Abstract: In the first part of the paper we study the recent interest in CSR by company stakeholder: the new roles that the companies play are reviewed and compared to consumers’ expectations as well as their perception of the actions undertaken and the related communication. Local actions adopted by some global companies and their compliance with the CSR are also presented.

In the second part of the paper, the cultural specificity of the Middle East is examined and its incidence on CSR actions is explored. The type of actions that businesses can adopt, within the CSR frame, are presented in conjunction with their compatibility with the dominant religion Islam. Recommendations are formulated for companies working in the Middle East about the ways of adapting their social responsibility programs to the local environment and the extent of success achieved by their global programs.

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1-The role of CSR in a complex environment

Over the past two decades, the forces of economic globalization, political transformation and technological innovation have increased the global reach and influence of the private sector. The UN estimates, for example, that the number of transnational corporations almost doubled from 37,000 in 1990 to over 60,000 in 2004, with some 800,000 foreign affiliates and millions of suppliers and distributors operating along their global value chains. This process has conferred new rights and created new business opportunities for global corporations and large national companies, while also exposing weaknesses in national and global governance structures. It has also resulted in new competitive pressures and risks, and led to increased demand for greater corporate responsibility, transparency and accountability. While this leadership challenge was especially apparent for executives in Europe and North America, it is also becoming a reality for many in Asia, Africa, the Middle East, and Latin America, especially those who aim to be global players, either doing business with or competing against the world’s top multinationals. Business leaders are obviously influenced by different economic, social, cultural and political traditions, and different industry sectors face different types of corporate citizenship challenges (Nelson, 2004).

“Social responsibility” to the investing and consuming public really means:

- Being transparent in your financial reporting.
- Producing a quality product, and not misrepresenting it.
- Being forthright and telling the public, if you know something about the product that endangers the consumer.
- Not using predatory practices in offshore manufacturing, such as child labor.
- Not polluting your environment or other environments, and adhering to laws and regulations.
- Being respectful, fair and open in your employment practices.

As well as: traceability in the products and the operations, fighting corruption as receivers or donors, accepting accountability for the actions undertaken… all of which are an added value proving that companies are doing “good” and are trustful.

In the past two decades, globalization and the disappearance of trade barriers has pushed companies to expand their operations, heightened competition and a constant strain on prices drove them to set supply chain in remote areas, outsource and subcontract to get cheaper goods and a higher quality. In parallel, customers have become better informed about the wide variety of products and services on offer, and are pressuring companies to reduce prices, improve quality and increase services.

Intense media, investor, regulatory and public awareness has put today’s companies under extreme scrutiny, and has heightened corporate attention to CSR (which in many cases has not been entirely voluntary). Many companies awoke to it only after being surprised by public responses to issues they had not previously thought were part of their business responsibilities.

Nike, for example, faced an extensive consumer boycott after the New York Times and other media outlets reported abusive labor practices at some of its Indonesian suppliers in the early 1990s. Shell Oil’s decision to sink the Brent Spar, an obsolete oil rig, in the North Sea led to Greenpeace protests in 1995 and to international headlines. Pharmaceutical companies discovered that they were expected to respond to the AIDS pandemic in Africa even though it was far removed from their primary product lines and markets. Fast-food and packaged food companies are now being held responsible for obesity and poor nutrition.

The financial scandals of recent years have also led to a significantly more constrained regulatory environment. The many scandals that hit several large companies made a company’s reputation and image a valuable asset and consumers more sensitive to these elements leading them to establish a relationship based on trust in the company supplying goods and services (Compass Group corruption scandal, Enron accounting fraud involving Arthur Andersen, Fannie Mae underreporting of profits, Parmalat accounting scandal and mutual fund fraud, Tyco International and Worldcom frauds).

At the same time, increasing public and stakeholder concern about the social and environmental impacts of business practices is forcing companies to come to terms with a much broader set of interests and expectations.

Global companies today are often characterized as mere legal fictions that act as a center for the coordination of contractual relations, from supply chains and distribution channels to financial arrangements and licensing agreements. Moreover, their headquarters often bear little relation to the places where their goods and services are produced or delivered. They are “rootless cosmopolitans,” in Martin Wolf’s (2004) paraphrase.

2-The Value Proposition for Corporate Citizenship

Leading companies are looking to replace the traditional ways of practicing corporate citizenship with a more strategic and integrated model. At the core of this transition is the
recognition that corporate values have to be taken more seriously and be introduced throughout the company. Core values become one half of the bifocal through which companies assess risks and opportunities and respond to business interests and stakeholders. Core values shape the decisions a company — from leadership to the line — makes every day.

