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# CSR in Saudi Arabia: Far Behind or another Path?



By David Ronnegard, INSEAD Senior Research Fellow

**About forty years ago, when the West started debating in earnest the role of the corporation in society, Corporate Social Responsibility (CSR) was primarily focused on corporate charity and donations. Today, the debate is more concerned with strategic CSR, whereby companies search for ways to accommodate stakeholder interests in a manner that benefits profitability and long-term survival. In the Middle East, however, CSR is largely characterised by a charity mindset, and it is easy for an outsider to regard current CSR initiatives in the region as archaic: that Middle Eastern corporations are “lagging behind” in their thinking about CSR, and that the development of CSR in the Middle East is a matter of “catching up” to the West.**

The region’s CSR focus on charity is explained by the general perception that CSR is a corporate form of Zakat, one of Islam’s five pillars, which stipulates that Muslims give a certain percentage of their wealth in charity. In December 2012, I attended a Saudi CSR conference held in Jubail, a city

situated on Saudi Arabia's gulf coast. The corporate presentations echoed the perception of CSR as primarily a form of charity. The Saudi National Commercial Bank presented its aid to an organisation that supports the handicapped, while the oil company SASREF showed that they had donated money to a traffic safety programme – programmes that have little to do with these companies' core activities.

The second main area for CSR-activities in Saudi is known as *Saudisation*, activities geared towards supporting and encouraging young Saudi citizens to join the labour force - in the United Arab Emirates (U.A.E.) similar programmes are known as *Emiratisation*. Young citizens are often unable or unwilling to compete with well-educated and cheap foreign labour. These programmes consist, in part, of government directives that regulate the proportion of domestic labour that companies must employ, but also of voluntary initiatives where companies provide training programmes. The success of government-mandated quotas has been called into question, however. Ample anecdotal evidence suggest that large numbers of “ghost workers” are hired to fulfill company quotas, but that these employees need not necessarily show up for work. Guest workers in Saudi covers a wide spectrum. There are the well-educated expats, primarily from the West. These expats often live in company-run “compounds”, where their employers provide housing and infrastructure for up to 10,000 people, with supermarkets, leisure facilities, shopping centres, hospitals, and their own private security. At the other end of the spectrum there are people from the poorer parts of South East Asia: thousands make their way to take up jobs as domestic servants and construction workers. Foreign media is awash with reports of terrible working conditions, physical abuse, and guest workers whose passports are confiscated so that they cannot leave the country without their employer's permission.

## **The Forgotten**

In other areas there is a profound silence. At the Jubail conference, in a city entirely dominated by the oil industry, environmental concerns received but a passing mention. Concern for the human rights of guest workers or for the equal treatment of women in the workplace was not mentioned at all. In terms of CSR, gender equality is a non-issue. Among the 160 conference delegates in Jubail, there were no women. In Saudi only 15 percent of the labour force consists of women and only a fraction of these are Saudi women – and negative attitudes towards the women who do work are abundant. During my stay, an op-ed in the *Arab News* quoted a sheik that publically likened women's working in healthcare with prostitution.

There are, however, some signs of change. The Swedish fashion company H&M has started training Saudi women to work in their local stores, indicative of the trend among foreign companies in both Saudi and the U.A.E. to engage more in CSR than their local counterparts – although they still do less than in their home countries. The obvious explanation for this is that multinational companies are primarily pressured by stakeholders in their home countries. An illuminating example is the recent avalanche of criticism directed at IKEA by Swedes for editing out almost all the women from its Saudi catalogue.

## **Parallel Development**

The differences that we observe today between Western and local firms are not just a matter of maturity. The CSR focus on charity that may appear outdated to an outsider is deeply rooted in religious tradition. We are likely to witness how corporate leaders in the region adopt strategic insights, and we will most probably see how this translates into charitable giving that is more strategic in its design. However, CSR in the Middle East cannot and will not only be about catching up with Western companies concerning strategic CSR. While Western companies struggle to develop and communicate their own ethical codes of conduct, Saudi companies are already working within a specific cultural and religious environment that permeates all of society, including business. Islam might well become the foundation for corporate codes of conduct in Saudi Arabia, and perhaps in the Middle East more

generally. Although influenced by Western developments, CSR in the Middle East will develop along its own path.



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