

## CORPORATE SOCIAL RESPONSIBILITY IN SAUDI ARABIA

*Abbas J. Ali and Abdulrahman Al-Aali*

*Dr. Ali is University Professor and Professor of Management and Director of the School of International Management, Indiana University of Pennsylvania. Dr. Al-Aali is Professor of International Business and Marketing, Department of Marketing, College of Business Administration, King Saud University, Riyadh, Saudi Arabia.\**

Corporate Social Responsibility (CSR) has recently assumed strategic significance in the industrial world for companies and governments alike. In emerging countries that seek to build vital economies, CSR has taken on an added value. Increasingly, there is the understanding that national development and CSR are characteristically intertwined. Indeed, it has become clear that developing nations will not be able to move forward without the purposeful engagement of corporations in societal affairs and their active contribution to capacity building. The underlying reasoning is that the competitive position and the national standing of a country and the well being of its citizens are inextricably linked to environmental, technological and competency challenges. These mounting challenges can only be managed through corporate initiatives in partnership with government.

The United Nations Industrial Development Organization<sup>1</sup> has reported that

corporations in partnership with governments can make a vital contribution to developing innovative solutions to developmental challenges. Furthermore, in its study, “CSR and Developing Countries,” the UN’s Division for Sustainable Development<sup>2</sup> has argued that governments across the globe have promoted CSR to enhance national competitiveness and to help deliver public-policy goals and priorities.

The Arab countries are no exception. Governments in the Arab world have in recent decades espoused certain tenets of CSR. In particular, there has been increasing emphasis on environmental sustainability, water conservation and healthy living. The Arab Forum for Environment and Development (AFED) has underscored the major challenges that Arab countries face. In a 2011 report, it concluded that, given mounting challenges, “transitioning to the Green Economy is not only an option for the Arab region; rather it is an obligation to secure a proper

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path to sustainable development.”<sup>3</sup> The report identified Saudi Arabia as one of the pioneering countries on issues related to urban planning, organic agriculture and water conservation, among others.

This study is designed to examine the nature of CSR and how this evolving concept is taking root in an emerging oil-rich country like Saudi Arabia. The study explores managers’ and non-traditional students’ (employees) perception of CSR. The findings will shed light on how companies in the private sector understand CSR and its dimensions. The results and analysis will enable both policy makers and researchers to tackle issues that are essential for development, while clarifying the role of the private sector socially and economically in the country. Indeed, no business issue other than CSR bridges the divide between the government and the business community. After years of depending heavily on the government to accelerate economic growth, the private sector has begun to evaluate its social and development roles.

### **CSR AND A CHANGING AGENDA**

Saudi Arabia is one of the world’s rapidly rising economic powers. Endowed with natural resources and having strong military and political ties to the West, the kingdom has sought to be responsive to western nations’ economic priorities and prescriptions, while aiming at maintaining traditional political and social systems. Since the early 1970s, the government has espoused comprehensive economic plans aimed at achieving economic and technological progress for its citizens, while integrating its economy into the global market. Earlier plans had sought to increase the rate of growth in its gross domestic product (GDP), develop human

resources, and diversify the economy. The most recent plans have focused on encouraging research, development and technological assimilation; promoting scientific activities; strengthening Saudi Arabia’s role in the global economy; enhancing private-sector participation in the development process; expanding basic services offered to citizens; protecting the environment, natural resources and wildlife; and developing and conserving water resources, among other things.

These recent plans give priority not only to building capacity (e.g., enhancing the skills of citizens and enabling them to seize economic opportunities and engage in productive activities), but also to strengthening the competitive position of the kingdom, allowing it to gain the flexibility needed for dealing with a changing global economic environment. These goals are in line with CSR and with the rising role of national corporations in the domestic and global economy. In both cases, the economic planners in the kingdom appear to have made a key decision: only through partnership with corporations will the state be able to effectively deliver public-policy goals.

Among the most widely functional mechanisms for fostering partnership between government and business is CSR. The essence of CSR is that business activity and corporations themselves have an ethical domain<sup>4</sup> in which they can contribute to the health and welfare of society. The United Nations defines CSR<sup>5</sup> as the “overall contribution of business to sustainable development.” The aims are to strengthen the role of corporations in society, broaden the scope of cooperation among business, government and civic organizations, and boost the benefits of business activities to societal welfare and

development. These goals have been promoted by the government directly and indirectly. Initially, however, there was no official articulation of CSR in the kingdom. Rather there was a general emphasis by both the government and religious authorities on doing good and preserving the environment.

