

Identifying and Ranking the Key Performance Drivers of Corporate Social Responsibility in Saudi Arabia

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Corporate Social Responsibility (CSR) is a global governance mechanism. It is a code of conduct, regulations, trade rules are also considered as an ethical practice of a company towards social responsibility. It is a drive to increase the profitability and goodwill of the company. This main objective of the study is to identify the key performance drivers of the CSR practices in public as well as private sectors in Saudi Arabia. The study also recommends ranking or prioritising of the major identified activities and benefits of the same. It has further investigated the association between awareness of CSR and the profitability by CSR between private as well as public companies. However, the study concludes that there is a significant difference in awareness as well as profitability between private and public corporates with the CSR. The author concludes that enhancing profitability is one of the key drivers of CSR in private corporates, whereas legal compliance is the primary factor in public corporates in Saudi Arabia. The result reveals attracting customers and social integration as ultimate benefits of the ‘corporate social responsibility’ in Saudi Arabia.

Key words: *Corporate Social Responsibility (CSR); CSR Drivers, Profitability; Investment Initiatives; CSR Benefits.*

Introduction

The concept of Corporate Social Responsibility (CSR) has been associated with the principles of sustainable economic development. The organisations not only take decisions based on financial aspects but also the immediate and long-term social and environmental impacts of their activities. Therefore, being a knowledge-based company it is always sensitive to carry out its core business while fulfilling social responsibilities, keeping in mind the broad

interests of the community and the environment. CSR is a code of conduct; it can be utilised as any measure that the business takes to serve the society, people and environment; the business may also follow ethical guidelines and instructional programs.

Barnard (1938) stated that, “Corporate Social Responsibility is the analysis of legal, economical, moral, physical and social aspects of environment.” Whereas, William C. Frederick (1962) emphasised analysis, implying a public welfare towards society, economic, human resources and willingness to judge that resources are utilised for society or not by the corporate. Carroll (1979), stated about the CSR that business has to fulfil expectations of society whether it is related to legal, economic, ethical and other discretionary matters. In 1980s, CSR themes were cased as social responsiveness, social performance of corporates, public policy, corporate ethics and stakeholder theory. On the other hand, Thomas M. Jones defined “CSR as a notion that a corporate has an obligation to constitute a group in society that is developed by laws and under a contract.” Hence, it is clear from various definitions and statements of authors that CSR has both an ethical as well as a moral duty concerning corporates. It helps in sustaining business success and corporate values.

CSR prominence is growing in the corporate world and is having an extremely good impact on social culture. Strong socio-cultural elements have already had an exquisite impact on the promotion of CSR initiatives. Traditionally, it is considered as a social act or an act of humanitarianism, however many organisations do not practice CSR as the bottom line of their values in Saudi Arabia.

Nowadays, corporate employees are becoming more aware of ‘corporate social responsibility’ by organising orientation and training programs in the companies. The business organisations can no longer afford to ignore corporate social responsibility. Harrison & Freeman (1999) suggests that corporates cannot survive in the long term unless they care about the responsibility towards their stakeholders.

CSR is in the developing phase in some countries. However, some research and surveys have been conducted to analyse the impact of CSR in social sectors. In the survey, the reaction of the public regarding CSR has been examined. The result of the survey states that proper formulation of CSR strategies is required. These studies revealed many trends of CSR, and its impact on current conditions of society.

Key Performance Indicators of CSR

CSR makes for prominent trade sense as well when one considers the knock-on impact that socio-environmental obligations bring to the corporate.

- *Profit*: It is true that making ‘profit’ is one of the major motivations of running a business. The corporate executives and managers believe that CSR can increase a company’s

potential to earn higher profits. The management of the corporate perceives that CSR indirectly increases profit through enhancing employee loyalty, attracting customers and hiring better personnel for the firm.

- *Goodwill*: In addition to enhanced profitability for the business, ‘corporate social responsibility’ also builds goodwill and enhances the reputation of the organisation. CSR helps contribute positively towards the business issues and aids campaigning for the brand of the business.
- *Organisational Vision and Philosophy*: The corporate has a vision to contribute social services and perform the kind of business activities that can be related to environmental protection as well as maintaining business ethics.
- *Legal Compulsion*: Some countries make CSR a legal obligation for corporates. The government imposes laws to incur a certain percentage of the profits earned to contribute towards CSR expenditure. The legal compulsion is to ensure that a corporate entity performs its duty towards society and does not turn out to be counter-productive.
- *International Standards*: In some nations, CSR Reporting is a mandatory requirement, such as in the Netherlands, Denmark, France, Norway, Sweden, India etc. Though mandatory CSR is inherently contradictory, but some national or international norms make it compulsory for corporates.
- *Publicity*: CSR is vital not just for environment and community welfare but also for company goodwill. Companies that engage in charitable giving and volunteer efforts within the community produce effective publicity for the corporate.
- *Community Pressure*: CSR helps in making business decisions which are not merely to maximise profits or shareholder's values but also to serve and protect the interests of other stakeholders such as employees, consumers and the community as a whole.

