

“CORPORATE SOCIAL RESPONSIBILITY” ACROSS MIDDLE EAST and NORTH AFRICA

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Introduction

Under a variety of headings, acronyms and contexts, a vivid debate is taking place across the world questioning the role of business and balance of power between institutions. The focus and nature of the debate differ from country to country despite the mimetic processes and the convergence of so called “CSR” practices under the influence of globalisation.

This paper attempts to synthesise the reports prepared by various authors, who live and work in their homeland in the Middle East and North Africa (MENA), on the notion of “corporate social responsibility” (“CSR”). The reports are prepared as a prologue for a workshop organised by New Jordanian Research Centre (URJC) on *strengthening “CSR” in the businesses of the region*². The authors come from different backgrounds. They were invited not to engage in an academic exercise but to capture and reflect upon the “realities” of the debate in their countries on the basis of their role as proactive participants.³ The objective was to detect common elements and patterns in the issues of and approaches to “CSR” in the MENA region. The authors were asked to use a common format for their reports, but left free in their approach.

Three workshops were organised, each at a different location, to expose the participants to various manifestations of the issue in different contexts. Richness of the contributions can be partially attributed to these interactions. On the other hand, the diversity of the contributions reflect the fact that the national debates are emerging against a diverse and complex background of historical, political, cultural and economic developments.

It is almost impossible to capture and consolidate all of the ideas and more importantly the hopes expressed in these diverse studies. “CSR”, in the MENA context, is a generic notion that can fit different purposes in different contexts as demonstrated by the reports. The analysis and the conclusions presented in this paper are far from being complete. They need to be debated, verified and tested.

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² See http://info.worldbank.org/etools/mdfdb/Conf_Workshops_6.htm

³ One reason for this approach was the evident lack of research and data on the issue in the region, which would make an academic exercise extremely difficult

Analytical Framework

This paper deploys Carroll's (1991) model as the most widely accepted conceptualization of "CSR" and Hofstede's (1984, 1991) classification of cultural dimensions as explicative frameworks.

Carroll explains "CSR" as a construct relating to four areas of the relation between business and the society;

1. Economic responsibility; *required* of all companies
2. Legal responsibility; *required* of all companies seeking to be socially responsible
3. Ethical responsibility; *expected* by society over and above economic and legal expectations
4. Philanthropic responsibility; *desired* of corporations.

In this construct the driving force for "CSR" is the society. According to Carroll, the core debate on the voluntary nature of "CSR" is relevant for all areas of "CSR". Businesses have discretion in their commitment to meet the requirements; they can choose to, or fail to, meet their responsibilities. Weaknesses in enforcement provide ample scope for ignorance or negligence of economic and legal responsibilities especially in developing countries. The argument of whether "CSR is beyond law", therefore, is irrelevant for the region where the enforcement is weak and compliance with law is generally a matter of choice.

The construct explained above puts the society as the key actor for influencing corporate behaviour and inducing "CSR". Society's expectations from business vary considerably between countries. Authors participating in the project report that society's predominant expectation from business in the MENA region is to create employment. Manifestations of economic responsibility such as fair play, disclosure and transparency, and prudent governance are generally ignored by the society. Most of the authors, therefore, argue that economic responsibility, captured in the corporate governance debate, should be the primary focus of corporate social responsibility in the region.

Theories on cultural differences provide an explicative framework for understanding the role and expectations of society in driving "CSR". In his renowned attempt to cluster the countries, Hofstede (1984, 1991) identifies 5 value oriented dimensions that distinguish societal cultures;

1. Social inequality including the relationship with authority (power distance),
2. The relationship between the individual and the group (individualism versus collectivism),
3. Concepts of masculinity and femininity (masculinity versus femininity),
4. Ways of dealing with uncertainty,
5. Long term orientation versus short term orientation in life⁴.

⁴ See Table 1 for descriptions.

