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CSR in the Gulf region

By now, corporate social responsibility (CSR) is not only a familiar concept in many parts of the world, it has also become de rigeur in companies who appreciate the fact that CSR can make good business sense.

Led by the West, where the notion of CSR has been around much longer, many corporations have already moved past philanthropic donations and have integrated CSR into their corporate strategies and managerial practices.

The reasons for this growing shift towards strategic CSR in the West largely centres around "the business case" for corporate activities more generally, and in particular the belief that corporations can better contribute to the public good by focusing on their core competences.

Slowly but surely

For countries in the Gulf Corporation Council (GCC), CSR has quickly become a topic of great interest among business leaders and government officials in the region, but its current practices differ starkly from Western practices.

Companies in the GCC that have started to engage in CSR activities have primarily done so though corporate philanthropy. In other words they have aimed to satisfy the interests of a broader group of stakeholders through donations to local charities and interest groups. This is an "easy" form of CSR engagement in the sense that it requires little managerial effort beyond the signing and posting of a cheque.

However, unknown to many, the tradition of giving has already been very prominent in Islamic societies permeated by religious values. Many of its regional managers regard the concept of CSR to be a corporate form of Zakat (the charitable percentage of wealth that Muslims of means are expected to give), which helps explain the current focus on corporate philanthropy.

Strategising CSR

As the Gulf moves towards the next phase of its CSR journey, the region needs to cultivate a deeper understanding of CSR and its implications. There are several factors to consider, because to regard CSR from a strategic perspective is largely about paying greater attention to political and social risks, as well as opportunities. It is important to note there is no "one size fits all" model for CSR strategy, and as with any strategic decision, will depend on the particular circumstances of the organisation.

From a political perspective, new environmental regulation might pose a risk to a business with a large carbon footprint, but this could be turned into an opportunity if the corporation adapts and positions itself ahead of its competition as we have seen in the car industry. For example, Toyota has led the way in fuel efficiency with its hybrid technology and is now widely considered the leader in an industry beset by emission regulations.

From a social perspective, a corporation that not only understands the technical product requirements of its customers but also their social values, might find that it matters to them how the products are produced, which might present an opportunity as well as a risk, as we have seen in the clothing industry. For example, Nike did not take sufficient heed of the social concerns of its customers, but has now set up strict guidelines for working conditions in the factories of its suppliers following a public uproar against sweatshop conditions.

Much discussion about CSR concerns the corporations' impact on society which sometimes leads to its internal stakeholders being forgotten. For example, a corporation's employees are perhaps its most important constituency, in part because of the pervasive influence that the corporation has over their lives, but also strategically because they are the holders of the organisations' core competencies. This is particularly relevant to companies in the GCC who during the recent boom found it incredibly difficult to attract and retain employees with the right skills.

A model employer

A good example is the SAS Institute, one of the world's biggest software companies. The company regularly wins "best employer" awards in many countries. At its corporate headquarters in North Carolina in the US, employees receive numerous benefits such onsite healthcare, sports facilities, and daycare for their children. The SAS Institute does not have the highest salaries in the industry, but is nevertheless a very sought-after employer and has an enviably low employee turnover.

The industry has an average employee turnover of about 20 per cent, while the turnover at SAS is merely three per cent, according to Jeffrey Pfeffer, a professor at Stanford University. He estimates that the corporation easily saves 60-80 million dollars per year, from reduced recruitment and training costs. Within the field of CSR, the employees are seen as very important stakeholders and the SAS Institute is a shining example of how a company can be mindful of their interests in a manner that also benefits the corporation.

CSR in the GCC

As it is, corporations in the GCC are mostly family-owned which characteristically allows family values to influence the way in which the businesses are run. These organisations may often take stakeholder interests into consideration when making business decisions, but may not think of calling it 'CSR'. This will have a particular influence on the current and likely future shape of CSR in the Gulf region.

Currently, most managers in the GCC believe their governments should be involved in guiding corporations to step up their CSR activities. They think the government should indicate what areas corporations should focus on in their CSR activities and provide incentives to guide them in that direction. For example, governments could subsidise corporate practices that they wish to encourage, while taxing other practices they want to discourage.

Although CSR in the GCC may move towards becoming more strategic and organisationally embedded, in the near future it is likely to maintain its focus on corporate philanthropy due to its deep cultural and religious underpinnings.

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