In the 21st century, business success will depend on how well a company defines its core values and embeds them into strategy and performance. The way a company delivers its core values will be what distinguishes the company's corporate citizenship.

According to the Boston College Center for Corporate Citizenship, the corporate citizenship value proposition is part of the implicit promise a company makes to society to minimize harm, maximize benefits, build accountability and responsiveness, and support and drive financial results.

![Figure 1: Model to improve corporate citizenship](image)

With the urging of external advocates, many companies voluntarily adopt an external code or standard that covers elements of “triple bottom line” (economic, environmental, and social) performance and processes. Many of these standards require companies to measure performance and publicly disclose results.

Relative neophytes, for instance, often lack understanding of the many aspects of corporate citizenship and have neither the expertise nor the machinery to respond to so many diverse interests and demands. Their chief challenges are to put citizenship firmly on the corporate agenda, get better informed about the concerns of stakeholders, and take sensible initial steps.

At the other extreme are companies that have already made a significant investment in citizenship. In this case, the CEO is typically leading the firm’s position on social and environmental issues, and the board is fully informed. To move forward these companies might try to connect citizenship to core business strategy and to employees.

Looking across the corporate landscape, Nikos Mourkogiannis discovered that well-respected companies identify themselves with a clear mission that appeals to our emotions. Four such types of companies are:

- **Altruistic Companies:** They exist primarily to serve their stakeholders. Most charities, not-for-profit organizations, government departments, educational institutions, hospitals, and churches are designed for this purpose. In the corporate world where a profit imperative exists, altruism gets translated into a range of activities such as: exceptional customer service (e.g., in the best better value for money than competitors (e.g., Wal-Mart), “doing well by
doing good” (e.g., the Body Shop), and making people happy (e.g., Disney). There is a risk here for a very commercially successful company that promotes this mission. It often invites critics to produce a “counter-story” that focuses on some perceived disadvantaged group.  

▪ **Excellent Companies:** They exist primarily to “be the best” at whatever they set out to do. For example, many luxury goods companies are designed around excellence. When BMW proudly advertised its cars as “the ultimate driving machine” and that they were better than their competitors, the company was pursuing excellence. Excellence is often the aspiration of the big professional service firms (especially law firms). To signal and re-affirm excellence, companies must often charge a price premium and/or win the league tables that rate industry competitors.

▪ **Discovery Companies:** They exist primarily to explore, challenge, understand, be creative, and build something new. The 3M company, with its long-standing corporate logo of “innovation” and the stream of new products to “prove” this mission, is a good example of such a company. As noted earlier, 3M is a company with a story-rich culture about its successes and failures. Many Internet companies started out with this mission. Over time, the most successful of these, like Google, also develop a Hero mission.

▪ **Hero Companies:** They exist primarily to lead, demonstrate achievement, and/or challenge an (often bigger) incumbent. South West Airlines started out as a challenger-hero when it first entered the Texas market and challenged the two incumbent airlines. The WinTel twins (Microsoft and Intel) are leader-heroes to the extent that they have helped to bring personal computing to the masses. (Grahame R. Dowling, 2006)

When a corporate mission touches the emotions of a stakeholder, the company is establishing deep roots for its reputation. This process is enhanced through the company’s proclamations of its business morality.

The concept of corporate social responsibility is being challenged by those who claim that political correctness has concealed the important business points. They consider that corporations should be “responsible” by creating quality products and marketing them in an ethical manner, in compliance with laws and regulations and with financials represented in an honest, transparent way to shareholders. However, the notion that the corporation should apply its assets for social purposes, rather than for the profit of its owners, the shareholders, is perceived as irresponsible. (Forbes, 11/28/2006)

The corporation’s goal is to act on behalf of its owners. The company’s owners--its shareholders--can certainly donate their own assets to charities that promote causes they believe in. They can buy hybrid cars to cut back on fossil fuel consumption or support organizations that train the hard-core unemployed. But it would be irresponsible for the management and directors of a company, whose stock these investors purchased, to deploy corporate assets for social causes.