Katz, Swanson and Nelson (1999) present a framework to analyse how Hofstede's cultural dimensions influence the society's "CSR agenda". He concludes that activism of stakeholders (including society at large) can be grouped around five social spheres:

1. Consumerism
2. Environment
3. Treatment of employees
4. Government involvement in society
5. Role of business in community

The propositions driven from their analysis are as follows:

1. Consumer activism is more likely to occur in cultures exhibiting lower levels of power distance, lower levels of uncertainty avoidance, higher levels of individualism and lower levels of masculinity.
2. Environmental activism is more likely to occur in cultures exhibiting lower levels of power distance, higher levels of uncertainty avoidance, lower levels of individualism and lower levels of masculinity
3. Employee activism will be more likely to occur in cultures exhibiting lower levels of power distance, higher levels of uncertainty avoidance, lower levels of individualism and lower levels of masculinity
4. Governmental activism will be more likely to occur in cultures exhibiting lower levels of power distance, lower levels of individualism and lower levels of masculinity
5. Community activism will be more likely to occur in cultures exhibiting lower levels of power distance, lower levels of uncertainty avoidance, lower levels of individualism and lower levels of masculinity.

Table 2 presents the analytical framework of the propositions. An analysis of MENA countries' culture construct suggests that consumer activism, environmental activism, employee activism, governmental activism and community activism are not likely to be observed in the countries included in the study. Table 3 presents the culture construct of these countries. Arab Countries⁵ are analysed in one cluster, whereas Turkey is separately assessed. Arab cluster and Turkey show similar characteristics and furthermore their scores are closely aligned with the mean scores of '*predominantly Muslim countries*'. The comparative charts are presented in Table 3. As the charts show, cultural profile of Arab Cluster and Turkey is exactly the opposite of the cultural profile of USA, UK and predominantly Christian countries. Based on Hofstede's⁶ analysis, Large Power Distance (PDI) (80) and Uncertainty Avoidance (UAI) (68) are predominant characteristics of MENA countries included in the study. Hofstede's analysis suggests that

"These societies are more likely to follow a caste system that does not allow significant upward mobility of its citizens. They are also highly rule-oriented with laws, rules, regulations, and controls in order to reduce the amount of uncertainty, while inequalities of power and wealth have been allowed to grow within the society. When these two Dimensions are combined, it creates a situation where leaders have virtually ultimate power and authority,

⁵ Egypt, Iraq, Kuwait, Lebanon, Libya, Saudi Arabia, UAE

⁶ See <http://www.geert-hofstede.com/index.shtml>

and the rules, laws and regulations developed by those in power reinforce their own leadership and control. It is not unusual for new leadership to arise from armed insurrection – the ultimate power, rather than from diplomatic or democratic change. The high Power Distance (PDI) ranking is indicative of a high level of inequality of power and wealth within the society. These populations have an expectation and acceptance that leaders will separate themselves from the group and this condition is not necessarily subverted upon the population, but rather accepted by the society as their cultural heritage.”

“The high Uncertainty Avoidance Index (UAI) ranking of 68, indicates the society’s low level of tolerance for uncertainty. In an effort to minimize or reduce this level of uncertainty, strict rules, laws, policies, and regulations are adopted and implemented. The ultimate goal of these populations is to control everything in order to eliminate or avoid the unexpected. As a result of this high Uncertainty Avoidance characteristic, the society does not readily accept change and is very risk adverse. The Masculinity index (MAS), the third highest Hofstede Dimension is 52, only slightly higher than the 50.2 average for all the countries included in the Hofstede MAS Dimension. This would indicate that while women in the Arab World are limited in their rights, it may be due more to Muslim religion rather than a cultural paradigm.”

“The lowest Hofstede Dimension for the Arab World is the Individualism (IDV) ranking at 38, compared to a world average ranking of 64. This translates into a Collectivist society as compared to Individualist culture and is manifested in a close long-term commitment to the member 'group', that being a family, extended family, or extended relationships. Loyalty in a collectivist culture is paramount, and over-rides most other societal rules.”

Behavioural patterns that correspond to the Hofstede Dimensions representing MENA countries are indicated by bold letters in Table 2. Although the constituencies of Hofstede’s Arab cluster do not fully overlap with the countries included in our study, we do not expect individual country scores to significantly deviate from the means.