Review of Literature

There are many theories, perspectives and approaches that have been formulated by researchers. Initially, the CSR approach was implicit as obligation on the corporate, but in the present business world it is considered as a tool of social services. There are many studies on CSR. Rexhipi, Kurtishi, Bexheti (2013) examined four topics related to CSR and corporate social innovation. In addition, they focused on the low-income market-base of the pyramid. The study pointed out the significance of eco-innovation as a new discipline with the purpose of describing products and processes that contributed to sustainable development. The study of Mandimika, Elinah, et al. (2013) focused on tourism in Zimbabwe and how CSR influenced the sector. The study stated that companies preferred to adopt CSR in social welfare projects like HIV, education, and manpower while also focusing on environmental issues. The study determined the influences of CSR in the tourism sector, and recommended strategic choices on CSR in tourism and its benefits to the corporate. David P. Baron (2005), presented a hypothesis of corporate social obligation (CSR) and suggested that CSR is

exorbitant when it is a flawed substitute. Harmony J. Palmer (2012) argued that the noticeable quality of corporate social duty or CSR activity nowadays recommends that recognition of such arrangements has moved from an unnecessary expansion to a basic commercial work. Employing a reliable source of information on corporate social performance, this study further examined the relationship between performance and finances of the corporate. Lessen, Gibert, et al. (2011) has investigated drivers and barriers which are concerned with implementing CSR practices. The study focused on four common approaches of CSR: Ethical, Statist, the Liberal and the Stakeholder's approach in an Indian context. The study found that the stakeholders approach is the most favoured by Indian corporates. In this approach, caring or the moral motive are important drivers for Indian corporates.

Objectives

The purpose of the study is to determine the degree and rank order of field where the corporates are investing funds for social responsibility. The research is based on some limitations that restrict this study in few ways. Firstly, the dimensions which are selected for the study is based on the literature review. These dimensions took an independent opinion of the respondents. Secondly, the study is limited to the Riyadh region of Saudi Arabia with 120 respondents – the employees.

- To study the awareness of CSR among corporate employees of Saudi Companies.
- To deliver ranking to the key performance drivers of CSR in Saudi Arabia Corporates – public as well as private sector.
- To deliver ranking of the benefits of CSR practices in Saudi Arabia Corporates – public as well as private sector

Hypothesis

- H₀₁: There is no association between the type of the company and awareness about CSR aspects.
- H₀₂: There is no association between the type of company and profitability derived through CSR practices.

Research Methodology

For the purpose of the study, primary data was collected. A sample of 150 corporate employees from private and public corporates was selected on a random sampling basis. The questionnaire was personally administered by the researcher after reviewing the literature content appropriately. Out of 150 questionnaires distributed, only 120 were found suitable for analysis purposes and the rest were discarded due to lack of comprehensive responses. Mean

Values, Standard Deviation & Chi-Square were the applied statistical tools. The data was analysed in MS-Excel and SPSS software (Version 20).

The research questionnaire is divided into four parts, vis-à-vis demographic profile, general awareness about CSR, preferred investment areas through CSR activities and the benefits incurred to corporates through CSR practices. The demographic variable of the respondents (employees) measured at a nominal level in part-A, which included gender, age, work experience and the type of corporate – public or private. Part-B consisted of questions related to awareness of CSR, part-C was to prioritise the key drivers of corporate social responsibility and part-D included the list of benefits of CSR practices for evaluating preference or rank in their opinion using the Liker Scale. The questionnaire was framed in ‘English’ language but was translated into ‘Arabic’ language (as the employees were Saudi citizens) with the help of an expert and then re-translated in ‘English’ language for analytical purposes.

