAGIA) was established in year 2000 with an objective to make Saudi Arabia one of the world's 10 most competitive economies. At present, Saudi Arabia ranks 27<sup>th</sup> (out of 134 countries) in the Global Competitive Index 2008-2009 of World Economic Forum. CSR and competitiveness is being seen by the government as very much related, and SAGIA believes that the competitiveness drivers, the human and social capital and the contributions of corporations to the development of this quality through CSR are strongly linked. SAGIA is playing important role in propagating and promoting CSR in Saudi Arabia since then. It is supporting a number of initiatives to build foundation of corporate responsibility to support and increase responsible business practices in the Kingdom. In November 2008, SAGIA in association with Harvard Kennedy School (HKS)'s Corporate Social Responsibility Initiative (CSRI) and the King Khalid Foundation conducted the first leadership dialogue of senior representatives from academia, local chamber of commerce, international NGOs, the Saudi government and Saudi foundations in Riyadh. Jane Nelson of Harvard Kennedy School provided an overview of eight key global trends relevant for CSR agenda in the Kingdom, which are: CSR is becoming a competitive issue, a growing emphasis on strategic, competence-led philanthropy, a growing focus on accountability and transparency, new types of public-private partnerships to tackle complex global and national problems, the emergence of industry-led business coalitions, new models of leadership and cooperation from key emerging economies including the Middle East, integrating CSR into business schools and university curricula and the growing role of the media. The CSR leadership meeting, 2008 at Riyadh identified following as the important challenges for the CSR in Saudi Arabia:

- A lack of awareness of CSR in Saudi Arabia, both in terms of overall 'business case' for CSR and in terms of concrete CSR practices, implementation tools, and methodologies,
- Lack of institutionalization of CSR in Saudi Arabia within companies and within the business communities i.e., relatively few CSR organizations, consultancies, business leadership initiatives etc.
- A mismatch between the need for CSR practices and the skills taught by local colleges and universities in Saudi Arabia, and
- A lack of resources available in Arabic (Report of the First Leadership Dialogue, 2008).

The first leadership dialogue also identified opportunities for furthering CSR practices in Saudi Arabia. Some were: a strong longstanding and deeply embedded culture of giving in the form of '*Zakat*' in Saudi Arabia, a growing interest in CSR among the corporate community, leadership emerging from the Chambers of Commerce to establish committee for CSR, and increasing government support for improving economic competitiveness and for exploring linkages between responsible business practices (CSR) and national and corporate competitiveness. The participants also identified three broad areas for CSR actions: raising awareness of the need for CSR initiatives in the Kingdom as well as spreading awareness of current successful CSR practices, creating better modalities for information sharing about CSR and making these resources available in Arabic, and improving institution and capacity building for CSR practices. Some of the steps taken by SAGIA are worth commendable for promoting CSR in Saudi Arabia. In July 2008, it launched a Saudi Arabia Responsible Competitive Index (SARCI) in collaboration with AccountAbility and Tamkeen Consulting. This index assesses CSR practices of the leading firms on the basis of firms' strategy, management, stakeholder engagement process, and social, environmental and economic performance systems. It also instituted King Khalid Award for Responsible Competitiveness in January 2009 for Saudi companies identified as leaders through SARCI process. SAGIA through the leadership meet proposed a number of ideas for promoting CSR in Saudi Arabia such as: engaging media for wide coverage of CSR news, inviting visiting CEOs and foreign dignitaries to

meet their local counterpart to discuss CSR best practices, giving awards such as the King Khalid award and public and private sector Transparency awards, taking delegations of Saudi business executives and thoughts leaders to visit CSR initiatives in USA and Europe. It recommended for creating stronger links of Saudi companies, foundations and universities with the existing global CSR networks such as OECD-MENA Responsible Business Initiatives, the European Alliance for Business in Society (EABIS), the UN Global Compact, the World Bank Institute, the World Business Council for Sustainable Development and the international Business Leaders Forum, It suggested creating better modalities of information sharing about CSR and making CSR resources available in Arabic language by translating the existing seminal articles, reports and case studies on CSR, increasing the number of local case studies and CEO leadership statements in Arabic beside creating a central empirical database or ‘Knowledge Centre’. It also envisaged improving institution and capacity building for CSR programs by involving the chamber of commerce, universities, and foundations for creating or facilitating networks where CSR good practices and information can be shared. The first leadership dialogue also proposed creation of a national Saudi Corporate Responsibility Council to provide a platform for exchanging CSR ideas and practices (Report of the First Leadership Dialogue, 2008).