Another framework of analysis may look at managerial decisions. A study (Kabasakal, Bodur 2002) on the managerial implications of societal culture focuses on Turkey, Qatar, Egypt, Morocco and Kuwait under the heading of Arabic cluster. The study uses nine dimensions; power distance, uncertainty avoidance, future orientation, institutional collectivism, humane orientation, performance orientation, group and family collectivism, assertiveness and gender egalitarianism to analyse the cluster. According to the study the societal practices in the cluster are rated high on group (and family collectivism) and power distance, and low on future orientation and gender egalitarianism. Turkey and Morocco have almost identical scores with the highest scores for power distance and lowest for future orientation among the countries studied. Study also reveals that these societies differ from the other nine clusters with a stronger *desire* for (i) reduced uncertainty, (ii) increased future orientation, (iii) stronger institutional collectivism and (iv) lower levels of assertiveness; however they *desire* more power distance and less gender egalitarianism.

CSR related implications of this analysis are not straight forward. We will use the results of the reports against the background of the analytical framework explained above.

Findings

The countries included in the study are going through a process of transformation and redirection in a very complex and conflict-ridden setting. Some countries suffer from political and macro economic instability. For example in 2002, none of the countries were considered to have political stability by the World Bank except UAE which was at the border line (Kaufmann 2003). Political instability is a major factor influencing all aspects of human life and has a major impact on the quality of life. The Economist's Quality of Life Index assesses the quality of life in 101 countries. MENA countries perform worse than the mean. Table-4 presents the scores for the countries concerned with the exception of Lebanon and Palestine where the scores and ranking are likely to be even lower.

How does poor quality of life and relatively lower expectations from business reconcile? The reports reveal that "CSR" has substance in all the countries included in the study although the perspectives differ from country to country. In some countries the focus is on the search for a business case, in others the debate is driven by and rooted in moral reasoning.⁷ The studies reveal that philanthropy is the most common manifestation of corporations' social agenda in the MENA countries, but certainly not after and above fulfilment of other responsibilities⁸. One explanation of this phenomenon can be the Islamic traditions of "giving". It can also be argued that given the poor performance of governments in the region, business has no choice but step in to reduce the social tension, gain legitimacy and create a safer environment to conduct business. Supporting this possible explanation, most philanthropic activities focus around supporting education and research, building hospitals and schools etc, all of which fall under the responsibility of the state and severely under supplied.

The reports reveal that "CSR" in the region is generally driven by rational choices of business or political choice rather than by societies' expectations or pressure from below. Drivers of "CSR" are found to be common in the MENA countries:

- The need to improve the investment climate; better governance, voluntary disclosure, transparency, accepting the rule of law and so on (Turkey, Morocco, Egypt)⁹
- Increased international and local competition due to liberalisation; concerns for efficiency and productivity (Jordan, Turkey, Egypt)
- International business relations; learning by examples (all countries)
- International Codes of Conducts such as BSCI Code in the textile industry (Morocco, Turkey)
- The need to comply with International Standards(Morocco, Turkey)
- Government; new laws and regulations-Corporate Governance Codes, disclosure and reporting requirements, labour law (Turkey, Morocco, Palestine, Jordan)
- Improved enforcement of existing laws and regulations (Turkey, Egypt)

⁷ See Table 5 for details.

⁸ According to Carroll's construct, philanthropy is the highest level of "CSR", it refers to behaviour driven from altruism.

⁹ See Table 6 for a comparative ranking of MENA countries capability to access capital. Capital is understood as a combination of financial, human and social capital.

- International campaigns, programs, projects such as Global Compact, WB-IFC and UNDP programs- (Turkey, Lebanon, Egypt)
- Consumer preferences in developed countries-Ethical Trading movement (Turkey, Morocco, Egypt)
- Relations with European Union (Turkey, Jordan, Morocco)
- Activism of Global Civil Society Organisations such as Green Peace, Transparency International directly or through local agents (Turkey, Lebanon)
- Awards and ratings (Morocco, Turkey)

Although Islamic traditions are used as instruments to pool funds for social causes (Palestine) and reports refer to Islamic concepts such as *charity*, *zekat*, *tsedaka* in the category of philanthropy, we do not share this view. Philanthropy, love of humankind (love for the other) by definition, is driven by humanistic motives and it aims at improving the social welfare by eliminating the causes of human suffering. It should be clearly separated from charity. Charity, *zekat* and *tsedaka* assume and accept the presence of the poor as a normal condition. This acceptance is also reflected in high power distance scores in Islamic societies. Surveys show that Muslims do not give *zekat* or *tsedaka* to non-Muslims; a behaviour which can also be explained by the strong group collectivism observed in the region. In fact, some scholars argue that the rich tradition of philanthropy in Turkey for example, is rooted in Ottoman Jewish and Rum philanthropy and has no religious context.

