SUSTAINABLE BUSINESS IN THE ARAB REGION

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SUSTAINABLE BUSINESS IN THE ARAB REGION: CORPORATE SOCIAL RESPONSIBILITY VS CULTURE

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INVESTOR IN PEOPLE

This book is dedicated to my beloved country, Kuwait, in hopes of paving the way toward a positive and sustainable future.

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INTRODUCTION

Corporate Social Responsibility (CSR) and Culture

The extant literature includes many studies of CSR and its impact on business outcomes (Bhattacharya et al., 2008; Blowfield & Frynas, 2005; Khurshid et al., 2016; Visser, 2008; Wu et al., 2016). However, while CSR is well studied in general, the impact of culture on CSR is largely understudied in an Arab context (Alfakhri et al., 2018). This is surprising, given that previous research has acknowledged that cultural factors can potentially have a big impact on the understanding and expression of CSR (Wang & Juslin, 2009). This book, therefore, sets out to explore the understanding and expression of CSR in an Arab context. It does so through a qualitative pilot study with 12 CSR experts (people with leading roles in CSR in the private, public and non-profit sectors) in Kuwait. The pilot study confirms the importance of cultural elements in influencing the understanding and expression of CSR. Interestingly, the pilot study highlights the importance of the Islamic religion and specific aspects of its religious doctrine (e.g., announcing good deeds can be taboo) as being particularly important to understanding why CSR may be expressed differently in an Arab context (e.g., not communicating publicly about CSR achievements). The document concludes by positing that further research is needed to explore the impact of aspects of the Islamic religion on CSR and suggesting that this would be a crucial step into paving the way for more culture-sensitive CSR policies and approaches.

1

CSR IN AN ARAB CONTEXT

1.1. CONVENTIONAL APPROACHES

At the beginning of the 21st century, various challenges came to the forefront of human beings, which mainly constituted environmental and social issues such as climate change, increasing inequality, poverty, to name a few. Consumer and societal factors have identified companies as an efficient means to look after significant issues and act as a change agent by participating in improvement initiatives (Marquina & Morales, 2012). Accordingly, corporate social responsibility (CSR) rose to fame and became a trending topic among scholars (Rundle-Thiele et al., 2008). As per Rahman and Norman (2016), CSR serves the purpose of long-run interest and survival of the firm in a socially responsible economy. Therefore, nowadays CSR activities are adopted by most corporations in the field of social, environmental, and economic performance (Rahim et al., 2011). Further, contemporary CSR is not viewed as a cost but rather an investment, which will, in turn, bring extensive profits (Pohle & Hittner, 2008). Rochlin and Huang (2005) stated that business strategies which incorporate and focus on environmental, societal, and economic performance for long term become a part of the organization and result in the creation of value for both the firm and society.

The differences between how CSR is expressed in various parts of the world are attributed to multiple reasons, particularly social norms and values which differ around the globe (Matten & Moon, 2008). Recently, varying responses to CSR-related stimuli called for more research into examining the non-homogeneous results (Sukhdeo, 2020). Also, it has been noted that the behavior of organizations is driven by human values and culture, which has been noted to be more often a source of conflict than of synergy (Petrakis, 2014). Therefore, Hofstede's model, which provides an excellent understanding of the different cultures, can give insight on why conventional measures of CSR may not be as effective in some cultures when adopted from external cultures (Hofstede et al., 1990). The varying pillars of value and social norms may be impeding the understanding of the locals if conventional values are adopted generically. Therefore, it is crucial to investigate, from a local lens, what implications national culture may play on CSR understanding, initiative, and participation.

Although there are many frameworks on national culture developed, Hofstede's framework is still one of the most widely used frameworks among the scholars and practitioners. Christie et al. (2003) showed in their research that there is a strong relationship between Hofstede's cultural dimensions of individualism and ethical attitudes of business managers when it comes to CSR. Also, in their work on the subject, Burton et al. (2000) found a correlation between CSR and culture when they compared the United States and Asia. As well, research on the effect of national culture on CSR orientation between Dutch and German business students by Bode (2012) found a clear correlation between the two elements. Moreover, Bode (2012) found that the higher the individualism scores of a respondent, the more importance they viewed non-economic responsibilities. More recently, Chang et al. (2017) also found a similar correlation when comparing Singaporean and Malaysian cultures and their impact on CSR. Lack of awareness and understanding of what constitutes CSR from a local perspective could prove to be detrimental to the impact of initiative. Thus, it is important to investigate whether policymakers feel that they align their CSR mission to stakeholder needs, relevancy and understanding.