It would be very easy to carry out a test of the market for corporate social responsibility. For example, a company could sell one product for $100 and another similar product for $110. The company could announce that the extra $10 from the more expensive product would be spent to promote specific social causes, such as education, environmentalism, etc. Such a test would account clearly and honestly for how shareholders’ money was being used and would allow the market to drive the outcome. If consumers wanted to pay the extra $10, voting with their wallets for a cause they believe in, they could.
3- CSR in global companies

While firms traditionally orient their CSR activities (such as philanthropy and employee voluntarism) toward local communities, particularly their headquarters city, global CSR implies that corporations may be held responsible for actions beyond the firm’s boundaries and beyond their local community to include suppliers, distributors, alliance partners, and even sovereign nations in which they do business. Broadly speaking, proponents of CSR have used four arguments to make their case: moral obligation, sustainability, license to operate, and reputation. The moral appeal – arguing that companies have a duty to be good citizens and to "do the right thing" – is prominent in the goal of Business for Social Responsibility, the leading nonprofit CSR business association in the United States. It asks that its members "achieve commercial success in ways that honor ethical values and respect people, communities, and the natural environment." Sustainability emphasizes environmental and community stewardship. The notion of license to operate derives from the fact that every company needs tacit or explicit permission from governments, communities, and numerous other stakeholders to do business. Finally, reputation is used by many companies to justify CSR initiatives on the grounds that they will improve a company's image, strengthen its brand, enliven morale, and even raise the value of its stock. (Porter and Kramer, 2006)

Governments in many countries are reducing their social service budget, welfare states are disappearing because politicians are attracting voters through tax cuts promises leading to less financial availabilities for governments and companies are being pressured to contribute to social work and community welfare. The multinational companies are looking for countries where the laws protecting labor and environment are not too strict and the risks of violence are increasing if a company does not adopt a code of conduct and abide by the CSR recommendations. Corporations are not responsible for all the world’s problems, nor do they have the resources to solve them all. Each company can identify the particular set of societal problems that it is best equipped to help resolve and from which it can gain the greatest competitive benefit. Addressing social issues by creating shared value will lead to self-sustaining solutions that do not depend on private or government subsidies. When a well-run business applies its vast resources, expertise, and management talent to problems that it understands and in which it has a stake, it can have a greater impact on social good than any other institution or philanthropic organization.

There may be a business case for doing good, but there is no evidence that more responsible firms perform better financially, according to Haas’ Professor David Vogel, author of the book, “The Market for Virtue: The Potential and Limits of Corporate Responsibility.” Similarly, socially responsible investment funds don't deliver higher or lower returns than any other fund, Vogel writes.

“CSR does make business sense for some firms in specific circumstances but there is no reason to expect a convergence of CSR strategies any more than companies can be expected to converge on any other strategy.”

Google underscored the potential conflict between profits and good corporate conscience when it censored search results in China in order to continue doing business in the world’s most populous country. Google and rivals Microsoft and Yahoo were frequently criticized for operating in China, where Internet censorship is widespread. In addition to Google, Yahoo
has drawn sharp reactions for giving Chinese authorities emails of citizens who were then arrested.

“Global firms that have to balance respect for human rights with business imperatives have few easy choices,” Vogel notes. “Moreover, while more irresponsible human rights practices can threaten a firm’s international reputation, they can also restrict where it makes investments and loans, placing it at a competitive disadvantage.”

Vogel examines several cases, including Nike and Shell, where pressure for good corporate citizenship led to improvements in working conditions and environmental practices. More challenging, however, is balancing respect for human rights with business imperatives – an issue that confronts Google and its rivals in China today. For instance, Vogel notes in his book that Levi Strauss drew wide applause for deciding to phase out production in China in 1993, but then had to reverse its policy five years later to remain competitive.

Still, the lack of a proven connection between responsible corporate behavior and profits doesn't mean there is no business case for virtue, according to Vogel. Obvious payoffs of CSR include a better reputation, improved employee morale, and lower risk of boycotts. But rather than viewing CSR as a defining factor of financial success, Vogel frames it as one dimension of corporate strategy – no different from advertising or research and development – and like any corporate strategy; it does not necessarily improve a firm’s financial performance.

CSR practices within the Multi National Companies (MNCs) are influenced by global and national factors as well as MNC’s own strategic priorities. The global context with its international guidelines, universal standards of performance, business partners, multinational clients and emerging legislation on many operations is affecting global management while the home country national environment has an influence on the MNCs. Many of the MNCs are of American or European origin and the priorities in their home countries are diversity of the workforce, protection of minorities, fight against sex and race discrimination, overcoming disability in the workplace, health and safety at work, respecting human rights. Sometimes these American and European priorities do not seem relevant to the situation in many third world countries, and especially in the Middle East. Are the reasons behind this distortion cultural or political?

4-Corporate social responsibility in the Middle East

Multinational companies (MNC) working in the Middle East are facing up to the local culture and while some of them are adapting their strategies in line with the local features; others are questioning their CSR actions and whether their global actions could be applied without any change. Both are worried that the public may perceive their actions with confusion and suspicion.

