AMERICAN UNIVERSITY OF BEIRUT

CORPORATE PHILANTHROPY AND CORPORATE SOCIAL RESPONSIBILITY IN THE ARAB GULF

by
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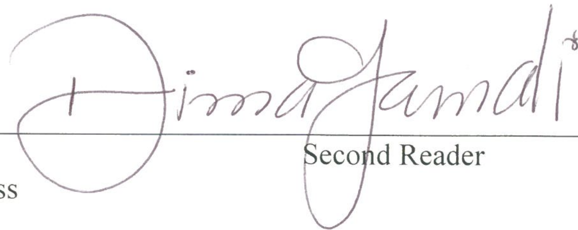

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AN ABSTRACT OF THE PROJECT OF

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Although corporate social responsibility (CSR) has its origins in the West, companies in the developing world are increasingly seeking to implement their own forms of CSR. In the Middle East, past research has shown that the social engagement of many companies is often based on social and religious tenants, and exhibits elements characteristic of philanthropy. This study closely examines social engagement in the twenty largest publicly traded companies in the Arab Gulf, in order to determine if such engagement can best be qualified as CSR or philanthropy. In order to do so, this study develops a series of indicators, and collects and analyzes the relevant publicly available data. Using the results, two scores are obtained for each company's social engagement, one indicating its tendency toward CSR and the second indicating its tendency toward corporate philanthropy. The study finds that, among the companies sampled, social engagement in the Arab Gulf can globally be qualified as a mix of CSR and philanthropy, with a tendency toward CSR. Nevertheless, key examples remain of a sharp dichotomy between the two phenomena, and certain findings point to key differences across countries, sectors, and stakeholder groups.

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CHAPTER I

INTRODUCTION

This paper is a qualitative study of the social engagement and social policy of companies in the Middle East. Through a close examination of a representative sample of companies chosen from the Forbes list of “Top 500 Companies in the Arab World,” it will attempt to answer the question: is corporate social engagement and corporate social policy in the Middle East assimilable to modern notions of CSR, or rather, is it better qualified as traditional corporate philanthropy? In doing so it will examine the efficacy of the company’s engagement, in terms of its strategic nature, its fit with the core competencies of the company, and its relevancy to stakeholder interests.

Today’s Middle East, and specifically the Arab Gulf region, is seen as an abundant source of new business opportunities and the wealth associated with them. Now home to some of the world’s most valuable companies– whether private, public, or state-owned–, the region is gaining global attention. With this spotlight has come increasing pressure to bring business practices in line with western standards, including in the domain of corporate social responsibility. Yet, a quick glance at media coverage of the region reveals two seemingly incongruous realities: Gulf philanthropists are writing sizable checks to support charitable initiatives across the world, while the labor, environmental and human rights standards put into practice in the course of large-scale projects in the region are being called into question.

Previous scholarship has found that it is hard to assimilate the social engagement of companies in the Middle East to the traditional definitions of CSR. More specifically, scholars have qualified the current engagement as less formalized, recessed, philanthropic in nature, and affected by religious/cultural tenets that are chiefly focused on communal causes (Amaeshi et al., 2006; Jamali et al., 2009; Visser, 2008). To this end, a study on CSR in Lebanon revealed that current corporate engagement consists in "the perpetuation of traditional patterns of philanthropy…" and it "comprises mostly symbolic initiatives, because of the absence of key components of an effective CSR infrastructure" (Jamali & Neville, 2011, p. 617). Through examining larger companies based in the Arab Gulf, this study will determine whether the social engagement in that region exhibits similar characteristics.

Through examining the social engagement and social policy of certain Middle Eastern companies, this study attempts to provide a complete vision of the activity of companies in this domain. It attempts to determine if the social engagement of these companies is more assimilable to traditional notions of CSR, or rather, if it is better qualified as corporate philanthropy.

A sample of the twenty largest companies in the Arab World was identified, and data extracted from both company reporting and external sources concerning all relevant socially inclined initiatives or policies of the company. This can include actions or policies that fall under the umbrella of either CSR or philanthropy. Reporting disclosures, other data made publicly available by the company, as well as information from other sources, were all quantified using an array of indicators, assigning a numerical score for each.

A first group of indicators corresponds to the accepted definitions of CSR. Such indicators, seek to determine if CSR reporting is even present, if the company undertakes efforts to engage with all stakeholders, if actions are relevant to company competencies, and if the company has imposed voluntary regulation upon itself through codes of conduct or adherence to international standard setting instruments like ISO certifications, the United Nations Global Compact, or the Global Reporting Initiative (GRI) Reporting Framework.

Meanwhile, a second group of indicators corresponds more to the phenomenon of corporate philanthropy as already documented in the region. These indicators attempt to quantify the altruistic and non-strategic nature of the company's social engagement. Such engagement can include contributions to initiatives outside of the company's geographic area, contributions to initiatives with moderate to negligible impact on the company's stakeholders, and initiatives motivated principally by religious and cultural tenets rather than stakeholder interests.

Findings will help identify the nature of social engagement in the Middle East, and determine whether philanthropy appears to replace CSR within corporate culture. This research could reveal whether the resources of Middle Eastern companies are being effectively used to address social issues relevant to their stakeholders. Findings will reveal the implications of current social engagement on stakeholders. This research will contribute to the contemporary debate within our field about the ideal balance between CSR and corporate philanthropy. Simultaneously, it goes to the heart of the incongruities and paradoxes of today's Gulf region. A region that seeks to create its place in the developed world is simultaneously home to economic disparities and poor human rights track records.

CHAPTER II

LITERATURE REVIEW

In today's globalized world, executives and scholars are facing difficulties in pinpointing the underlying differences between CSR and corporate philanthropy. Porter and Kramer ascertain that both paradigms should coexist and complement each other (Porter & Kramer, 2002). Indeed, some sources even advocate that corporations should adopt a hybrid form of both notions, which is offered through the application of Strategic CSR/Philanthropy. Yet, this study will attempt to find a consensus definition for both CSR and corporate philanthropy, with the goal of studying the two as separate–all be it intertwined–phenomena.

Before examining CSR or philanthropy, it is first necessary to situate both concepts within the framework of corporate governance. To do so one must ask a question which has been the subject of decades of debate: to whom is the company accountable? Friedman maintains that the corporation's only responsibility is to satisfy the welfare of shareholders and to increase the firm's profits (2002). However, such a perspective, often referred to as shareholder primacy, is not the only method of governance. In Germany a system called codetermination allows employees to elect representatives to participate and vote at the board level (Smith, 2005) and in France and other areas of Europe the State often actively participates in company governance. Yet, as suggested by Hasnmann and Kraakman, the shareholder-based model has had the most success (Hansmann & Kraakman, 2000). Nevertheless, such a conclusion does not spell the end of CSR, but merely creates a

framework of governance within which it must operate. The shareholder still comes first, but at what cost?

CSR has been an ever-changing phenomenon for almost half a century (McClenahen, 2005). It has been thriving, declining, evolving, and becoming more complex. Most definitions of CSR now embrace the "triple bottom line," where the performance of firms is measured using financial, environmental, and social criteria. Matters of corporate governance, ethics, the protection of employees and customers, and corporate citizenship have all fallen under the umbrella of CSR. However, an important fragment of corporate social engagement lies in philanthropic activities (Sasse & Trahan, 2007). In the past decade, companies have become more inclined to participate and contribute to the social division, whether by catering to philanthropic deeds, abiding by socially responsible behavior toward all stakeholders involved, or behaving as a responsible member of their community.

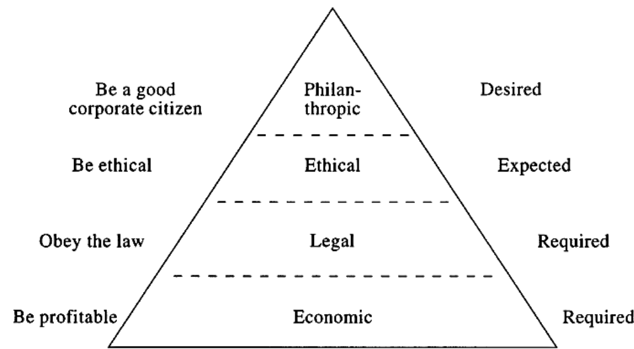
Given that the two share so much, this paper sheds light on the difference between Corporate Social Responsibility and Corporate Philanthropy. It argues that both paradigms are necessary for corporations, depending on the context in which they engage in business, as well as the nature of their work. It illuminates the characteristics and drivers of CSR in the Middle East and North Africa (MENA) and builds on the idea and application of strategic CSR/Philanthropy within MENA.

A. CSR: Towards a Definition

The World Business Council for Sustainable Development (1999) defined CSR as "the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life." In 2001, the European Commission defined it as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis" (Dahlsrud, 2008). From these two definitions, it becomes clear that a central component of CSR is liability of the company toward a variety of stakeholders functioning in different contexts, ranging from cultural and economic entities to social and environmental systems. This sense of liability stems from the notion that, since businesses affect such elements of society, they should act accordingly. In this case, CSR, for corporations, combines the comprehension and management of interactions between all parties involved.

One of the most prominent conceptualizations of CSR is that introduced by Archie Carroll. He specified that the "social responsibility of business encompasses the *economic*, *legal*, *ethical*, and, *discretionary* expectations that society has of organizations at a given point in time" (1979). In 1991, Carroll revisited his four-part categorization of CSR and depicted its components in the form of a pyramid, as can be seen in the figure below.

Carroll's (1991) Pyramid of Corporate Social Responsibility



Source: A. B. Carroll, "The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders," *Business Horizons* (July–August 1991): 39–48.

According to Carroll, the *economic domain* of CSR entails performing "in a manner consistent with maximizing earnings per share, being as profitable as possible, maintaining a strong competitive position and high level of operating efficiency" (1991). This responsibility is required of all corporations and is the foundation upon which all others rest.

The *legal domain* demands the enterprise to adhere to and obey the law. This responsibility is portrayed to mirror a view of codified ethics partially because the law represents elementary concepts of justice as established by policymakers. Carroll stresses that it is a firm's obligation to conform to these regulations. The *ethical domain* of Carroll's definition of CSR portrays those deeds that are grounded on adherence to a set of moral values or principles, which are not codified in law. These responsibilities "embody those standards, norms, or expectations that reflect a concern for what consumers, employees, shareholders, and the community regard as fair, just, or in keeping with the respect or protection of stakeholders' moral rights" (1991). Unlike the legal and economic

responsibilities, the ethical responsibilities of firms, according to Carroll's framework, are expected but not required.

Carroll encourages enterprises in the *philanthropic domain* to be good corporate citizens, by contributing resources to the community where they operate in order to improve the quality of life for all stakeholders involved. In this regard, such a perception seems to draw a line between the two concepts of CSR and philanthropy; since philanthropic work is treated neither as a duty nor as a social responsibility, but as something desirable and beyond the call of duty.

Another conceptualization of the CSR paradigm that deserves attention is that introduced by Lantos. Instead of categorizing CSR in four classes, he distinguished three types of responsibilities: ethical, strategic, and altruistic (2001). The *ethical domain* encompasses the company's economic, legal, and ethical responsibilities towards itself and its stakeholders. He combined Carroll's three responsibilities lying at the base of the pyramid and specified that ethical responsibility is "morally mandatory and goes beyond fulfilling a firm's economic and legal obligations to its responsibility to avoid harm or social injuries, even in cases where the business does not directly benefit" (Jamali, 2007; Lantos, 2001). Yet, what is most intriguing about Lantos's conceptualization of the paradigm is that he includes the ethical sphere as mandatory, alongside the economic and legal duties, unlike Carroll, who considers the ethical domain as simply expected but not required.

Lantos's *strategic domain* involves social engagement that benefits the bottom line. This form of social engagement is strategic and is intended at realizing premeditated

business objectives while also focusing on aiding and investing in public causes that are usually designed as long-standing investments likely to generate financial gain. Jamali establishes that such initiatives seek to unite the interests of more than one stakeholder group, in order to create win-win situations (2007).

The most interesting aspect of Lantos's CSR framework lies in the third category. The *altruistic domain* embraces the optional benevolent and philanthropic side of social policy regardless of whether or not the firm will secure monetary rewards in return. By sensing the need for adopting philanthropic responsibilities, the firm is taking charge of the communal wellbeing of society beyond the scope of its duties. Here Lantos is able to pry apart the top of Carroll's CSR pyramid, dispersing the discretionary element into two distinct parts: one altruistic irrespective of whether the company will benefit financially from humanitarian acts, and the other strategic focused more on finding common ground between society's welfare and the company's bottom line. The former seems to represent the philanthropy side of social engagement, and the latter the corporate responsibility side.

A significant academic tipping point in the history of CSR ensued when Michael Porter and Mark Kramer published an article in the Harvard Business Review. Porter and Kramer did not necessarily agree with Friedman's rejection of social engagement in its entirety. In their article, they asserted that philanthropy with no vindicated business purpose is unjustified and unnecessary (2002), yet they contended that Friedman did not perceive the strategic convenience CSR might possess for companies to gain and improve their competitive advantage in a cutthroat business world. Such engagement, which they define as strategic CSR may act as a bridge to connect shareholder security with communal

necessities. Porter and Kramer believed that philanthropy could also be thought of in a truly strategic manner, therefore creating a hybrid notion of strategic CSR/philanthropy as a viable substitute to “checkbook corporate charity” (Sasse & Trahan, 2007).

In fact, academics have been trying to pinpoint the link between social engagement and the firm’s financial performance. The findings of Paul Godfrey displayed a varied depiction of the link, but he speculated that undertaking social work produces benefits that ultimately contribute to the bottom line and the company’s shareholders (2005). He positioned the notion of strategic philanthropy on the “intangible moral capital created for the firm through well-directed social welfare spending” (Sasse & Trahan, 2007).

The above perspectives have only shown that CSR is a multi-faceted phenomenon, with multiple possible definitions. However, for the purposes of this study, which seeks to define the nature of social engagement in the Middle East, it is necessary to ascertain a narrow definition of CSR. Indeed, any definition which also incorporates philanthropy, as suggested by Carroll and Lantos, would not be useful for the purposes of this study.

A suitable definition therefore could begin with that of the European Commission, which recognizes a wide range of stakeholders, going beyond Friedman's theory of primacy. Additionally, just as highlighted in the European Commision's use of the word *voluntary*, CSR means going beyond the obligatory, like financial and legal, to the discretionary, like ethics (Carroll, 1991; McWilliams, Siegel, & Wright, 2006). A final element, which asserts itself across many of the above studies, is the strategic nature of CSR. There is a strong perception in the business and academic community that CSR has the potential to, and almost the natural tendency, to yield financial results– most often in

the long term. Therefore, moving forward, this study will embrace such a definition of CSR, which incorporates three elements: a focus on stakeholders, a willingness to exceed mandatory requirements, and a strategic nature– seeking win-win solutions.

B. Corporate Philanthropy

It is imperative to arrive at a definition of corporate philanthropy, in order to distinguish it from CSR. Indeed, just as with the section above, the literature available on the subject offers various definitions, which could lead to a narrow consensus definition useful for this study.

It is accepted that when companies engage in corporate philanthropic work, they donate a fraction of their profits to social causes pertaining to public needs that would mend the overall well-being of society. These funds can be invested in non-profit foundations and non-governmental organizations (NGOs) that serve the public domain directly or indirectly through environmental, humanitarian, health, educational, cultural, and other initiatives. Companies usually donate their resources in the form of cash – the most common form – but they also have been known to make in-kind donations through allowing the use of company facilities, whether offices or computers, and providing support for advertising, or even giving away their own products. (Madrakhimova, 2013). However, unlike with CSR, this form of social engagement is usually unrelated to the core activities of a business and does not benefit its bottom line.

This difference highlights the existing contradiction between two schools of thought. The first one believes that a business's core purpose is to serve the bottom line by engaging in profitable activities that benefit shareholders and investors directly. The second considers that giving back to the community is important and view social engagement as a necessity because the modern large firm is "permitted and encouraged by the law primarily because it is of service to the community rather than because it is a source of profit to its owners" (Dodd, 1932). Corporate philanthropy, in the second instance, aids firms in acknowledging their gratitude, appreciation, and impact on the communities where they operate. However, the critics of corporate philanthropy who argue that it is, in contrast to CSR, simply a window-washing mechanisms devised to "divert attention from corporate exploitation of Third World cheap labor and from the environmental damage caused by many multi-nationals operating in countries with fewer clean air and water regulations" (Koehn & Ueng, 2010).

It is a widely held belief that corporate philanthropy is at times utilized by corporations to generate a socially reputable public impression that they may not entirely deserve. Michael Milken was famous for his philanthropic acts and charitable giving, yet he was condemned for extortion, pleading guilty of felony after he violated several U.S. security laws (Black, 2001). Earlier coworkers of his defined him as "generous to a fault" (Morris, 1999). The former CEO of Tyco, Dennis Koslowski, is another example of the above stated argument. He was known for his philanthropic deeds and substantial corporate donations to institutions of higher education and other organizations, yet he was convicted of fraud.

Despite the cynicism of many, one of the main tenets of corporate philanthropy is its altruistic nature. Corporate philanthropy, by definition, should *not* be focused on the subsequent financial gain. “There was a stigma attached to activities that also produced benefits for the firm” (Cochran, 2007). Activities that were augmenting the company’s bottom line were sternly regarded as mere business decisions and not, by any means, philanthropic.

Yet, after Porter and Kramer (2002) attacked this predisposed stigma and argued for strategic philanthropy, it is starting to become more accepted and businesses are adopting it gradually. Porter and Kramer discussed its benefits and the reasons why such a form of philanthropy may be beneficial to both the community and the shareholders of the company. They noted, “in the long run… social and economic goals are not inherently conflicting but integrally connected” (2002); various commercial investments have societal returns, and several societal investments have commercial returns. Instead of thriving to separate these two forms of return, companies should locate projects that have noteworthy lucrative (whether in the short or long run) and communal returns. “Although Porter and Kramer applied this principle to philanthropy, it could easily be extended to virtually any form of CSR” (Cochran, 2007).

C. Social Engagement in the Middle East

Thus far, the discussion on corporate social engagement has been controlled by US and European viewpoints (Dobers & Halme, 2009). This debate should be globalized to integrate the outlooks of emerging and developing countries in a way that echoes the

realities on the ground. Within developing countries, companies face countless challenges that hinder their efforts to address social matters. Developing countries are characterized by weak institutional environments and possess serious gaps in social and welfare programs (Dobers & Halme, 2009). Despite the vast research initiatives on the social engagement of companies within developed countries, a lack of such research exists within developing ones. Nevertheless, research initiatives on CSR and corporate philanthropy with a focus on the developing world are much needed.

These regions and countries often lack the necessary social apparatus to offer social services, unlike their wealthier counterparts. Due to these conditions, companies, NGOs, and organizations face amplified pressure to attain certain capacities and requirements to fill those gaps (Baughn & McIntosh, 2007). Theories and notions of social engagement are strongest in countries where robust institutional environments are the norm rather than the exception, where rules and regulations are effective and enforced. Developing countries, on the other hand, are plagued with bureaucratic inconsistency, arbitrary law enforcement, corruption, and governmental discrepancies; corporate social engagement in that part of the world is therefore extremely different (Dobers & Halme, 2009; Jamali & Mirshak, 2007; Kuznetsov, Kuznetsova, & Warren, 2009).

Indeed, the playing field is simply not the same. Jamali and Mirshak (2007) note that in countries where compliance is not mandated, tax evasion abundant, and fraud ample, an array of both economic and legal concerns merit consideration. Therefore, there are opportunities for companies to play a role in areas such as improving the scope of identifying antitrust, tax fraud, and uncovering cases of corruption. For example, Amaeshi

et al. (2006) describes the initiatives of Nigerian firms as playing the role of social buffers in places where communal foundations are weak.

However, despite opportunities to engage in CSR, through self-regulation and stakeholder engagement, the social engagement in a developing country context is often driven by religious and personal motivations, and is aligned with altruistic and philanthropic contributions characterized by spontaneity (Jamali, Zanhour, & Keshishian, 2009). Therefore, the notion of social engagement in developing countries is less formalized and affected by religious/cultural tenets, a fact which makes it resemble philanthropy more than the modern Western notion of CSR (Amaeshi et al., 2006; Jamali et al., 2009; Visser, 2008).

Some countries, in the MENA region, are suffering from political and macro-economic uncertainty. This instability is a key issue that affects all aspects of human life, and has a chief influence on the quality of life shared by the region's population. It is also arguable that due to the unsatisfactory performance of governments within this region, companies have no option but to intervene in order to "reduce the social tension, gain legitimacy and create a safer environment to conduct business" (Ararat, 2006). Yet, philanthropic duties remain the norm in this region due to the Islamic customs of *zakat*. Most social achievements by companies in the MENA region focus on constructing schools and hospitals, encouraging education, research, and healthcare.

D. The Role of this Study

Literature on the subject, as shown above, seems to be moving toward a consensus on the merger of all social engagement, whether philanthropy or CSR, under the umbrella of strategic action. Yet, the research also suggests that the Middle East has not yet caught up to this standard, and that companies in the region tend to undertake traditional philanthropy in the place of CSR. This philanthropy is religiously motivated, altruistic in nature, and not focused on stakeholder needs or on the bottom-line. Such "old school" philanthropy is more easily distinguishable from CSR, and this study will attempt to identify the presence of both phenomena, in order to assess the nature of social engagement in the region. This study will seek to determine whether companies in the Middle East have moved toward more modern notions of social engagement, through a Western model of strategic corporate social engagement and responsibility, or whether, as past literature would suggest, companies are still stuck within the framework of traditional philanthropy. Such a study will highlight the status of social engagement in the region, a domain in which resource rich companies in the Arab Gulf have vast room for maneuver.

CHAPTER III

METHODOLOGY

A. Sample Selection

In order to examine corporate social engagement and corporate social policy in the Middle East, it was necessary to select a sample set of companies. Ideally, research on such elements would span all types of companies, in order to give a complete picture of the practices of all for-profit employers. This would entail examining not only publicly traded companies, but also privately held companies and state owned enterprises. However, just as in Europe and North America, there is great disparity between public and private companies in terms of the amount of information available. Indeed, thanks to requirements imposed by financial exchanges like those of Abu Dhabi or Dubai, publicly traded companies in the Middle East are much easier to study. Detailed annual reports are always available, and a combination of increased interest from the public and a culture of disclosure mean that companies often make further information available.[1] Such information can be found in comprehensive CSR reports, or simply on corporate websites.

Consequently, given a lack of access to thoroughly investigate private and state owned enterprises, this study will be limited to publicly traded companies. For the purposes of this study, a sample size of 20 was selected, in order to provide the widest range of data possible without exceeding resources and time constraints. In order to maximize the

[1] See: http://www.dfm.ae/documents/ipo/FAQ_english.pdf

implications of the study, it was decided to select the twenty largest companies by market value. Such an approach assures that the study focuses on the companies who touch the largest number of investors, employees, and consumers in the region. Additionally, it increases the likelihood of obtaining the necessary data, since larger companies are more likely to have the resources to dedicate to providing thorough and easily accessible information.

The listing of *Forbes Top 500 Companies in the Arab World* was consulted in order to obtain a complete list of the largest companies in the region from which to select the sample.[2] However, Forbes does not base its ranking by the size of the company or its revenues, but according to its own undisclosed methodology. Therefore, the same list was reorganized by market value, and the twenty largest companies were selected (see Table 1 below).

[2] See: http://www.forbesmiddleeast.com/en/lists/read/2014/top-500-companies-in-the-arab-world/listid/177

Company Name	Country	Sector	Market Value	Revenues	Profits	Assets
Saudi Basic Industries (SABIC)	KSA	Petrochem	$94.4 B	$50.4 B	$6.7 B	$90.4 B
QNB	Qatar	Banking	$37.1 B	$5.4 B	$2.6 B	$121.8 B
Saudi Telecom	KSA	Telecom	$35.6 B	$12.2 B	$2.6 B	$23.3 B
Industries Qatar	Qatar	Industrials	$31.3 B	$1.6 B	$2.2 B	$9.6 B
Al Rajhi Bank	KSA	Banking	$30.1 B	$4 B	$2 B	$74.6 B
Etisalat	UAE	Telecom	$25.8 B	$10.6 B	$1.9 B	$23.3 B
Kingdom Holding	KSA	Investments	$22.2 B	$658.9 M	$198 M	$12.3 B
Mobily	KSA	Telecom	$19 B	$6.7 B	$1.8 B	$12.4 B
National Bank of Abu Dhabi	UAE	Banking	$17.9 B	$3.2 B	$1.2 B	$88.5 B
Emaar Properties	UAE	Real Est & Cons	$17.9 B	$2.9 B	$699.2 M	$17.7 B
Saudi Electricity	KSA	Energy	$17.5 B	$9.5 B	$809.5 M	$73.8 B
FGB	UAE	Banking	$17.5 B	$2.7 B	$1.3 B	$53.1 B
National Bank of Kuwait	Kuwait	Banking	$16.7 B	$2.5 B	$838.9 M	$65.9 B
DP World	UAE	Transport	$15.1 B	$3.1 B	$639.6 M	$16.8 B
Saudi Arabian Fertilizers	KSA	Petrochem	$14.3 B	$1.1 B	$842.7 M	$2.5 B
Riyad Bank	KSA	Banking	$13.9 B	$2.2 B	$1.1 B	$54.7 B
Samba Financial Group	KSA	Banking	$13.7 B	$2 B	$1.2 B	$54.7 B
Emirates NBD	UAE	Banking	$12.8 B	$4 B	$781.6 M	$93.1 B
Saudi British Bank	KSA	Banking	$12.6 B	$1.7 B	$1 B	$47.3 B
Kuwait Finance House	Kuwait	Banking	$12.6 B	$2.8 B	$408.3 M	$54.8 B

Table 1 – List of the 20 Largest Companies in the Arab World by Market Value

Since the 20 largest companies do not represent all countries in the region, but only Kuwait, Saudi Arabia, Qatar, and the UAE, the study cannot be deemed to speak to social engagement beyond these four countries (see Figure 1 below). A further limitation is a slight lack of sectorial diversity, since 50% of the top 20 companies are banks (see Figure 2 below). Despite these drawbacks, selecting the largest companies by market cap ensures that the sample is not arbitrary.