It is possible to delineate three stages in the formal evolution of CSR. First, the priority was on environmental, philanthropic and charitable activities. These have been integrated into the missions of most organizations. In 1963, Saudi Aramco adopted the first explicit environmental-protection policy, along with charitable goals.<sup>6</sup> However, the environmental dimension experienced a national boost in 1986, when the government took the first formal protective step with the enactment of the Saudi Wildlife Commission, among other actions.

During the second stage, the meaning of CSR has been broadened to encompass improving productivity and competitiveness, including increasing employment opportunities for citizens in the private sector. In fact, the creation, in 2000, of the Saudi Arabian General Investment Authority (SAGIA) was the culmination of a commitment to institutionalizing partnerships between business and government agencies, especially on matters related to sustainability. One of the most important priorities for SAGIA is to achieve rapid and sustainable economic growth and foster investment opportunities in sectors that are essential for safeguarding the welfare of future generations. One of SAGIA's major responsibilities is to supervise the establishment of economic cities around the kingdom. At a cost of more than \$60 billion, Saudi Arabia's economy is being boosted by the construction of several of these integrated sites designed to promote

economic diversification, create over a million new job opportunities and foster contributions to GDP by the private sector, while minimizing negative environmental impact and maximizing energy conservation and sustainability.<sup>7</sup> Economic rationalization, therefore, has been a major driving factor in the government's promotion of CSR.

The emergence of the Arab Spring in 2010-11 constituted a turning point in the evolution of CSR in the kingdom, bringing it to the political forefront. At this stage, CSR is understood as not only an economic necessity but also a political priority essential to social cohesion and the kingdom's leadership stance in the region. Thus, the government has embarked on two major activities: providing generous assistance to the needy and the poor, from direct financial help to the building of a half-million low-income housing units.<sup>8</sup> Various programs have been initiated to strengthen partnerships between the public and private sectors and institutionalize CSR. For example, the Makkah Chamber of Commerce & Industry, in September 2011, conducted a two-day seminar on CSR with the participation of both private and public sectors, for the purpose of increasing awareness of the importance of CSR.<sup>9</sup>

CSR in the kingdom has evolved in a distinctive way, from the traditional Western model in the first two stages to a new perspective that links economic rationale to political logic. For example, the Danish government, in 2008, issued the "Action Plan for Corporate Social Responsibility,"<sup>10</sup> which aims "at promoting CSR and helping Danish businesses reap more benefits from being at the global vanguard of CSR. At the same time, the plan aims at strengthening efforts to ensure that Denmark and Danish businesses are generally associated with

responsible growth.” The U.S. Government Accountability Office views CSR in relatively narrow terms, stating that it “involves business efforts to address the social and environmental concerns associated with business operations.”<sup>11</sup>

This broad perspective of CSR, however, is still not embraced by the wider business community in the kingdom, a fact that business leaders acknowledge. In a recent interview with *Alriyadh* newspaper,<sup>12</sup> the CEO of Advanced Electronics Company (AEC) stated that a sound and comprehensive understanding of CSR had been lacking in the kingdom until recently. It is not known, however, whether the espoused broad perspective can yield solid progress in the short run. If it is executed diligently, it can lead to an institutionalized partnership between the private sector and the government and ultimately have an impact on regional development. The kingdom has sought to explore various avenues for integrating CSR into society and business affairs and has invited businesses and nongovernmental organizations (NGOs) to contribute to building sound economic foundations, while easing environmental challenges.

### CHALLENGES AHEAD

The kingdom is in a race against time to achieve social cohesion and sound economic development, while trying to tilt regional upheavals to its advantage. CSR is an instrument appropriate to these projects. There are, however, certain challenges that have to be confronted. Some are embedded in the entitlement mentality, which has hardened over the years; others are structural in nature.