On one hand, the dominant religion in the Middle East, Islam, can be considered to be a facilitating factor for the adoption of CSR because Islam invites followers to apply social solidarity, ethical behavior, fight corruption and protect the environment (Zinkin, 2004). Islamic traditions are used as instruments to pool funds for social causes and Islamic concepts such as charity, zakat, and sadaka are often reported in the category of philanthropy.
However, philanthropy, love of humankind (love for the other) by definition, is driven by humanistic motives and it aims at improving social welfare by eliminating the causes of human suffering. It should be clearly separated from charity. Charity, *zekat* and *sadaka* assume and accept the presence of the poor as a normal condition. This acceptance is also reflected in high power distance scores in Islamic societies. A common tradition for Muslims is not to give *zekat* or *sadaka* to non-Muslims; a behavior which can also be explained by the strong group collectivism present in the region. This Islamic tradition leads to many altruistic local companies but the conservative societies prevent the emergence of *discovery* and *hero* companies.

On the other hand, an analysis of MENA countries’ culture suggests that consumer activism, environmental activism, employee activism, governmental activism and community activism are not likely to be observed in these countries (Ararat, 2005). Geert Hofstede’s work on cultural differences suggests that Middle Eastern societies are more likely to follow a caste system that does not allow significant upward mobility of its citizens. They are also highly rule-oriented with laws, rules, regulations, and controls in order to reduce the amount of uncertainty, while inequalities of power and wealth have been allowed to grow within the society. When these two dimensions are combined, it creates a situation where leaders have virtually ultimate power and authority, and the rules, laws and regulations developed by those in power reinforce their own leadership and control (Hofstede, 1997).

In examining the Ten Principles of the UN Global Compact and their compatibility with the local features in the Middle East:

**Human Rights** (Social Capital)
Principle 1: The support and respect of the protection of international human rights
Principle 2: The refusal to participate or condone human rights abuses.

**Labor** (Human Capital)
Principle 3: The support of freedom of association and the recognition of the right to collective bargaining
Principle 4: The abolition of compulsory labor
Principle 5: The abolition of child labor
Principle 6: The elimination of discrimination in employment and occupation.

**Environment** (Natural Capital)
Principle 7: The implementation of a precautionary and effective program to environmental issues
Principle 8: Initiatives that demonstrate environmental responsibility

**Anti-Corruption** (Social Capital)
Principle 10: The promotion and adoption of initiatives to counter all forms of corruption, including extortion and bribery.

We notice that some features in the Middle East related to the dominant religion Islam, are close to Principles 7, 8, 9 and 10 of the UN Global Compact and might facilitate the adoption of CSR the companies operating in the region. Among these features are protecting the environment that Islam considers as a priority because people are users and not owners of land, air or seas; they should avoid any abuse and use them rationally without causing
damage. Another favorable feature is social justice through charity, sponsorship and voluntary financial contribution to activities undertaken by local communities. Honesty and good morality are characteristics appreciated in the Middle East in businesses compatible with Islam.

On the other hand, Principles 1, 2, 3, 4, 5 and 6 are more controversial in the Middle East, discrimination between gender, child labor, harsh treatment of offenders, laws based on the Koran create restrictions on many CSR actions adopted globally by MNCs. The role of women requires particular attention. Undoubtedly Islamic traditions which restrict the participation of women in social life reduce the influence of the society on business. Encouraging women to be active in social life as demanding customers, concerned parents for the future of children and as members of organized labor is very common in CSR actions and improves the role society plays in driving the business. A vivid and active society cannot work without women. Supporting the education of women has been reported as one of the preferred themes in the region achieved by foreign NGOs.

Other traditions related to forbidding alcohol consumption, gambling and risk taking limit some CSR actions. A caste system based on tribe, clan or village could be helpful to increase solidarity but all the actions should go through the hierarchy of the tribe, clan or village; its head should agree on the CSR action, decide on the partition of the benefits and appear as the person in charge to enhance his prestige and authority. Lack of transparency is closely related to the local culture with the habit of avoiding scandals and dealing with violations behind closed doors are obstacles to an important concept in CSR which is transparency. Offenders are not exposed to the public and consumers are little informed about the violations and associated sanctions, so learning from errors and experience process in this field are not followed by the consumers who are still considered customers and not stakeholders. Many taboos present in the Middle East could also complicate the actions, these taboos like homosexuality and HIV infections are treated with secrecy and shame.

Usually subsidiaries of multinational companies apply CSR actions by simply complying with their corporate policies. In some areas including the Middle East, instead of working directly with the civil society, they prefer to fund local NGOs that are more aware of the needs and specific features of the society, they become the primary source of funding for many NGOs. The MNCs use philanthropic activities to support indirectly education, health care and other shortcomings in the social welfare. They lose control on the philanthropy and they have to drop many CSR actions achieved by their branches in other countries to avoid cultural misunderstanding often observed in the Middle East.