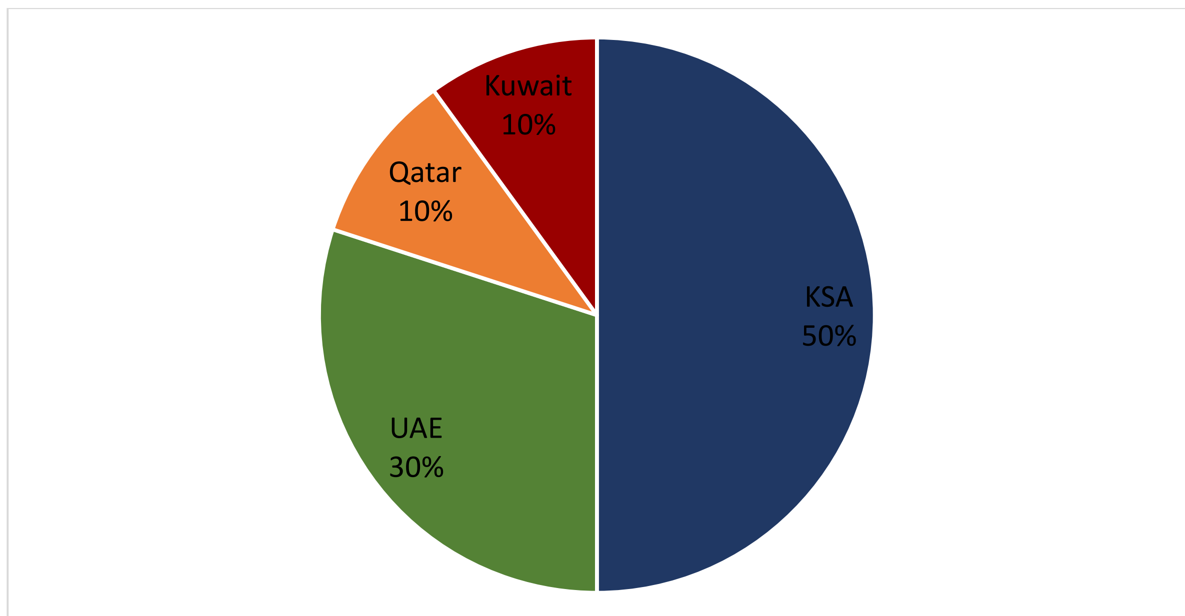


Figure 1 – Sample Breakdown of Companies by Country

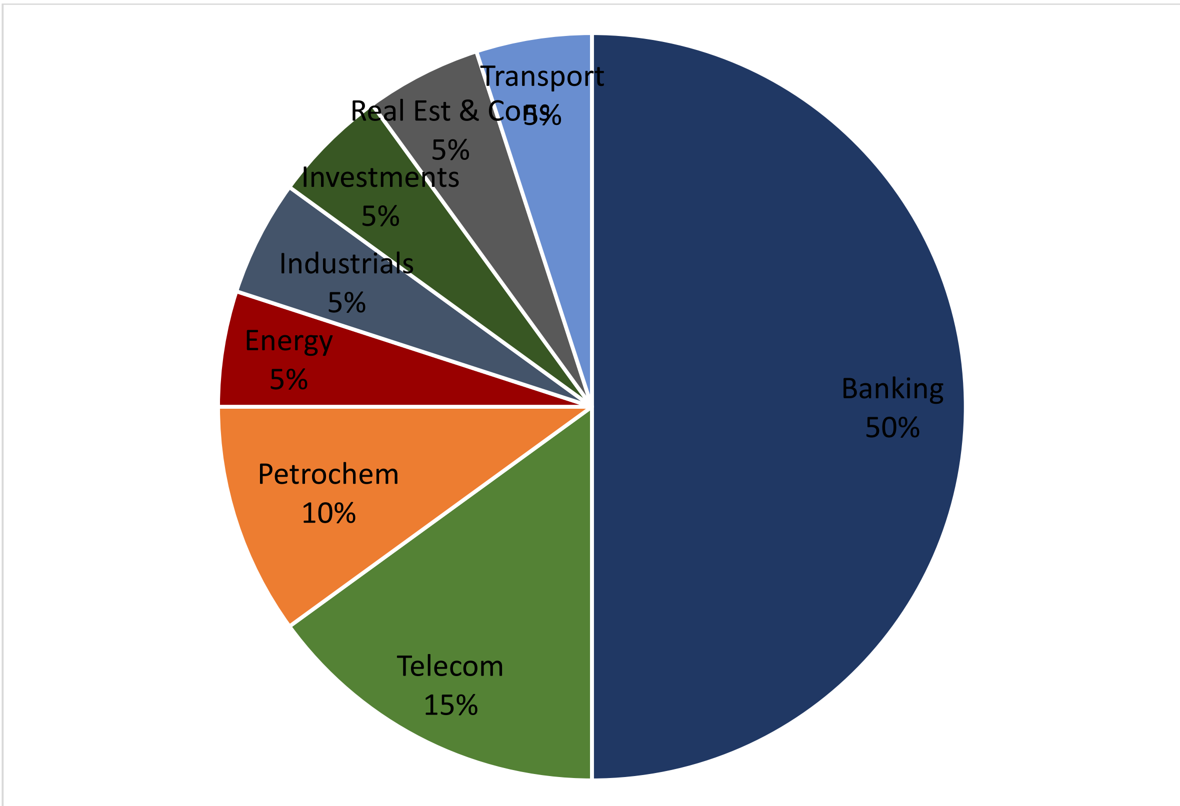


Figure 2 – Sample Breakdown of Companies by Sector

B. Sources of Data

Data was collected from both company reporting and external sources concerning all relevant socially inclined initiatives or policies of the company. This can include actions or policies that fall under the umbrella of either CSR, corporate philanthropy, or both. Data was found in annual reports, in CSR or corporate governance reports, on the company website (including both investor relations and human resources sections), and finally through additional publicly available information online.

C. Methodology Overview

In order to both gauge and qualify the social engagement of a company, a series of indicators were developed. These indicators are divided into two main categories: **CSR Indicators** seek to identify practices indicative of CSR, whereas **Philanthropy Indicators** attempt to demonstrate the presence of Corporate Philanthropy. As demonstrated in the Literature Review, these two phenomena are often intertwined co-components of a company's social engagement. Nonetheless, key differences exist, and through pinpointing these differences, it is possible to tease apart the two elements, and to determine the extent to which a company practices each. To do so, narrow definitions are applied, and indicators have been developed accordingly.

1. Corporate Social Responsibility Indicators

This study applies the narrow definition of CSR adopted by the European Commission, as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis."[3] Such a definition allows for the exclusion of social engagement that does not occur in the course of business operations, or that does not impact stakeholders. It further narrows the field to only those initiatives taken up voluntarily, to the exclusion of standards mandated by law. Therefore, our 24 CSR Indicators have been divided into five major categories: **A**) Overall CSR; **B**) Employee Stakeholders; **C**) Environmental

[3] See: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0681:FIN:EN:PDF

Stakeholders; **D**) Community and Consumer Stakeholders; and **E**) Voluntary Self-Regulation. Each indicator is assigned a numerical point value, which will make up the **Overall CSR Score** of up to a total of 30 points.

The first category, Category A, is assigned a value of 10 points, and is therefore weighted at one third of the overall score. Categories B, C, and D, hold a value of 5 points, and therefore represent half of the overall score. Category E is assigned a value of 5 points, and therefore represents one sixth of the overall score.

It is important to note that while categories B, C, and D, include four major stakeholders (the environment, community, consumers, and employees) they do not account for two other stakeholders, namely investors and creditors. These last two groups have been intentionally excluded since their interests are largely financial, and linked to the profitability and financial health of the company. Since companies are by definition for-profit organizations, they are therefore inevitably encouraged to act in the interest of their investors and creditors, a phenomenon known as shareholder theory (Hansmann & Kraakman, 2000). The mandatory financial reporting imposed upon these publicly traded companies by their respective exchanges, further reinforces this reality, and therefore the interests of these two groups of stakeholders (Tomlinson & Chalhoub, 2010).

Category	Code	CSR Indicator	Score
A - Overall CSR	A1	Presence of CSR Reporting	*No: 0 ; Yes: 1 to 3*
	A2	Global Reporting Initiative (GRI)	*No: 0 ; Yes: 1*
	A3	International Standard Setting Instruments	*No: 0 ; Yes: 1 to 3*
	A4	Governance	*No: 0 ; Yes: 1 to 2*
	A5	Social Objectives	*No: 0 ; Yes: 1*
B - Employee Stakeholders	B1	Employee Participation in Governance	*No: 0 ; Yes: 1*
	B2	Employee Benefits	*No: 0 ; Yes: 1*
	B3	Employee Development	*No: 0 ; Yes: 1*
	B4	Labor Standards	*No: 0 ; Yes: 0.5*
	B5	Employee Safety	*No: 0 ; Yes: 0.5*
	B6	Gender & Diversity	*No: 0 ; Yes: 1*
C - Environmental Stakeholders	C1	Resource Usage Reporting	*No: 0 ; Yes: 2*
	C2	Resource Usage Reduction	*No: 0 ; Yes: 1*
	C3	Environmental Risk Awareness	*No: 0 ; Yes: 1*
	C4	Company Environmental Engagement	*No: 0 ; Yes: 1*
D - Community & Consumer Stakeholders	D1	Consumer Protection	*No: 0 ; Yes: 1*
	D2	Workforce Development	*No: 0 ; Yes: 1*
	D3	Community Investment	*No: 0 ; Yes: 1 to 2*
	D4	Strategic Community Investment	*No: 0 ; Yes: 1*
E - Voluntary Self-Regulation	E1	Code of Conduct or Ethics	*No: 0 ; Yes: 1*
	E2	Transparency	*No: 0 ; Yes: 1*
	E3	Anti-Corruption	*No: 0 ; Yes: 1*
	E4	Regulatory Compliance	*No: 0 ; Yes: 1*
	E5	Executive Compensation	*No: 0 ; Yes: 1*

Table 2 – List of CSR Indicators

Category A: Overall CSR

The Overall CSR category of indicators is designed to detect three main elements. First, it indicates the presence of structural and general policies indicative of CSR. These policies mean that the governance of the company reflects an intentional commitment to CSR, through devoting resources to creating and implementing policies. Second, these indicators seek to determine whether a company has effectively communicated these

policies to the public through reporting. Finally, through determining whether the company is applying international standard setting instruments, these indicators demonstrate the seriousness of a company's CSR policies. Set forth below is a detailed synopsis of each indicator, the rationale behind its inclusion, and the methodology applied to attribute a score.

Indicator A1: Presence of CSR reporting

The weight a company gives to communicating on its CSR policies is an important element in determining its overall commitment to the concept. A lack of effective communication, that is easily and publicly accessible, casts doubt upon the seriousness of CSR initiatives, since they could well go unnoticed by the stakeholders they are intended to benefit.

Therefore, this indicator tests for the presence of CSR reporting, in one form or another. If a company publishes an entire report dedicated to outlining its CSR policy it receives a score of 2 for this indicator. Such publications are judged in terms of the relevance of their content, and not their title, since some make reference to "Corporate Citizenship" or "Community Engagement."

If a company does not have a separate dedicated CSR report, but instead dedicates a section of its annual report to the subject, it will receive a score of 1. This is in light of the reduced visibility that comes with reporting on CSR within a large and often-dry document, which is typically consulted by large investors and government regulators, and not other stakeholders.

In the absence of any reporting, a company receives a score of 0. In addition, if a company devotes a portion of its website to discussing its CSR policy, it receives one additional point.

Indicator A2: Global Reporting Initiative (GRI):

GRI is an international non-profit organization whose mission is to encourage sustainability in business. The GRI Reporting Framework "is a reporting system that provides metrics and methods for measuring and reporting sustainability-related impacts and performance."[4] Therefore, it enables stakeholders to quickly and easily navigate a company's social reporting, through providing guidelines and structure for each piece of information a company chooses to report.

Each company is scored at 1 if it uses the GRI Reporting Framework, and at 0 if it does not. This indicator allows an observer to determine whether the company has made an effort to standardize and facilitate access to the information it publishes.

Indicator A3: International Standard Setting Instruments

Over the past decade, several international standard setting instruments relevant to the domain of CSR have been developed. These include those dedicated to providing guidelines to companies interested in increasing their social responsibility, such as the UN Global Compact, the ISO 26000 certification, and the OECD's Guidelines for Multinational Enterprises. However, companies may also choose to make reference in their reporting to those standards referenced by the United Nations or its specialized agencies. Such

[4] See: https://www.globalreporting.org/information/about-gri/what-is-GRI/Pages/default.aspx

international legal instruments include the Universal Declaration of Human Rights, or the Convention on the Rights of the Child.

This indicator attributes 1 point for every standard setting instrument applied or referenced as a benchmark by a company in the course of its reporting, up to a total of 3 points. Those companies who do not apply or use international standard setting instruments receive 0 points. Consequently, this indicator allows one to determine whether a company has aligned itself with international standards in the domain of CSR.

Indicator A4: Governance

The goal of this indicator is to determine how engrained CSR practices are within the hierarchy of the company. Inspired by the GRI Reporting Framework G4-36 indicator, it assigns 2 points to a company whose board of director's membership reflects a focus on CSR, for example with a non-executive director specialized in CSR. A company could also score 2 points when it maintains an executive level position with responsibility for environmental and social topics, and who reports to the highest governing body. This is based off of the GRI Reporting Principles, as outlined in its G4-34 indicator, which reads "Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body."[5] Alternatively, a company would receive 1 point if it maintains a position or department charged with CSR policy. Those companies who do not maintain any permanent positions linked to CSR receive 0 points.

[5] See:https://www.globalreporting.org/resourcelibrary/GRIG4-Part1-Reporting-Principles-and-Standard-Disclosures.pdf

Indicator A5: Social Objectives

In order for a company to adhere to socially responsible standards, it is necessary for it to express social objectives to which it aspires in the conduct of business. Consequently, this indicator provides 1 point to those companies who define and express their social objectives on their websites or within other reporting documents. These objectives could be linked to a specific group of stakeholders, such as employees or consumers, or they could be larger in scope. A company whose website and reporting does not express social objectives receives a score of 0 points.

Category B: Employee Stakeholders

Multiple sources describe employees as one of the most fundamental stakeholder groups (Jones, 1997). Indeed, those employed by a company often have their personal fates intertwined with that of the company, meaning that even small shifts in company performance, policy, or organization can drastically affect their wellbeing. While employees are often not shareholders in the company, they are invested in it economically. Furthermore, they may depend on the company for their most basic needs, including health, safety, housing, training, and even education.

Consequently, this group of indicators seeks to shed light on a company's social responsibility towards its employees, through investigating two main elements: first, by examining the benefits and working environment which employees can enjoy at a specific company– whether through opportunities for advancement, or the guarantee of fair and safe labor; second, through testing the governance of the organization vis-à-vis its employees,

such as through its commitment to promoting gender parity and allowing meaningful representation of employees within the company.

Indicator B1: Employee participation in governance

This indicator tests for the presence of employee participation in company governance. Employee participation has been defined as "the expectation that employees will have a measured say and stake in the quality and stability of their jobs" (Smith, 2005). Such a concept is a European invention, with some countries like Germany actually mandating that employees participate through "codetermination" programs (2005). These programs reserve seats on the supervisory boards of German companies for representatives elected from among employees.

This practice, which is not necessarily the rule across Europe, and even a rarity in the United States, is nonetheless demonstrative of a company's recognition of its employees as stakeholders. If a company employs an employee participation scheme, it will score 1 point, if not, it will obtain a score of 0.

While it is likely that very few, if any, of the companies in our sample set will apply such a system, it is still a useful indicator to include, which will set the proverbial bar high for a perfect score in CSR. The presence of challenging indicators such as this one will help ensure that a company that exceeds the CSR standards of some western countries will not be scored on the same level as one that simply meets those standards.

Indicator B2: Employee benefits

A company's attitude toward employee benefits– like healthcare, pensions, and smaller perks– can be indicative of its overall social responsibility to employees. However, it is very difficult to obtain a full picture of the benefits a company offers to its employees, given that these inevitably vary by sector, position, and location. Consequently, this indicator does not attempt to thoroughly study and compare employee benefits across companies, since doing so would require access to data that may not exist or be publicly available.

Instead, this indicator identifies whether a company highlights its employees' benefits as a point of pride or an element of its social responsibility. To do so, both CSR reporting and human resources materials were examined. Companies for which the CSR reports highlighted employee benefits were awarded 1 point. Similarly, those whose human resources or recruiting pages spoke of "competitive" or "comprehensive" benefits also received a score of 1. Those that did not meet such criteria received a score of 0.

Indicator B3: Employee development

Similarly to the above, this indicator seeks to highlight programs that benefit employees through offering them a form of compensation beyond basic remuneration. Yet, just as is the goal of corporate social responsibility, professional development programs can also be very advantageous for the company itself.

By training existing employees in a specific skill set or technology, a company is not only offering that employee a useful asset, it is also conserving time and resources by improving its current work force instead of replacing it. In addition to this main advantage,

there are numerous other benefits of such programs, like increasing employee loyalty and motivation (Barrett & O'Connell, 2001).

Therefore, this indicator highlights such socially responsible programs through granting 1 point to those companies who offer them, and 0 points to those that do not. Just as with indicator B2, both CSR reporting and human resources publications were consulted.

Indicator B4: Labor standards

Since the scandal over abusive labor practices by companies like Nike emerged in the 1990's, companies have increasingly sought to ensure that their labor practices meet certain minimum standards (Nisen, 2013). This is more difficult than it may seem, since in certain sectors, such as manufacturing, it can be difficult to ascertain that a company's long supply chains are not masking the unpleasant practices of its subsidiaries (Hoskins, 2015). Yet, just as in Indicator A3 above, certain tools exist in order to help companies align their practices with accepted norms. These include the Code of Conduct published by the Fair Labor Association (FLA), and other guidelines like those of the International Labor Organization (ILO).[6] Adherence to such guidelines, or other language that demonstrates a commitment to fighting child labor and forced labor, will earn a company .5 points. In order to avoid overlap, a company will not be credited with these .5 points if it has already gained a point for the use of a labor related standard setting instrument under indicator A3.

[6] See: http://www.fairlabor.org/our-work/code-of-conduct

Indicator B5: Employee safety

Employee safety, while being linked to labor standards, is a distinct issue. While labor standards speak to the overall treatment of employees, employee safety addresses the immediate and long-term risks posed to employee health; which is defined by Article 3(e) of the 1981 Occupational Safety and Health Convention of the ILO as "indicat[ing] not merely the absence of disease or infirmity; it also includes the physical and mental elements affecting health which are directly related to safety and hygiene at work."[7] A socially responsible company considers the potential negative impact off certain tasks on its employees, and adapts accordingly. Therefore, companies that mention and detail employee safety standards in at least one area are awarded .5 points, whereas those that do not receive 0 points.

Indicator B6: Gender and diversity

This indicator is distinct from the others in this category, since it does not pertain to the treatment or role of employees, but to an inherent characteristic of those employed at the company. The ILO, among other organizations, seeks to promote gender parity within the world's workforce.[8] Employing both men and women, and compensating them equally, is a way in which an organization can assure it is taking into account the wellbeing of a wider range of employee stakeholders. Therefore, companies that have programs to promote the hiring of women, or who express a commitment to equal wages for men and women, receive 1 point; those that do not receive 0 points.

[7] See: http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C155
[8] See: http://www.ilo.org/gender/Aboutus/ILOandgenderequality/lang--en/index.htm

Category C: Environmental Stakeholders

The dictionary defines a stakeholder as a *person* with a stake or an interest in something. Yet, is it possible for an entity other than a physical person to be significantly affected by a business, as if it had something at stake? This is the case put forth by Driscoll and Starik for the natural environment to be considered a stakeholder (2004). Indeed, it is clear that a factory drastically affects the river next to it, just as a logging company affects the rainforest it is harvesting. That being said, if one were to consider a non-human a stakeholder, how could its needs be assessed? Since the rainforest never invested in the logging company, nor applied for a job with it, nor purchased its product, on what basis is the stakeholder link established?

Phillips and Reichert attempt to resolve this dilemma by suggesting that the environment itself is not a stakeholder, but instead has proxies in the form of physical persons (2000). These proxies could include those people who also use and benefit from the environment and its resources, such as neighboring communities or indigenous peoples.

The following indicators attempt to shed light on a company's treatment of the environment, in order to assess its impact on environmental stakeholders– those who also rely on the environment and its resources. This category of indicators is unique, since it not only attempts to assess the impact of the company on the stakeholder group, but also to discern the company's basic awareness of the potential needs of the stakeholders. In other words, not only do the indicators test for action, they test for consciousness.

This particularity is imposed because of the unique nature of environmental concerns. Indeed, environmental impact often has very little short term, or even medium

term effect, and it is only very recently that society at large has become aware of concerns like climate change. For this reason, it is important to credit companies who, while not necessarily changing their behaviors, do acknowledge the existence of environmental issues. This simple acknowledgement can indicate a willingness to eventually move to action, when and to the extent possible. Presumably, it is for this reason that the GRI Reporting Framework often credits companies for simple disclosures on environmental impact, without necessarily calling for specific actions.

Indicator C1: Resource usage reporting

Inspired by the GRI Reporting Framework, this indicator assesses whether or not companies disclose their resource usage. Using finite and renewable resources such as paper, water, and electricity, is one of the main ways in which a company can impact the environment. Therefore, those companies who attempt to quantify their resource usage, or CO2 emissions, are given 2 points, whereas those that do not receive 0 points.

Indicator C2: Resource usage reduction

As a compliment to the above indicator, the resource usage reduction indicator rewards those companies who not only report on their impact, but also implement programs to reduce their footprint. These initiatives can include seasonal water and electricity usage reductions, or even recycling programs. Furthermore, such practices are not only socially responsible, they are often times economically responsible, thus highlighting the intersection between shareholder and environmental stakeholder interests. Therefore, those companies that maintain such programs are given 1 point, instead of 0 points for those that do not.

Indicator C3: Environmental risk awareness

Since corporate social responsibility covers the impact a company has on stakeholders during the course of conducting business, this indicator attempts to pinpoint the intersection of environmental concerns and economic forecasting. Since the scarceness of resources, or the effects of climate change related weather, can dramatically affect a business's operations, environmental risks need to be accounted for and prepared for and accommodated. Therefore, a company is awarded 1 point for referencing in its reporting the potential environmental risks it faces. Presumably, an acknowledgment to this end is indicative of an incentive within the company to mitigate such risks.

Indicator C4: Company environmental engagement

Since environmental stakeholders are just as susceptible as other stakeholders to the actions of the company, corporate social responsibility should include actions directed toward this constituency. Therefore, a company that uses the natural resources around it should be engaged in protecting and renewing the corresponding environment. In the case of many companies, this can take the form of participation in environmental projects such as planting trees or cleaning up trash within the local community.

Alternatively, since the fate of many natural resources (e.g. water and clean air) is shared by the entire world, companies can adapt a global perspective to addressing their environmental stakeholders. For example, if a company admits CO2 in Saudi Arabia, planting trees in Malaysia could actually be deemed as off-setting that impact. This is a distinction of environmental stakeholders, since applying a similar approach –paying the

employee in Saudi Arabia instead of the employee in Malaysia– is not possible when dealing with other stakeholder groups.

<u>Category D: Consumer and Community Stakeholders</u>

The term “community” is frequently used in the CSR reporting of our sample set. However, this group remains somewhat ambiguous, and its status as a stakeholder is questionable. Indeed, since a stakeholder must, by definition, be affected by the operations of a business, a person who lives in Dubai cannot automatically be deemed a stakeholder just because he or she lives in the same city as the headquarters of a major bank. If he or she were a customer, shareholder, or employee of the bank, or even a family member of one of these, it would be possible to qualify the individual as a stakeholder. Yet, at the same time, the company, its employees, and many of its shareholders benefit from the roads and infrastructure of Dubai, funded by its taxpayers and the resources of the people of the UAE. Could this basic level of connectivity allow one to consider members of the Dubai “community” as stakeholders of the company? It may be difficult to answer this question. However, one problematic consequence of casting too wide a net is clear: if everyone is a stakeholder, how can a company act accordingly?

Without resolving this delicate question, this study will use this group of indicators to attempt to assess a company’s impact on peripheral stakeholders, such as consumers and some members of the company’s community. What is clear is that certain initiatives are relevant to a company and its stakeholders, like promoting specific vocational training in the community in order to improve and expand the labor pool. Indeed, such an initiative would benefit the company in the future by helping recruit talented employees, who would

themselves become stakeholders. However, what is also clear is that certain initiatives, like donating money to a local hospital, are just as likely to benefit company stakeholders and non-stakeholders alike. Consequently, the below indicators attempt to assess a company's impact on its "community" stakeholders, all while imposing narrow criteria to determine those initiatives that qualify as relevant and targeted.

Indicator D1: Consumer Protection

Consumers are undisputedly stakeholders in a company whose products and/or services they use. Businesses recognize this reality, as well as the economic imperative of keeping this constituency happy. Yet, just as the mortgage-lending crisis in the United States demonstrated, some businesses have been known to undertake less-than-considerate –even predatory– postures toward their consumers. Therefore, in order to ensure that the interests of these stakeholders are being protected, companies can implement consumer protection schemes, or consumer grievance handling mechanisms. This could come in the form of a manufacturer providing a hotline for consumers to air concerns, or a bank offering debt-restructuring services. This indicator tests for the importance accorded to such schemes, by examining whether they appear in company reporting or not. If a company reports on such an initiative, it receives 1 point, if it does not, it receives 0 points.

Indicator D2: Workforce development

As alluded to in the introduction to this category of indicators, it can be in a company's interests to invest in the development of the labor pool it pulls from. Therefore, this indicator credits companies who adapt such policies with 1 point, whereas those that do not receive 0 points.

Indicator D3: Community investment

Even though the term "community" remains loosely definable at best, it is still worth determining how narrowly a company targets its community social engagement. Whereas some companies appear to consider the entire world their community, and invest in projects with little connection to any stakeholders, others apply a very narrow definition, by investing in social initiatives within the very villages they work in. Yet, no matter what, it will remain difficult to determine what percentage of beneficiaries of such actions are actual stakeholders. Nevertheless, those companies who seek to target their social engagement within well-defined geographic areas are more likely to affect a higher proportion of stakeholders.

Therefore, this indicator assigns 2 points to those companies for whom the majority of social engagement is targeted toward communities in their geographical areas of operation, 1 point to those with some social engagement targeted toward their geographical areas of operation, and 0 points to those with no social engagement specifically targeted toward their geographical areas of operation.

Indicator D4: Strategic community investment

All of the companies studied dispose of vast financial resources, with which they can easily conduct a wide range of community interventions. However, those companies that target their interventions to the areas of their core competencies deserve particular recognition. Indeed, if a bank supports a blood drive, it cannot be said to be engaging with its stakeholders in the same way it would if it supported a financial literacy campaign.

Therefore, companies that report on social engagement that falls within their core competencies are awarded 1 point, and those that do not receive 0 points.

Category E: Voluntary Self-Regulation

Returning to the definition of the European Commission, it becomes clear that corporate social responsibility requires a *voluntary* element. Social responsibility, at least today, cannot come about only thanks to requirements imposed by external regulators – whether financial exchanges or governments. Instead, it is up to companies themselves to maintain standards of CSR. Indeed, in order to guarantee the continuation of such standards, companies must commit themselves to both enshrining these practices in texts, and also allowing outside oversight and review of their practices.

Consequently, this group of indicators seeks to discern not only whether companies are complying with regulatory obligations, but also whether they are imposing their own standards at all levels of their organization. These can include codified standards of conduct or ethics, or they can be the simple practice of promoting values of higher conduct than that required by law.

Indicator E1: Code of Conduct or Ethics

In a globalizing world, national laws cannot be the only standards that companies are held to. Companies and their executives, as individuals responsible for the fate of many stakeholders, must assume behaviors that are not just legal but also ethical. While this study will not attempt to define the ideal ethical standards for companies to implement, it is important to note whether a company takes steps toward maintaining standards, whatever their content. Therefore, companies receive 1 point for publishing their codes of conducts,

or referencing any other ethical standards for executives and/or employees. Companies that do not refer to such standards will receive a score of 0.

Indicator E2: Transparency

Transparency seems to be a popular buzzword in the field of corporate social responsibility. While transparency can refer to the overall openness of a company to sharing information about its practices and policies, this indicator is testing for political transparency. Many large companies in the United States have adopted the practice of reporting on the political contributions that their organization makes, as well as disclosing any potential political conflicts of interest within the company's governance.[9] Since political contributions and lobbying can often become a large expense for shareholders, and also have enormous implications for corporate governance, it is important that such information be readily available to stakeholders and the public.

Since this study focuses on companies which are based in countries that are not full democracies, the concept of lobbying or political spending is admittedly less relevant. Indeed, the founders, chairs, and board members of many of the companies in the sample set are part of the ruling elite of their company. One does not expect a Saudi prince who sits on the board of his company to disclose his influence with the King. Nevertheless, it is the stated goal of this study to hold companies in the region to the same standards as those in Europe and North America. Furthermore, since many of these companies have operations in North America, Australia, or Europe, it would not be unusual for them to make such

[9] For example, ExxonMobil makes the following political disclosures: http://corporate.exxonmobil.com/en/current-issues/accountability/political-involvement/political-contributions-and-lobbying

disclosures about their political activities in those areas. Consequently, this indicator will assign 1 point to each company that makes even partial disclosures of a political nature. Companies that do not make such disclosures will receive a score of 0.

Indicator E3: Anti-corruption

Anti-corruption initiatives are implemented in many countries across the world. The Foreign Corrupt Practices Act in the United States, and the Bribery Act in the United Kingdom, actually impose criminal penalties for those companies or individuals engaged in bribery or corporate corruption. Since such measures do not necessarily exist in all countries, companies are often responsible for ensuring that their own policies do not allow a culture of corruption to develop. Therefore, this indicator assigns 1 point to those companies whose disclosures or website make reference to anti-corruption campaigns or policies of the company.