In June 2011, the Saudi CSR Forum was launched with 400 officials from the government, business leaders and CSR experts from Saudi Arabia and other Gulf and Arab countries participating. It was organized by the Jeddah Chamber of Commerce & Industry and Al-Iktissad Wal-Aamal Group. The Forum recommended establishing a national framework for CSR through a partnership between public, private institutions and NGOs. It also suggested policy options and priorities for CSR programs such as tackling poverty, investing in human resources, protecting the environment and providing support for groups with special needs etc. The second meeting of this forum was held in Jeddah in May 2012 and was attended by more than 600 stakeholders. It played the role of the catalyst for launching the Small Institutions and Productive Households Endowment Fund amounting to 65 million Riyals, in addition to the “Tayseer” project that aimed at rehabilitating all buildings whether for public or private use, so it could be used by the physically, visually and auditory impaired people (Al-Iktissad Wal-Aamel, 2012).

Tamkeen Sustainability Advisors is a Saudi CSR consulting company established in 2005, it has its vision to create a Saudi CSR model leveraging on socio-economic and cultural traits. It undertook its first study on CSR in 2007 and came with the finding that CSR in Saudi Arabia is still trapped in charity mind-set. Tamkeen conducted its second CSR study 2010 on “The Evolution of the CSR in Saudi Arabia: The Changing Landscape” on 45 Saudi companies for which data collection was done during August-December 2009. The study found many Saudi companies are now beginning to see the merits of engaging in responsible business practices not only as a charity. The study revealed that there is a lack of government and media support and public and consumer perception of CSR is still largely unclear with a general lack of awareness about the concept. The study found a positive change in CSR in Saudi Arabia and the main sectors where CSR is more active in Saudi Arabia are industrial, banking and retail business. The majority of Saudi leaders identify the government/regulatory framework such as excessive bureaucracy, lack of uniformity of regulation in Saudi law, corruption, visa requirement, legal system, labour, IP and investment laws and lack of support from the government agencies as the main obstacle in implementing CSR in Saudi Arabia. There is much to be done by the government. There are few fiscal incentives available for companies to undertake CSR related initiative and no set framework to coordinate CSR activities at the national level. The majority of the corporate sector still perceive CSR as a cost and instead of an investment which may be the biggest reason for the disconnect with local reality; and the study recommends adopting a CSR framework involving all stakeholders being aligned with the national development priorities (Tamkeen Sustainability Advisors, 2010).

When we look at the CSR practices and its landscape in Saudi Arabia, it appears to be a mixed bag. As discussed earlier, the opportunities for promoting and reinforcing CSR agenda in Saudi Arabia are considerable and there are mixed responses to it so far. There are some good companies like Saudi Aramco, SABIC, Abdul Lateef Jameel (ALJ) Group, National Commercial Bank, Savola Group, Construction Products Holding Company and others who are promoting good CSR practices. Saudi Aramco continues to be a leader in creating a sustainable social and economic opportunities for many in

Saudi Arabia. The company goal is to be a global citizen minimizing harm and maximizing opportunities. Today, Saudi Aramco focuses its CSR operations in four important areas: the economy, community, knowledge, and the environment. It has invested billions of dollars in more than 100 ventures to create thousands of jobs and brought more than \$70 billion in Kingdom through foreign investors in mega joint venture projects. The company supports more than 150 charities both inside the Kingdom and abroad which serve a wide range of causes. Being a national oil company, its profit goes to the government which in turns supports the citizenry. It uses its expertise to engage its employees and dependents in critical CSR activities inside and outside the Kingdom (IPRA-Gulf Chapter, 2010). Saudi Aramco in its recent initiative organized its first forum on CSR in February 2012. The objective of the forum was to find a platform to connect experts in social responsibility and those influencing it with a view to exchanging expertise, transferring knowledge, aligning plans and examining how the best programs are designed to be sustainable and fulfill society's requirements in Saudi Arabia (Arab News, 2012).

Apart from Saudi Aramco, SABIC and Abdul Lateef Jameel (ALJ) Group, Savola Group and National Commercial Bank (NCB) are two other companies which should have special mention. Savola Group is a Saudi public listed company and one of the largest diversified conglomerates in MENA region managing a wide portfolio of businesses. It has the market shares of 62% of the edible oils market, and 68% of the sugar market in the Kingdom as well as running 66 Retail outlets Supermarkets/Hypermarkets. The company has been successful in many initiatives such as the Saudization of its workforce, i.e. employment of Saudi nationals; and for its CSR initiatives in the Kingdom. It won CSR Award in 2007 as well. The company boasts of a revenue of SR 25.2 billion in 2011, and has been expanding very fast. Its gross profit amounted to SR 3.97 Billion in 2011, an increase of 16.1% in comparison to the last year. Savola has established a separate CSR department under a director-level executive. It has a well defined CSR strategy. Its mission talks about its commitment towards the CSR. The mission aims to work relentlessly in achieving world class standards of openness, transparency and accountability towards all its stakeholders, and to build bridges to reach out and serve the communities they operate in. Its Makeen program is targeted to help physically handicapped people, and a self help group known as 'Bridges' has been launched which is quite successful. At present, nine bridges comprising various educational, social, and training initiatives have been selected based on the need of the community (Savola Group, 2012).