Local businesses that are mainly family businesses were previously unaware of CSR requirements and had been undertaking social actions based on Islamic recommendations; currently however, they are pressured by their international business partners to abide by their the latter’s codes of conduct due to the extended social responsibility provision. Businesses that are suppliers to European and international retailers are the first to accept and comply with international or sector based codes of conduct (Ararat, 2005).

Another complication in the Middle East is the demographics of the residents and their country of origin. During the 3rd Corporate Social Responsibility Summit which took place in Dubai in September 2006, a panel of experts examined which ethics and values were being adopted by Middle East business and how they compared with Western standards. The consensus was that with market globalization, corporate social responsibility has become a pressing issue for regional companies. However, due to the cultural and religious aspects influencing corporate culture it is difficult for regional business to implement international standards. An additional facet was the diversified demographics of the region, where
expatriates actually outnumber nationals in the Gulf countries, a unique situation, requiring a unique approach. Western CSR traditionally focuses on ethnic minorities, in parts of the Middle East they are the majority, so a different strategy would need to be formed to protect national values. The conclusion was that businesses in the Middle East need to share open dialogue with international CSR bodies using government support to implement the standards and promote the publication of annual CSR reports.

International environment/stakeholders requirements

International environment/stakeholders requirements

Code of conduct/principles

Global action plan

- Transparency
- Reporting
- Verification
- Certification
- Accountability

Monitoring
Responsible
Social initiative

Local purchases

- Cultural
- Religion
- Social
- Political

Modify/adapt local actions

Figure 2: Adapting global actions to the MNCs local environment

As shown in Figure 2, when entering a society with a totally different set of values, multinationals should respect the cultural differences. There are some values that are universal like integrity, honesty and social responsibility, but in everything else, universality of values is questionable.

A company working in the Middle East should not expect to receive many complaints even if its products and services do not meet the expectations of the customers or even are harmful; believing in fate and destiny generally discourage the average consumer from actively seeking improvements of the company’s offer or a better well being.

Foreign expatriates working in the area and often living separately from the local societies think that it will take some time before Middle Eastern societies start playing a significant role in driving CSR in the region. They hope that this change will involve a shift in values towards universal values, a process which will continue to be driven by democratization and globalization. However, the alliance of conservative political regimes, religious leaders and SME’s in the conservative societies of the Middle East will prevent any major changes that might affect their power base. They are careful in accepting CSR actions that are fully adapted to all the features of their culture and fighting against the agents of change.

Their main problem appears in the codes of conduct, including some adopted by individual MNCs, calling for companies to “respect” and sometimes to “support” or even “promote” human rights, generally making reference to the UN Declaration of Human Rights.
formulation offers little practical guidance while providing fertile ground for case-by-case disagreements over whether the standard has been met. Actions urged on MNCs as part of a commitment to human rights have included defiance of local law, intervention in judicial and legislative processes, breach of contract, and coercive denial of sales and service (Kline, 2004).

The major threats that are presently facing MNCs are the calls to withdraw from countries to undermine abusive governments or to work actively for political reforms within undemocratic host nations. If a country’s labor laws are deemed insufficient or ineffective, global retailers employ supply-chain leverage to impose labor standards on factories in countries where the firms lack even a local legal presence. MNCs face pressures to use the highest standards in all global locations, however a host government views trade-offs between current economic development and control over the society. These MNC actions exert influence on national political processes and outcomes and often constitute involvement in a nation’s domestic political affairs. Home governments seldom require such MNC activities, but those governments can support, acquiesce, regulate or prohibit such involvements according to the economical and financial power of the company. Unable to face MNCs involvement in the country’s internal social affairs, governments use loyal political parties and activists to spread rumors about the intentions of MNCs to destroy local values and bring in new colonialism through the economy. Through their CSR global programs, some MNCs are facing a controversy, instead of being a tool to enhance human rights, education, women role and public welfare in the Middle East bridging the civilization gap between East and West, they deepen the gap by presenting standard CSR actions that are perceived by the local population as a new kind of imperialism.

The many obstacles facing the adoption of global CSR actions in the Middle East should incite the MNCs to reconsider their CSR strategies and adapt some of their actions to local cultures. The adaptation will help them achieve good results and avoid any misunderstanding that could damage their image. Despite making good, MNCs could be perceived by local populations as oppressors and conspirers with hidden agendas if their actions contradict local values and are not handled properly.

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