Indicator E4: Regulatory compliance

While this category of indicators is mostly focused on self-regulation, this specific indicator focuses on external government regulation. Indeed, while it is important to keep track of a company's efforts to regulate itself, one cannot disregard a company's ability to adhere to external regulations, when assessing its corporate social responsibility.

Therefore, this indicator uses internet search engines and company reporting to determine if the organization was the subject of any regulatory violations. These violations could be financial, environmental, or even labor-related. Therefore, 1 point is awarded to those companies who do *not* show traces of any violations. Those companies that do show some violations, even minor, receive a score of 0.

Indicator E5: Executive compensation

Executive compensation is a growing area of research in the field of CSR (Conyon, 2014; Conyon & He, 2014). Indeed, following the financial crisis of the last decade, stakeholders are increasingly interested in the pay awarded to top executives. This is a logical concern, since a company cannot be deemed to be socially responsible if it is excessively compensating its executives while its shareholders or employees suffer serious economic consequences. While this study does not attempt to define criteria for responsible executive compensation, this indicator attempts to pinpoint a company's attitude toward the subject. Presumably, if a company is willing to make disclosures about the pay of its top executives and board members, it is at least cognizant of the consequences such compensation could have on its image and its stakeholders. Therefore, 1 point is assigned to those companies that make at least some disclosures about executive pay, and 0 points are assigned to those that do not.

2. Corporate Philanthropy Indicators

A second group of indicators have been created in order to test for the presence of corporate philanthropy within the sample set. As already discussed in the literature review of this study, corporate philanthropy can be difficult to define. Yet –just as with CSR– for the purposes of this study, a narrow definition will be applied. Such a definition will prevent companies from simultaneously receiving credit for CSR and philanthropy and skewing results.

Given the risk for *strategic* corporate philanthropy initiatives to overlap with practices of corporate social responsibility, every effort was made to exclude the former through the specific indicators set forth below. Indeed, if a company focuses its philanthropy on giving money to a specific business program at a local university, it may as well be practicing corporate social responsibility, since it is creating an advantageous situation for itself through training future employees (Ricks Jr & Williams, 2005).

Instead, the corporate philanthropy indicators attempt to detect the presence of traditional altruistic philanthropy. Such philanthropy is unrelated to the core activities of the company, has very little potential to impact its bottom line, and does not take into account the needs of its stakeholders. Furthermore, given previous research in the region, which indicated that social engagement in the Middle East seems to mirror traditional social and religious tenants (Jamali et al., 2009), our indicators aim to detect this trend. Such philanthropy does not necessarily follow specific objectives related to social responsibility, but is motivated by religion or other cultural norms.

This study has developed 12 corporate philanthropy indicators, which have been divided into four major categories: **F**) Relevance of philanthropy; **G**) Motivation for philanthropy; **H**) Structure of philanthropy; **I**) Strategic nature of philanthropy; Each indicator is assigned a numerical point value, which will make up the **Overall Philanthropy Score** of up to a total of 30 points.

Some of the indicators below apply a binary system, by which a company either receives points when an element is present, or receives no points when that element is not present. However, in order to provide a more detailed picture, some indicators consist of

sliding scales, whereby a score depends on how much a certain element is present. For the purpose of sliding scale scoring, those companies with no reporting on social engagement whatsoever are always assigned a score of 0. Furthermore, the term "majority," for the purposes of sliding scale indicators, is to be taken as meaning more than two-thirds; the term "approximately half" is to be taken as meaning between one third and two-thirds; the term "some" is to be interpreted as meaning less than one-third.

Category	Code	Philanthropy Indicator	Score
F - Relevance of Philanthropy	F1	Wide Geographical Distribution	*No: 0 ; Yes: 1 to 3*
	F2	No Stakeholder Engagement	*No: 0 ; Yes: 1 to 3*
	F3	Global Humanitarian Action	*No: 0 ; Yes: 1 to 2*
G - Motivation for Philanthropy	G1	No Link to Social Objectives	*No: 0 ; Yes: 1 to 2*
	G2	Religious Nature	*No: 0 ; Yes: 1 to 3*
	G3	Cultural Nature	*No: 0 ; Yes: 2*
H - Structure of Philanthropy	H1	Company Foundation	*No: 0 ; Yes: 2 to 3*
	H2	Outsourcing of Action	*No: 0 ; Yes: 1 to 2*
	H3	No Reporting on Use of Grants	*No: 0 ; Yes: 2*
I - Strategic Nature	I1	No Financial Benefit	*No: 0 ; Yes: 2 to 3*
	I2	No Link to Core Competencies	*No: 0 ; Yes: 1 to 3*
	I3	No Employee Engagement	*No: 0 ; Yes: 2*

Table 3 – List of Philanthropy Indicators

Category F: Relevance of Philanthropy

It is essential to note that, while the CSR indicators outlined in the respective section above seek to identify the presence of certain attributes, many of the corporate philanthropy indicators seek to assure the absence of certain attributes. For example, indicators in this section will assign points to companies if their philanthropy is *not* relevant to their stakeholders. This is in line with the aforementioned goals of excluding strategic corporate philanthropy or any other initiatives that have elements of CSR.

Indicator F1: Wide geographical distribution

Similar to CSR Indicator D3, this indicator investigates the localization of a company's social engagement. Indeed, if this social engagement is occurring in far flung corners of the world, far from the company's areas of operation, it is likely to be more assimilable to corporate philanthropy rather than to CSR. This is due to the decreased likelihood that such engagement is conducted in the course of business and is relevant to stakeholders.

Therefore, this indicator contains a sliding scale for the assessment of relevance based on geographical proximity. The less geographically relevant the engagement is, the higher the score. All 3 points are given if a majority of the company's social engagement does *not* occur in the company's geographic area(s) of operation. 2 points are given in cases where approximately half of social engagement does *not* occur in the company's geographic area of operation. Just 1 point is given if only some of the company's social spending does not occur in the company's geographic area of operation. Finally, 0 points are assigned to those companies whose social engagement occurs virtually entirely within their geographical areas of operation. For the purpose of scoring, geographical area is defined narrowly, meaning the immediate city or province within which business operations occur.

Indicator F2: No stakeholder engagement

If a company's social engagement is highly relevant to its stakeholders, it almost certainly contains elements that could be considered as falling under the umbrella of CSR. Therefore, in order to maximize the philanthropy scores of those companies that do not

engage or invest in social initiatives relevant to their stakeholders, a sliding scale was developed.

A full 3 points are awarded to those companies for which a majority of social engagement is *irrelevant* to the company's stakeholders. Alternatively, 2 points are assigned to those for which approximately half of their social engagement is irrelevant to stakeholders. Only 1 point is awarded to those who appear to be targeting stakeholders in the majority of their social engagement, which is to say only some of the social engagement is irrelevant to stakeholders. 0 points are assigned to those for which virtually all engagement is targeted toward stakeholders.

Indicator F3: Global humanitarian action

Traditional philanthropy, as explained in the literature review of this study, has as its objective the altruistic aid of others. Therefore, many philanthropic initiatives can target the most vulnerable populations of the world, like those suffering from poverty, or those affected by acute natural or humanitarian disasters. Without in anyway calling into question the importance of such initiatives, this study proposes that the inherently vast nature of potential beneficiaries of this type of philanthropy indicates a low probability that such social engagement will have an impact on company stakeholders. Therefore, through detecting the presence of such internationalized social engagement, this indicator demonstrates a company's adherence to traditional notions of philanthropy.

A company receives 1 point if it conducts any of its social engagement through large international aid organizations. These organizations can include international aid and development organizations like the Red Cross/Red Crescent Network, UN agencies or

programs like the World Food Program (WFP), national aid agencies, or alternatively large NGOs such as the Bill and Melinda Gates Foundation.

Additionally, and without prejudice to the above, a company receives 1 point if its reporting reflects an initiative to address an international humanitarian crisis, such as the war in Syria (assuming the company does not operate in Syria), or natural disaster relief.

Category G: Motivation for Philanthropy

Assessing the motivation for a company's social engagement is essential in determining whether that engagement can be considered as philanthropy or corporate social responsibility. Indeed, if a company is not seeking to use social engagement as a part of its CSR policy, it likely means that its actions are not targeted toward stakeholders. Therefore, the indicators below attempt to discern whether a company follows specific objectives for social engagement, and if so, whether these motivations are religious or cultural.

Indicator G1: No link to social objectives

This indicator examines the stated social objectives of companies. These objectives can be found on the company website, in press communications, or most often within CSR or other social reporting. While many companies do have such stated objectives, they can often be extremely vague and imprecise. When the stated objective of a business is to 'improve lives' or 'contribute to the community', it is difficult to assess whether it is actually achieving such objectives. However, on the contrary, if an objective is, for example, to increase access to banking and credit for all segments of society in the UAE, it is much easier to assess whether progress is being made toward such an objective.

Despite some arguing that company theory based on shareholder primacy has won out (Hansmann & Kraakman, 2000), others, including many public voices, consider that corporations must also follow social objectives (Hutton, 2015). Therefore this indicator not only determines whether stated social objectives exist, but whether they are actually being followed.

The less well defined and relevant the objectives are, the more likely they are to be indicative of a traditional philanthropy model. Consequently, this indicator assigns a score of 2 to those companies for which the majority of social engagement is not linked to expressed social objectives, or for which no social objectives exist. Only 1 point is assigned when approximately half of the company's social engagement is relevant to its stated social objectives. A score of 0 is assigned if only some of the company's social engagement is not linked to the stated objectives.

Indicator G2: Religious nature

As outlined in the literature review of this study, social engagement in the Middle East has often revealed itself to have a religious nature. This is unsurprising since the Middle East region is highly religious, as was demonstrated in a recent Gallup poll which suggested that 86% of the population of the Middle East consider themselves to be religious.[10]

In fact, some countries, like Saudi Arabia –which hosts half the companies in this study's sample– even imposes certain religious obligations on businesses. Other companies

[10] See 13 April 2015 WIN Gallup press release "Losing our Religion?": http://www.wingia.com/web/files/news/290/file/290.pdf

elect to be 'Sharia compliant.' This often results in such companies referring to religion as the motivation for their social engagement. While this study is by no means questioning the importance or validity of religiously motivated social engagement, it does consider that *zakat* is a traditional altruistic form of philanthropy, which does not necessarily even target stakeholders. Therefore, the more religious the motivation for philanthropy is, the higher the company's score.

A company receives a score of 3 when social engagement is defined in terms of religious obligation, like *zakat*. These companies typically declare a portion of their revenue as automatically allocated to philanthropy. A company receives a score of 2 when religious language is used in the context of philanthropy, such as through the company sponsoring religious events and/or pilgrimages. A score of 1 is assigned to companies who may indirectly sponsor some religious affiliated activities in the course of their social engagement, through, for example, sponsoring an *iftar* dinner during Ramadan. A score of 1 was also assigned for those who partner with religious organizations in the course of their social engagement. Only companies with no reference to religion whatsoever receive a score of 0.

Indicator G3: Cultural nature

When one thinks of traditional philanthropy, images come to mind of wealthy individuals donating to museums, opera houses, and ballet companies. Indeed, although a caricature, art and cultural philanthropy is alive and well, and is even an element of corporate philanthropy.

There are ways that a company can conduct cultural philanthropy while still engaging its stakeholders, something which is demonstrated by the Museums on Us program of Bank of America, by which customers are able to obtain discounted passes to museums, thanks to the Bank's generous donations.[11] However, if a company does not undertake such an initiative, it is hard to justify how donating to a museum or another cultural institution can have relevance to stakeholders. While company stakeholders may choose to visit a certain museum, and may enjoy viewing the works of art purchased with a corporate grant, the link is hard to establish.

Consequently, a company receives a score of 2 if it engages in cultural and artistic philanthropy, and a score of 0 if it does not. Accordingly, those companies with more traditional philanthropy models, and less stakeholder engagement, receive a higher score.

Category H: Structure of Philanthropy

This category of indicators is one of the most straightforward; if a company structures its social engagement in ways indicative of a traditional philanthropy model, a higher score is assigned. Therefore, the following indicators attempt to discern whether or not a company is channeling its social engagement through grants and foundations, with little or no strings attached, and a certain amount of distance. This stands in sharp contrast to a CSR model in which a company is truly *engaged* in its social engagement, through adapting its business practices, and strategically and directly investing in particular projects

[11] See, the Bank of America Museums on Us program website: http://museums.bankofamerica.com/

Indicator H1: Company foundation

One of the ways in which a company demonstrates itself to being committed to a traditional philanthropy model is by having its own foundation or charitable endowment. The companies' social reporting and websites were scoured in order to find references to related philanthropic organizations. In some cases, companies were found to have their own eponymous charitable organs (e.g. the Company X Charitable Endowment), whereas others revealed a substantial link to an independent charitable organization. Indeed, if the founder of a company also is the founder and main funder of a charitable organization, it is certainly safe to assume that at least a large portion of the charity's funding comes from that company.

The following scoring scheme was applied. If the company has its own foundation or charitable endowment, which is inextricably linked to the company, a score of 3 was applied. If the company's chair or founder has a charitable foundation/endowment with some demonstrable links to the company (e.g. it is mentioned on the company website), or an eponymous foundation or endowment exists, with some demonstrable links to the company's founders or board members, a score of 2 was assigned. If no such specific charitable endowment exists, a score of 0 was assigned.

Indicator H2: Outsourcing of action

A company can demonstrate a traditional philanthropy model through distancing itself from its final beneficiaries. Indeed, if a company does not conduct its social engagement directly with beneficiaries, it is increasingly difficult to ensure that such actions are eventually reaching the intended individuals or communities. Contributing

money to a third-party foundation or charity means that funds could be used to cover overhead expenses, and may not therefore have the intended results for targeted beneficiaries. Furthermore, by entrusting its social action to another organization, a company has no guarantee that its stakeholders will directly benefit from the investment. Therefore, those companies who outsource their social engagement to intermediary foundations are deemed to be less CSR-oriented, and likely adhering to traditional notions of corporate philanthropy.

The following scoring scheme was applied. If a company conducts a majority of its social action through intermediary foundations, and does not make many grants directly to beneficiaries, a score of 2 was applied. If a company conducts approximately half or less of its social action through intermediaries, a score of 1 was applied. A score of 0 is applied to companies that do not use intermediary organizations to conduct their social engagement.

Indicator H3: No reporting on use of grants

Similar to the Indicator H2 above, this indicator seeks to determine the importance a company puts on following its resources and assessing their impact on beneficiaries. Presumably, if a company does not make efforts to track its social expenditures, it is not directly concerned by their final use. This is an altruistic attitude that best reflects corporate philanthropy, rather than the results-oriented perspective one would typically associate with corporate social responsibility. Therefore, companies that do not specify imposing reporting obligations on their beneficiaries, receive a score of 2. Those that do impose reporting obligations, or mention significant feedback on their social engagement, receive a score of 0.

Category I: Strategic Nature

As defined elsewhere in this study, philanthropy is an altruistic endeavor. Just as the proverbial notion of "giving without expecting anything in return," philanthropy should be undertaken without anticipating any associated gains. For a company, these gains generally translate to a bump in the bottom line; or, for a socially responsible company, an important result for a stakeholder group. Therefore, the following indicators seek to detect when a company is engaged in altruistic philanthropic ventures that do not have a strategic or financial value for business. The higher a company's score in this section, the less strategic its social engagement.

Indicator I1: No financial benefit

If a company can be deemed to have received a financial benefit from an action, it cannot be classified as philanthropy. Such actions, which demonstrate a sort of symbiosis between the company's interests and those of its stakeholders, are highly characteristic of successful CSR. An example could be found in a program by which a company offers a discount to students; the company will make less money per student, but the popularity of the program could eventually lead to an overall financial gain. Both the students and the company's shareholders benefit.

It is worth investigating whether a company's social engagement results in a detectable or likely financial benefit, in order to determine exactly how philanthropic the action is. This indicator is assessed by examining both the company's reporting and also its commercial website.

Therefore, a sliding scale scheme was applied whereby 3 points are awarded if a company's social engagement does *not* result in any direct financial benefit. Such a benefit could be like the one described in the example above, or through a similar program. Alternatively, 2 points are given if the company's social engagement may result in a small financial benefit, such as advertising, or increased visibility for the company. If there is clear evidence that a company's social engagement practices result in direct and indirect financial benefits, 0 points are given.

Indicator I2: No link to core competencies

This indicator seeks to determine if a company's social engagement falls within its core competencies. As demonstrated in CSR Indicator D4, a company can derive fringe benefits from conducting social engagement within its fields of competence. If a bank offers financial literacy programs, it is not only giving back to its stakeholders, it is cultivating a reputation of expertise in its field. For this reason, companies that engage in this type of strategic social engagement cannot be deemed to be conducting pure philanthropy. Just as in Indicator I1 above, financial benefits can be a byproduct of these types of programs.

If a company is conducting social initiatives in its field of competence, it is not conducting pure philanthropy, but in essence engaging in a form of CSR. Therefore, when a majority of social engagement falls within areas *not* connected to the company's core competencies, 3 points are assigned. When approximately half of social spending falls within areas *not* connected to its core competencies, 2 points are assigned. When only some of the company's engagement is *not* relevant to its core competencies, 1 point is assigned.

Finally, 0 points are assigned when all of the company's social engagement is related to its core competencies.

Indicator I3: No employee engagement

Companies that encourage their team members to participate in the business's social initiatives are automatically ensuring that at least one stakeholder group –the employees– is engaged and positively affected. Indeed, this is the case since volunteering is also gratifying to the person who performs it, not just the beneficiary. Furthermore, a company whose employees are visibly engaged in volunteer work, create a positive image and reputation for the company. Therefore, such actions are best associated with the win-win model of CSR, and not the altruistic model of philanthropy. Consequently, companies that encourage their employees to socially engage in the community, and report on it, will receive a score of 0, while those that do not will receive a score of 2.

CHAPTER IV

BRIEF PRESENTATION OF THE FINDINGS

A. Corporate Social Responsibility Findings

After a thorough analysis of company reporting, each company received a main CSR score which is the summation of the scores of every indicator in every category. As can be seen in Figure 3 below, the CSR scores ranged from 7 to 28 out of 30 with a mean of 17.10, a median of 17, and a standard deviation of 6.06.

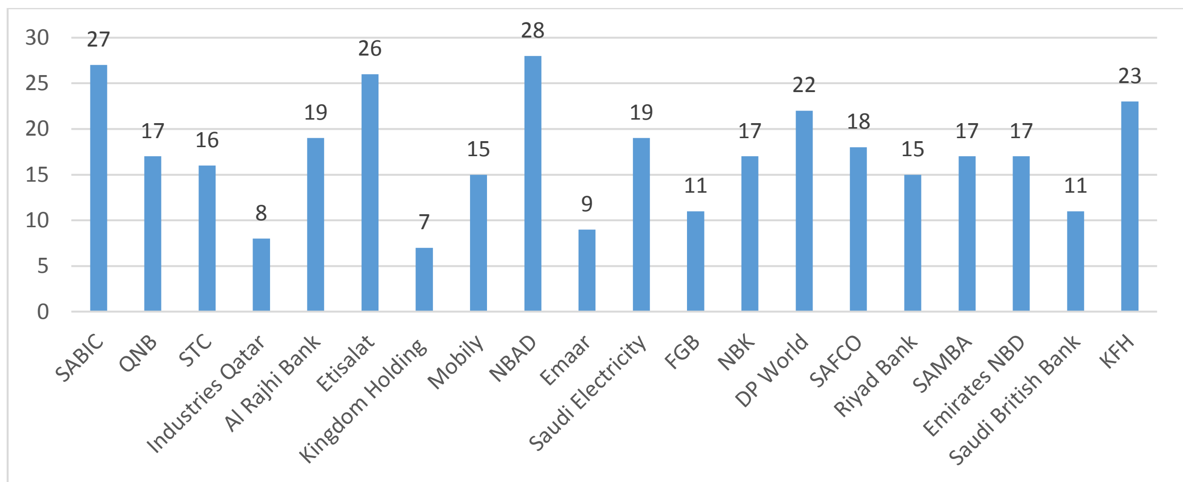


Figure 3 – CSR Score per Company

1. Category A: Overall CSR

In category A, 5 indicators were evaluated and scored (presence of CSR reporting, adherence to GRI, international standard setting instruments, governance, and social objectives). The maximum score a company can obtain in this category is 10. Scores for this category ranged from 1 to 10 with a mean of 4.2. The scores are portrayed in Figure 4 below:

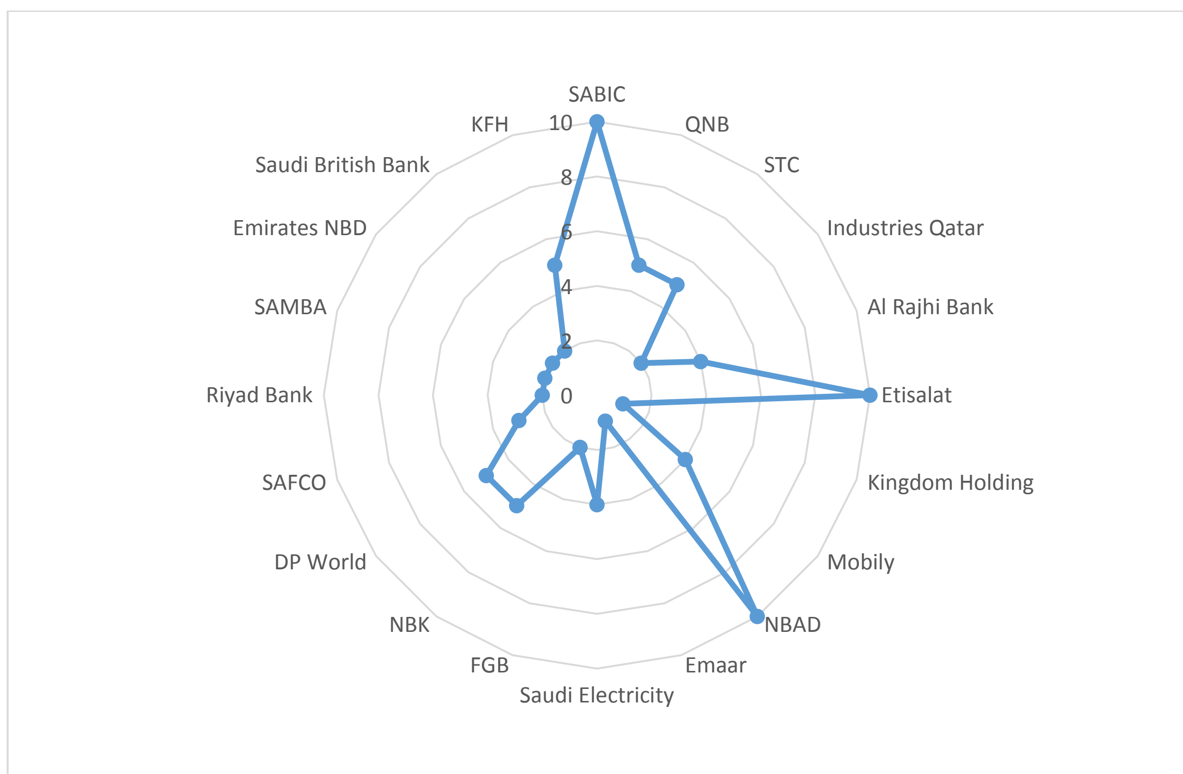


Figure 4 – Category A: Overall CSR

2. Category B: Employee Stakeholders

In category B, 6 indicators were evaluated and scored (employee participation in governance, employee benefits, employee development, labor standards, employee safety, and gender and diversity). The maximum score a company may obtain in this category is 5. Scores for this category ranged from 1 to 4 with a mean of 3. The scores are portrayed in Figure 5 below:

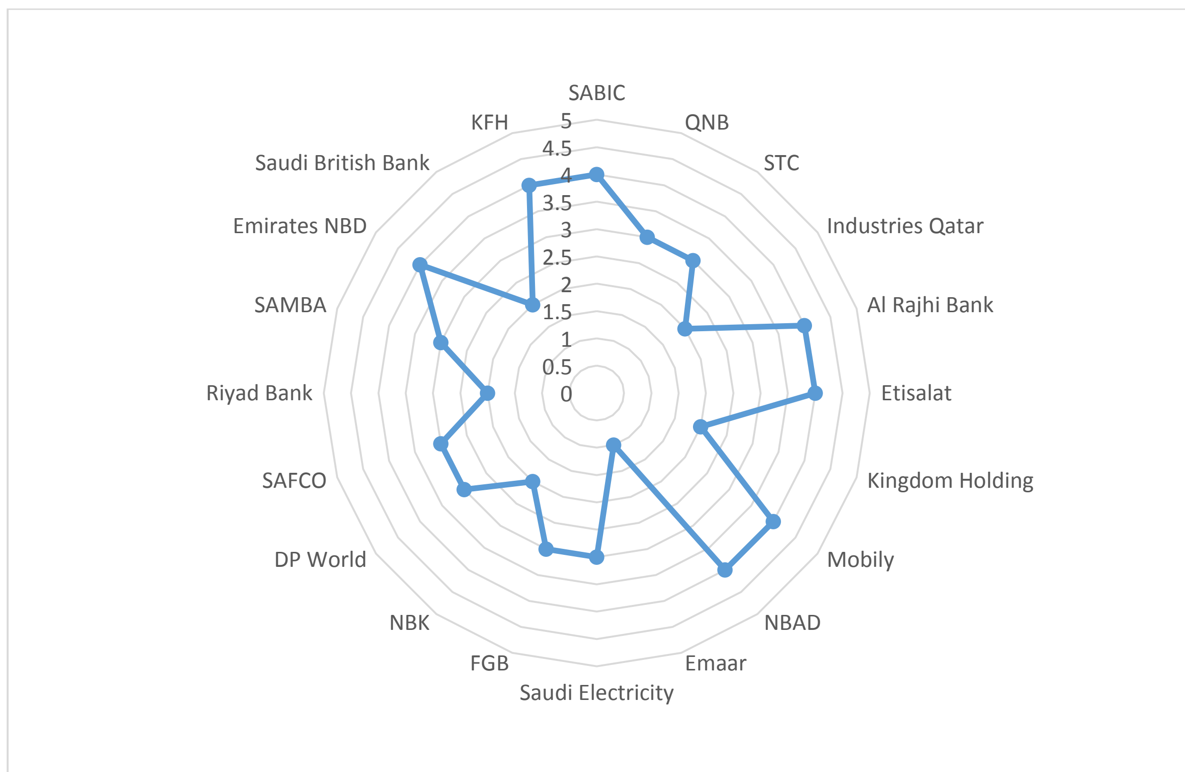


Figure 5 – Category B: Employee Stakeholders

3. Category C: Environmental Stakeholders

In category C, 4 indicators were evaluated and scored (resource usage reporting, resource usage reduction, environmental risk awareness, and company environmental engagement). The maximum score a company may obtain in this category is 5. Scores for this category ranged from 0 to 5 with a mean of 2.75. The scores are portrayed in Figure 6 below:

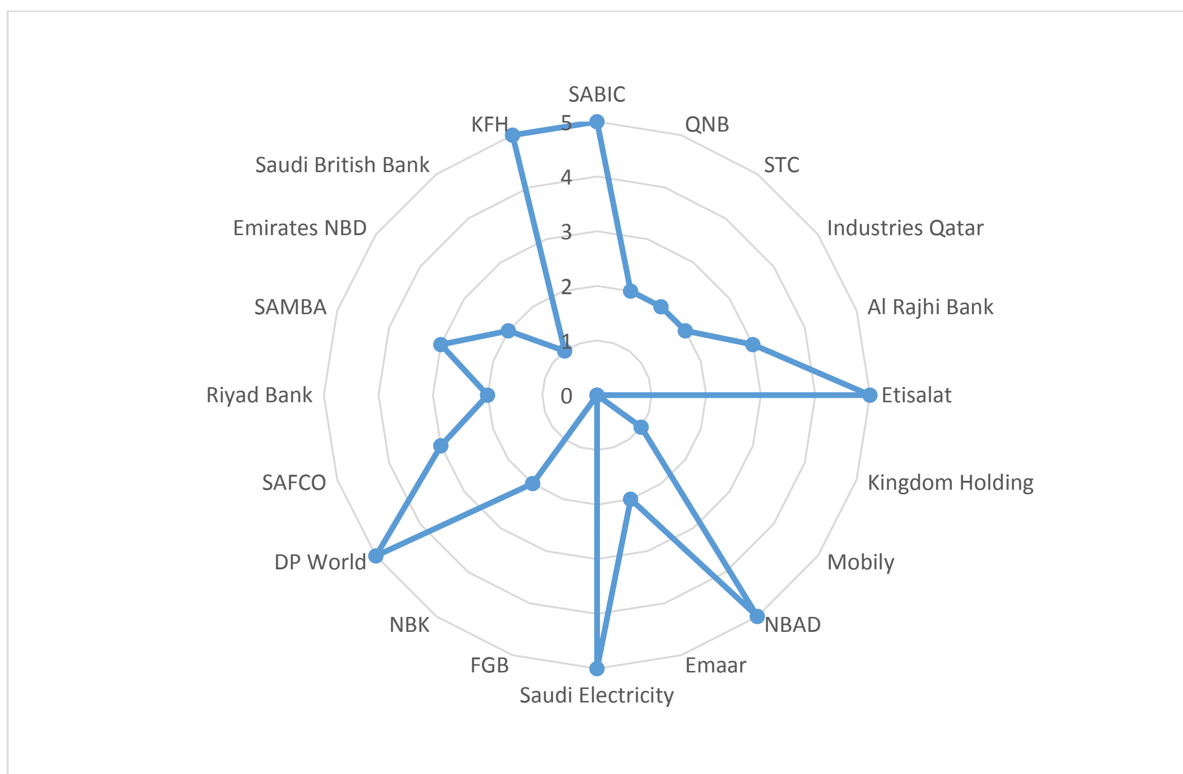


Figure 6 – Category C: Environmental Stakeholders

4. Category D: Consumer and Community Stakeholders

In category D, 4 indicators were evaluated and scored (consumer protection, workforce development, community investment, and strategic community investment). The maximum score a company may obtain in this category is 5. Scores for this category ranged from 1 to 5 with a mean of 4.2. The scores are portrayed in Figure 7 below:

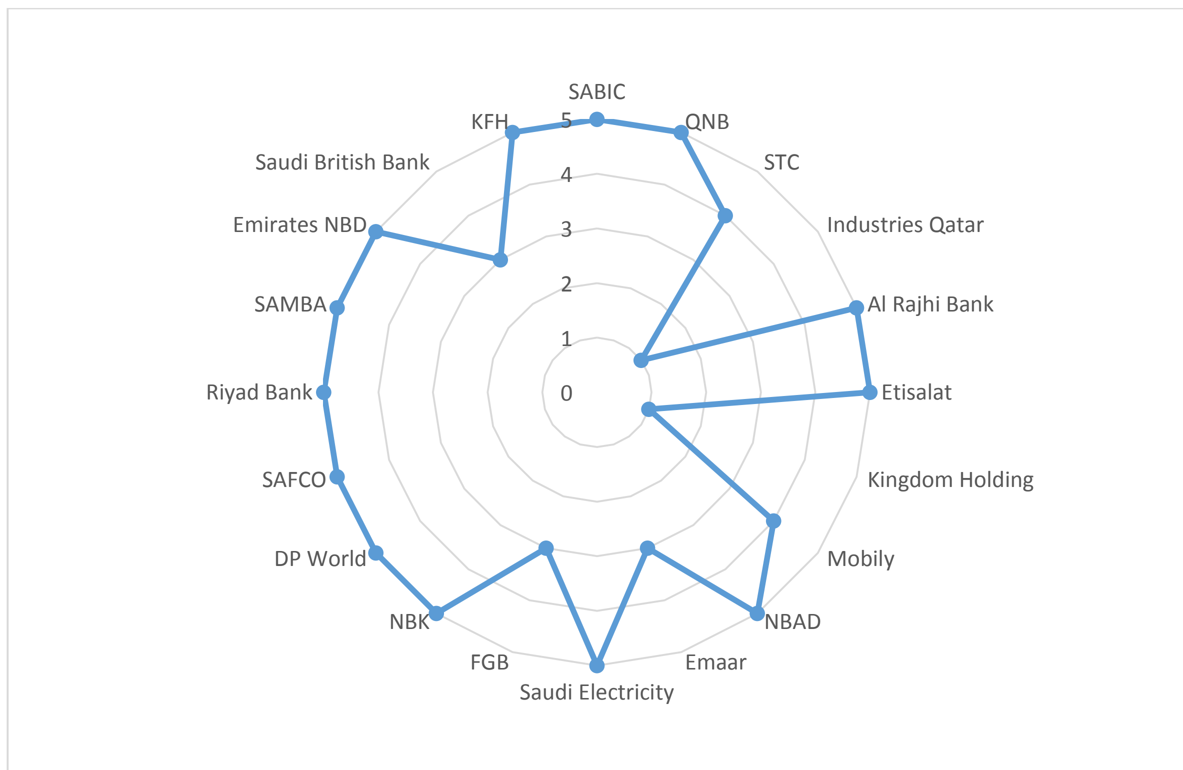


Figure 7 – Category D: Consumer and Community Stakeholders

5. Category E: Voluntary Self-Regulation

In category E, 5 indicators were evaluated and scored (code of conduct or ethics, transparency, anti-corruption, regulatory compliance, and executive compensation). The maximum score a company may obtain in this category is 5. Scores for this category ranged from 1 to 4 with a mean of 2.95. The scores are portrayed in Figure 8 below:

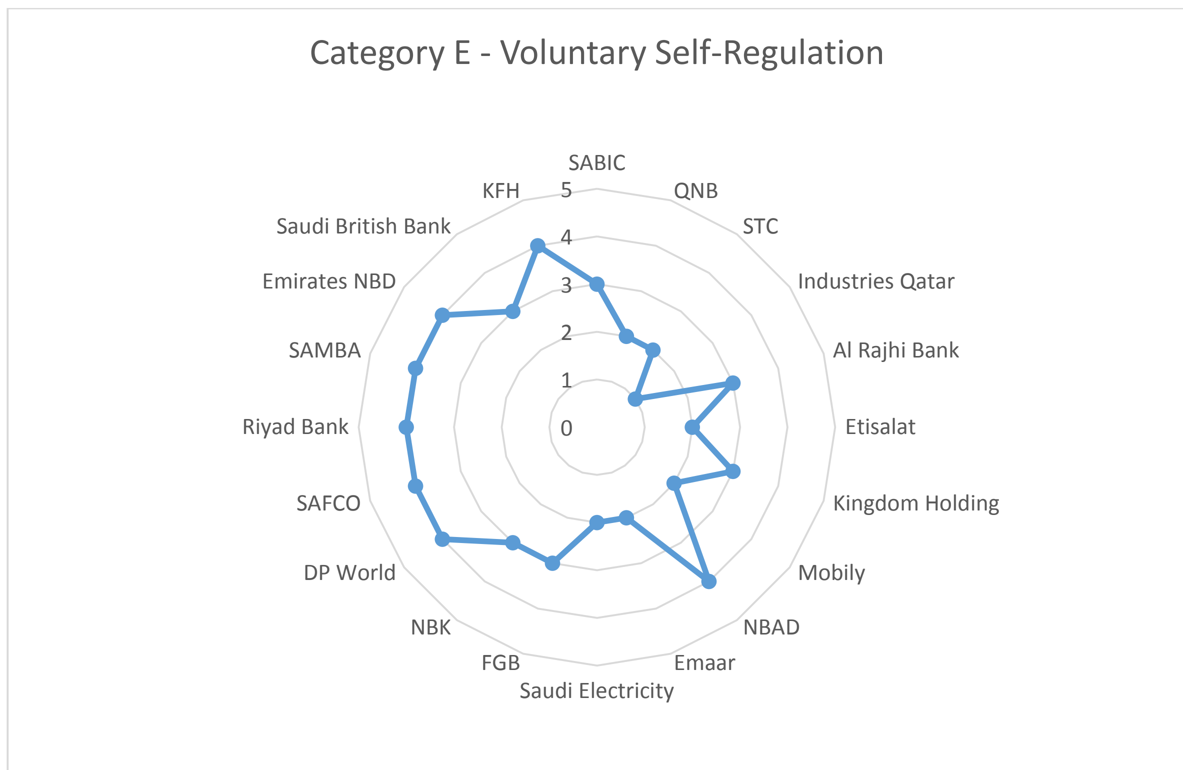


Figure 8 – Category E: Voluntary Self-Regulation

B. Corporate Philanthropy Findings

After a thorough analysis of company reporting, each company received a main Philanthropy score which is the summation of the scores of every indicator in every category. As can be seen in Figure 9 below, the Philanthropy scores ranged from 2 to 27 out of 30 with a mean of 17.10, a median of 14, and a standard deviation of 5.24.

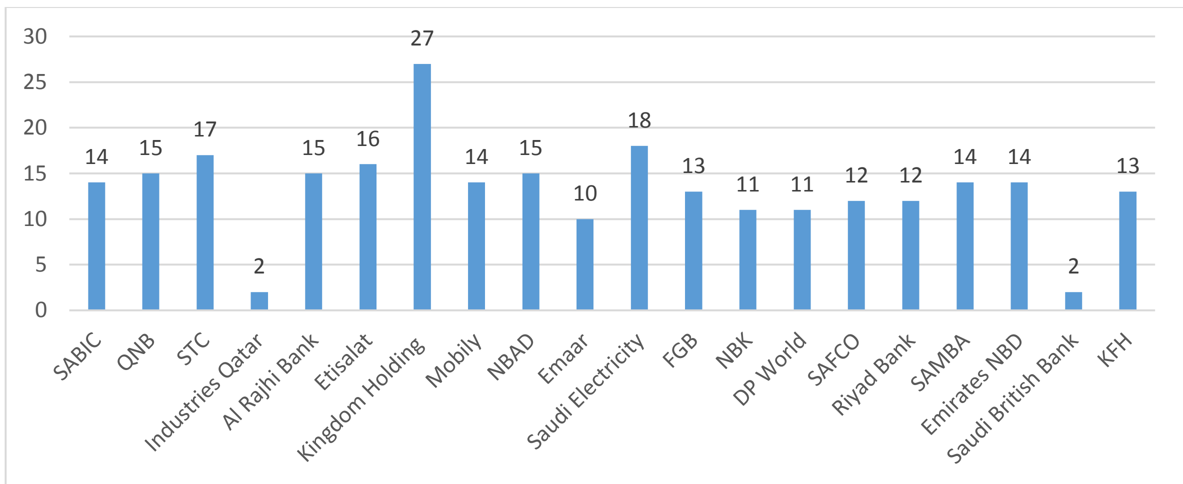


Figure 9 – Corporate Philanthropy Score per Company

1. Category F: Relevance of Philanthropy

In category F, 3 indicators were evaluated and scored (wide geographical distribution, no stakeholder engagement, and global humanitarian action). The maximum score a company may obtain in this category is 8. Scores for this category ranged from 0 to 8 with a mean of 2.75. The scores are portrayed in Figure 10 below:

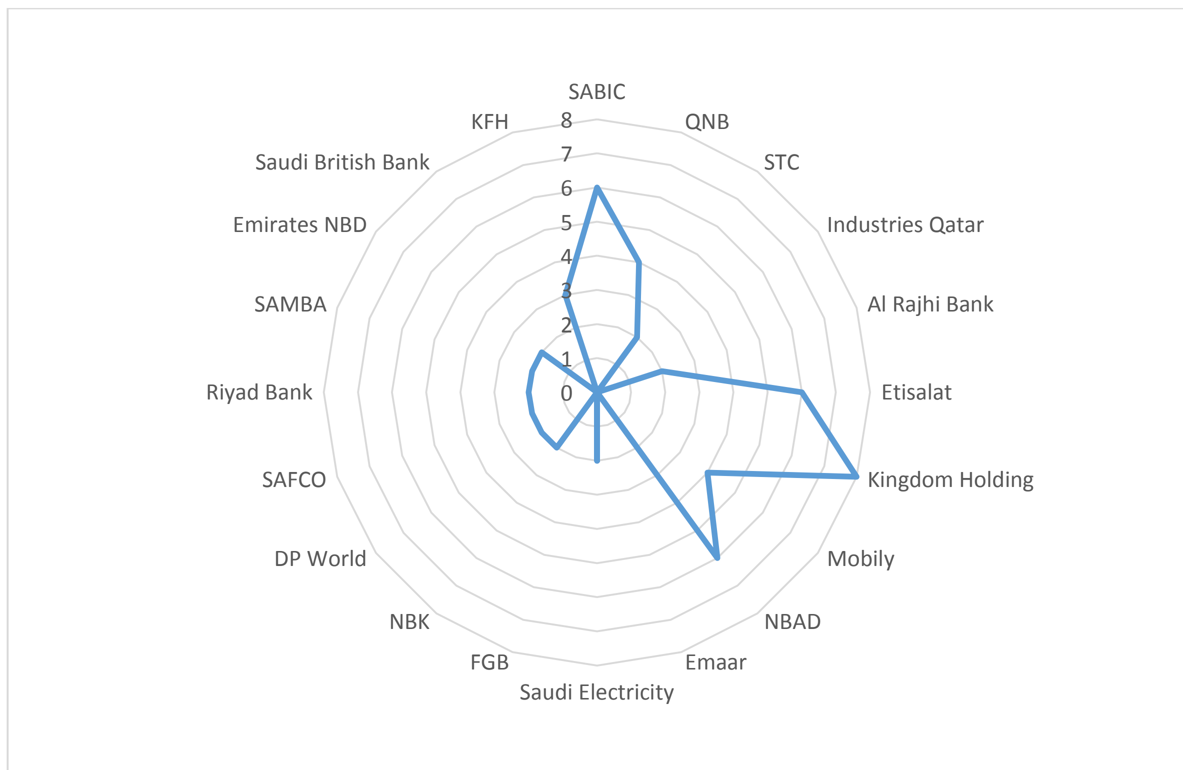


Figure 10 – Category F: Relevance of Philanthropy

2. Category G: Motivation for Philanthropy

In category G, 3 indicators were evaluated and scored (no link to social objectives, religious nature, and cultural nature). The maximum score a company may obtain in this category is 7. Scores for this category ranged from 0 to 6 with a mean of 3.5. The scores are portrayed in Figure 11 below:

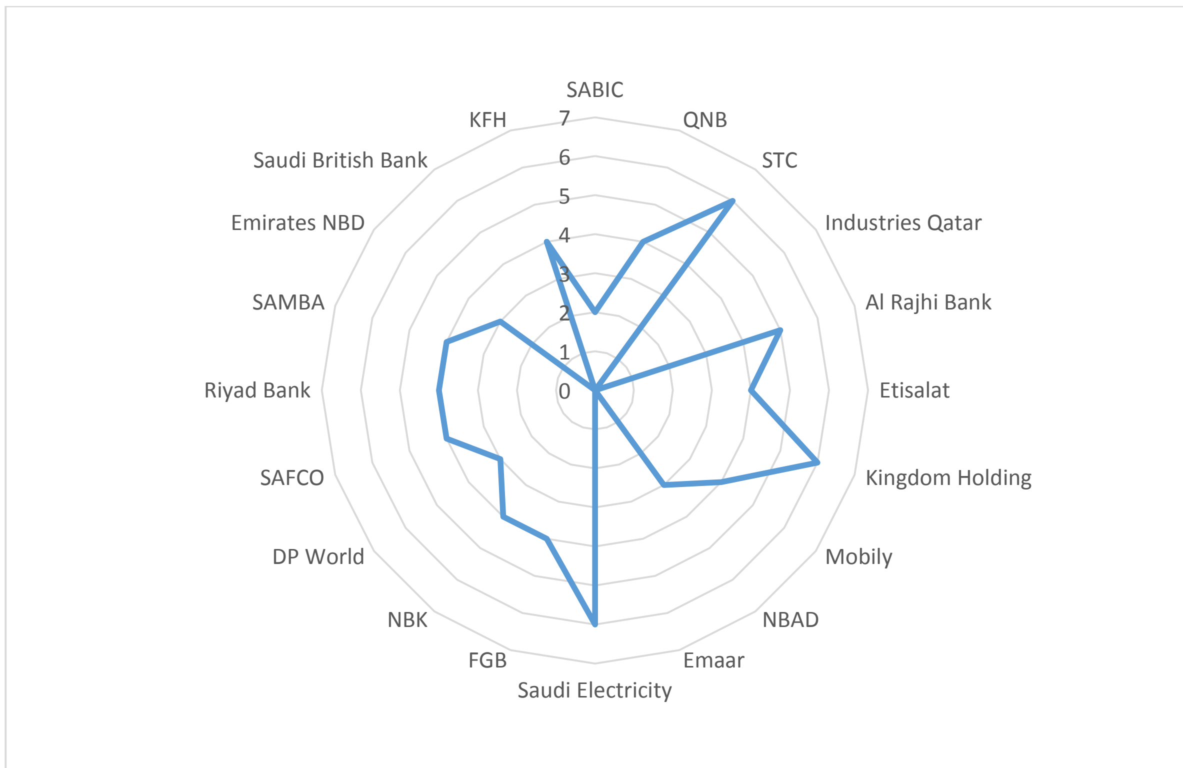


Figure 11 – Category G: Motivation for Philanthropy

3. Category H: Structure of Philanthropy

In category H, 3 indicators were evaluated and scored (company foundation, outsourcing of action, and no reporting on use of grants). The maximum score a company may obtain in this category is 7. Scores for this category ranged from 2 to 6 with a mean of 2.75. The scores are portrayed in Figure 12 below:

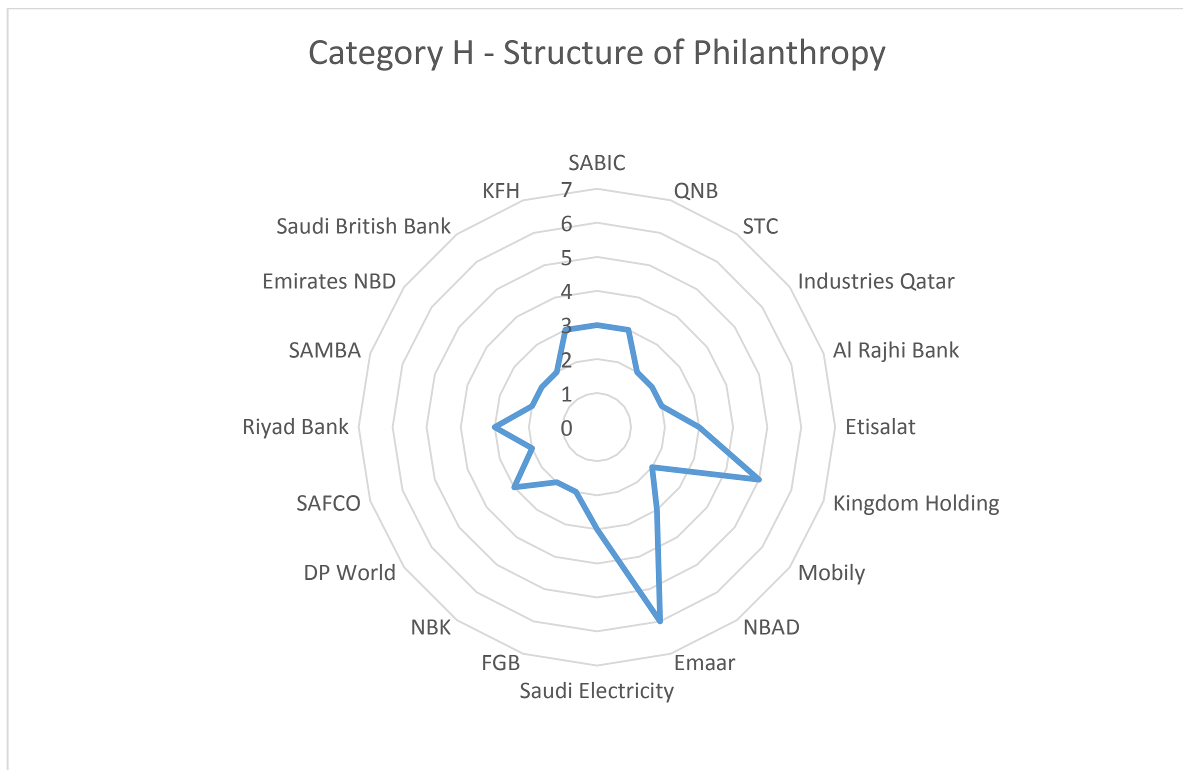


Figure 12 – Category H: Structure of Philanthropy

4. Category I: Strategic Nature

In category I, 3 indicators were evaluated and scored (no financial benefit, no link to core competencies, and no employee engagement). The maximum score a company may obtain in this category is 8. Scores for this category ranged from 0 to 8 with a mean of 4.25. The scores are portrayed in Figure 13 below:

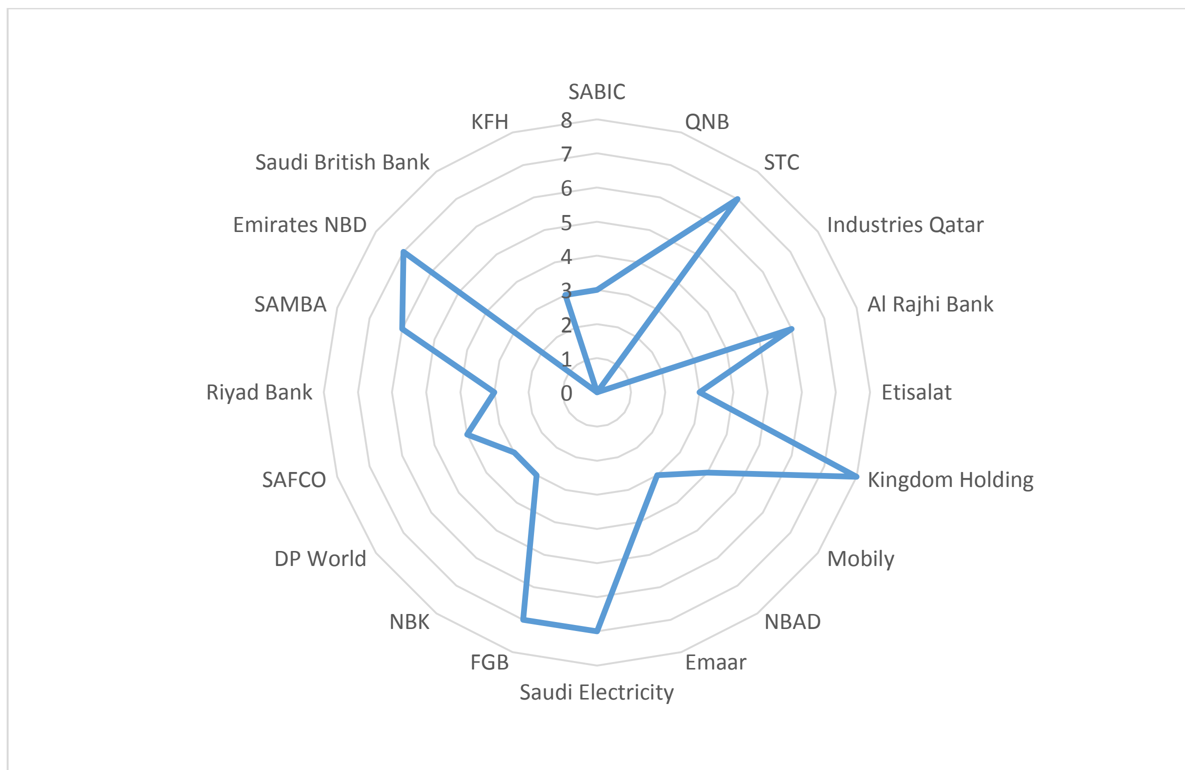


Figure 13 – Category I: Strategic Nature

CHAPTER V

DISCUSSION OF THE FINDINGS

A. CSR Scores

In examining the distribution of results for CSR indicators, shown in Figure 14 below, it becomes apparent that the results appear skewed to the right, but nevertheless concentrated around the mean of 17.1. Further, while not being a perfect bell curve, the somewhat even and centralized distribution of data is reassuring for the validity of the study for several reasons.

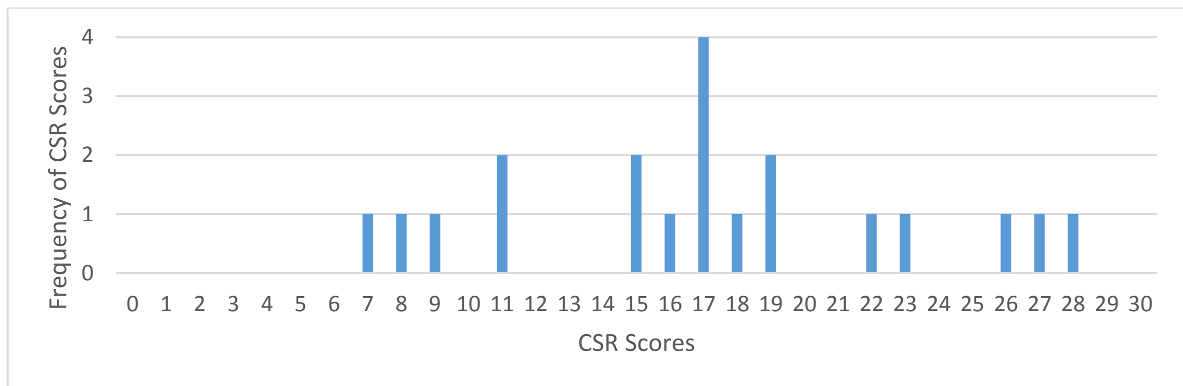


Figure 14 – Distribution of CSR Scores

A first reassuring sign is that no company received a perfect score of 30, nor did any company receive the minimum score of 0. Indeed, all of the scores fell between 7 and 28. This means that the indicators developed seem to have captured the entire possible range of prevalence for CSR. That is to say, if a company were to have scored a 30, questions would be raised as to whether the company would have scored even more points for other, stricter indicators not present in the study. The same is true for the inverse; if a company received a

score of 0, then perhaps the indicators were too strict and the company could have scored at least some points if other, more sensitive indicators were present.

A further encouraging aspect of the distribution is that half of the companies received a score that falls between 15 and 19. Indeed, the mean of the entire sample, 17.10 is almost equivalent to the mean of 17 for this half. Furthermore, the median score, and the most frequent score in the study, is also 17. Such a result is encouraging since it suggests that the data collection methods and indicators may have functioned correctly, providing a somewhat normal distribution.

1. Overall Picture: A Normal Distribution and Strong CSR Presence

With a general sense of confidence in the data collected and the methodology employed, it is possible to proceed to an analysis of the results. Overall, a first observation is that the results seem promising for advocates of CSR. In addition to being skewed somewhat toward higher scores, the high average and median of 17 indicate that many of the sampled companies exhibit at least a moderate application of CSR practices. This appears to challenge some of the assumptions made going into this study. While previous research in the region (Jamali & Mirshak, 2007) had indicated a lack of evidence for strong CSR policies within the Middle East, these results suggest that many of the largest companies do seem to be taking significant steps toward the implementation of socially responsible regimes affecting multiple stakeholder groups. An initial explanation for this discrepancy could be the time that has passed since previous studies were conducted, as

social responsibility is a rapidly growing field and the Arab Gulf is a rapidly developing region. Another explanation could be found in the fact that the sample size only includes the largest and most public companies of the region, who presumably have come under the most pressure to implement global standards in the past year.

Yet, a closer look is warranted in order to fully describe the results. As observed above, half of the companies cluster somewhat narrowly within the middle of the sample range. How then, can the other half of the sample be characterized? With a standard deviation of 6.06, 14 or 70%, of companies fall within the score range of 11 to 23. Therefore, in addition to the ten companies that are tightly clustered around the mean, an additional four can be considered to be falling within one standard deviation of the mean, and not qualifying as outliers. It follows that the six companies other companies can be considered outliers. Indeed, curiously, the outliers are split evenly between the two poles, with three scores above 25 demonstrating outstanding CSR, and three scores under 10, pointing to subpar CSR.