In its study, *The Evolution of CSR in Saudi Arabia*,<sup>13</sup> Tamkeen Sustainability Advisors found that corporations in the

kingdom have begun to appreciate the value of engaging in responsible business practices rather than just charity. These companies recognize three areas for contributions: employees, community and environment. While the study acknowledges the role of the media in underscoring the importance of CSR, it has found that though companies may consider national-development priorities in the context of CSR, this is not the primary consideration. Most important, the study found that “systematic government incentives and initiatives for social and environmental performance are generally missing. Due to the cultural heritage, there is a general perception, however, both in the business community and the public at large, that social responsibility and welfare is the primary role of government.”<sup>14</sup>

In addition to these challenges, there are structural obstacles to integrating CSR into the strategic planning of corporations in the kingdom. These stem primarily from the fact that the majority of Saudi corporations are small and medium-sized firms (SMFs), which neither generate high employment nor include development goals as part of their CSR. In the absence of powerful NGOs, SMFs are not expected to take initiatives to partner with government agencies or institutionalize CSR processes. This may make it difficult, if not impossible, for the government to channel private-sector energy and capacity into fruitful CSR.

In a study commissioned by SAGIA and the Harvard Kennedy School,<sup>15</sup> it was observed that there are eight global trends in CSR: competitiveness; strategic, competence-led philanthropy; accountability and transparency; new types of public-private partnerships to tackle complex global and national problems; industry-led business

coalitions; new models of leadership and cooperation from key emerging markets in Asia, Africa, Latin America and the Middle East; integrating CSR into business schools and university curricula; and the growing role of the media in promoting and articulating CSR. These trends are not only a challenge; they also constitute a blueprint for broader integration of CSR into business and societal affairs. Indeed, this broad perspective represents a departure from the earlier perception of CSR as narrow moral obligations, instituting broader thinking about CSR where strategic dimensions and the necessity to strengthen the corporate role in social affairs and capital formation are considered.

## RESEARCH METHODOLOGY

This survey includes two parts: a demographic/organizational section and attitudes toward CSR. The latter was adopted from Tan and Komaran,<sup>16</sup> who designed the instrument based on Carroll's<sup>17</sup> pyramid of CSR and Lawrence, Weber and Post.<sup>18</sup> They grouped CSR into seven categories with 28 items. In this study, only six types of responsibilities were utilized: economic, legal, ethical, philanthropic, charitable and environmental. A five-point Likert scale was used to rate each statement, where 1 indicates strongly disagreed and 5 strongly agreed. The questionnaires were translated from English to Arabic and verified by a panel of experts. To assure that the translation from English to Arabic approximated the original English meaning, the questionnaires in both languages were given to five faculty members in Saudi Arabia and the United States, all of whom were American-educated and are bilingual. A few minor modifications were made after feedback was received from these experts.

## Data Collection and Sample Size

The research is based upon data collected from two sources: executives and managers working in companies listed in the Saudi Stock Exchange (Tadawul)<sup>19</sup> and nontraditional students enrolled in a graduate program in a major college of business in the kingdom. For the managers' sample, all companies listed in Tadawul were utilized, only 135 of which were listed at the time of the survey. Two managers from each company were randomly selected to participate in the study. Thus, 270 questionnaires were distributed. Participants were informed about the scheduled date for collecting the complete survey. There were 242 collected questionnaires. After verifying data and checking which questionnaires were left incomplete, five responses were deleted. The sample size of executives was therefore 237, a response rate of 87.7 percent of the distributed questionnaires.

The nontraditional students were at the time of the study enrolled in graduate business programs and working at various corporations. Some of the 271 nontraditional students already had a graduate degree in other fields. All of them were contacted to participate in the study. A total of 219 questionnaires were collected. After verifying data and checking the completeness of the questionnaires, six were deemed not usable. The analysis was carried out on 213 responses with a response rate of 78.6 percent (see Table 1).

About 84 percent of participants were men, 56 percent of whom had graduate degrees. The majority of participants (54 percent) were 35 or older. About half of them had been working for 10 or more years. Thirty percent were upper-level managers, and over 22 percent worked in the manufacturing sector.