CSR has gained significant momentum in recent years and is defined as a way an organization seeks methodologies by which social and environmental factors can be incorporated within business strategies. The interest of all stakeholders must be looked after. The main challenge which arises in the CSR incorporating is the balance between the business objectives and societal goals (Mallin, 2009). In the view of the European Commission (2011), extensive research has been conducted to determine what importance is associated with the social responsibility of a company. Several studies have presented the view that the roots of CSR theory lie in the stakeholder theory (Asif et al., 2013; Dögl & Behnam, 2015; Lu & Abeysekera, 2014; O'Connor & Spangenberg, 2008). The companies are facing several challenges during their survival, mainly due to increasing competition, efficiency, customer satisfaction and reduction in cost (Asif et al., 2013). Cruz (2013) and Lu and Abeysekera (2014) reported in the study manifested by them that the corporate environment responsibility (CER) and CSR are the two important considerations which are used in the present situation to categorize a company as good or bad. On the other hand, research has been conducted to determine how the CSR activities can be integrated into the operations of the business to achieve a competitive edge and efficiency at various levels. Those strategies should be formulated and followed, which does not harm the interest of the stakeholders, and quick rectification procedures should be developed whenever harm is identified by the analysts. The integration function is a challenge as it requires a vast amount of information regarding the infrastructure facility of the organization, and more about the interest of the stakeholders of the firm in a very suitable manner (Sardianou et al., 2021). In the context of the CSR. Rahim et al. (2011) have suggested that socially responsible behavior has been constructed by incorporating a broad range of actions with the motive to decrease the impact of organization's effect on the environment, and this is termed as CER. It is supposed or pre-assumed that the consumer's attitude toward the environmental activities and initiatives of the company has a positive relationship with the buying behavior of those consumers (Grimmer & Bingham, 2013). The primary stakeholders are significant or focus of companies, and it has been identified that a majority of the consumers are unaware about the environmental initiatives that are taken by the companies (Öberseder et al., 2013).

1.2. CSR INTEGRATION

There are two approaches for the integration of CSR actions within a firm, that is, top-down approach and bottom-up approach. The basis for beginning the CSR is scanning the environment in a strategic direction. The bottom-up integration required to look beyond the internal operations of the firm focuses the impact which would be put on a broader range of communities and society (Asif et al., 2013) as indicated by Amini and Bienstock (2014) in their research that those companies achieve success which integrates three components of CSR, namely equity, economic, and ecological function in their business operations. The knowledge regarding the CSR is least in the areas of Europe, and companies are not making efforts to develop the same (Rananger & Zobel, 2014). The major challenge or difficulty is the way the CSR issues are addressed by the business sector. On the contrary, there are numerous studies and research that indicate and support the influence seen in business' financial performance due to the incorporation of CSR though the relation is not static but changing continuously with time (Martí-Ballester, 2017; Lu & Abeysekera, 2014).

The behavior of corporates that is driven by another factor identified by Sidiropoulos (2014) is human values. The awareness of the consumers in the context of the CSR is investigated by many researchers, in which they measure the knowledge at several levels (Gupta & Hodges, 2012; Lee & Shin, 2010; Rahim et al., 2011). The necessary indication discovered from all the research is that communication is the key which should be incorporated in their CSR activities. The study of Rahim et al. (2011) highlighted that the various consumers faced difficulty in understanding the context attached with CSR. The positive attitude is not gathered or attracted due to the low level of awareness as a confirmed barrier. When communication is not done, then influence would be observed on the choice to choose and identify those companies which are socially responsible (Gupta & Hodges, 2012; Lee & Shin, 2010). Lack of awareness mainly arises due to the consumers having no source for gathering information regarding the CSR initiatives of the organization. Investment in sharing the CSR information increases the purchasing intention and gains the advantages associated with it. Consumers would evaluate the company in a positive picture when they are informed about the CSR record through any source (Sardianou et al., 2021).

Extensive research has been presented and discussed, which confirms the positive influence of CSR initiatives on the performance of companies in financial terms. And the bulk of studies has indicated the positive impact of the social assets on the purchasing behavior of consumers (Groza et al., 2011; Rahim et al., 2011). The influence and impact of CSR are differentiated on the consumer's intention and buying behavior. On the other hand, research by Gupta and Hodges (2012) concluded that the factors price and product quality are the critical factors which determine the buying decision and intention of consumers. The implication is different for Greek consumers as indicated by Papadopoulos et al. (2011); consumers must be convinced about the CSR actions of the organization, and the sincerity a firm has toward the socially responsible behavior would influence the buying behavior actions. Firms gain the competitive advantage through product differentiation, the loyalty of customer (Stanaland et al., 2011), trust and corporate reputation (Bhattacharya et al., 2013; Öberseder et al., 2013) due to integration of CSR, resulting in an increase of the sales and range of benefits.