As a result, the companies can be divided into three separate groups for analysis: those falling within the standard deviation, those outliers at the top, and those outliers at the bottom. Through comparing these groups, and examining the results of the individual companies, it will be possible to determine exactly what level of CSR is present in the typical top twenty company, as well as to determine in what ways certain companies exceeded and certain companies lagged behind.

2. Under-Reporting is a Major Setback for a Handful of Companies

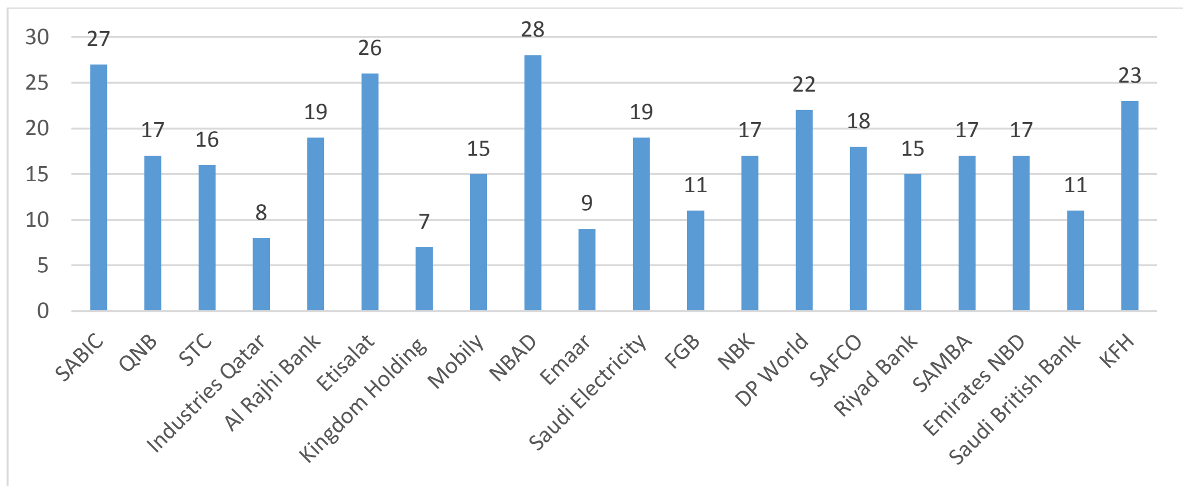


Figure 3 (reproduced) – CSR Score per Company

Industries Qatar, Emaar, and Kingdom Holding all had the lowest overall scores, as can be seen in Figure 3 above. The scores of these companies indicate a lack of serious commitment to basic notions of corporate social responsibility. Indeed, the first important lapse for these companies came at the most basic step: reporting. As shown in Figure 15 below, only two companies failed to offer any CSR reporting whatsoever.

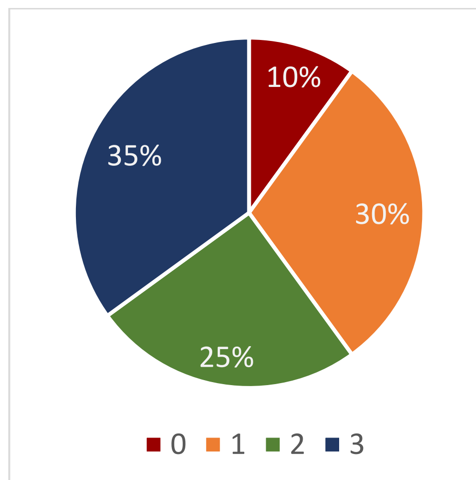


Figure 15 – Indicator A1:
Presence of CSR Reporting

Those two companies, Emaar and Kingdom Holding, did not even devote a section of their website to discussing the companies' social engagement. Such an omission does not bode well for the stakeholders of these companies, which are worth a combined forty billion dollars. Although it remains possible that the policies of these companies are still socially responsible, it is unlikely. Indeed, if an employee, shareholder, or consumer cannot access basic information about a company's policies, that stakeholder's most basic interest– knowledge– is not satisfied. Industries Qatar also did not fair well, with a score of 1 out of 3 for this indicator.

Aside from reporting, the gaps varied depending on the company. A lack of environmental engagement cost Kindgom Holding several points, including for Indicators C3 and C4, see Figures 16 and 17 below for which it was one of only two companies to fail to receive a score for both.

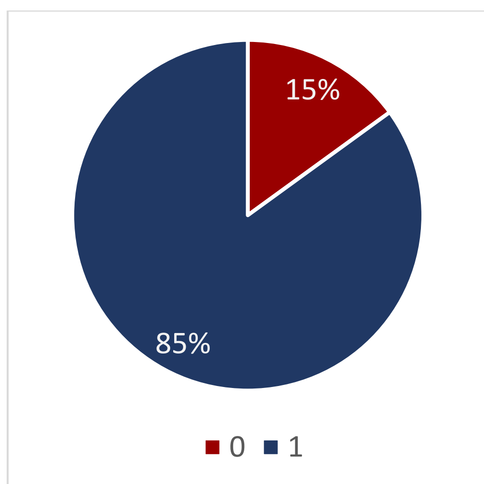


Figure 16 – Indicator C3: Environmental Risk Awareness

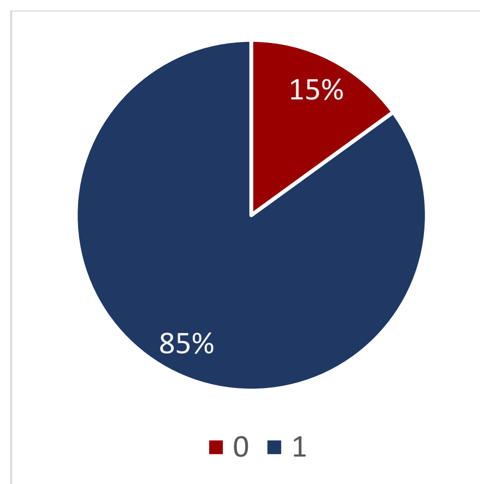


Figure 17 – Indicator C4: Company Environmental Engagement

Kingdom Holding had another setback, which it shared with Industries Qatar, in the field of community investment. The two companies were the only two companies to have a combined score of 0 for both Indicator D3 and Indicator D4, shown in Figures 18 and 19 below. Indeed, this is a particularly important blow to the two businesses' social engagement, since they made no information available whatsoever on any local activities. The lack of any hint of such engagement does not indicate the presence of socially responsible interactions with the community.

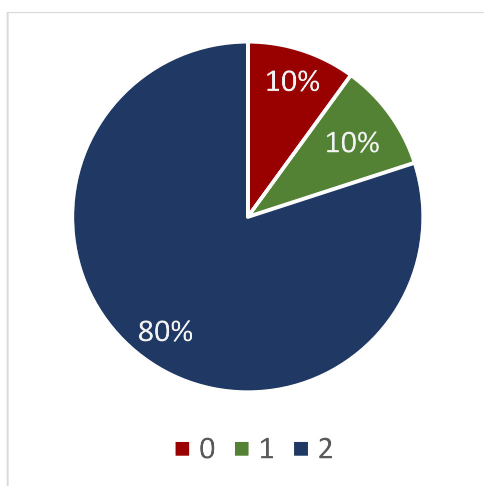


Figure 18 – Indicator D3: Community Investment

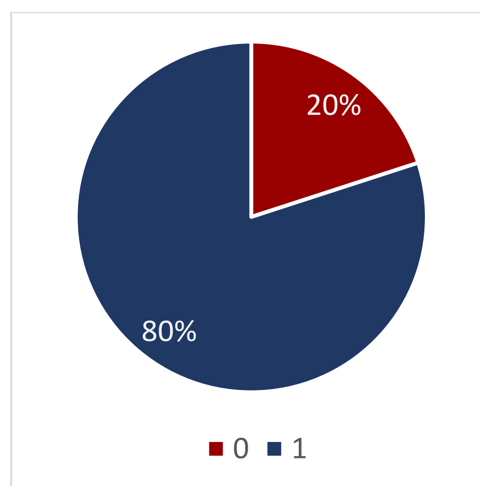


Figure 19 – Indicator D4: Strategic Community Investment

On the other hand, for Emaar, the main shortcomings were in the area of job development, whether for its own employees as indicated in Indicator B3 in Figure 20 below, or by its lack of investment in the labor market as indicated by indicator D2 in Figure 21 below.

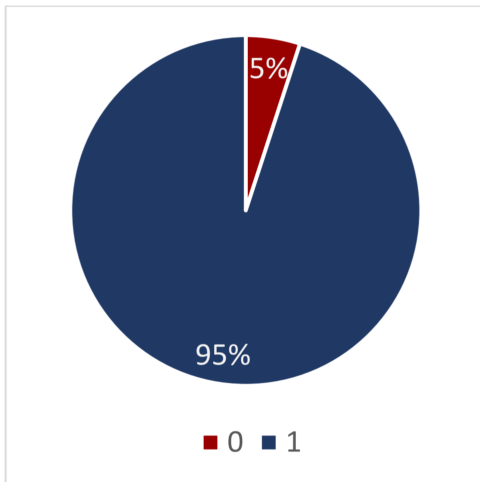


Figure 20 – Indicator B3:
Employee Development

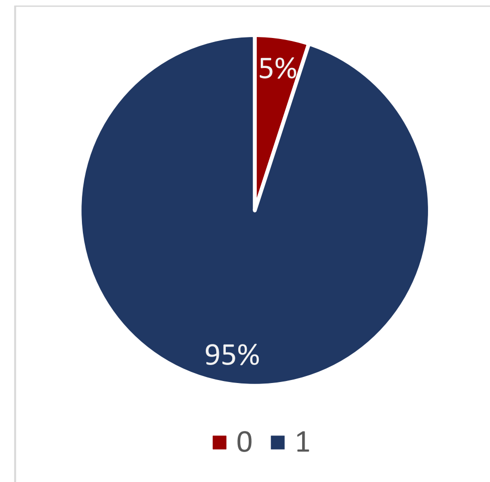


Figure 21 – Indicator D2:
Workforce Development

As demonstrated in the handful of examples above, all three companies scored poorly for a variety of reasons. It would seem each had overlooked a particular, but different, group of stakeholders. Perhaps this could be explained by situational factors. Each of the three worst performers operates in a different country. Perhaps the structure of national social systems, the surrounding environment, or the labor pool, differs across these areas, causing the companies to act accordingly. Since such an assumption would be giving these companies the benefit of the doubt, it is equally possible that they each have simply failed to invest in different aspects of CSR.

The variety of omissions does not pinpoint a particular problem facing CSR within the largest publicly traded companies in the region. However, the one notable exception is the lack of reporting, a commonality across all three companies. It appears, therefore, that companies that do not take steps to report on their actions, are more likely to at least be viewed as deficient in certain areas– whether that deficiency is real or simply perceived as such because of a lack of information remains to be determined.

3. Outperformers Lack Transparency

Interestingly, just as three companies stood out at the bottom, three companies– NBAD, SABIC, and Etisalat– stand out at the top. These companies, with scores of 28, 27, and 26, respectively, greatly exceeded the median and fall above one standard deviation from the mean. Therefore, in examining their results, one can describe the practices of the most social responsible companies in the sample, and make observations as to the limits of CSR within the sample set.

As shown below in Figures 22 and 23, it quickly becomes apparent that the two biggest obstacles for the company were Indicators B1, which indicates whether or not a company's employees participate in decisions by the board, and E2, which demonstrates a commitment to political transparency. All three companies, along with the entire sample, received scores of 0 for these indicators.

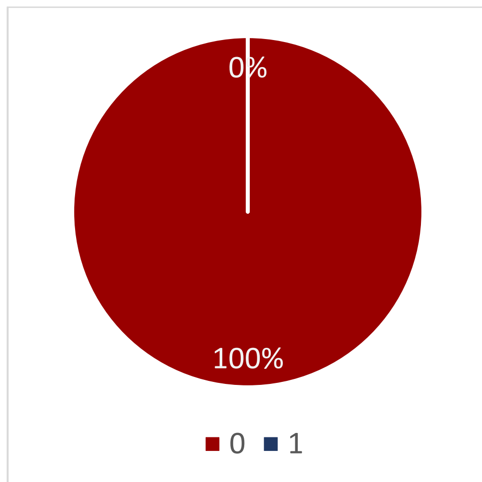


Figure 22 – Indicator B1: Employee Participation in Governance

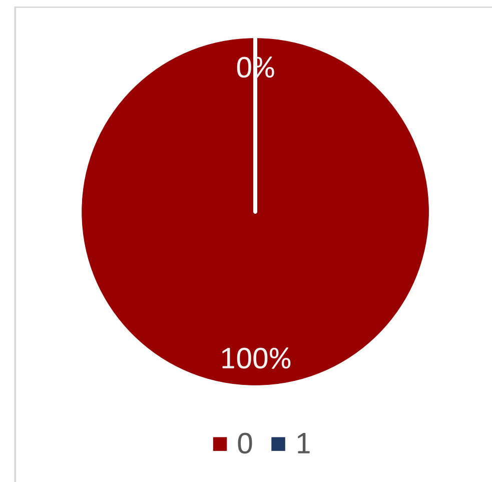


Figure 23 – Indicator E2: Transparency

Indeed, this outcome is unsurprising given that both of these indicators are extremely strict, and were testing for a level of corporate social responsibility that is not even the rule the West. For example, the European system of Codetermination, whereby employees have reserved seats on the board, is only popular in certain countries like Germany, and is nearly non-existent in the United States or the United Kingdom (Smith, 2005). Therefore, it is not surprising that companies in a developing region –especially one that is not democratic– would not implement such a system. Indeed, the drawbacks of doing so are not hard to imagine, and could lead to situations where shareholder primacy is put into question. Indeed, perhaps a conclusion from this outcome could be that, just as is the attitude in the United States, corporate governance in the Arab Gulf is focused on a shareholder-based model (Hansmann & Kraakman, 2000).

Indicator E2 highlights a company's attitudes toward political transparency, by awarding one point for disclosing any political contributions or political conflicts of interest. Indeed, the results in this case may be disappointing for good governance advocates, but they are hardly surprising given the political situation in the countries in question. Since neither the UAE nor Saudi Arabia is a beacon of democracy, there are barely any electoral politics, and therefore little opportunity for a company to openly support policies or candidates through contributions. Consequently, it is unsurprising that no such declarations have been made. Indeed, perhaps such an indicator is unfair to impose on companies located in the Gulf. Yet, these same companies do have the potential to influence political outcomes through other means, such as through the influence of their founders, board members and top executives. Despite many companies having links to the

royal families of the region–like Kingdom Holding's Walid bin-Talal– not a single company made an effort to disclose its relationship to the ruling government, or any efforts to ensure transparency in its political dealings. Perhaps this is because it serves the interests of the company, perhaps it is by neglect, or more likely yet, perhaps doing so would cause trouble for the companies with the ruling governments. After all, it may be problematic to disclose corporate political influence in an environment where there is no designated apparatus for permitting the political agency of individual citizens. Therefore, the conundrum remains; can one impose Western standards on these companies, when the daily realities they face may render complying with such standards exceedingly difficult?

In addition Indicators B1 and E2, where all three of the highest scoring companies failed to gain points, it may be interesting to examine other shortcomings within the top three companies. In the case SABIC and Etisalat, both lost one point for an interesting omission. Since neither of the two companies made any disclosures about the remuneration of their top executives they did not gain a point for Indicator E5, executive compensation.

The fact that these two companies, which had otherwise demonstrated very promising commitments to social responsibility, chose not to disclose such key information is very telling. Just as with indicator E2, such a lapse is indicative of an overall lack of transparency at the highest level of governance. Indeed, while good practices at all levels of a company are required to demonstrate a complete CSR policy, good practices at the executive level are of particular importance. Since the CEO and other chief executives are the brains of the corporate body, making many crucial decisions and often determining the fate of the rest of the company, it is well worth scrutinizing their actions. For example, if a

company does not disclose the compensation of its highest paid employees, there is a certain lack of accountability of these powerful individuals to various stakeholder groups.

Stakeholders, who are dramatically affected by the performance of the company, should be able to at least determine whether their executives are being compensated in line with the company's performance. For low and mid-level employees, this is an ethical concern and is in the interest of fairness. Yet, for shareholders, it is an even more serious concern since the principal-agent dilemma can see executives, the agents, acting without regard for their interests as principals (Bøhren, 1998). This risk could be reduced when transparency introduces a sense of accountability among executives, particularly with regard to their compensation.

Indeed, while the three highest scoring companies performed well, their lack of points in areas such as those highlighted by Indicators E2 and/or E5 are of particular concern for the reasons outlined above. In the case of NBAD, with a score of 28, it has achieved the highest level of CSR out of any company in the sample. It is followed by SABIC, with a score of 27, and Etisalat with a score of 26. Since the loss of points for NBAD and SABIC have been fully accounted for up to this point, attention will now be turned to Etisalat.

4. Public Scandal: An Impetus for CSR Implementation?

Etisalat lost its fourth point thanks to a particularly interesting test posed by Indicator E4, regulatory compliance. As explained in the methodology section of this study,

this indicator involved researching whether a company had been the subject of any judicial or regulatory actions. These actions could take the form of any action or investigation for anti-competitive behavior, non-compliance with other norms or laws, or even sanctions for criminal activity. In the case of Etisalat, not one but two scandals contributed to its low score for this indicator.

In 2009, Etisalat prompted its Blackberry users to install optimization software on their devices, which later turned out to be spyware that enabled the surveillance of users' data (Thompson, 2009). Inevitably, this led to outrage from consumers and the community, particularly as it became clear that the company might have been acting on behalf of domestic or foreign governments. Such a serious and flagrant breach of trust from a company flies in the face of all the principles behind corporate social responsibility and is abusive and would almost certainly have been deemed illegal another jurisdiction.

A second scandal gripped the company in the very same year. This time focused on the purchase of a controlling interest in PTCL, Pakistan's leading telecommunications firm. It appears that Etisalat was able to obtain unusually favorable conditions for its acquisition, which saw the Pakistani government forced into transferring to Etisalat several properties owned by third parties (Dawn, 2009). The acquisition was deemed by a Pakistani parliamentary inquiry as a "shady deal" (2009), and caused outrage in Pakistan. While the deal may have benefitted Etisalat's shareholders, it was conducted with very little transparency and did not take into account the company's legal obligations toward its future stakeholders, such as the customer base and employees of PTCL.

How then, can a company with such well publicized and striking scandals on its record, have risen to among the most CSR friendly companies in this study? The answer is not easy to pinpoint, but one possible explanation could be that these scandals, which took place over six years ago, prompted Etisalat to embark on a reform. This could have encouraged the company to bring its corporate social responsibility standards up to date, which enabled it to reach the high score it attained today. In order to determine the most likely explanation, it would be necessary to examine the evolution of the company's policies, which falls outside the scope of this study. Yet, this hypothesis raises two interesting considerations.

First, if Etisalat had learned from its mistakes in the past, which specifically involved a lack of transparency for its political entanglements, why has it not undertaken efforts toward political transparency as outlined in Indicator E2, or towards transparency in governance through disclosing executive compensation as investigated by Indicator E5? Indeed, the cynical response to such a question would refer to the attitude of Koehn and Ueng who pointed out the risk of social engagement acting as window-washing for corporations with abusive policies (Koehn & Ueng, 2010). However, this study is limited in its ability to decipher between the two possible explanations for Etisalat's excellent performance in the study. Regardless of the explanation, the case of Etisalat is a good example of the limitations of the indicators in this study, and even the concepts of CSR that lie behind them. Just as many white-collar criminals live lives as upstanding citizens until the day they are caught for the crime no one suspected, a company can easily go through

the motions of social responsibility and simultaneously be engaged in ethically and legally questionable activities.

5. Highest Scoring Companies Exhibit a Tendency toward International Standards

Having carefully examined the shortcomings of the best performing companies, it would be useful to also try to pinpoint the source of their success in this study. Indeed, it appears that the most distinguishing aspect of the three company's success is their willingness to implement external norms of CSR. The three companies were the only to receive perfect scores on both Indicators A2 and A3, depicted in Figures 24 and 25 below.

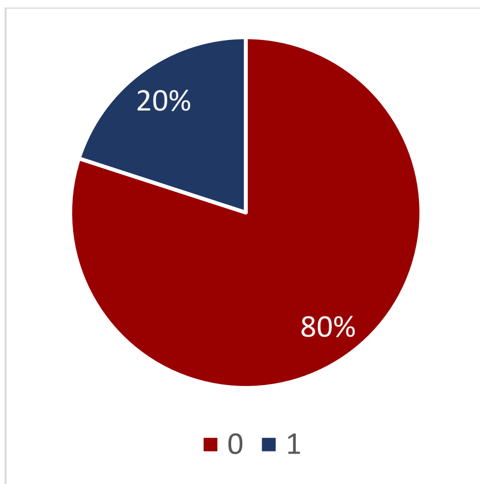


Figure 24 – Indicator A2:
Global Reporting Initiative (GRI)

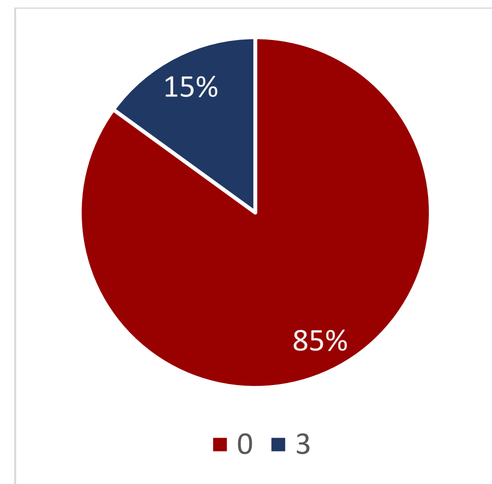


Figure 25 – Indicator A3:
International Standard Setting Instruments

Practically speaking, this means that NBAD, SABIC, and Etisalat have all implemented at least four internationally recognized CSR standards, whether through their reporting by using the GRI Framework, or more globally, by adhering to ISO or UN criteria. It would appear, therefore, that one of the reasons these three companies were able

to achieve such a high score in other categories is because of their commitment to meeting externally imposed standards. This bodes well not only for these instruments ability to influence a company's behavior, but also for the movement of CSR as a whole. It is one thing for a company to embrace the "trend" of "CSR," since it appears that the majority of those sampled in this study did by offering some reporting on the subject; however, there is an entirely different outcome when a company actually implements globally recognized objectives and standards.

6. Typical Results Point to Serious Engagement and Efforts at Standard Setting

Turning to the majority of the companies, those with scores falling between 11 and 23 points, it becomes clear that they have a great deal to say about the state of CSR in the region. In fact, given the distribution of the study's results, this group can be deemed to represent the typical behavior of the top twenty publicly traded companies in the Arab Gulf. A first observation speaks to the overall willingness of companies to engage in socially responsible behavior. All fourteen of these companies– the average large companies of the region– are engaged in CSR reporting activities, as demonstrated by Indicator A1, shown in Figure 15 below. This is an encouraging sign since it means that companies are familiar with the concept and are attempting to report on it.

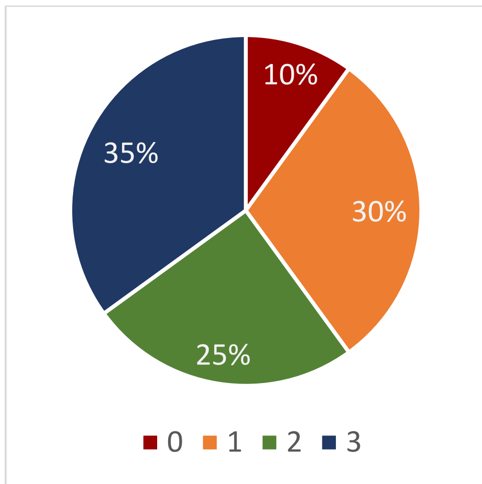


Figure 15 (reproduced) – Indicator A1: Presence of CSR Reporting

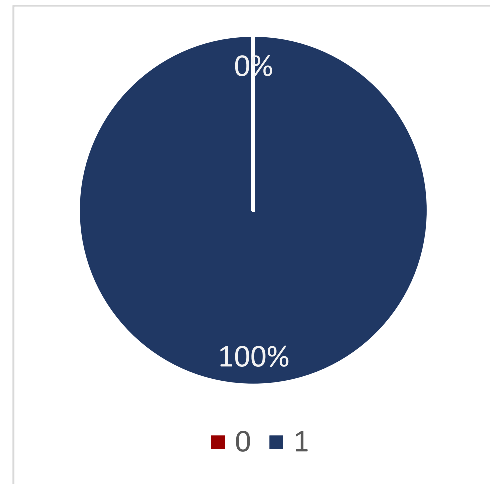


Figure 26 – Indicator A5: Social Objectives

Moreover, these same companies have all chosen to define relevant social objectives for themselves, which is demonstrated in the results of Indicator A5, displayed above in Figure 26. Thus, these companies are not only reporting on CSR, but are also setting relevant and realistic goals for themselves, which align with a multi-stakeholder outlook.

Using a comparative tool, it is possible to determine exactly what areas the middle group of companies excelled in, which will enable the uncovering of trends within the group. In Figure 27 below, the average of each indicator category was determined for three separate groups: the top 3 companies, shown in blue, the middle 14 companies, shown in orange, and the bottom 3 companies, shown in grey. Through converting the averages into a percentage, one is able to compare categories that have different total point values.

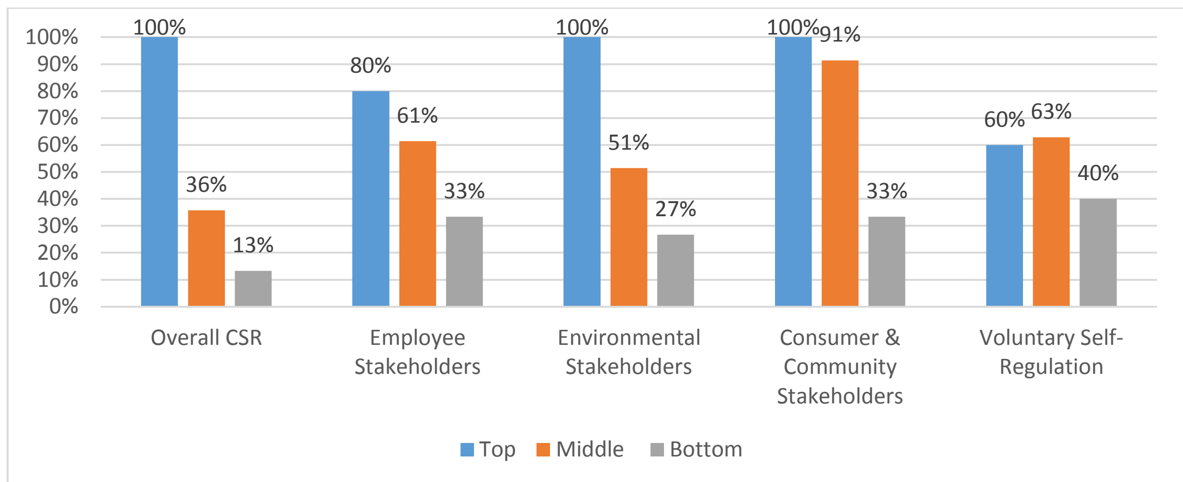


Figure 27 – Average CSR Scores as a Percentage by Indicator Category

The first striking observation is that the average companies– those closest to the mean– seem to have virtually tied those at the top in the category of voluntary self-regulation. This can be taken to mean that the average large publicly traded company is implementing the same level of self-regulation as those companies at the top of the sample that abide by global standards and have implemented stringent reporting guidelines. However, what remains to be answered is whether this fact reflects well on the average companies, or poorly on the top companies. Indeed, perhaps this result, rather than being an encouraging sign that the average companies have high levels of self-regulation, could simply mean that the top companies have inadequate self-regulation. The latter seems to be supported by the findings of the section above, which detailed the lack of transparency in companies like Etisalat.