NCB is another successful CSR example in Saudi Arabia. It has won many CSR awards such as 2008 CSR Leadership Award at Dubai, and 2008, 2009 and 2010 King Khalid Competitive Responsibility award for achievement in integrating social and environmental goals into its business performance. In 2009, NCB established a full-fledged CSR department under the leadership of a vice-president level executive. It has a team of full time employees dedicated to the CSR function. The company had adopted its CSR-specific mission, vision and strategic goals as well which guide and help it to better communicate with its employees and community at large. Its mission is "to be the leading joint stock company in the field of Corporate Social Responsibility" with a vision of introducing creative, innovative, non-profit CSR programs contributing to the country's development. NCB spent SR 30,041 thousand on CSR programs, SR 21,171 thousand on donations and sponsorships, and SR 7,309 thousand on CSR unit operations in the year 2011. The total amount spent on social contribution was SR 58,521 thousand in 2011 which was 1% of the total NCB net income. On environmental concerns, the role of NCB is also commendable and it has taken initiative to cut down its power, water, and paper consumption. The bank developed a branch prototype to reduce its power consumption, and its energy-reduction program launched in 30 branches in 2011 resulted into an average power saving of 7%. It saved SR 239,048, cutting power consumption by more than 919,405 KW during 2011. In its very enthusiastic effort, NCB has adopted a plan in 2012 that will see its consumption of electricity reduced by 20 percent, of water by 10 percent, and paper by 25 percent in its branches. NCB has identified its CSR specific agenda in the form of strategic goals which are as follows:

- Contribute to ensure job opportunities to decrease unemployment,
- Contribute to support the health sector,
- Contribute to support educational sector, and

- Adopt various social programs to help the needy and promote the concept of volunteerism in the community (See also, NCB, 2012; NCB, 2012a).

Yet most of companies lack these kinds of initiatives and fare badly in adopting good management practices including protecting labor rights. Azhar (2012) who runs a CSR and sustainability knowledge advisory firm feels that the CSR landscape is ready for strategic CSR in Saudi Arabia where consulting companies are eager to help businesses, public sector support the spread of CSR. Plenty of other socially responsible business opportunities exist. She feels that CSR has been misinterpreted as charity for long and it has slowed the spread of CSR in Saudi Arabia. There is a need for a more strategic government umbrella for CSR which should encourage, incentivize and support companies in this regard. The non-existent role of consumer-driven CSR is also an impediment as consumers in Saudi Arabia are woefully unaware of the implication of responsible business practices. Azhar (2012) also highlights challenges for CSR which needs to be tackled; first and foremost being business-related corruption. Transparency International in its 2011 Corruption Perception Index ranks Saudi Arabia with a 4.4 score at 57<sup>th</sup> (out of 182 countries) which is highest in GCC with a close call to Kuwait at 54<sup>th</sup> and Oman at 50<sup>th</sup>. Qatar ranks at 22<sup>nd</sup> with 7.2 (better than USA) and UAE at 28<sup>th</sup> do much better in this regard in GCC countries. It appears that Saudi Arabia needs to improve its image in this regard. The other important issue is the treatment of labor force by the local companies where some are often found highly insensitive to the employees' health and safety issues, not paying them decent wages, other unfair labor practices and violation of the basic human rights and complete disregard of the labor standard (*see also*, Azhar, 2012).

Gravem (2010) raises some interesting questions regarding adopting CSR in Saudi Arabia in context with international standards. As most of the companies see their social responsibility firstly limited to the local community they are operating and secondly to the national level. Will CSR efforts in the Kingdom be also focused on regional and global issues? He also finds major differences in the core values between international and Saudi standards of CSR. Human rights, labor rights, environment and corruption are important international CSR issues whereas SARCI indicates that the development of human and social capital is more important issues in a Saudi CSR framework. It is hoped that with the passage of time, international standards will become more important. He also argues that there are values in the Saudi Arabian understanding of CSR which can be imported by other countries to make a positive impact. CSR practices in Saudi Arabia have a lot to learn from international standards but can contribute a lot to these standards as well (Gravem, 2010).