Gupta and Hodges (2012) indicated in their study that consumers have a belief that companies would be motivated to adopt CSR initiatives if the companies are motivated in any way. One of the forms suggested was that consumers would buy more products from the companies as they also care about the society (Grimmer & Bingham, 2013), and the consumers also indicated that they would even pay higher to motivate the firms (Gupta & Hodges, 2012).

But on the contrary, the pieces of evidence gathered by Bhattacharya et al. (2013) suggested that very few groups of people were willing to pay higher for services and products offered by companies focusing on CSR activities. The view had been supported by Gupta and Hodges (2012), stating that consumers were inclined to pay high but were against the statement that they should pay the cost of CSR. Another factor which impacts the buying decision is the size of the firm in gaining consumer's trust (Green & Peloza, 2014). Another significant result gathered is that if two companies offer two similar products in terms of quality and price, then the consumer would prefer a product from a socially ethical and viable firm. In the context of demographic variables impact on the buying decision, the study had been conducted by Carrigan and Attalla (2001), which suggested that older customers take into consideration the CSR activities while making the buying decision. Also, the study by Tian et al. (2011) implied that middle age and an income group of people were more influenced due to the CSR practices adopted by firms.

Tian et al. (2011) defined Carroll's model, which provides the most authentic definition for CSR and inclusion of all the essential categories. The four-part concept included economic, ethical, legal, and philanthropic roles to be played by organizations. Responsibilities include all those norms, standards and expectations, which reflect the concerns of stakeholders such as environment, rights and many other types of responsibilities. The essential duties which are not in the category of voluntary or non-voluntary are economical and legal ethics. Therefore, recent research focuses on higher values, such as ethical or philanthropic responsibilities. In the words of Rahman and Norman (2016), philanthropy is understood as a contribution to charity, cash donations, grants or providing in cash or kind. It is considered as a part of a company's responsibilities to act toward the expectations of society that businesses should be a kind citizen (Carroll & Shabana, 2017). Therefore, it should be utilized as a tool which can enhance the reputation and legitimacy (Rahman & Norman, 2016).

1.3. CONSUMERISM AND CSR

Consumers can recognize the enterprises as soon as they gain knowledge about CSR and become rigorous and change their attitude and perception toward the company and will to make a purchase (Mejri & De Wolf, 2012). Mishra (2017) suggested in the study that attitude and behavior and response toward a firm are positive when customers have the knowledge regarding the CSR initiatives of firms. The impact of the CSR activities is moderated by the domain focused by the firm and self-company congruence. The effect of the CSR activities can be detrimental if the cost of CSR is impacting the quality of product and services. The effect of CSR activities is evaluated by Russell and Russell (2010) on the demographic basis, that is, local or distant areas. The study led to the conclusion that CSR activities which focused on the local areas were able to generate higher benefits and increased the customer base as it had greater relevance at a personal level. In Vanhamme et al.'s (2012) study which evaluated the impact of the cause attribute of CSR on the consumer's perception, it was found that CSR implicated corporate image. The study indicated that consumers identify more with the scope within the local or state or national cause. But the image of the corporates is impacted by CSR initiatives taken in international causes, and consumers have a positive response when firms touch the international scope. The CSR research domain is seen from the strategic perspective in most cases, in both the local and international levels (Bondy & Starkey, 2014). Cho and Kim (2012) investigated the consumer's reaction to negative news and CSR initiatives. They assumed that consumers who were influenced by the CSR activities at the domestic level took actions against the firm if any negative news was spread across the media. But the study leads to the outcome that the consumers are less likely to take steps against the firm if companies indulge in CSR activities at a local level. This implies that consumers have more inclination toward local companies than the global.

Rahman and Norman (2016) investigated in a research study that association exists between the CSR activities, customer attitude, buying intention and the will to pay. The consumer prefers CSR over the price of the product to formulate their perception and intent to make a purchase decision. Also, the study indicated that low-fit initiatives lead to negative brand image, attitude, belief and intention to make a purchase. On the contrary, the high-fit efforts result in better brand image, improved feelings, attitude and plan to buy.