7. Strong Community Investment: a Regional Phenomenon?

A further trend which can be remarked, this time undisputedly encouraging, is that the middle 14 companies scored very highly for the category of consumer and community stakeholders. Fears that these indicators may not have been strict enough should be allayed by the results for the bottom 3 companies, which scored poorly. Therefore, an interesting observation to be made about CSR in the Arab Gulf is that it seems to focus highly on community investment and development.

When a sociological perspective is brought to this result, it begins to make a great deal of sense. After all, states like Qatar, the UAE, and Kuwait are relatively small, and all have, along with Saudi Arabia, highly developed welfare systems. Each government is very focused on the development of its citizens –not to be confused with residents– and invest a great deal in education and training. The companies, as important actors within society, seem to be mirroring this trend. The rapid economic development of these societies, as well as their vast shared resource wealth, certainly seem to have contributed to a sense of shared destiny, which may be prompting these companies to invest back in their communities. Now, it would be remiss to not acknowledge that this paradigm seems to cast aside those who live within these societies, but do not hold citizenship. This is evident in the programs of "Saudization" or "Kuwaitization" which seek to increase the employment of citizens of each Gulf monarchy.

The above also seems to be reflected within the results for the employee stakeholder category. Indeed, it would seem that at these companies are at least somewhat committed to investing in their employees. This group of stakeholders, along with the community, fared

the best. Indeed, all 14 middle companies invested in employee development as shown in Figure 20 below, which displays Indicator B3.

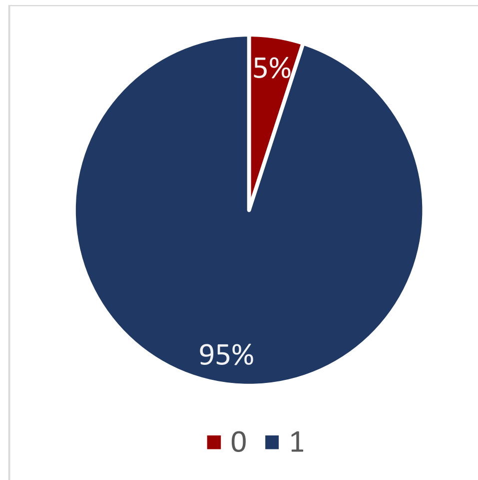


Figure 20 (reproduced) – Indicator B3: Employee Development

This is encouraging since, as discussed elsewhere in this study, investment in the workforce has the potential not only to benefit the employees, but also the companies' shareholders through increased human capital in the future.

8. Areas for Improvement: Gender and Transparency

While overall results may be encouraging, and exceed expectations going into the study, there are certain areas that need improvement. For example, only 9 out of 20 companies were able to demonstrate some initiatives toward gender equality and increased diversity, as shown in Indicator B6, displayed in Figure 28 below.

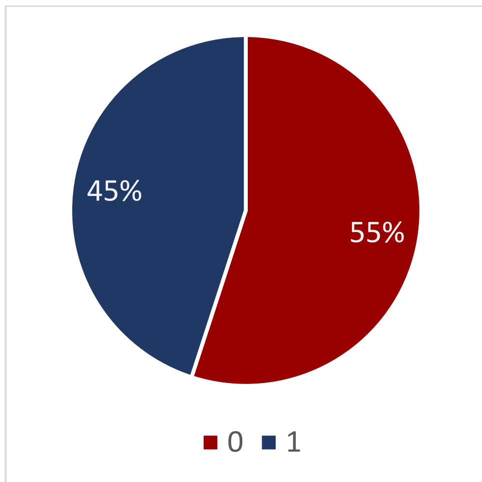


Figure 28 – Indicator B6:
Gender and Diversity

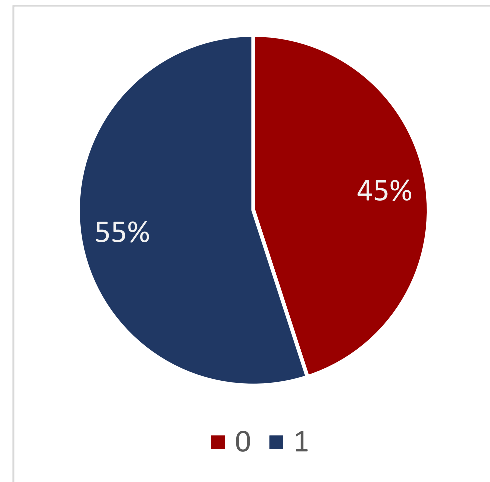


Figure 29 – Indicator E3:
Anti-Corruption

Furthermore, Indicator E3 in Figure 29 above shows that only half of the companies demonstrated –or even acknowledged– a desire to fight corruption.

When coupled with the disappointing results in the fields of transparency (Indicators E2 and E5), this result seems to indicate the presence of strong governing bodies that are not fully accountable to their stakeholders.

Yet, this result, just as with the result related to gender, can hardly be surprising given the location of these companies. Indeed, how can a company promote the status of women, when the country forbids women from driving or moving about independently? How can a country that is run by an oligarchy with little accountability, be home to companies that are run with the utmost transparency and accountability? Despite the efforts of these companies, and indeed the efforts of this study, reality eventually must intervene. Applying western standards of social responsibility to companies simply cannot be done when the society at large does not embrace such values. Whether these values are worth

embracing, lies outside the scope of this study. However, what remains clear is that many of these companies appear to be straddling two worlds: the reality of their society and culture, and the pressures to integrate and compete with an increasingly globalized world.

B. Philanthropy Scores

A quick glance at the distribution of the total philanthropy scores for the twenty companies shows a somewhat normal distribution. Indeed, the mean of 13.25 and the median of 14 shows that the results spread out from the center, and are neither skewed to the right nor to the left. In fact, over half of the scores fall within the range of 12 to 15 points, and 17, the vast majority, of the scores fall within the range of 10 to 18, well within one standard deviation from the mean. In fact, when the three outlying companies are excluded, the center results form a bell curve, indicative of a normal distribution. All of these factors are encouraging and suggest that the data collection was accurate.

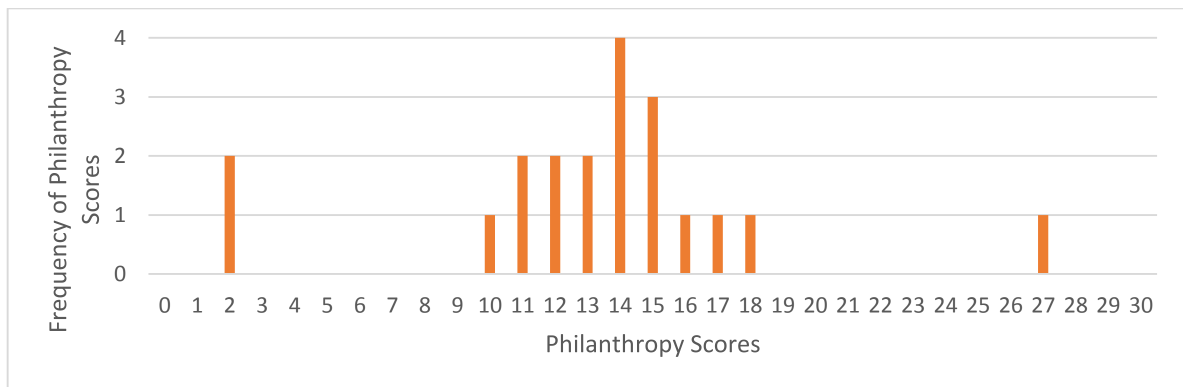


Figure 30 – Distribution of Philanthropy Scores

As with the CSR indicators, the fact that no companies received neither a perfect score nor a score of zero mean that the indicators were of the right sensitivity, and did not inadvertently reduce the accuracy of the data at the edges.

1. Philanthropy a Strong Presence but Trails CSR

It would appear from the outcome of the study that traditional notions of philanthropy remain alive and well within the Arab Gulf. However, the presence of the phenomenon, assuming the indicators in this study are relevant and accurate, is less pronounced than the presence of CSR. In order to further examine the results, it would be useful to first examine the most dramatic findings, and subsequently proceed to qualify the "typical" result.

2. Kingdom Holding: Traditional Philanthropy at Work

The results of Kingdom Holding exemplify the hypothesis of this study. Indeed, the company appears to be a perfect example of traditional philanthropy at work. The company is inextricably linked to the Al-Waleed Bin Talal Foundations, of Prince Waleed Bin Talal, who is the chairman and "key figure" behind Kingdom Holding. His philanthropic values are extolled prominently on the company's website alongside his business acumen: *"In addition to the Prince's business interests, HRH funds a series of highly respected charitable foundations aimed at affecting social change and providing relief and opportunities to those in need. In recognition for this important contribution, Prince*

Alwaleed has been the recipient of many honors and accolades from esteemed organizations, societies, monarchs and heads of state worldwide."[12]

For this reason, and given that it is portrayed as a related entity on the company website, this study examined the foundation's reporting as a complement to the company's reporting. The data revealed a strong tendency toward giving which falls outside of the core competencies of the company, with a score of 3/3 on Indicator I2. Furthermore, the social engagement brought no visible benefit to the company's shareholders (Indicator I1) nor encouraged engagement by its employees (Indicator I3). These factors lead the company to be the only one to receive a full score of 8 within Category I, as shown in Figure 13 below, demonstrating a complete lack of strategic nature in its giving.

[12] See: http://www.kingdom.com.sa/hrh-prince-alwaleed-bin-talal

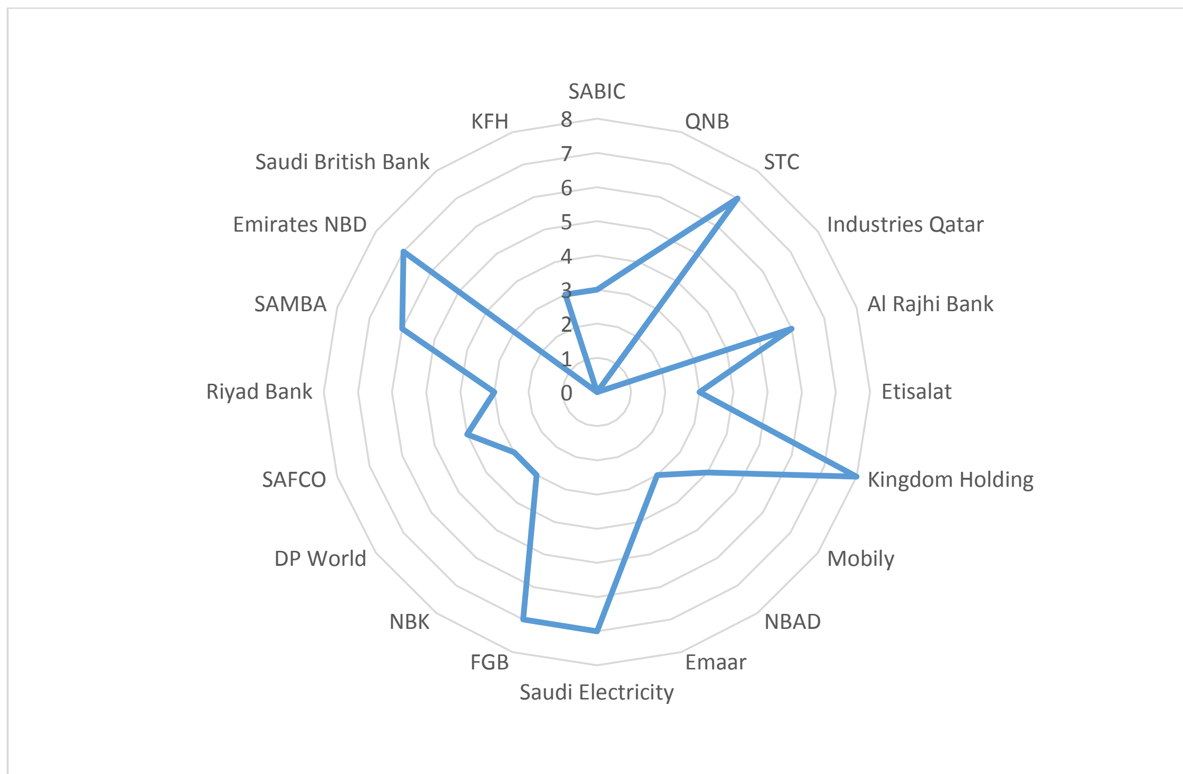


Figure 13 (reproduced) – Category I: Strategic Nature

Furthermore, the philanthropy associated with the company is exceedingly varied and of a broad nature. It touches all corners of the globe and has no demonstrable geographic link with the stakeholders of the company. Indeed, the language used by the company, as well as that used in the Prince's communication seem to separate business and philanthropy into two distinct, unrelated groups of action. His biography on the company's website separates his business achievements from his philanthropy achievements, and the section entitled philanthropy makes no mention of Kingdom Holding's business venture or of socially responsible policies.

When taken alongside its result in CSR, where it scored the lowest out of all 20 countries examined, Kingdom Holding's philanthropy results are very telling. In fact, they

align with one of the hypotheses made prior to this study, that some large companies in the Arab world may in fact view corporate philanthropy as an alternative to CSR, and not a complement. Indeed, it is telling that the same company that received the lowest score in CSR, achieved the highest result in philanthropy. Certainly, one result does not prove the existence of a trend, for which it would be necessary to closely examine the results of the entire study. Nevertheless, the case of Kingdom Holding, which is so visibly involved in ambitious philanthropy projects, and deafeningly silent on CSR measures within its own corporation – worth some 22.2 billion dollars – is worth noting in and of itself.

3. Philanthropy: A Replacement for CSR in a Handful of Cases

Having examined the highest scoring company in terms of philanthropy, it is now possible to turn attention to those companies that received the lowest scores in terms of philanthropy. Indeed, there were two companies, Industries Qatar, and Saudi British Bank, which both received a score of 2 out of 30. Industries Qatar and Saudi British Bank's poor performance in philanthropy are complemented by their poor performance in CSR, where the companies received score of 8 and 11 respectively. This stands in sharp contrast to the case of Kingdom holding explained above. Since Kingdom Holding's low score in CSR was countered by a very high score in philanthropy, it would seem that its social engagement has taken a more traditional form, and philanthropy is being conducted in the place of CSR. With Industries Qatar and Saudi British Bank, there is simply no social engagement to speak of. The companies pursue neither philanthropic nor socially responsible endeavors. This is a point of great interest for anyone concerned with social

engagement in the Middle East, particularly considering that these two companies have a combined market cap of over forty billion dollars, and undoubtedly employ thousands of employees and touch the lives of hundreds of thousands of stakeholders, whether shareholders, or consumers.

4. Religious Motivation Varies Widely

Having made observations regarding the outlier companies which received the highest and the lowest scores, it would now be useful to examine the sample as a whole. Indeed, since 17 of the 20 companies had scores which fell within one standard deviation of the mean, regarding the overall results will be able to provide a wider picture on exactly how companies' philanthropy takes shape.

It is interesting to first note that, as suggested by Jamali, Zanhour, and Keshishian (2009), many companies seem to be engaging in philanthropy for social and religious reasons. Figure 11 below shows the score each company received in Category G, Motivation for Philanthropy.

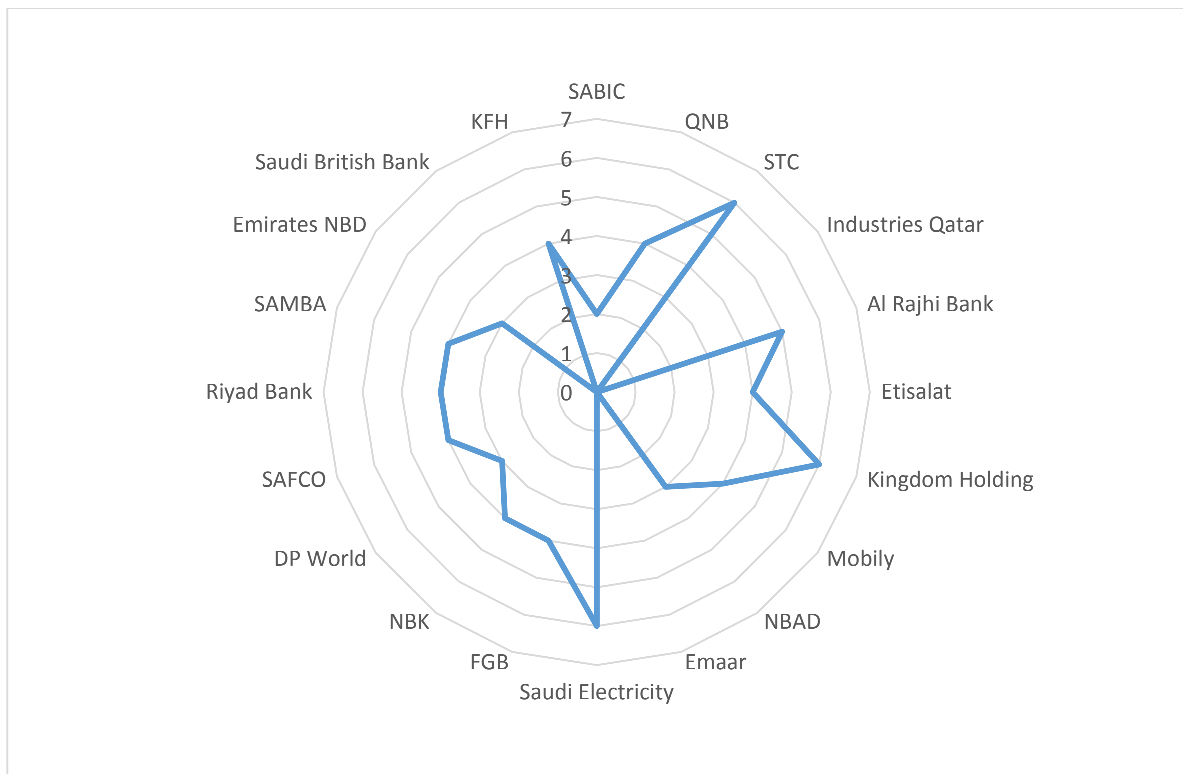


Figure 11 (reproduced) – Category G: Motivation for Philanthropy

In the above figure the highest values correspond to the most cultural and religious motivations for social engagement and the least link to stated CSR objectives. The results varied greatly, but it is clear that many of the companies are indeed implementing programs based on social and religious values. Given that the vast majority of these companies also received moderate to excellent scores in CSR implementation, these results have not completely worked against the social responsibility efforts of the companies. Indeed, it is possible for a company to conduct philanthropy on the basis of a perceived religious obligation, all while promoting values of transparency, stakeholder engagement or other elements of social responsibility.

Given the results above, it may be interesting to focus specifically on the religious element to see what the results show. Figure 31 below shows the results of Indicator G2.

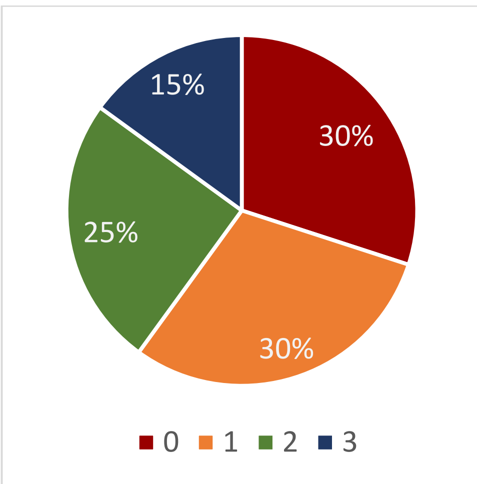


Figure 31 – Indicator G2:
Religious Nature

As can be seen above, 70% of companies have at least some religious motivation behind their philanthropy, whereas 30% managed to avoid it entirely. Yet, within the 70% majority, there are variations in the extent to which religion plays a role. For example, three companies, shown above in blue, scored a full score of 3, meaning that religion is a focal point of their social engagement. This took the form of strong religious language when describing the motivation for the action, which included funding for pilgrimages, Islamic charities, and *zakat* contributions. Unsurprisingly, these companies are all based in Saudi Arabia. Therefore, it may be tempting to attribute the religiosity of their social engagement to their location. Indeed, this may have some truth to it, since, as the birthplace of Islam, and a highly traditional society, Saudi Arabia is by no means a secular country.

Yet, more importantly, in the course of this study it became apparent that within the country's tax code, *zakat*, or the Islamic tithe, is mandatory for companies. This is confirmed by a study published by an international law firm which summarizes the system: "*Zakat is an Islamic tax on wealth and is levied on Saudi Arabian and GCC natural*

persons, wholly Saudi Arabian or GCC-owned entities, and Saudi Arabian or GCC shareholders of companies. While the calculation of Zakat is complex, the effective rate for natural persons is 2.5 percent of their net worth and for companies is 2.5 percent of their total capital resources. The tax base for calculation of Zakat for companies excludes fixed assets, long-term investments and deferred costs from total capital resources, but includes profits from foreign investments that do not consist of investment in real property." (Latham & Watkins LLP, 2010). The mandatory nature of zakat raises several pressing questions. First of all, it calls into question whether this action should even be qualified as social engagement by a company. Since paying zakat is not optional, one could argue that companies should not receive credit for simply obeying the law. Companies in North America and Europe would be laughingstocks if they bragged about paying their taxes, which in part undoubtedly fund important social welfare programs in their host countries. Yet, a counter argument presents itself when it becomes apparent that Saudi Companies have at least some control over how their zakat is spent, meaning they still can craft their social engagement, even if the financial scope of that engagement must legally surpass a certain minimum.

5. Effects of Mandatory Zakat are Hard to Pinpoint

A second concern presents itself, since given that zakat is mandatory in Saudi Arabia, one would assume that all Saudi companies have highly religious motivations behind their social engagement. However, this study's results seem to counter that

assumption, since the scores of Saudi companies on Indicator G2 range from 0 to 3, shown in Table 4 below.

Companies in KSA	Sector	Religious Nature
STC	Telecom	3
Al Rajhi Bank	Banking	3
Saudi Electricity	Energy	3
Kingdom Holding	Investments	2
Mobily	Telecom	1
SAFCO	Petrochem	1
Riyad Bank	Banking	1
SAMBA	Banking	1
SABIC	Petrochem	0
Saudi British Bank	Banking	0

Table 4 – The Religious Nature of Companies in Saudi Arabia

Some companies, like SABIC and Saudi and Saudi British Bank, received a score of 0 since they do not even speak about their zakat within their social reporting, but instead simply include it as a footnote or as a line in their accounting. It would therefore appear that, even in the most religious nation, the companies in this study's sample were able to vary the motivation behind their social engagement. Perhaps this is intentional, with companies with more activity outside of the Gulf choosing to limit the Islamic nature of their social engagement, so as not to alienate stakeholders from other countries and cultures. This certainly appears to be the case with SABIC, whose activities generally seek to target the stakeholders of each of its communities across the globe.

6. Cultural Philanthropy across the Board

If there appears to be great disparity in terms of religious motivation for social engagement, the opposite is true for cultural motivation. As show in Figure 32 below, 85% of companies demonstrated cultural motivations for their social engagement, which more practically speaking means that they chose to support art, music, or other forms of culture.

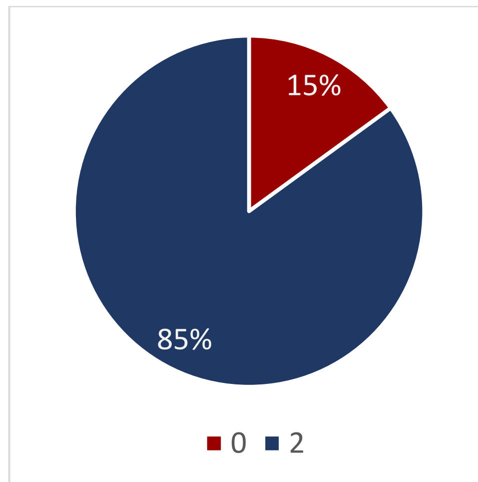


Figure 32 – Indicator G3:
Cultural Nature

Only three companies chose not to make such contributions, and two of them, Saudi British Bank and Industries Qatar, received this score because of the quasi-nonexistence of any social engagement. Therefore, it would appear that cultural motivations seem to be even more prevalent than religious ones, since nearly all companies that undertook social engagement in the region made culturally motivated donations. While this study cannot necessarily offer an explanation for this, it is indicative of a tendency toward a traditional philanthropy model of social engagement, since this type of sponsorship does not have direct links to stakeholders. Nevertheless, this may not be a particularity of the Arab world,

since companies in the West still partake in such cultural philanthropy. Indeed, it could perhaps be considered one of the most resilient elements of traditional philanthropy, which is not brushed aside even when companies implement comprehensive modern CSR programs. This is not entirely unsurprising, since, after all, although they benefit the entire society at large, and not just company stakeholders, someone needs to support the arts– and who better than the largest and wealthiest corporations.

C. Philanthropy versus CSR

One of the predictions going into this study was that, an important paradox exists in the Gulf region: philanthropists are engaged in exceedingly generous acts of philanthropy, and simultaneously companies are being scrutinized in the press for human rights violations. It was therefore an expectation that perhaps traditional corporate philanthropy would be found to be more prevalent within the sample than CSR. Yet, when examining the distributions of scores side-by-side, shown in Figures 14 and 30 below, the opposite becomes apparent.

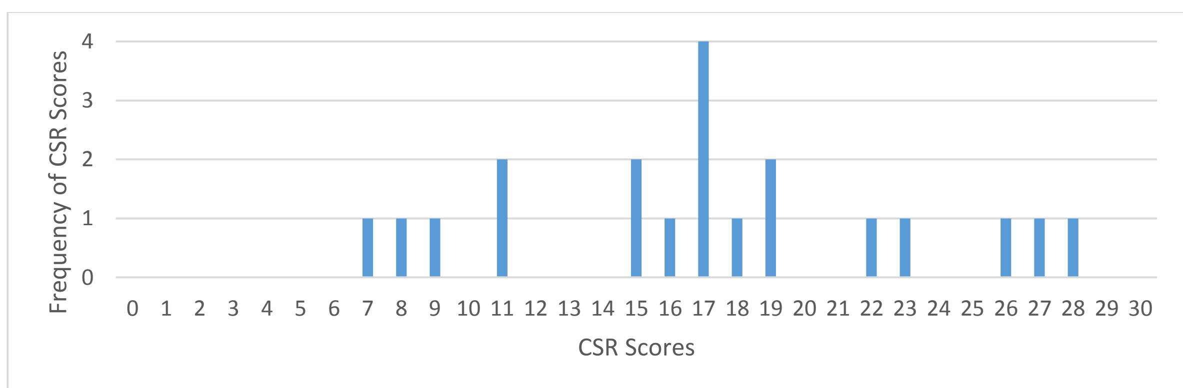


Figure 14 (reproduced) – Distribution of CSR Scores

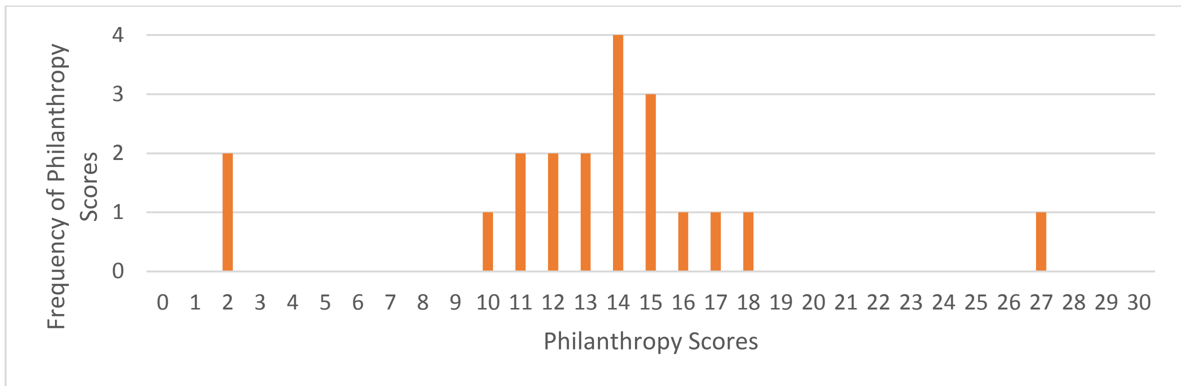


Figure 30 (reproduced) – Distribution of Philanthropy Scores

In fact, when examining the above, it becomes clear that a majority of companies seem to have their social engagement characterized as both CSR and philanthropy. Given that most of the scores in both distributions fall in the middle, this is unsurprising since perhaps the two components are complimenting each other. To gain a better understanding of the relationship between a company's CSR engagement and its Philanthropy engagement, it would be useful to consult the two results side by side, which is shown in Figure 33 below.