**TABLE 1: RESPONDENTS' PROFILES (N=450)**

Variable	Frequency	Percent
Gender		
<i>Male</i>	376	83.6
<i>Female</i>	74	16.4
Types of Students		
<i>Executives</i>	237	52.7
<i>Nontraditional Students</i>	218	47.3
Highest Educational Level		
<i>Undergraduate</i>	196	43.6
<i>Graduate</i>	254	56.4
Sector		
<i>Manufacturing</i>	102	22.7
<i>Non-manufacturing</i>	348	77.3
Average Age (years)	35.97	8.845*
Average Experience (years)	11.89	8.172*

\* Standard Deviation

## RESULTS AND ANALYSIS

To test the reliability of the survey instrument, the authors computed Cronbach's alpha coefficients. The overall reliability for this instrument is 0.775, a high reliability factor. Other tests were also carried out to measure sampling adequacy. It was found that three statements in the instruments have a negative correlation with the rest of the scale (see Table 2). These statements focus on purely economic aspects of business conduct: obtaining the highest financial returns (variable

13), maximizing profit (variable 1) and whether one should not be distracted from economic functions by engaging in social issues (variable 19).

**TABLE 2: ITEM-TOTAL CORRELATIONS, MEAN AND STANDARD DEVIATION**

Variable	Mean	Std Dev	Item-Total Correlation
01. The primary goal of companies is to maximize profit.	4.28	.889	-.004
02. Well-managed companies strive to comply with all government laws and regulations.	4.24	.809	.340
03. Companies should not compromise society's ethical norms in order to achieve corporate goals.	4.52	.700	.443
04. Companies should contribute funds to the community.	4.27	.721	.380
05. Business has an obligation to needy persons in society.	4.11	.824	.316
06. Companies should take care of the natural environment.	4.31	.726	.515

07. Socially responsible companies strive to lower their costs.	3.16	1.052	.231
08. Companies must operate strictly within the legal framework of the society.	4.38	.654	.448
09. Socially responsible companies always do what is right.	3.36	.984	.333
10. Socially responsible companies seek community betterment.	3.80	.842	.288
11. Business should be charitable toward the less fortunate in society.	4.09	.785	.310
12. Companies should avoid damaging the natural environment.	4.52	.627	.561
13. Companies should strive for the highest financial returns to their shareholders.	4.42	.686	.067
14. It is sometimes acceptable for companies to violate some laws and regulations.*	3.84	1.120	.285
15. Companies should avoid doing harm to society at all cost.	4.26	.968	.288
16. Companies should actively promote volunteerism.	3.98	.759	.436
17. Companies should take voluntary actions to promote what is good for the society.	4.02	.711	.446
18. Companies should contribute to the upkeep of the natural environment.	4.33	.664	.557
19. Companies should not be distracted from their economic functions by solving social problems.	3.68	1.012	-.029
20. Companies have to adhere to all government rules and regulations even though it may be costly for them.	4.20	.773	.375
21. Companies may engage in questionable practices for economic gains.*	4.12	1.068	.301
22. Companies have to commit resources to support culture and the arts.	3.02	.995	.258
23. Socially responsible companies contribute funds to charitable organizations.	3.72	.788	.380
24. Companies should reduce waste during the course of doing business.	4.36	.755	.402

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\*Reversed score

It should be mentioned that on other charitable and philanthropic items, participants scored fairly high (variables 4, 5, 11, etc.) as they did on items related to meeting legal obligations.

To reach a better understanding of the dimensions of CSR beyond the economic domain, factor analysis was conducted (see

Table 3) using the Varimax rotation methodology. Variables with loadings of less than .37 were excluded from the analysis. This led to five responsibility factors, labeled in the following order: environmentalism, legality, voluntarism, philanthropy, and ethical responsibility.

**TABLE 3: ROTATED COMPONENT MATRIX**

Seq in Survey	Items	1	2	3	4	5
Q12	Companies should avoid damaging the natural environment.	.768				
Q18	Companies should contribute to the upkeep of the natural environment.	.763				
Q24	Companies should reduce waste during the course of doing business.	.706				
Q6	Companies should take care of the natural environment.	.663				
Q15	Companies should avoid doing harm to society at all cost.	.379				
Q21	Companies may engage in questionable practices for economic gains.**		.733			
Q14	It is sometimes acceptable for companies to violate some laws and regulations.**		.720			
Q20	Companies have to adhere to all government rules and regulations even though it may be costly for them.		.594			
Q2	Well-managed companies strive to comply with all government laws and regulations.		.547			
Q17	Companies should take voluntary actions to promote what is good for the society.			.803		
Q16	Companies should actively promote volunteerism.			.791		
Q11	Business should be charitable toward the less fortunate in society.			.524		
Q10	Socially responsible companies seek community betterment.				.740	
Q9	Socially responsible companies always do what is right.				.731	
Q23	Socially responsible companies contribute funds to charitable organizations.				.496	
Q22	Companies have to commit resources to support culture and the arts.				.469	