Observations

The reports give an account of current “CSR” practices in the region. The common characteristics are as follows:

- Subsidiaries of multinational companies demonstrate examples of “CSR” by simply complying with their corporate policies. They are also the primary source of funding for “CSR” oriented NGOs
- Philanthropic activities are focused on supporting education, health care and other shortcomings in the social welfare
- Business organisations and business funded Civil Society Organisations (CSOs) are more active in promoting the concept of “CSR” than Grassroots Civil Society Organisations. This drives the search for “business case”.
- Corruption and unregistered economy is a major issue
- There is an upsurge of new laws and regulations in the region which include labour and environment related provisions induced by the to comply with international agreements and/or standards
- Businesses that are suppliers to European retailers are forced to comply with international or sector based codes of conduct
- International activism reaches the MENA countries and encourage emergence of local activist organisations
- A handful of local companies fund the NGOs which is a matter of concern in relation to their independence and motives
- Reputation and good image of companies are more important for the society than their observed behaviour
- In most countries the society does not differentiate between ethical behaviour and obeying the law in evaluating the business behaviour. The absence of free

investigative press and restrictions on the rights to organise and freedom of speech put constrains on development of GSCOs.

Conclusion

Using Carroll's and Hofstede's analytical frameworks and the observations of "CSR" in the region, we report that the drivers for CSR may be exogenous (CSR practices of multinational companies and their joint ventures, laws and regulations imposed upon by international agreements, activist work of international NGOs, rational choices driven by the desire to be associated with the EU, academic research and management education etc).

We observe that macroeconomic stability induces ethical behaviour; it establishes the moral authority of the governments and improves their law enforcement capability. On the other hand, economic development accompanied by opening up to international competition accelerates the convergence of business cultures and may partially neutralise the local societal cultural characteristics that may be unsupportive of "CSR".

The role of women requires particular attention. Undoubtedly Islamic traditions which restrict the participation of women in social life reduce the influence of the society on business. Encouraging women to be active in social life as demanding customers, concerned parents for the future of children and as members of organised labour will dramatically improve the role society plays in driving the business. A vivid and active society can not be without women. Supporting the education of women has been reported as one of the preferred themes of philanthropy in the region.

It will take some time before the local societies will play a significant role in driving the "CSR" in the region. This change will involve a shift in values towards universal values, a process which will continue to be driven by democratisation and globalisation.

Appendix

Table 1: Hofstede's definition of Cultural Dimensions:

Power Distance Index (PDI) focuses on the degree of equality, or inequality, between people in country's society. A High Power Distance ranking indicates that inequalities of power and wealth have been allowed to grow within the society. These societies are more likely to follow a caste system that does not allow significant upward mobility of its citizens. A Low Power Distance ranking indicates the society de-emphasizes the differences between citizen's power and wealth. In these societies equality and opportunity for everyone is stressed.

Individualism (IDV) focuses on the degree the society reinforces individual or collective achievement and interpersonal relationships. A High Individualism ranking indicates that individuality and individual rights are paramount within the society. Individuals in these societies may tend to form a larger number of looser relationships. A Low Individualism ranking typifies societies of a more collectivist nature with close ties between individuals. These cultures reinforce extended families and collectives where everyone takes responsibility for fellow members of their group.

Masculinity (MAS) focuses on the degree the society reinforces, or does not reinforce, the traditional masculine work role model of male achievement, control, and power. A High Masculinity ranking indicates the country experiences a high degree of gender differentiation. In these cultures, males dominate a significant portion of the society and power structure, with females being controlled by male domination. A Low Masculinity ranking indicates the country has a low level of differentiation and discrimination between genders. In these cultures, females are treated equally to males in all aspects of the society.