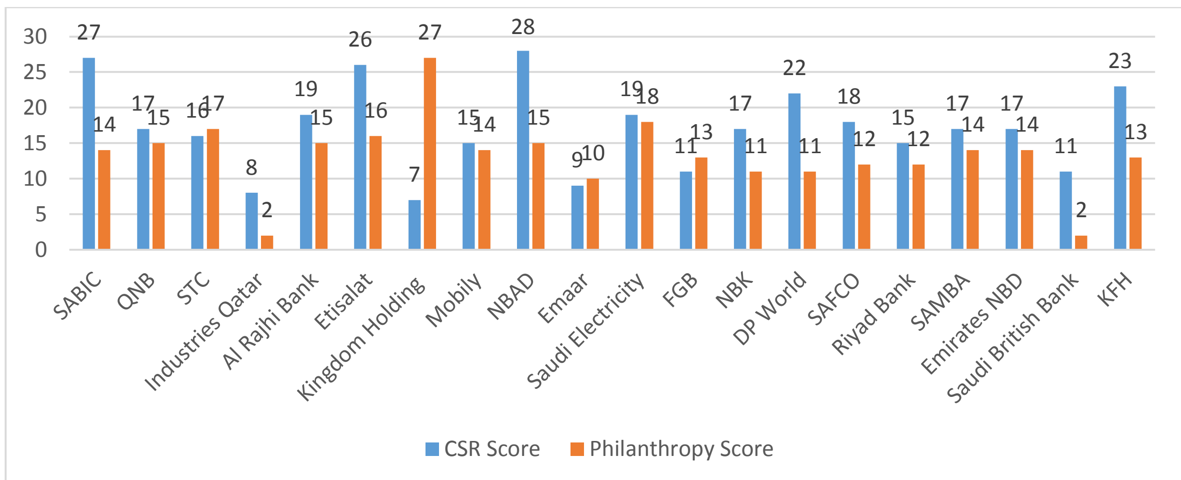


Figure 33 – CSR and Philanthropy Scores per Company

In examining the graph above, it becomes clear that the companies can be divided into three categories: those companies with average scores for both indicators; those companies with very low scores in both results; and finally those companies where there is a large discrepancy between the two scores. The first group accounts for a little over half of the companies, with combined scores totaling between 24 and 34 and differences between the two scores not exceeding 6 points. For these companies it is clear that they display elements of both types of engagement, and indeed this appears to be the norm across the sample, although most appear to be leaning toward CSR. The second group is made up of those companies whose social engagement was insignificant enough to score low on both indicators.

1. Strong CSR and Strong Philanthropy Mutually Exclusive in Several Companies

For the third group, six companies appear to add some credence to the theory that CSR and traditional philanthropy may be opposing forces. Out of these six companies, five –SABIC, Etisalat, NBAD, DP World, and KFH– have CSR scores that significantly outstrip their philanthropy scores. One of them, Kingdom Holding, already discussed above, has a philanthropy score that significantly outpaces its CSR score. Indeed, while not in the majority, these companies, which were often those that had the highest score in either field, show that the traditional notion of philanthropy and a high standard of CSR cannot easily be achieved together. Perhaps this points to an inherent opposition between the two phenomena, which warrants further investigation.

2. Banking Sector Companies Show Tendency toward CSR

So far, this study has examined data from the entire sample, without distinguishing between companies by size, sector, or geographic location. However, in a fortunate happenstance, half of the sample companies happen to be from the banking sector. This inspired a close look at the data of these companies, in order to perhaps point to trends that distinguish this sector from others. In order to do so, the average of the ten banks' overall scores for both CSR indicators and philanthropy indicators were calculated. Simultaneously, the same two averages were obtained for the other ten companies that are not banks, which belong to a range of sectors from energy to construction. Since the number of banks and non-banks are equal, this sample provides an ideal opportunity to compare the two. Figure 34 displays the results below.

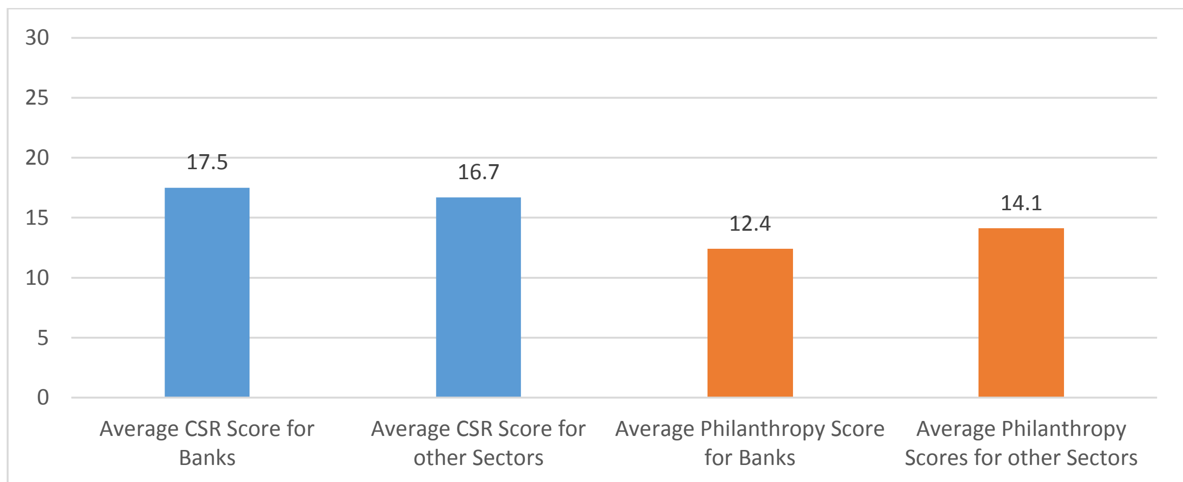


Figure 34 – Average CSR and Philanthropy Scores for Banking vs. Non-Banking

The results show an interesting difference between the two groups. First, whereas the average total CSR score for banks was 17.5 out of 30, the average total CSR score for non-banks was 16.7 out of 30. While this is not an enormous difference, it does still point to

a slight tendency toward CSR. This tendency appears even more pronounced when the same results are consulted for the philanthropy indicators, where banks scored an average total of 12.4 out of 30 and non-banks scored a higher average total of 14.1 out of 30. This means that banks, simultaneously to scoring higher in CSR scored lower in philanthropy. In fact, there is a difference of 5.1 points between the banks' average CSR score of 17.5 and their average philanthropy score of 12.4. This can be compared to a difference of only 2.6 between the average CSR score of non-banks of 16.7 and their average philanthropy score of 14.1. Given that for the banking sector the difference is doubly pronounced, it is safe to conclude that, within this sample, banks exhibit a much stronger tendency toward social engagement that can be qualified as CSR, whereas non-banks appear almost equally as likely to be engaged in traditional philanthropy, as they are to be engaged in CSR. While there is no direct explanation for these results, one possible contributing factor could be that banks, through a necessity to deal with international financial markets, are pushed by outside influences to bring their practices in line with their counterparts in other countries. A further explanation could be their heavy use of skilled labor, white-collar, employees, who are less subject to labor abuses. Additionally, a service-based industry is less likely to have a negative impact on the environment, as opposed to a product-based industry like energy or consumer goods.

3. Companies outside Saudi Arabia Show Stronger Tendency toward CSR

In a further stroke of luck, half of the companies making up the sample are based in Saudi Arabia. The other 10 are based in three other Arab Gulf countries, with 2 each in

Qatar and Kuwait, and 6 in the UAE. Just as with the banking sector, this provides an opportunity to make a similar comparison as was done in the section above, this time comparing companies based in Saudi Arabia with those based in the smaller Gulf States. Therefore, Figure 35 below shows the average CSR score for Saudi Arabian companies alongside the average for non-Saudi companies, as well as the average philanthropy score for Saudi companies alongside the average philanthropy scores for non-Saudi companies.

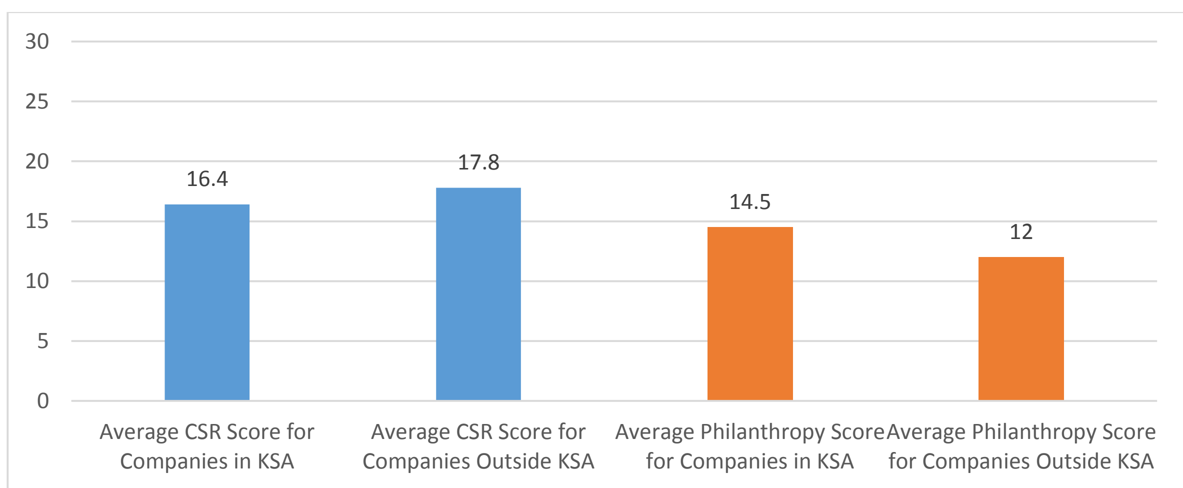


Figure 35 – Average CSR and Philanthropy Scores for Companies in Saudi Arabia vs. Companies outside Saudi Arabia

As seen above, Saudi companies scored an average of 16.4 in CSR, whereas non-Saudi companies came out ahead with an average score of 17.8. At the same time, Saudi companies came out significantly ahead in philanthropy with an average score of 14.5 compared to an average of 12 for non-Saudi companies.

These results indicate that companies outside of Saudi seem to lean much more strongly toward CSR, with their average CSR score (17.8) exceeding their average philanthropy score (12) by 5.8 points, or nearly 50%. Indeed, when taken alone, the results

of non-Saudi companies are dramatically different from those of Saudi companies, or even the sample as a whole. With such a tendency toward CSR, it seems like a fair conclusion to say that companies in the UAE, Qatar, and Kuwait conduct social engagement that embrace modern notions of CSR and do not exhibit heavy influences of traditional philanthropy.

4. Saudi Companies More Likely to Implement Traditional Philanthropy

Indeed, the opposite seems to be true for companies based in Saudi Arabia, which demonstrate a stronger leaning toward philanthropy, with their average score for philanthropy significantly exceeding the average philanthropy score 2.5 points higher than the average score for non-Saudi companies. The Saudi tendency is more easily explained when examining its philanthropy results in detail. Figure 36 below shows the average score of Saudi companies and non-Saudi companies side-by-side for each category of philanthropy indicators.

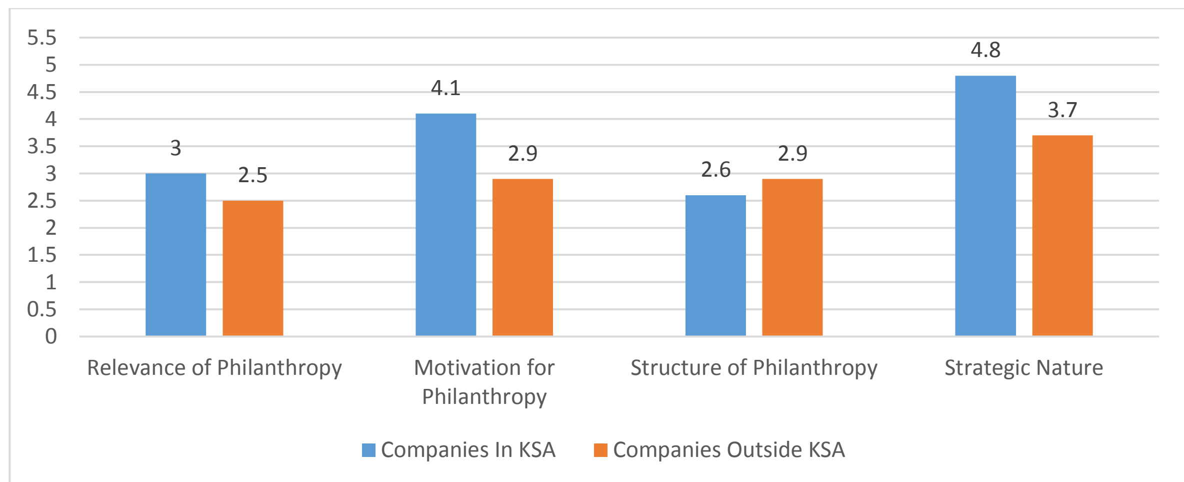


Figure 36 – Average Philanthropy Scores per Category for Companies in Saudi Arabia vs. Companies outside Saudi Arabia

It can be seen that Saudi social engagement has a much higher tendency toward purely philanthropic motivations, as shown by its score of 4.1 in the Motivation for Philanthropy category, as opposed to a score of only 2.9 for non-Saudi companies. Indeed, Saudi companies also demonstrate a tendency toward less strategic philanthropy (4.8 vs. 3.7), and philanthropy which is less relevant to stakeholders (3 vs. 2.5).

While there are no certain explanations for the difference between Saudi companies and companies based in small Gulf States, one factor could be cultural. While Saudi Arabia remains a highly traditional country, with extremely strong religious tenants, Qatar, the UAE, and Kuwait have all opened up to Western investment, which comes along with Western cultural notions as well as business practices. Furthermore, this openness means that Gulf companies, based in international service-industry cities like Dubai, Abu Dhabi, and Doha, are all the more likely to feel pressure to bring their practices in line with competitors in Europe, Asia, and North America.

CHAPTER VI

CONTRIBUTIONS TO LITERATURE AND CONCLUSION

A. Notable Contributions

This study, while ambitious in scope, managed to uncover a variety of interesting findings. These findings contribute to some of the comprehensive research recently conducted on the subject of CSR in the Middle East (Jamali & Sidani, 2012). One new area examined by this study, and not already widely touched upon in the literature, is the nuances of CSR by country and by sector. This study found that the banking sector exhibited a stronger tendency toward CSR than other sectors, and a weaker tendency toward philanthropy. In addition, through examining the practices of companies based in Saudi Arabia alongside those companies located in other Arab Gulf countries, it was concluded that, in comparison, companies in Saudi Arabia exhibit weaker CSR performance. Simultaneously, Saudi Arabian companies also performed more strongly in philanthropy, albeit through implementing philanthropy that was, in comparison to other Gulf companies, more likely to be religiously motivated, irrelevant to stakeholders, and non-strategic in nature.

The initial assumption that companies in the Arab Gulf would demonstrate a weak CSR presence and a tendency toward traditional philanthropy seems not to be the case. Indeed, companies are more likely to exhibit strong CSR policies than not. These results suggest that many of the largest companies do seem to be taking significant steps toward the implementation of socially responsible regimes affecting multiple stakeholder groups.

Simultaneously, the companies still exhibit some tendencies toward traditional philanthropy, as previously demonstrated in the research of Jamali & Mirshak. However, a new contribution of this study is the conclusion that this corporate philanthropy seems to live in harmony with CSR initiatives, with nearly half of the companies scoring well in both fields. Yet, with a closer look, it also became clear that the opposition between modern CSR and traditional philanthropy does indeed exist, and could be identified in several companies that strongly exhibited one and barely touched on the other.

Religious motivations, which previous research showed to be central (Jamali & Mirshak, 2007), were shown in this study to vary widely in importance across companies, as well as countries. The presence of mandatory zakat contributions in Saudi Arabia seem to be a factor in pushing some but not all Saudi companies toward religiously motivated philanthropy. It would appear that the legislation is not the only factor, but one of many. At the same time, previous research seems to be confirmed by this study's finding that cultural motivations for social engagement were widespread across countries and sectors.

At the same time, a significant new finding is that transparency is lacking in nearly all of the companies in the sample, which when combined with issues of corruption, regulatory compliance, and employee participation, demonstrate an overall lack of good governance practices. Social factors typical of the region are easily identifiable in other findings, which see gender equality take a back seat, and efforts to better the native populations of each monarchy are visible with community investment initiatives. However, the widespread presence of reporting, and a small but important presence of international standard setting instruments, seems to indicate that companies in the Arab Gulf are making

efforts and investing in aligning their practices with the West. This appears to be a new contribution of this study, although it remains to be seen whether these efforts are purely cosmetic window-dressing as suggested in previous literature (Koehn & Ueng, 2010) or genuine efforts to take into account stakeholder interests.

B. Recommendations

While this study was not conducted in enough detail to be able to offer specific recommendations to each company, several global areas for improvement can be identified. First, it is worth noting that those companies with the best and most thorough reporting often scored the highest in CSR indicators. While this is undoubtedly because information was more readily available to conduct this research, it also indicates a strong commitment toward the idea of CSR, which surely pushes companies toward better practices. In the same vein, those companies that implemented international standard setting instruments systematically scored the highest in CSR, and therefore could be another first step for companies seeking to sharpen their social responsibility. A final recommendation, although not directly supported by any one finding, would be for companies to distinguish between their social responsibility initiatives and their philanthropy initiatives. Companies that donate money to humanitarian crises unrelated to their stakeholders should not be discouraged from doing so, they simply should be discouraged from viewing such action as a replacement to responsibility toward their stakeholders. Separating philanthropy– perhaps through an independent foundation– from CSR, both in actions and reporting, will facilitate such steps.

C. Limitations

This study attempts to offer a limited but meticulous look at the largest publicly traded companies in the Arab World. It does not, on the other hand, purport to represent all social engagement by businesses in the region. Indeed, a wide array of limitations can be identified to the findings presented above. First of all, the data is drawn from a small sample size of 20 companies, which cannot be said to represent the entire region. Further, while potentially being representative of the largest corporations, they do not take into account the practices within SMEs. The same is true for their geographic distribution, which falls only in four countries, and the structure of the companies, which are all publicly traded. It is probable that social engagement would differ widely between those companies that are publicly traded and those that are private or state-owned.

In addition to limits imposed by the sample set, this study relies entirely on data that is made available publicly. To this end, some companies could potentially implement socially responsible practices without reporting on them, but this study will only reflect those practices that are discernible through information made publicly available. Furthermore, when examining social engagement, this study does not take into account the actual monetary value of a company's social actions, but simply the nature and form of those actions. Consequently, a company that invests a great deal of money, but does not implement certain CSR standards in doing so, could score much lower than a company that spends little resources on CSR, but spends those resources more wisely. This does not necessarily offer a fair representation of either a company's efforts or stakeholder benefits.

A further important limitation to this study is the subjective nature of some of its components. First, many of the indicators, as well as the scoring weight attributed to them, were not based on preexisting and previously validated objective measures. Although many of them were inspired by widely accepted criteria, and some even reflect verbatim indicators spelled out in GRI's Framework for Reporting, the indicators as an ensemble have not previously been validated and reflect entirely the perspective of the author.

Second, while the collection of necessary data for many of the indicators contained in this study was entirely objective, other data collection had a subjective nature. For example, whereas determining whether a company publishes a CSR report, as tested in indicator A1, is entirely objective, assessing a company's regulatory compliance, as done in indicator E4, may have subjective elements. For example, since the research relied on outside data, and is testing for many factors, different researchers could reach different conclusions. Further, since the assessment of many indicators fell on a sliding scale, it was sometimes necessary, faced with not easily quantifiable data, to make judgment calls as to where to place a company.

D. Opportunities for Future Research

Some of the most interesting findings in this study focused on differences in practices among sectors and countries. Therefore, it could be worthwhile to pursue studies by choosing samples from each sector or country in the region in order to draw comparisons, and to validate some of the tendencies exposed in this study. Notably, it could be worthwhile to pursue a comparative study between Saudi Arabia and other countries in

the region. Other opportunities for research could come from attempting to eliminate some of the limitations outlined in the section above, through choosing larger and more diverse samples, or attempting to evaluate the financial investment companies make in social engagement. A final, although ambitious opportunity for research, could come in the form of a comparative study between countries of this region and other developing or even developed regions of the world.

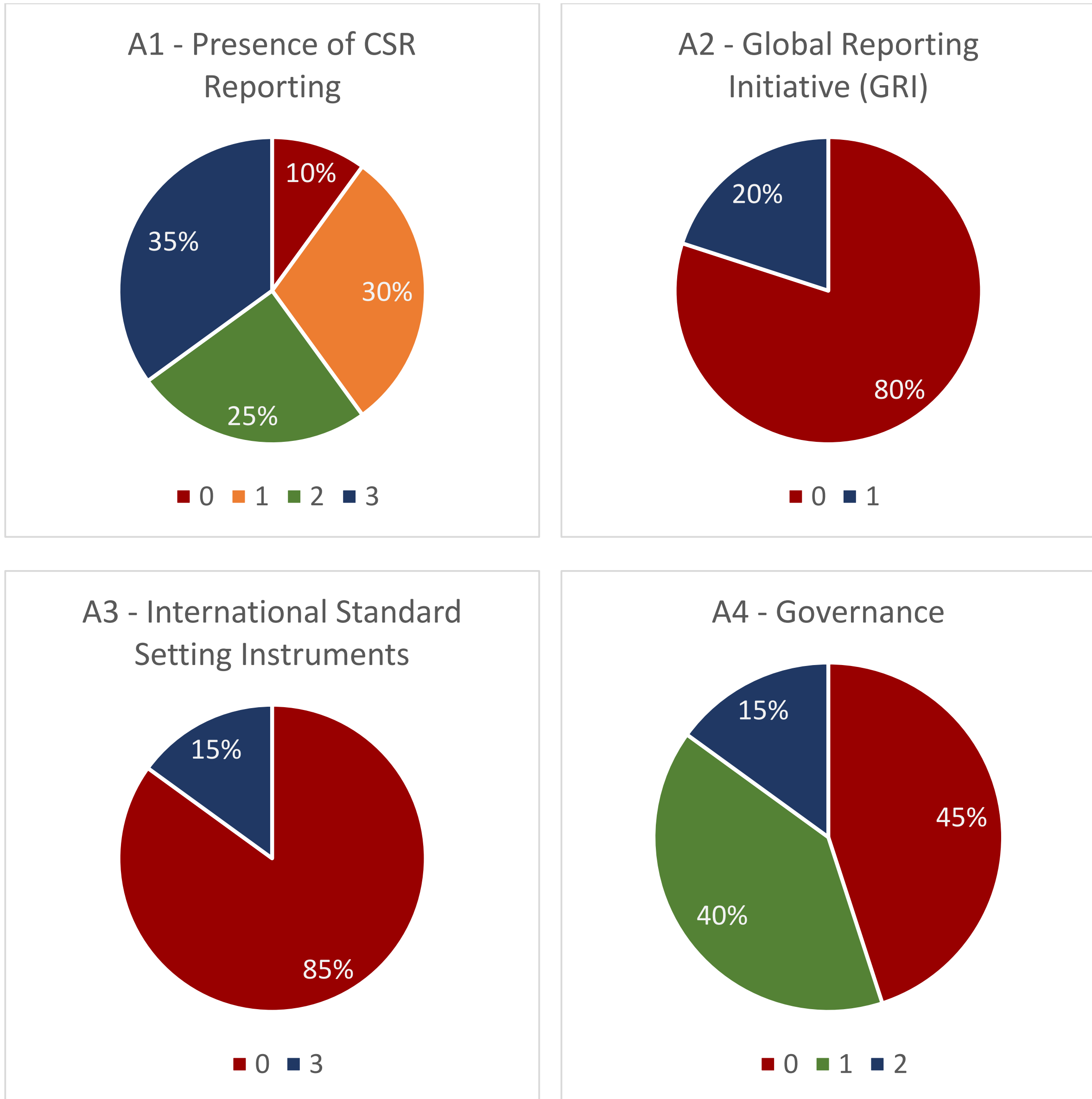
E. Last Word

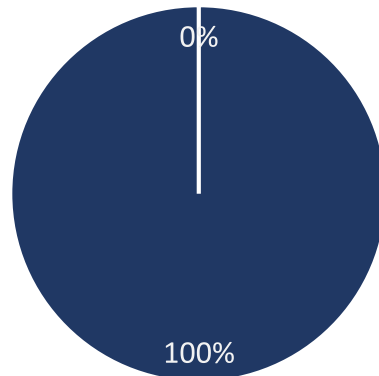
Just as in other areas of the world, the Middle East is an ever-changing place, where practices vary over time and between companies, countries and sectors. It is not easy to draw an overall conclusion from the results, other than to say that CSR appears to be on the rise, possibly thanks to the realities of globalization, all while unique regional factors remain. With one notable exception –Kingdom Holdings– this study seems to have disproven the cliché of the Arab conglomerate that has no sense of social responsibility towards its stakeholder, but simultaneously engages in lavish philanthropy across the globe. However, the exception to the rule may prove to dominate the average person's image of businesses in the region; indeed, just as this study was concluded, Waleed Bin Talal, founder of Kingdom Holdings, just pledged to gift one hundred luxury automobiles to members of the Saudi Air Force who participated in the bombing campaign of Yemen (Taylor, 2015). Bentleys for Bombs: a new twist on stakeholder engagement?