Q5	Business has an obligation to needy persons in society.	.662
Q4	Companies should contribute funds to the community.	.503
Q8	Companies must operate strictly within the legal framework of society.	.477
Q3	Companies should not compromise ethical norms of the society in order to achieve corporate goals.	.475
Q7	Socially responsible companies strive to lower their costs.	.405
Variance Explained (%)		12.811 10.509 10.383 8.974 8.845

\* Factor Analysis: Extraction method is principal component analysis. Rotation method is Varimax with Kaiser normalization. Only significant factor loadings are shown. Total variance explained = 51.522%.

\*\*Reversed score

We carried out an analysis of variance to test whether or not there were significant differences in each responsibility factor or category across selected demographic and organizational variables. This was done across gender, age, education, profession (executives vs. nontraditional students) and type of industry. It was found (see Table 4) that male executives scored significantly higher than women executives on legal commitment but shared similar orientations on other dimensions. Those who were 35 or older displayed a higher commitment to legal aspects and observation of regulations. Those with a graduate degree scored significantly higher than those with only an undergraduate degree on environmental and voluntarism dimensions. Those in the service sector appeared to show a greater preference for volunteerism and ethical dimensions than those in the manufacturing sector.

## DISCUSSION

While most of the research on CSR in the Arab world and other developing coun-

tries indicates that CSR is not well-developed and that the emphasis is primarily on charitable and philanthropic activities, in Saudi Arabia both executives and nontraditional students appear to have a broader understanding of CSR that goes beyond charitable involvement. This development is a step toward better integration of CSR in business conduct, a goal that is sought by the government.

However, two caveats should be given serious attention by public-policy makers. The first is that participants view CSR as a voluntary activity. The second point, underscored by Tamkeen's study,<sup>20</sup> is that both the public at large and corporations believe that social responsibility is an integral part of government duties. The first does not really fit with the government's quest to make CSR a normal practice of private-sector core business. In addition, Islamic teaching views social responsibility as an obligation. The Quran instructs believers to "spend out of the whereof He made you heirs,"<sup>21</sup> and "in their wealth there is a due share for the beggar and the deprived."<sup>22</sup>

**TABLE 4: ONE-WAY MANOVA TEST FOR CSR FACTORS  
BY SELECTED DEMOGRAPHIC AND ORGANIZATIONAL VARIABLES**

<b>Independent Variable</b>	<b>Factor-1</b>	<b>Factor-2</b>	<b>Factor-3</b>	<b>Factor-4</b>	<b>Factor-5</b>
Gender					
<i>Male</i>	4.36	4.22	4.02	3.55	4.08
<i>Female</i>	4.32	3.92	4.08	3.57	4.14
F-MANOVA	.348	14.847**	.485	.071	.880
Age					
<i>35 or less</i>	4.34	4.07	4.07	3.55	4.13
<i>Over 35</i>	4.37	4.29	3.99	3.55	4.05
F-MANOVA	.380	13.250**	1.944	.003	2.850
Education					
<i>Undergraduate</i>	4.27	4.22	3.92	3.57	4.04
<i>Graduate</i>	4.43	4.13	4.12	3.54	4.13
F-MANOVA	9.881**	2.181	13.190**	.233	3.16
Executives vs. NonTraditional Students					
<i>Executives</i>	4.31	4.27	3.94	3.58	4.01
<i>Nontraditional Students</i>	4.41	4.06	4.14	3.52	4.18
F-MANOVA	3.442	12.543**	13.839**	1.273	14.697**
Type of Industry					
<i>Manufacturing</i>	4.34	4.24	3.85	3.54	3.96
<i>Non-Manufacturing</i>	4.36	4.15	4.09	3.56	4.13
F-MANOVA	.231	1.546	12.839**	.036	10.866**

\*  $P \leq .05$ \*\*  $P \leq .01$ 

The second point constitutes a formidable challenge that requires concentrated effort on the part of the government to steer the public debate toward accepting that corporations not only have a social responsibility, but that this is essential for business growth and building a healthy society. While motivating the private sector to accept the premise that CSR is an obligation and part of good practice, this may be inconsistent with the practice of a free-market economy as it perceived in the West. Theoretically, in capitalism the state

should not force corporations to engage in activities other than those dictated by the market. Primarily, corporations are assumed to generate reasonable returns on shareholders' capital. In the kingdom, many business people have been exposed for a long time to the code of capitalism either through interactions with Western businessmen or through their studies abroad. Changing their orientations, therefore, can be a difficult task. This is especially true as the results of this study demonstrate that in the kingdom busi-

ness people and business graduates place an emphasis on profit maximization and obtaining the highest financial return to shareholders.