Uncertainty Avoidance Index (UAI) focuses on the level of tolerance for uncertainty and ambiguity within the society - i.e. unstructured situations. A High Uncertainty Avoidance ranking indicates the country has a low tolerance for uncertainty and ambiguity. This creates a rule-oriented society that institutes laws, rules, regulations, and controls in order to reduce the amount of uncertainty. A Low Uncertainty Avoidance ranking indicates the country has less concern about ambiguity and uncertainty and has more tolerance for a variety of opinions. This is reflected in a society that is less rule-oriented, more readily accepts change, and takes more and greater risks.

Long-Term Orientation (LTO) focuses on the degree the society embraces, or does not embrace, long-term devotion to traditional, forward thinking values. High Long-Term Orientation ranking indicates the country prescribes to the values of long-term commitments and respect for tradition. This is thought to support a strong work ethic where long-term rewards are expected as a result of today's hard work. However, business may take longer to develop in this society, particularly for an "outsider". A Low Long-Term Orientation ranking indicates the country does not reinforce the concept of long-

term, traditional orientation. In this culture, change can occur more rapidly as long-term traditions and commitments do not become impediments to change.

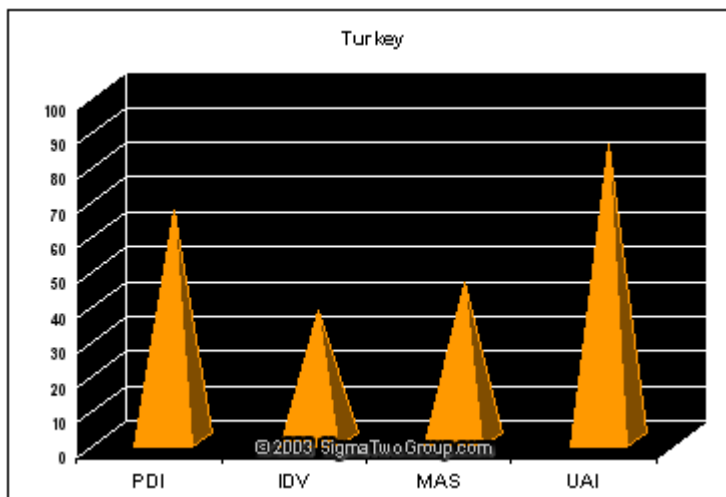
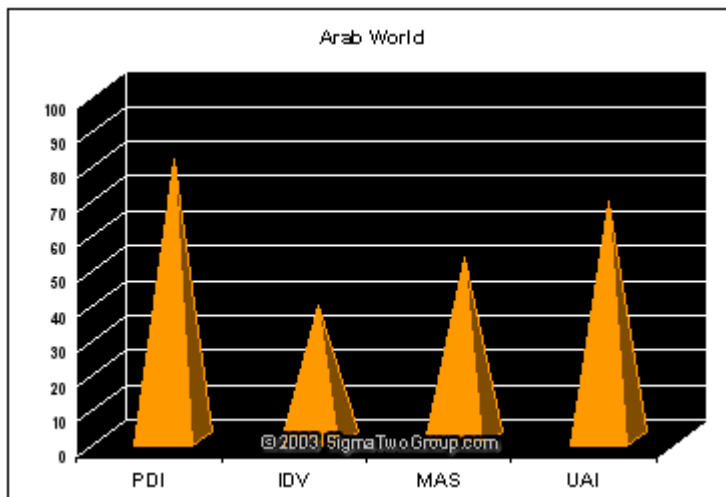
Table 2: Cultural Factor Index, MENA region is indicated in bold

