

Corporate Social Responsibility in Saudi Arabia

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In Saudi Arabia, as in the international arena, corporate social responsibility (CSR) is a trending phenomenon that has been transforming and influencing government policies, business strategic management, and societal relationships.

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1. Corporate Social Responsibility

Corporate social responsibility (CSR) has been in both academic and business discourse for a while now, with several descriptions, explanations, and practices, demonstrating its development over time ^[1]. The concept is currently understood to cover many areas, including environmental sustainability, community investment, business ethics, and corporate governance. Conventionally, from the Western perspective, CSR is about doing business sustainably and ethically and being responsible for the well-being of all stakeholders as well as for the sustainability and reputation of the business.

However, this conservative approach is concerned only with the physical qualities to meet the goals and various opportunities of investors and does not cover the spiritual obligations of the firms within their environment and communities ^{[2][3]}. Stakeholder theory by Freeman ^[4], as a political theory, has ethics and integrative forms of analytical frameworks of different design measures of societal non-financial benefits ^[5]. Other authors believe that CSR is practically demonstrated by companies' concerns and responsibilities in connection with community or stakeholder relations ^{[6][7]}, philanthropic and multi-sector collaboration, and volunteer activities ^[8].

Global CSR studies also imply that other non-materialist obligations, ethics, and values strengthen and support CSR, although their types, foundations, and significance may vary across societies. For example, socioreligious societies in the Middle East, India, Russia, and other Asia-Pacific countries have different perceptions and implications of the phenomenon ^{[2][3]}, and all are relevant to CSR. Hence, simply using the conventional CSR approach without looking at the varied perspectives might not provide a true picture of justifying these non-Western CSR perspectives and practices.

As such, CSR is a phenomenon that has several interpretations in different disciplines and stakeholder groups. Thus, it offers many different orientations, approaches, and responses. Few studies, however, look at the link between the concept of non-Western societies and non-financial benefits. Mainstream literature and empirical studies on CSR have examined the financial performance and profit aspects of the concept ^[9]. Arguably, the conventional CSR philosophy and frameworks are limited as they do not demonstrate an all-inclusive universal framework based on the varied contexts worldwide ^[3]. Importantly, conventional CSR lacks the moral and religious obligations other societies place on business ^[10]. Therefore, obligations other than materialist commitments may promote the development of firms with a comprehensive approach to CSR. This type of CSR will provide firms with broader orientations, approaches, and responses and diminish the difficulties related to the different contexts, all of which will ease CSR implementation.

2. CSR in Saudi Arabia

CSR in Saudi Arabia, as in the international arena, is a trending phenomenon that has been transformed and influences government policies, business strategic management, and social relationships ^{[11][12][13]}. Substantial progress in the concept of CSR in the Kingdom has resulted in the Saudi Arabian Responsible Competitiveness Index (SARCI), a tool used by different stakeholders in the field of CSR collaborating to make the impact of CSR as practical and useful as possible ^{[11][14]}. The Saudi government, through the Saudi Arabian General Investment Authority, has also accentuated the need for businesses to show better commitment concerning the social, environmental, and governance performance of firms for the benefit of stakeholders ^[15]. In 2017, the Saudi government issued and enacted a code of corporate governance aimed at harmonizing Saudi with international standards of corporate governance, including CSR principles. This shows how important this concept has become and that it has taken a vital position in the progress of Saudi society.

The aims and goals of the government's new plan, Vision 2030, are focused on the sustainability of social development goals. All of these have a satisfactory number of deliberate goals that support overall CSR initiatives and guidelines in the country. As identified in Hong Kong, sustainability activities have important contributions to CSR ^[1], and this is equally and highly advocated by Vision 2030 and the broad sustainable society indicators ^[16]. The analysis of the Saudi Vision 2030 sustainability indicators against the SDGs demonstrates a handful of synergies and complementarities. It recognizes that both the SDGs and the Saudi Vision 2030 call for inclusive processes of development whereby all stakeholders participate, not only in realizing achievements but in sharing their benefits, as well.

Saudi Aramco, the biggest organization in Saudi Arabia, defines and approaches CSR as “transparent and ethical behavior that is sustainable and stakeholder driven” ^[17]. The CEO of Saudi Re ^[18], in their annual report, asserts that their framework on CSR and sustainability is built on “six pillars: national contribution, strong governance and economic performance, responsible customer relations, environmental protection, sustainable insurance, and community care” (p. 2). Family-owned businesses in the private sector also contribute to CSR in Saudi Arabia, with autonomous philanthropic offices and family governance that demonstrate the deeply embedded culture of philanthropy ^[19].