However, these participants, unlike their counterparts in the West, believe in those economic goals of maximizing profit and not detracting from economic activities by solving social problems that are not part of CSR. This indicates that, while Saudi participants have broad CSR perspectives, they differentiate between market and non-market factors and think that each category should be treated separately. In the West, this thinking is common. In fact, economist Milton Friedman<sup>23</sup> made a powerful argument that “the only social responsibility of business is to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game.” Later, in 1970,<sup>24</sup> he argued that the doctrine of social responsibility “involves the acceptance of the socialist view that political mechanisms, not market mechanisms, are the appropriate way to determine the allocation of scarce resources to alternative uses.” Friedman believed that only people, not corporations, have social responsibilities.

However, in both academia and business in the West, Friedman’s overt disregard for CSR has been dismissed as illogical and impractical. Walter E. Hoadley,<sup>25</sup> former executive vice president of Bank of America, argues that in a global economy the distinction between economic and non-economic forces is not clear:

Greater recognition will have to be given to the effects of non-economic, e.g., social, political, psychological, technological, ethical, etc., forces shaping the future. The distinction between economic and non-economic

cannot be precise. Some blending frequently occurs, but public interest will place more emphasis on the human emotional aspects of life. Failure to recognize this change can be costly, invite more tensions, and generate disruptive social unrest.

Unlike Friedman, participants believe that corporations have a role in society, and it is part of their social duties to engage in charitable activities, protect the environment, and strictly observe government regulations and ethical guidelines. Nevertheless, engagement in social responsibility is viewed as a voluntary act, especially by those who work in the service sector, have graduate degrees, and are non-traditional students. Volunteerism implies leaving it to corporations to choose what, when and how to engage in social issues. This denotes randomness rather than planned activities and therefore makes it impossible to set the groundwork for a purposeful tradition in pursuing and executing CSR in corporate affairs. This point was articulated recently by the secretary-general of the Riyadh Chamber of Commerce and Industry, Hussein A. Al-Athel, who stated that it is imperative to transform CSR from voluntary efforts to an institutionalized practice.<sup>26</sup> More important, volunteerism narrows the arena of CSR and reinforces the thinking that CSR is primarily a government business. Consequently, CSR programs may not reach the level expected by the government.

Certainly, a profound change in the prevailing CSR thinking has to take place in order for the kingdom to adequately address three primary challenges: achieving economic diversity, offering job opportunities for a growing number of graduates, and maintaining social cohesiveness and stabil-

ity. Individually and collectively, these challenges intertwine with CSR and thus cannot be left for the government alone to tackle. They require the active engagement of the private sector. While the first two challenges have topped the priorities of the government for the last three decades, progress has not met expectations. In its comprehensive study of the state of CSR in the kingdom, Tamkeen<sup>27</sup> found “absence, among the majority of companies, of strategy or structured processes for identifying, prioritizing and managing for CSR.”

When the Oxford Business Group issued its report, *Saudi Arabia 2012*, it was revealed that the kingdom’s spending initiatives under the Ninth Development Plan (2010-14) are expected to generate solid, short-term growth.<sup>28</sup> These achievements in the long run, however, are difficult to sustain without fruitful partnership between the government and the private sector. Indeed, this has more than ever become a pressing issue as remarkable progress has been made only in petrochemicals and other oil-related industries and as increasing numbers of Saudis graduate each year from colleges and universities at home and abroad.