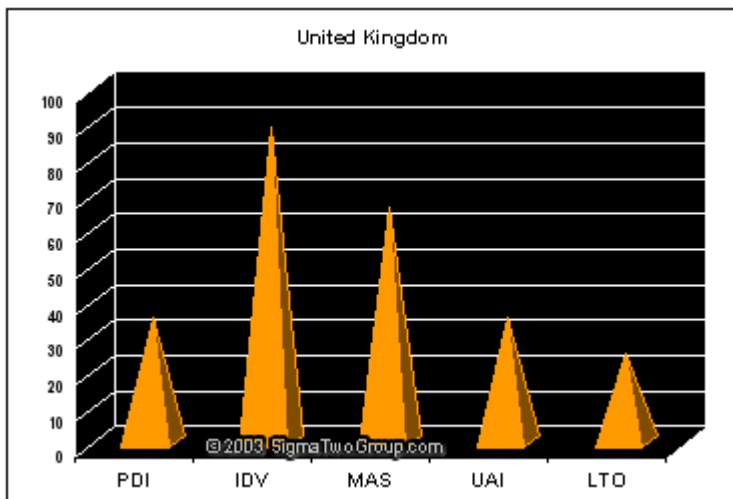
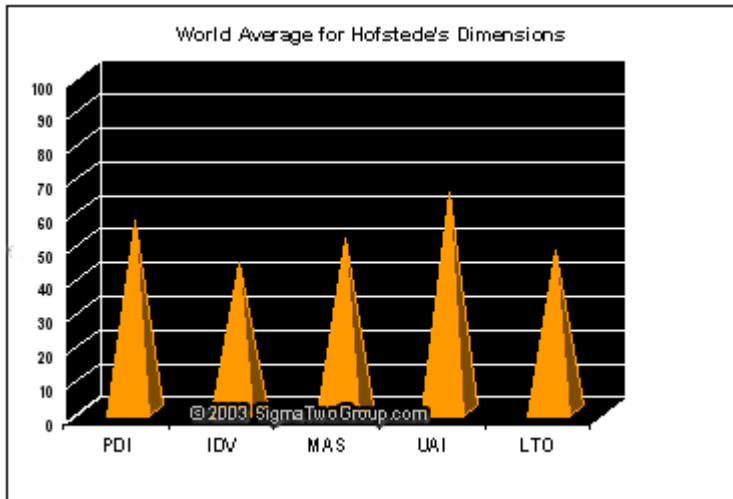
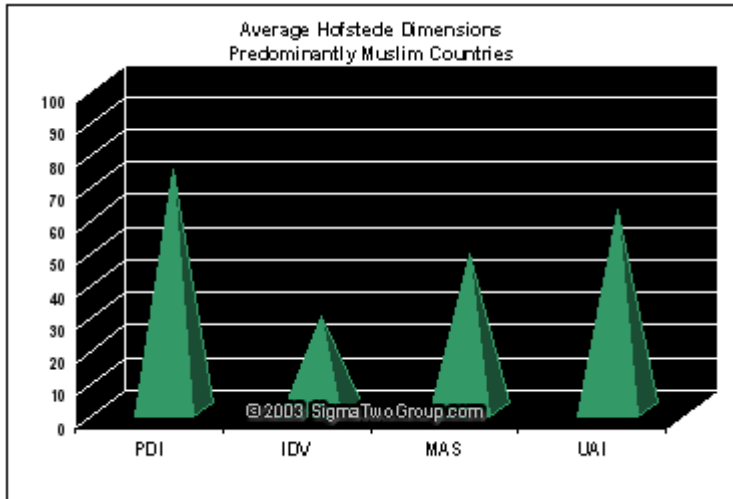
Social issue	CFI scores	PDI	UAI	IDV	MAS
Consumerism	High	Opinions of friends and relatives	Less tolerance for consumer activism	More consumer activism	More emphasis on money
	Low	Reliance on outside sources	Tolerate consumer activism	Less consumer activism	More emphasis on people
Environment	High	Less concern for environment	More environmental legislation	More focus on profit seeking and concern for broad social welfare	Economic growth takes precedence
	Low	More concern for environment	Less environmental legislation	More focus on local and family welfare	Conservation important
Employees	High	More emphasis on rigid hierarchy and unequal standing	More value on employee loyalty	Employee personal life important	Greater emphasis on salary and recognition
	Low	Equality and legitimacy of power	More conflict involved, higher turnover	Employee involvement more important	Focus on cooperation, more overtime
Government	High	Greater centralisation of power that favours the wealthy and powerful	Greater adherence to formal structures, written rules	Balance of power between business and government	Less public welfare funding
	Low	Decentralised power, redistribution	More emphasis on negotiation and settlement	Greater relative power of government	More welfare public