In the case of socially responsible products, the willingness to pay is directly linked with the variety of CSR initiatives (Ha-Brookshire & Norum, 2011). In environment-friendly practices, studies were conducted by Choi and Varian (2009), Kang et al. (2011) and Barber et al. (2012). Koscahte-Fischer et al. (2012) conducted research in cause-related marketing with CSR. Moreover, in the study by Ha-Brookshire and Norum (2011), consumer's attitude and behavior toward socially responsible products was found to be a significant factor which impacts the willingness to pay of consumers. The better the attitude toward a product, the higher the willingness to pay. Additionally, evidence was provided regarding the positive behavior toward the corporates, which incorporates environment-friendly approaches (Choi & Varian 2009). The pieces of evidence were gathered from the United States. Further, the study was conducted by Kang et al. (2011), to investigate the willingness to pay's relationship with the consumer's personal concern toward the environment. Premium prices are paid when hotels follow green initiatives in their approach. Research of Barber et al. (2012) indicated that consumers who express higher purchase intention have a higher willingness to pay. Therefore, it can be concluded that CSR has an influence on the consumer's responses, and it can be either positive or negative depending on several factors. Most of the studies have reported a positive impact on the responses at several levels, that is, buying intention, willingness to pay, to name a few.

If CSR is properly implemented, different competitive advantages such as increased capital and market access, improved sales and profits, saved costs on operations, enhanced productivity and quality, efficient ground of human resource, enhanced brand image as well as reputation, customer loyalty and improved decision-making can be realized by a company. From the work of Glavas (2016), the broadness of CSR makes it have a strength for a big variance in the way workers of various organizations, cultures and regions view CSR. For instance, the perception of some workers might be that it is the moral role of an organization, for example, environmental care, fair employees' salaries, etc., whereas other workers can have the feeling that the purpose of CSR should be for relationship improvements with major stakeholders. Thus, these perceptional variances should affect the work attitudes of workers as well as their behaviors to different degrees.

According to Boulouta and Pitelis (2013), there has been an increased pressure for the business world to currently adopt and further enhance its CSR. The imperatives of this kind of pressure are both moral and strategic. As mentioned above, the moral imperative has the notion that businesses are obligated to their shareholders as well as their stakeholders, including the whole society, and thus, they must play a role to address some of the globalization ills. On the other hand, the strategic imperative bases its argument on the fact that CSR has the potential of improving an organization's competitiveness. Glavas (2016) further mentions that this imperative has been largely debated at the business level, but its conceptualization has not been adequate at the macroeconomic level. This has made CSR a surprising issue because it has been made a priority on most agenda of government strategies. It is alluded by Boulouta and Pitelis (2013) that most organizations are now engaged in strategic CSR with the end results being an increased level of financial as well as social performance.

From Wang et al.'s (2016) and Boulouta and Pitelis' (2013) research, CSR is based on various strategies to improve national competitiveness.

Cost leadership strategy is one of these strategies that CSR is embedded upon. This strategy is used at the national level using methods that result in reduced costs, therefore affecting national productivity directly. For example, most CSR activities that are environmentally based lead to an increased and efficient use of resources like raw materials and energy. Besides, practices of CSR that are focused on open communications with stakeholders as well as transparency, can aid society by improving business trust and increasing social capital leading to a facilitated self-regulation of the organization. The second strategy is the differentiation strategy that involves the enhancement of a country's reputation, increasing the perceived value of what they offer, boosting exports as well as attracting investment. To be specific, Glavas (2016) argues that countries that employ CSR as a differentiation technique can strengthen and promote a responsible reputation, thus engendering and promoting a comparative and competitive advantage. Niche strategy is another CSR technique which involves a country employing a niche strategy while focusing on the increment of their market share in particular segments of the market. For instance, the worth of low-carbon technologies is projected to be around 500 billion USD by 2050. Companies and nations that are in a position of increasing the demand and supply level for these kinds of products have upper hands of benefiting more from such niche strategies because CSR is dependent on its demand.

1.4. GLOBALIZATION AND ARABIAN CONTEXT

Culture has long been affected by globalization, and it is one of the aspects that CSR is based upon. It is through globalization that provides for various businesses a pathway for expansion both at domestic and international levels while operating in different cultures. It is further mentioned by Ray (2008) that globalization enables most organizations to choose the ways in which their entrepreneur activities are carried out in a particular community when they move abroad. CSR is a topic that has seen an increased growth in local as well as international activities. According to Žukauskas et al. (2018), an organization is advised to have an understanding and adaptation to the new cultural values as well as norms that are held by the new society. It is normally crucial to research and compare the same companies that are situated in various countries to find out the cross-cultural variations within CSR. In a study by Ray (2008), in which CSR variations were studied in companies in China and America, the findings of the study indicated that the development and progress of CSR practices are linked with the economic development of