*The Wall Street Journal* reported that Saudi graduates of American colleges were eager to leave and work at home. In the academic year 2010-11, the kingdom had more than 66,000 students in the United States — more than China.<sup>29</sup> The report elaborated on how King Abdullah, in 2005, launched Saudi Arabia’s international scholarship program to equip future generations to handle the country’s main challenges, including a fast-growing population and declining oil reserves. In 2012, the scholarship program has about 130,000 young people studying around the world, at an estimated cost of at least \$5

billion since the program began. In previous decades, when the number of university graduates was relatively small, most were absorbed by the public sector. As the number of students increases dramatically and fields of specialization vary, the public sector has neither the capacity nor the appropriate positions to effectively utilize diverse skills and knowledge. The private sector, as part of CSR, can be instrumental in meeting this new development by generating opportunities that allow the new graduates to earn decent pay and have jobs corresponding to their skills. Furthermore, the private sector can serve as a chamber for nurturing and cultivating skills. This can ease and foster capacity building and allow the kingdom to diversify its economy and meet the demands of youth for jobs and professional opportunities.

In both cases (diversifying the economic base and generating good jobs), it is necessary to reinforce what economists call the “virtuous circle of growth,” thereby enabling citizens and corporations to prosper and be responsive to changing social and economic expectations. This ultimately will lead to social stability and greater economic equality. The government, however, must take the lead in articulating CSR guidelines and promoting ethical responsibility and the expected benefits for businesses that wholeheartedly espouse CSR. In this study, executives and older participants showed a greater tendency to closely observe government instructions and regulations. Likewise, in its 2010 study,<sup>30</sup> Tamkeen reported that executives expressed high expectations that the government would identify what elements should be included in CSR and what should be given priority. That is, while there are certain obstacles (e.g., volunteerism, emphasis on economic factors) to

the private sector's engaging in CSR and actively contributing to economic and social developments, Saudi corporations are not adversarial in their relationship with the government. Rather, they are looking for effective means of partnership and are willing to heed government regulations and guidelines. This is an opportunity that public-policy makers should utilize to focus private-sector attention on CSR and related issues of social and economic development.

In conclusion, the results of this study reveal that Saudi participants have a broad understanding of CSR. Consistent with general expectations, participants and their corporations appear to be committed to meeting government regulations and rules. While manifesting the strictness of government regulations, the results disclose a high degree of attentiveness and receptiveness of the business community to government regulations and initiatives pertaining to certain CSR issues.

The study further underscores the fact that participants appear not to limit their CSR focus to charity and philanthropic

activities. In particular, the consideration of environmental, economic, legal and ethical responsibilities represents a qualitative shift where the centrality and necessity of CSR may become a guiding principle. Nevertheless, participants, in espousing the principle of profit maximization and emphasizing economic priorities in the context of their affairs, demonstrate that exposure to the earlier teachings in Western business schools and the practice of the free-market economy influences Saudi thinking and business priorities. Such influence manifests the powerful role that the market can play in shaping executives' priorities.

Certainly, the study results refute common assumptions that managers in Saudi Arabia, and the region in general, focus primarily on the charitable aspects of CSR. The results further reveal that the concept of CSR is not independent of sociopolitical developments. This linkage serves as a powerful incentive for corporations to partner with the government to meet social challenges while advancing economic growth and prosperity.

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<sup>1</sup> United Nations Industrial Development Organization, *Building Linkages for Competitive and Responsible Entrepreneurship* (UNIDO, 2007).

<sup>2</sup> United Nations, "CSR and Developing Countries: What Scope for Government Action?" *Innovation Briefs*, Issue 1 (2007), 1-7.

<sup>3</sup> Hussein Abaza, Najib Saab, and Bashar Zeitoon, eds., *Arab Environment: Green Economy: Sustainable Transition in a Changing Arab World* (Arab Forum for Environment and Development, 2011).

<sup>4</sup> John Roberts, "The Manufacture of Corporate Social Responsibility: Constructing Corporate Sensibility," *Organization* 10, no. 2 (2003): 249-65.

<sup>5</sup> United Nations, "CSR and Developing Countries: What Scope for Government Action?"

<sup>6</sup> Aramco, "Environment," accessed July 30, 2012. <http://www.saudiaramco.com/en/home/news/events/corporate-social-responsibility-forum.html#society-%2526-environment%257C%252Fen%252Fhome%252Fsocialty-and-environment%252Fenvironment.baseajax.html>.

<sup>7</sup> SAGIA, "Economic Cities," <http://www.sagia.gov.sa/Why-Saudi-Arabia/Economic-cities/>, accessed September 3, 2012.

<sup>8</sup> King Abdullah announced payment of SR 1.36 billion in financial assistance to all poor individuals and

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