APPENDIX 1 – PRESENTATION OF THE FINDINGS

A. Corporate Social Responsibility Findings

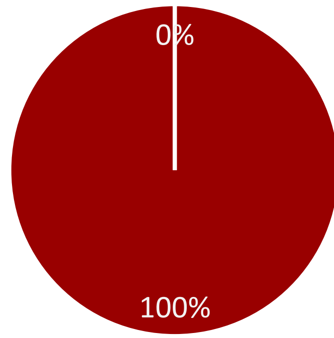
1. Category A: Overall CSR




A5 - Social Objectives
0%
100%
0
1

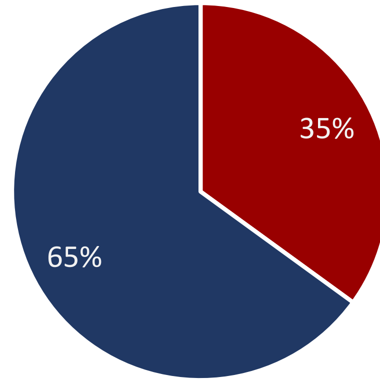
2. Category B: Employee Stakeholders

B1 - Employee Participation in Governance



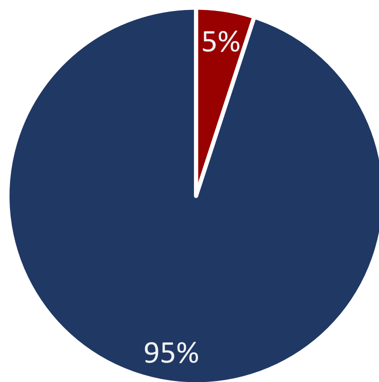
■ 0 ■ 1

B2 - Employee Benefits



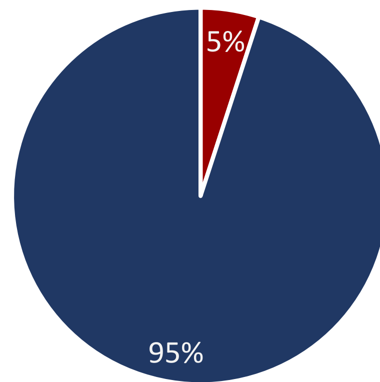
■ 0 ■ 1

B3 - Employee Development

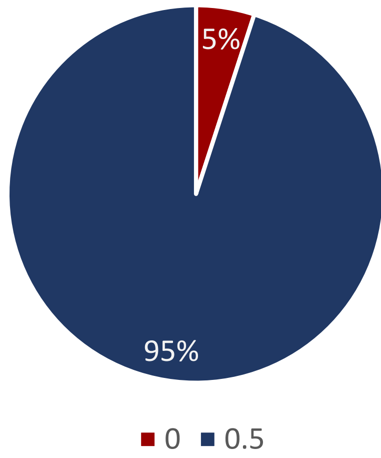


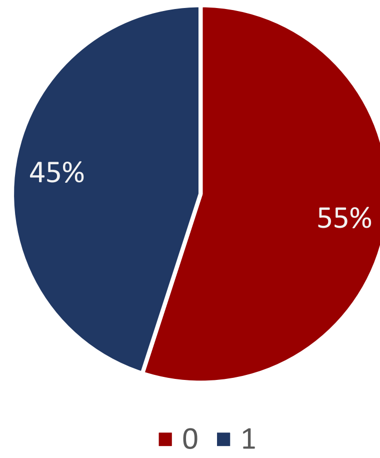
■ 0 ■ 1

B4 - Labor Standards

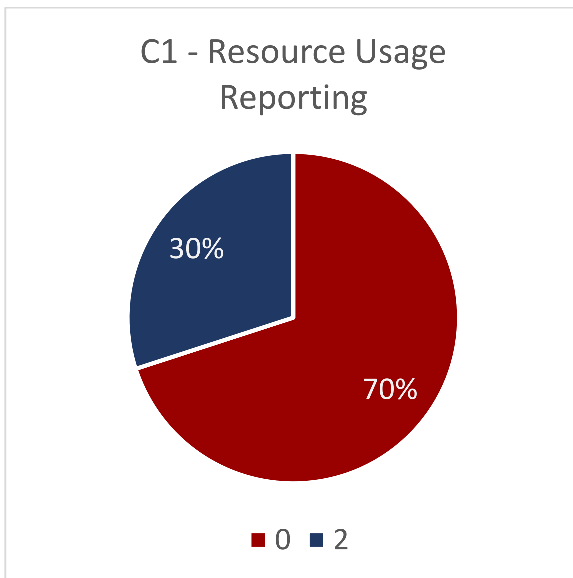


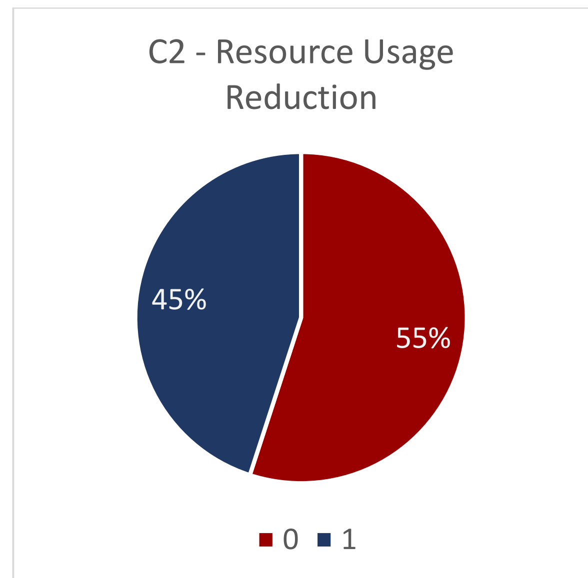
■ 0 ■ 0.5

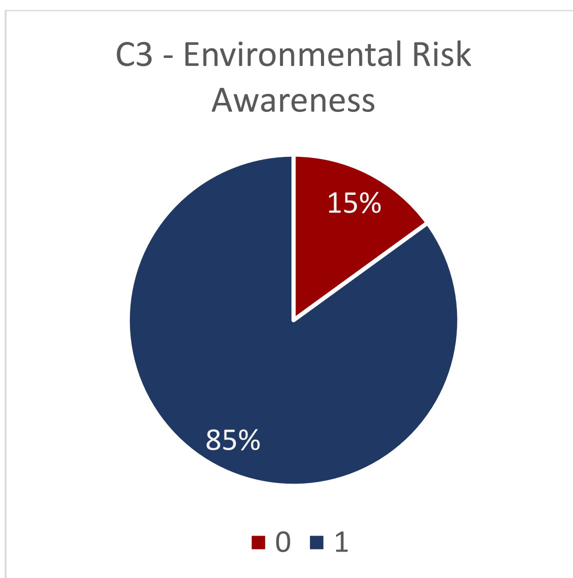

B5 - Employee Safety
5%
95%
0
0.5

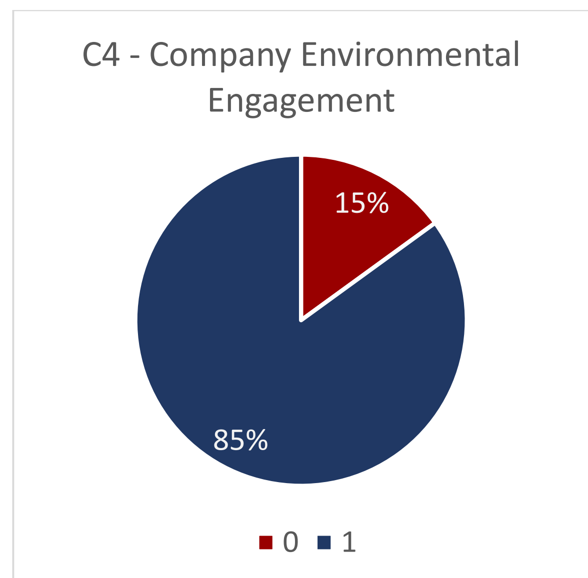

B6 - Gender & Diversity
45%
55%
0
1

3. Category C: Environmental Stakeholders

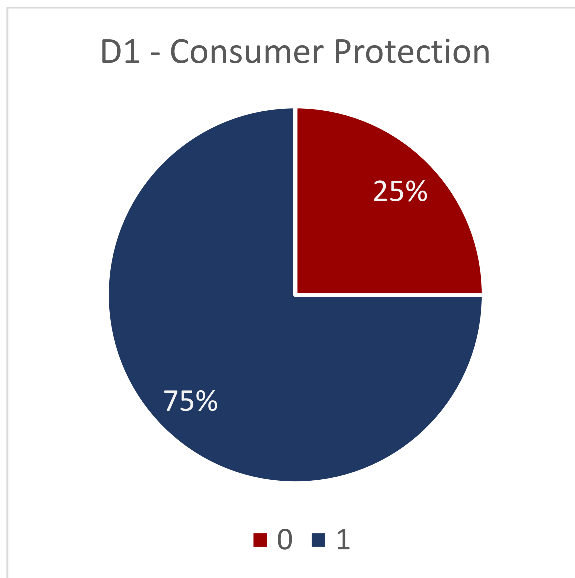


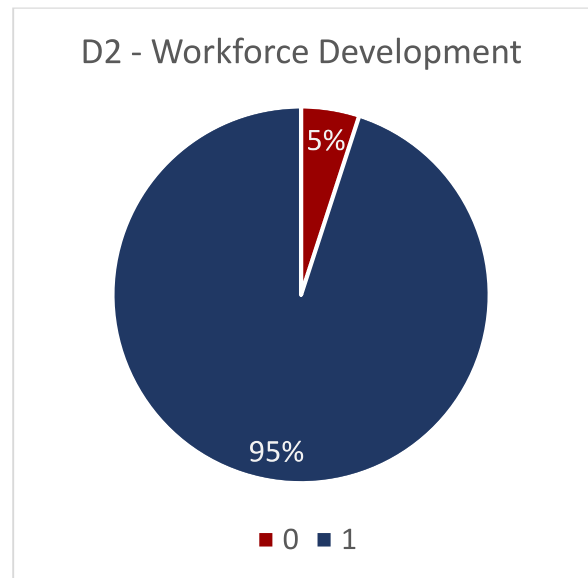


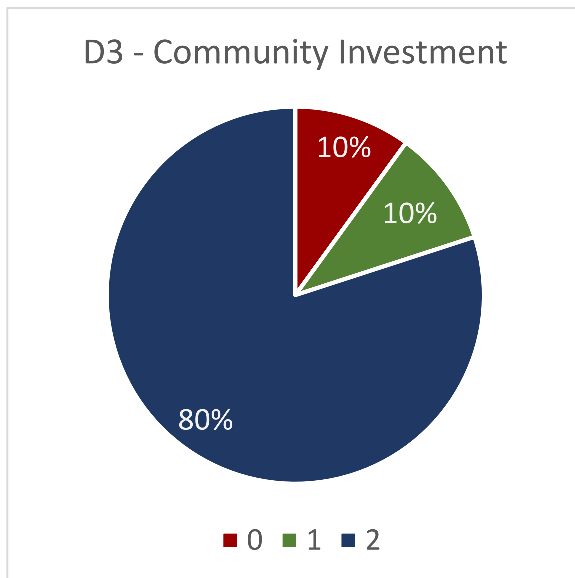


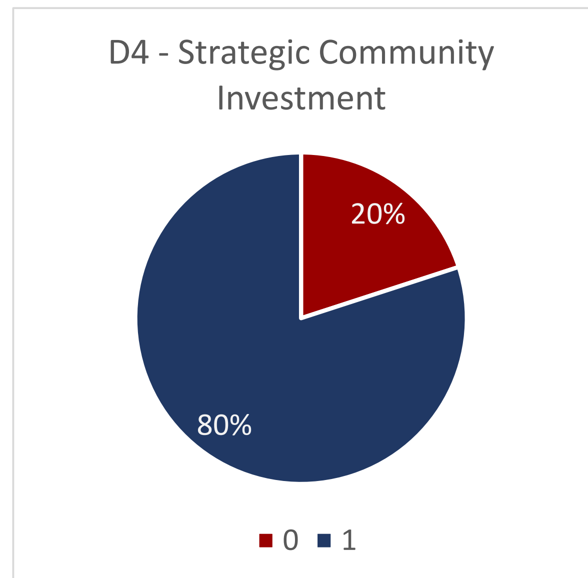


4. Category D: Consumer and Community Stakeholders

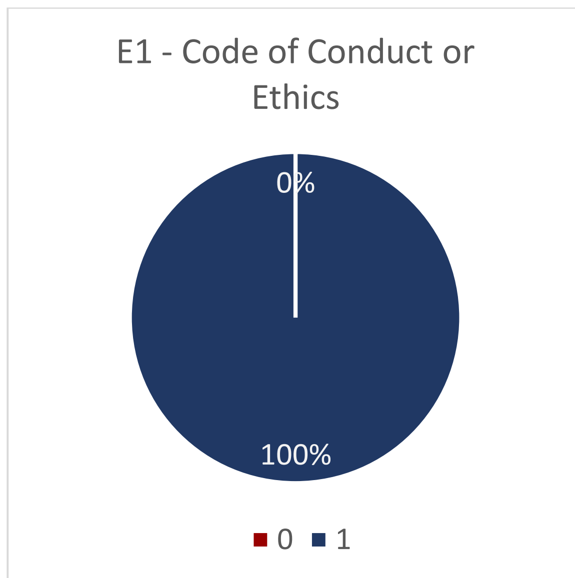


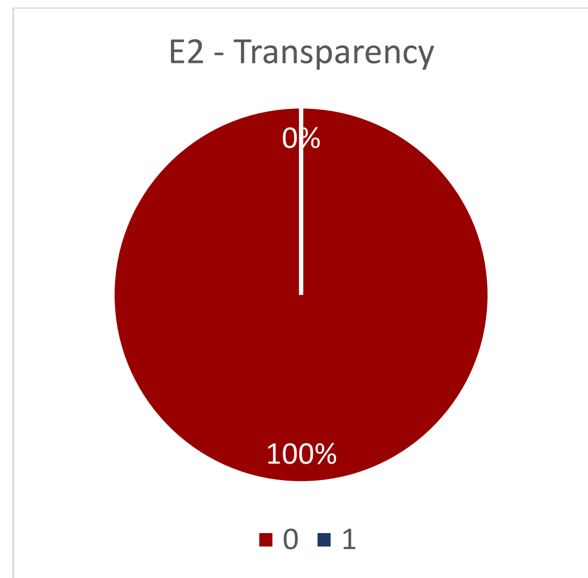


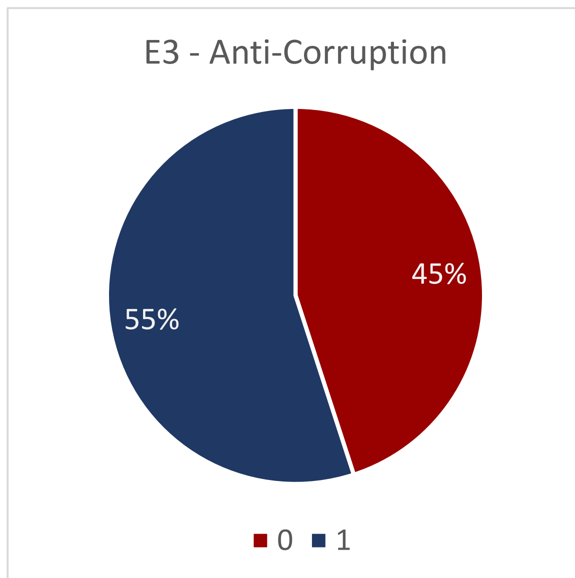


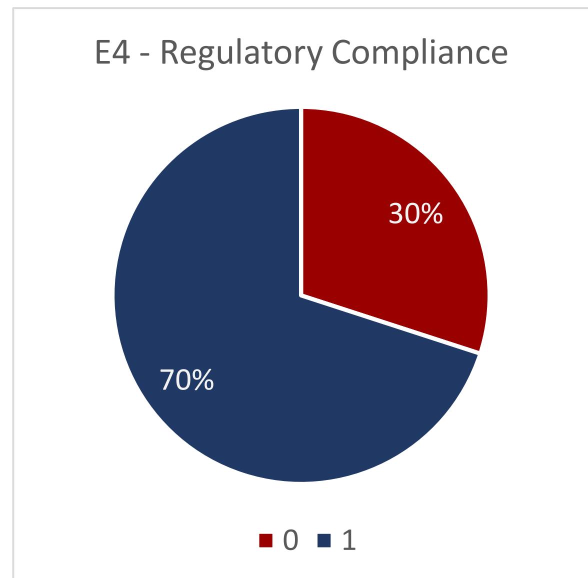


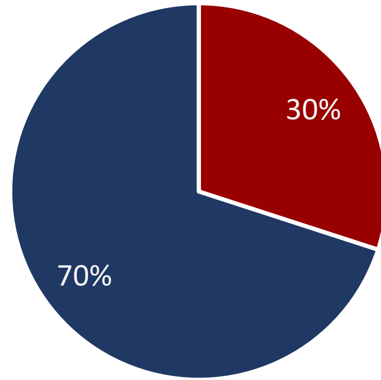
5. Category E: Voluntary Self-Regulation





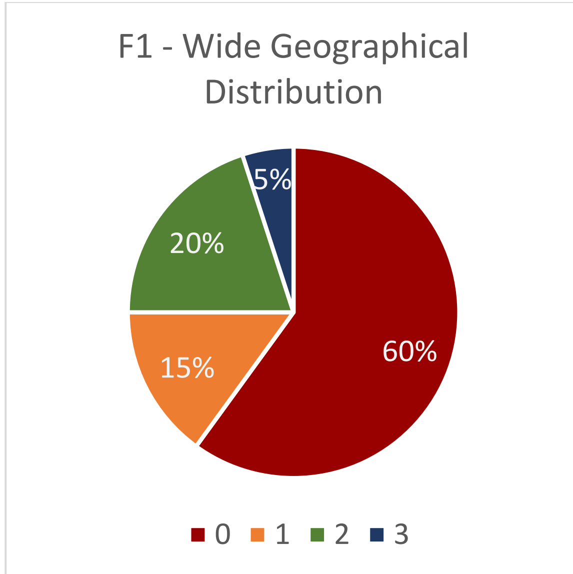


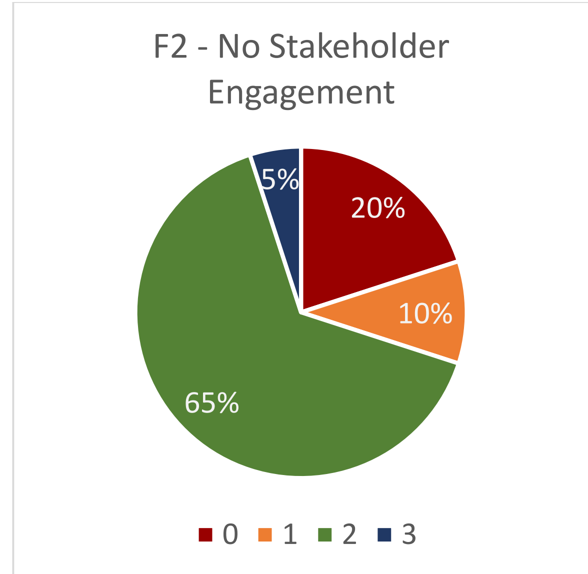


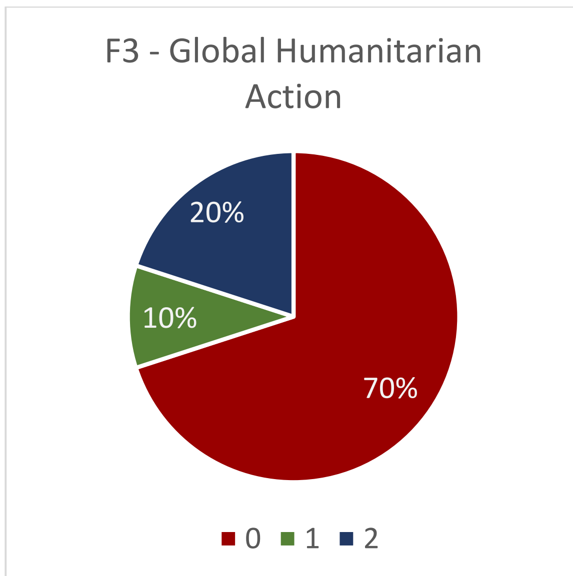

E5 - Executive Compensation
30%
70%
0
1

B. Corporate Philanthropy Findings

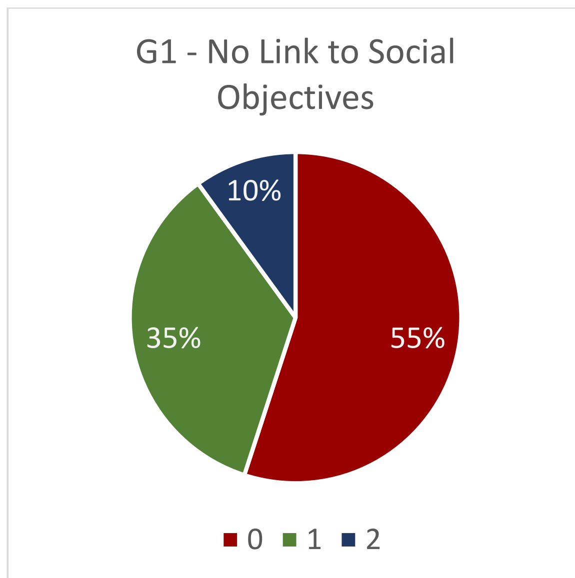
1. Category F: Relevance of Philanthropy

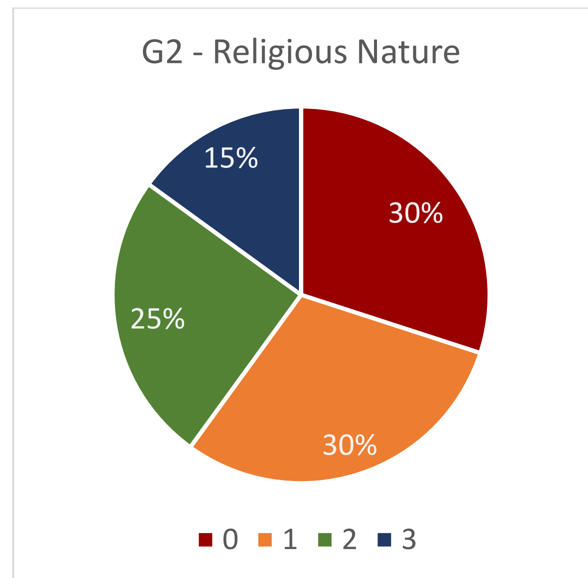


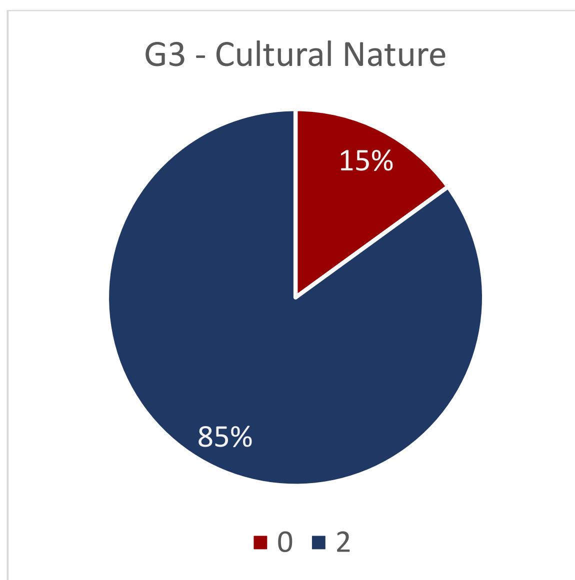




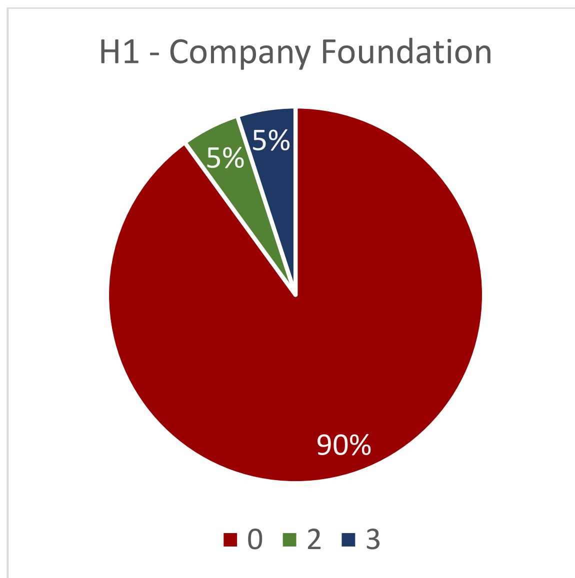
2. Category G: Motivation for Philanthropy

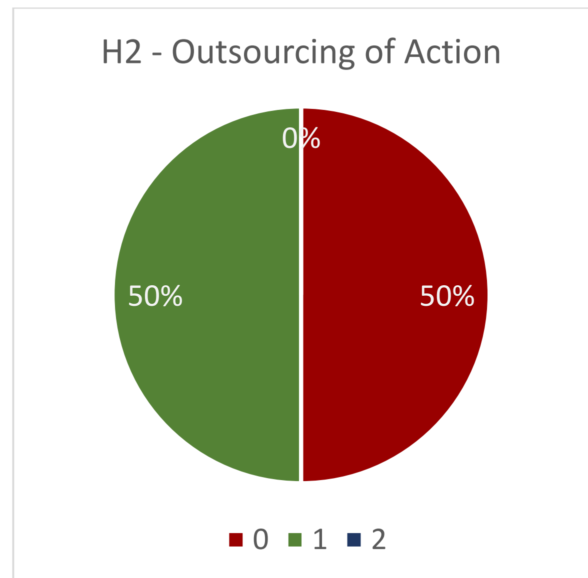


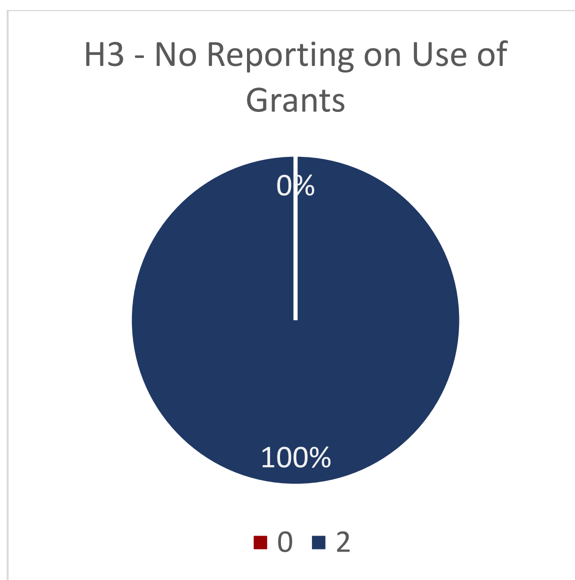




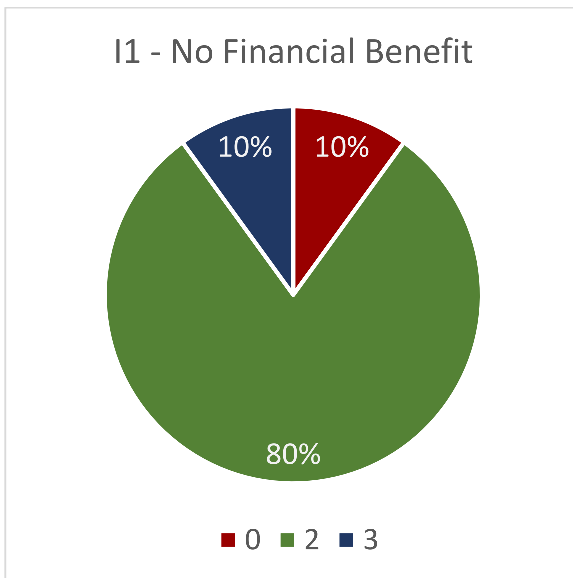
3. Category H: Structure of Philanthropy

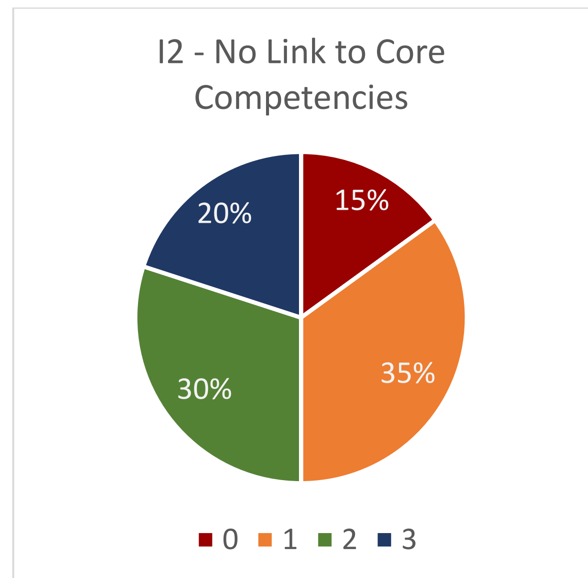


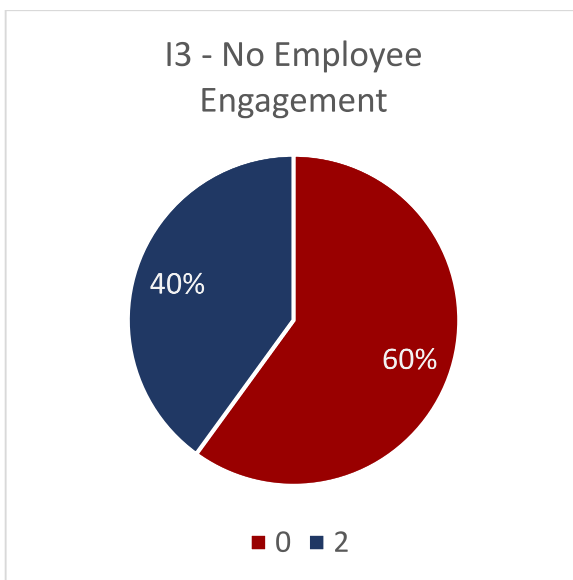




4. Category I: Strategic Nature







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