Descriptive Analysis

The descriptive analysis of the data collected is presented in Table 1. Table 1 exhibits the count and percentage of the demographic profiles of the ‘Arabic’ respondents (employees) such as gender, age, work experience and type of company etc. The table shows that out of a 120 total, 98 (81.70%) are male and the remaining 22 (18.30%) are female. Table 1 illustrates that out of 120 respondents only 8 (6.67%) are young employees who are less than 25 years, 101 (84.17%) respondents are in the middle age group and 11 (9.17%) are an older age i.e. above 40 years. The component ‘experience of the employees’ in Table 1 has three categories, which shows that out of a total of 120 respondents taken for the study, 83 (69.17%) are less experienced (below 5 years), 25 (20.83%) are more experienced (5 to 10 years) and the remaining 12 (10%) possess the highest (above 10 years) work experience. For the purpose of this study the Saudi Companies visited have been categorised into two – the public and the private sectors. Out of 120 respondents, 88 (73.30%) belong to private companies and the remaining 32 (36.40%) are from public or government companies.

Table 1 : Demographical Breakup of Respondents

Components	Criteria	Number of Respondents	Percentage
Gender	Male	98	81.70%
	Female	22	18.30%
Age	Young (Below 25 years)	8	6.67%
	Middle (25 to 40 years)	101	84.17%
	Older (Above 40 years)	11	9.17%
Experience	Less Exp. ((Below 5 years)	83	69.17%
	Higher (5 to 10 years)	25	20.83%
	Highest (Above 10 years)	12	10.00%
Type of Company	Private	88	73.30%
	Public	32	36.40%
	Total	120	100%

Testing of Hypothesis

- H₀₁: There is no association between the type of company and awareness of CSR.

As shown in Table 2, the awareness about CSR gives benefits to the corporate management as well as stakeholders. The objective is to discover the general awareness of the respondents about CSR as a concept. Out of 120 respondents, 55 (62.5%) are well aware about the terminology of CSR in private corporates, whereas 81.2% are aware in public sectors. It shows public sectors employees hold more sentience about CSR.

Table 2: Type of Company and Awareness about CSR

Type of Corporate	Yes (%)	No (%)	Total
Private	55 (62.5%)	33 (37.5%)	88
Public	26 (81.2%)	6 (18.8%)	32
Total	81	39	120

Test Applied : Chi Square Test (Pearson's)
 Calculated Value : 3.76
 Degree of freedom (d.f.) : 1
 Critical Value : 3.84 (as per Chi-Square Table)
 P Value at 5% significance : 0.0525
 Outcome : Calculated Value (3.84) > Critical value (3.76)

Since the calculated value significance value is less than equal to .05 (5% level of significance), the null hypothesis is rejected. Therefore, it is inferred that there is a significant difference in the type of company the employees work for and their awareness about CSR.

- H₀₂: There is no association between the type of company and profitability by CSR.

CSR affects a company's profitability. To know the opinion on it, 56 (63.7%) respondents from private sectors agreed that there is relationship between CSR and profitability of corporates whereas 29 (90%) from the public sector agree.

Table 3 : Type of Company and profitability by CSR

Type of Corporate	Yes (%)	No (%)	Total
Private	56 (63.7%)	32 (36.3%)	88
Public	29 (90%)	3 (10%)	32
Total	85	35	120

Test Applied : Chi Square Test (Pearson's)
 Calculated Value : 8.27
 Degree of freedom (d.f.) : 1
 Critical Value : 3.84 (as per Chi-Square Table)
 Result : Calculated Value (8.27) > Critical value (3.84)

Since the calculated Chi-value is more than the critical value, hence the null hypothesis is rejected. Therefore, it can be inferred that there is no significant association between type of company and profitability by CSR.

Ranking of Key Performance Indicators or Drivers of CSR

Table 4 shows the mean weighted score (MWS) and ranks among the various drivers of CSR between private and public sectors in Saudi Arabia. It also indicates the comparative ranking of CSR activities of private and public corporates that are involved in seven different elements. These elements are increasing profit, goodwill building, company's vision, legal compulsion, international standards, increasing awareness and community pressure. The table indicates that for a private corporate, 'increasing profit' is the most preferred element to involve in CSR whereas, 'legal compulsion' is a key element of CSR for a public company. The table also indicates that there is no 'community pressure' on Saudi Corporates involving CSR.