## CONCLUSION

Saudi Arabia is a highly networked society and a good number of companies based in the Kingdom have been traditionally socially responsible. They draw their strengths from the socio-cultural context and Islamic values underlying their business ethos and practices. As evident in most of the Middle-East and GCC countries, the CSR practices are more philanthropic and less tied to the strategic framework. This also exists in most of the cases as evidenced by the review literature undertaken on Saudi Arabia. But there are oases as well, and there are companies who are proactive in designing their CSR agenda aligned with their strategic goals. Companies like Saudi Aramco, SABIC, ALJ, Savola and NCB are some good examples who are pursuing their CSR goals strategically, and are improving their CSR efforts continuously. These companies define their CSR agenda and pursue its CSR activities seriously. These companies have established separate CSR department with appropriate empowerment, and top management provide requisite support and reinforcement in that regard. Most Saudi companies lack this kind of ambience, and need to define their CSR mission and vision, and *ad hoc* and piecemeal CSR intervention will be not enough. In fact, a multipronged approach is required to be adopted in dealing with the financial, ethical, social and environmental goals in Saudi companies. Integration and coherence of these goals is highly required which will help Saudi companies in projecting a positive brand image.

Islamic values are highly ingrained in Saudi business society and socially responsible business behavior is very much part of Islamic ethos and practices in Saudi Arabia. In fact, Islam has greatly influenced CSR in the Middle East. Charity is well accepted concept in Islam and *Zakat* (obligatory charity) is mandatory for Muslims to provide a minimum social safety net, and they are encouraged to make provision for the deprived and needy of all religions and races. Islamic principles and values lies fully in accordance with the CSR agenda as codified in the UN Global Compact (William & Zinkin, 2010) and provides a high pedestal to Saudi companies to adhere to Islamic principles of responsible and just businesses for promoting CSR. Saudi firms must incorporate these values in their CSR initiatives to relate to the community and society at large. For a good CSR framework, firm must invest in building social infrastructure as well. Very few Saudi companies have been successful in this regard, where they have identified their social constituency very well, and invested strategically to enhance their image. It has been more than philanthropy in these cases. Building local community network and communicating with them regarding CSR policies and practices helps to arrive at a meaningful dialogue, and passes the ownership for the success of CSR activities to the community groups and participants.

CSR is only possible through adopting ethical practices in the area of employment of labor by improving workplace relationship. There is a strong need to address these issues of employment in local companies and SMEs. These companies are reported to be insensitive to employees' health and safety issues, not paying them decent wages, adopting unfair labor practices, and violating basic human rights and the labor standard at times. Absence of a safe, equitable, non-discriminatory, non-threatening work environment makes the lives of the employees very tough and demanding. These companies need to address these issues first before charting the path of CSR. Being sensitive towards a cleaner environment, and its protection and sustainability is also emerging as an important issue in Saudi Arabia, and there are companies designing CSR policies to safeguard environmental interest. NCB is one such example which is aiming to cut its water, electricity, and paper consumption by a substantial margin. If its claim turns out to be true in coming years, then it should be a fit case to replicate elsewhere.

It can be concluded that CSR is in its infancy in Saudi Arabia and very few companies understands its true meaning and relevance. As shown by few researchers, it is still perceived as a cost rather than investment though it has been making its presence felt as a concept in the last 8-10 years. The government has to create some financial incentive for companies to make it relevant and attractive for the Saudi companies. The large companies like Saudi Aramco, SABIC, ALJ, Savola, NCB and many others who have established successful CSR programs have to provide guidance and support to the new practitioners of CSR. Though some forums have been established in Saudi Arabia recently it needs to increase its efforts. The stakeholders need to collaborate and contribute to make CSR institutionalized and make it meaningful for the Saudi context. They should impart learning, knowledge and skills to CSR managers. Sharing successful CSR experiences and making relevant tools and methodologies available will help them in this regard. Availability of resources in Arabic language will surely help to promote the CSR agenda in Saudi companies. Educational institutions, business schools and universities have to proactively contribute by integrating CSR teaching and training into their curricula which will surely help in institutionalizing CSR in Saudi companies. Looking beyond charity and adopting strategic CSR initiative will surely help Saudi firms to achieve a place in the global market, and can help them scale new heights of strategic philanthropy. It can provide a fit case to the world about how to do the responsible business. Ethics and religion go hand in hand in Islam, and the will to help others exists at the core of Saudi society and its Islamic values, surely helping to create a just and equitable society if given appropriate direction.

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