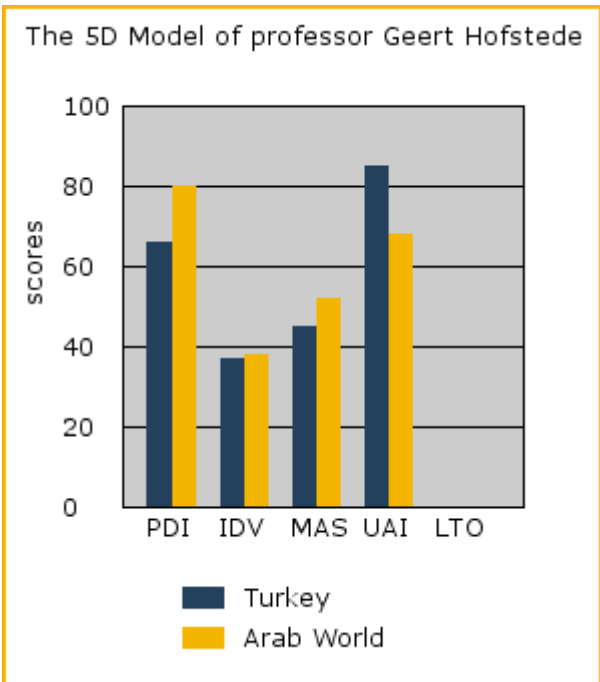
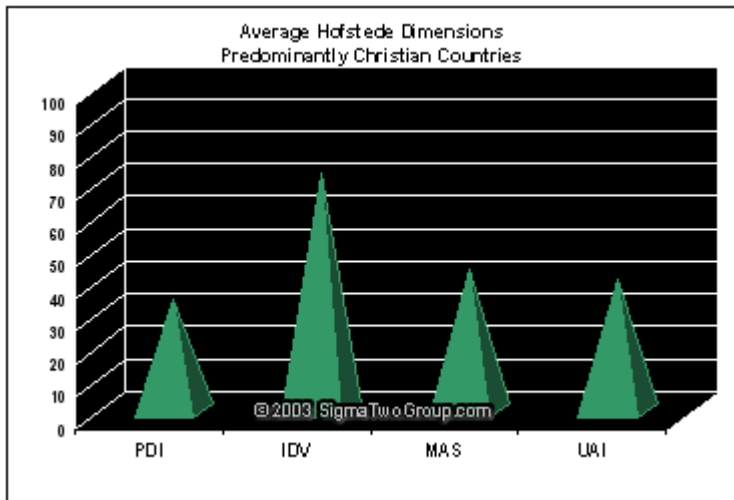
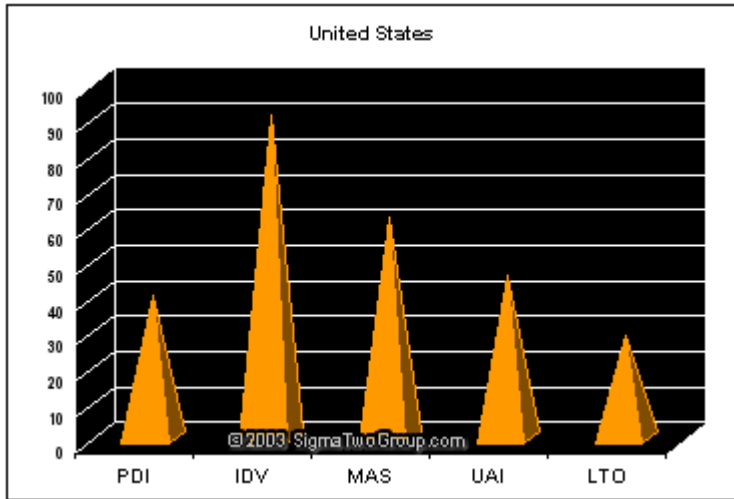
		of wealth			funding
Business	High	Greater protection of elites	Business tends to obey authorities	Profit oriented with more disclosure to public	More profit oriented
	Low	More concern for interacting with public	Business is more concerned about the expectations of the society	Less disclosure, more collectivism	More service oriented

Source: adapted from Katz, Swanson and Nelson (1999), p.34

Table 3: Hofstede’s Cultural Dimensions for Arab World (Egypt, Iraq, Kuwait, Lebanon, Libya, Saudi Arabia, and UAE), Turkey, Muslim countries, world average, UK, USA and Christian countries.