3. CSR Benefits

According to the literature, for over three decades scholars have studied the relationship between CSR and firm performance. Although results are mixed, the trend seems to suggest a moderately positive relationship between these two variables. However, benefits of CSR are numerous and include those beyond the “purely” financial ^[20]. The present study intended to explore the following non-financial benefits of CSR activities: attracting and retaining employees, brand reputation, and innovation.

Retention of workers has significant implications for the financial and non-financial results and efficiency of companies ^[21] ^[22]. Based on the theory of employee justice, companies proactively demonstrating CSR can reduce employee turnover ^[23]. Other studies also indicate that employee well-being, in terms of workplace satisfaction and tension, is influenced favorably in working conditions that provide equal opportunities for all ^[24]. Equal job conditions, which reduce workplace absenteeism and ensure high rates of employee participation, often influence organizational performance and a company's competitive advantage ^[25]. A firm's CSR activities can transmit important details to workers in which they determine a company's sense of justice ^[23]. Yang and Kim ^[25] suggested that CSR tends to improve the efficiency of employees' performance and, subsequently, the company's competitive advantage. These internal social practices help enhance employee motivation, satisfaction, and consequently, retention. Thus, firms that practice CSR and proactively and consistently demonstrate concern for justice and treat employees well have increased levels of employee retention ^[26]^[27].

Sharma and Vredenburg ^[28] identified that companies that engage in societal and environmental programs foster product and process innovation. McWilliams and Siegel ^[29] demonstrated a strong relation between CSR and innovation. Nidumolu et al. ^[30] stated that firms engaging in sustainability and CSR activities are more inclined to profit from technological innovation from these activities. In their study exploring the relation between CSR and innovation in French companies, Bocquet and Mothe ^[31] showed that large and small companies create value through innovation driven by their strategic CSR. According to Luo ^[32], CSR activities and performance force firms to acquire the knowledge and resources needed to enhance technological innovation. Wang et al. ^[33] found a positive relation between CSR and innovation performance in high-polluting firms. According to Yang and Li ^[34], the strategy of including CSR to gain a competitive advantage has a significant and positive effect on innovation performance. Lee ^[35] found that CSR has a strong positive impact on market value.

Brand reputation is characterized as “outsiders' assessments about what the organization is, how well it meets its commitments and conforms to stakeholders' expectations, and how effectively its overall performance fits with its sociopolitical environment” ^[36] (p. 169). Previously, firms had to show corporate responsibility with initiatives targeting areas such as environmental concerns, employees' work–life balance, and poverty reduction to build up a brand image ^[37]. However, CSR has been adopted as a tool to gain a competitive advantage as it builds on the brand image of firms ^[38]. Companies' CSR practices relating to the environment, community, workplace, and marketplace also enhance brand equity ^[39]. Pinto and Allui ^[40] found that the improvement of the corporate image is one of the main drivers of CSR practices.

At present, digital technology and customer awareness regarding firms that are concerned about the environment and other stakeholders are likewise influencing the decision to adopt CSR ^[37]. Rapid progress in digital technology has made firms become aware of their responsibilities and customer demands amid their thrust to obtain high value for their goods.

Particularly, social media platforms have empowered modern consumers and other stakeholders with the knowledge to comprehend firms' activities and stakeholders' responsibilities and expectations for them to judge any firm's reputation. Creswell ^[41] noted that firms gain brand equity through their CSR activities, which augment a firm's reputation. Hence, in the current business environment, CSR and brand reputation are positively associated. Di Giuli and Kostovetsky ^[20] asserted that firms that practice coherent and long-term CSR openly identify non-financial benefits that are impossible to ignore. In sum, CSR activities demonstrate to different stakeholders the firm's positive physiognomies, which can be a tool to enhance its reputation. Other empirical studies have revealed some methodological challenges in designing a CSR framework and model. Specifically, one challenge involves the causality between CSR and non-financial company benefits, which are particularly relevant in the identification of a positive relationship ^[42]. Furthermore, new variables need to be considered, especially in the other regions and communities around the globe, as the concept lacks a globally accepted definition and has an unclear scope. Techniques that are more sophisticated also need be implemented to include a contextual and global model that demonstrates appreciation of sociocultural and environmental factors. Research that could measure the effects of the different potential value-increasing components of CSR is still needed. These aspects can be measured using set targets, key performance indicators, and other tools. The biggest benefits would evidently be the long-term improvements in the company's reputation.

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