Table 4 : Ranking of the Key Drivers of CSR

S. No.	Drivers of CSR	Private Co.		Public Co.	
		MWS	RANK	MWS	RANK
1.	Enhance Profits of a Corporate	465	1	113	4
2.	Helping in building Goodwill of a Corporate	462	2	151	3
3.	Vision and philosophy of the Organisation	406	4	177	2
4.	Accepting for Legal Compliance	448	3	191	1
5.	Forces by International Standards	281	6	101	5
6.	Increasing Awareness	326	5	74	7
7.	Community Pressure	198	7	89	6

MWS: Mean weighted Score

Ranking of Key Benefits Derived from CSR Practices

The response was obtained on the five point Likert scale as mentioned in research methodology. The scale referred weighted points as 5 for Strongly Agree, 4-Agree, 3-Neutral, 2-Disagree and 1 for Strongly Disagree. The mean weighted score has been calculated for the responses and assigned ranks on the basis of highest MWS to lowest MWS. Table – 5 exhibits overall benefits of CSR to the companies in Saudi Arabia. It is clearly evident that *CSR is increasing & attracting customers* to corporates and it has highest MSW (4.25) and the number one rank out of 15 different benefits of CSR. However, CSR supporting social integration is the second benefit to the corporate in KSA. The respondents agree that there is not much benefit in deduction of excessive taxation due to funds spent in CSR activities.

Table 5: Ranking in the Benefits of CSR

S. No.	Benefits of CSR	N	MWS	Rank
1.	Attracting Customers	120	4.25	1
2.	Customer Satisfaction & Awareness	120	3.77	3
3.	Quality product with affordable rate	120	3.62	10
4.	Employees Satisfaction and Retention	120	3.70	6
5.	Support work-life balance	120	3.76	4
6.	Motivate and improve employees' morale	120	3.73	5
7.	Corporate Charity and Donate to needy people	120	3.64	9
8.	Supporting Social Integration	120	3.78	2
9.	Developing infrastructure and economic growth	120	3.62	10
10.	Greater efficiency and reduce waste	120	3.65	7
11.	Avoid excessive regulation and taxes	120	3.35	15
12.	Attract healthy and ethical investment	120	3.50	14

13.	Protect environment and provide healthy products & services	120	3.55	12
14.	Compliance with regulations and standards (ISO etc.)	120	3.65	7
15.	Protection of Natural Resources	120	3.53	13

MWS: Mean weighted Score

Research Findings

- It is observed that the type of company the employees are working for i.e. private or public sector do have significance regarding the level of awareness about the CSR amongst them.
- A significant association is evident from the fact that the type of company is closely associated with the enhanced profitability potential derived through CSR.
- Among public companies, the key driving force is the ‘legal compliance’ i.e. every public company has to incur some part of its annual profit in social responsibility expenditure. And interestingly it is also a part of the public company’s vision and philosophy of existence.
- Among the private companies the key driving force is ‘increase in profit earning potential’ because of spending on CSR activities, followed by ‘goodwill enhancement’ among its consumers as well as employees.
- One of the major intentions or motivations of spending funds in CSR activities, in the opinion of the employees/respondents, is the benefit that companies gain in terms of attracting a higher number of customers. Thereafter, supporting social integration i.e. bringing together various ethnic groups in the society is the major motivation held with the companies to practice CSR.

Conclusion

Corporate Social Responsibility (CSR) has posed many challenges over the last two decades. Thus far, it has witnessed a remarkable change in the corporate sector with the quest for excellence and all round growth being the primary objectives of corporations. However, the study concludes that employees of private as well as public corporates are well informed about CSR and there is no significant difference found. As far as profitability of business is concerned, it is closely associated with CSR. However, “enhancing profits” is the primary key driver for the private sector whereas ‘legal compliance’ is the primary key driver for public corporates. The result shows that attracting customers and social integration are the topmost benefits of CSR.



Corporate Implications

- CSR carries ‘strategic significance’ in the industrial world for companies and governments alike.
- CSR is a practice of ‘give and take.’ Most of firms are causing environmental pollution due to waste from manufacturing facilities. Therefore, companies should consider manufacturing ‘environment-friendly products’ so that the general public can sustain a clean atmosphere.
- Especially in the middle-east proliferation of ‘green environment,’ is not only a need but also an obligation for the corporate world.
- An understanding should be developed among all the corporate entities that nation development and the CSR are intertwined for each other’s interests.
- Private companies along with the government owned entities should cooperate and work together in building the national competitiveness of Saudi Arabia. It should be noted that the Kingdom is very vigilant in this direction as per the reports of Middle East policy council news. Economic rationalisation, therefore, has been a major driving factor in the government's promotion of CSR.
- From reliable sources, it is evident that many companies in Saudi Arabia are vehemently committed to CSR, such as Saudi Arabia Airlines, Al-Marai, Saudi Aramco, Rawabi Oil Group, SABB etc. Companies from almost all sectors of production, engineering, banking, and telecoms etc. have strongly recognised the importance of CSR in today’s business environment.

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