Source: Hofstede's Web site, <http://www.geert-hofstede.com>, accessed in March 2006

Table 4: Quality of Life in the MENA region in 2005

Country	Quality of Life Score and Rank		GDP per Person at PPP (\$) Score and Rank	
	Egypt	5605	80	3930
Jordan	5675	75	4510	83
Lebanon	NA	NA	NA	NA
Morocco	6018	65	4660	80
Palestine	NA	NA	NA	NA
Turkey	6286	50	8209	61
UAE	5899	69	18330	33

Source: Economist’s Intelligence Unit, based on material wellbeing (18.8%), health (19%), family relations (11.3%), Job security (7.7%), social and community activities (12.2%), political freedom and security (26.2%), gender equality (4.7%). Total sample is 1001 countries.

Table 5: CSR definitions used by the authors of country studies

Country	Definition of CSR
Egypt	The World Bank definition ¹⁰
Jordan	The World Bank definition, Business for Social Responsibility (BSR) definition ¹¹
Lebanon	“CSR is the overall management process that accompanies all the efforts of an organization within the limits of a certain ethical conduct” – author’s own definition
Morocco	“CSR is a set of concrete commitments on specific objectives so as to combine economic performance and prevention of social, societal risks, governance risks and/or environmental risks”-result of a

¹⁰ “Corporate social responsibility is the commitment of business to contribute to sustainable economic development by working with employees, their families, the local community and society at large to improve their lives in ways that are good for business and for development”.

¹¹ “CSR is operating a Business in a manner that meets or exceeds the ethical, legal and social expectations that a society has of business.” (www.bsr.org)

	national survey
Palestine	Definition given by the author of Turkey study (Ararat 2005)
Turkey	“Institutionalised corporate practices and behaviour driven by the acceptance of “moral obligation” and “accountability” for the consequences of corporate activity for all of the stakeholders and society at large”- author’s own definition (Ararat 2005)
UAE	“CSR is a contract between an organisation and society where the organization is obligated to avoid unethical practices that would harm society and in turn is given permission by the society to pursue profits.”- Definition borrowed from a local business leader (Hussain 2004)

Table 6: Capital Access Index (mean of 121 countries is 4.59)

Countries	2005 rank	2004 rank	Score in 2005	2005 rank access to int. capital
Egypt	92	89	3.24	75
Jordan	42	47	5.11	40
Lebanon	48	38	4.87	81
Morocco	59	56	4.40	27
Palestine	NA	NA	NA	NA
Turkey	60	66	4.37	91
UAE	39	42	5.14	72

Source: Milken Institute (2005)

Table 7 : Comparison of CSR players based on the reporters’ observations, number and size of crosses indicates a stronger role

	State, Laws & Regulations	Business	Society (Local)	International	Global Compact Participants
Egypt	XX			X	38
Jordan		x	x		0
Lebanon		x			1
Morocco	X	XX			1
Palestine	x	x	x		NA
Turkey	XX	X	x	XX	52
UAE		XX		X	2

Table 8: Comparison of CSR issues which would be the subject of CSR policies by region

	American Context	European Context	MENA Context
Economic Responsibilities	Corporate policies with regard to “good governance”, “remuneration” or “consumer protection” <i>Market driven</i>	Legal framework, codifying corporate constitution, minimum wage, sector based legislation and regulations <i>Institutionalised</i>	Corruption, Unregistered economy Unfair competition Tunnelling Minority rights Disclosure Manipulation and insider trading <i>Needs to be institutionalised since markets are largely inefficient</i>
Legal Responsibilities	Relatively low level of legal obligations <i>Market driven</i>	Relatively high levels of legislation on business activity <i>Institutionalised</i>	Enforcement Enforcement Enforcement <i>Laws need to be enforced and market forces should be able to act, balanced view</i>
Ethical Responsibilities	Corporate policies with regard to local communities <i>Individual choices</i>	High level of taxation in connection with high level of welfare state provision of local public services <i>Corporate codes</i>	Voluntary practices of better treatment of employees, costumers and minority shareholders, protecting the environment Obeying Law <i>Education and awareness, wait and see</i>
Philanthropic Responsibilities	Corporate initiatives to sponsor art, culture or fund education	High level of taxation sees governments as the prime provider of culture, education etc.	Filling the gap, supporting education, health care etc, where the public funds are limited

	<i>Widely present</i>	<i>Limited</i>	<i>Altruistic traditions</i>
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Source: Adapted from Matten and Moon (2005)

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