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## The Effectiveness of Corporate Social Responsibility in Saudi Arabia

By Mesfer Alsubaie

*Abstract-* In this article we have briefly discussed about the corporate social responsibilities in Saudi Arabia and their effectiveness. After the introduction advantages and disadvantages of CSR are discussed. After that implementation of CSR in Saudi Arabia is discussed giving an overview of how it is executed. After giving some positive developments seen after CSR, the drawbacks of improperly governed CSR are discussed. In the end a conclusion is made highlighting what steps should Saudi Arabia should take in order to overcome these problems.

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# The Effectiveness of Corporate Social Responsibility in Saudi Arabia

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## I. INTRODUCTION

In this era of rapid growth and development, industries have a great impact of their maneuvers on society and natural environment. Corporate social responsibility emphasizes on business-society relationship particularly referring to the contribution companies made for solving social problems and promoting eco-friendly atmosphere (D'Amato, Henderson, & Florence, 2009).

## II. ADVANTAGES AND DISADVANTAGES

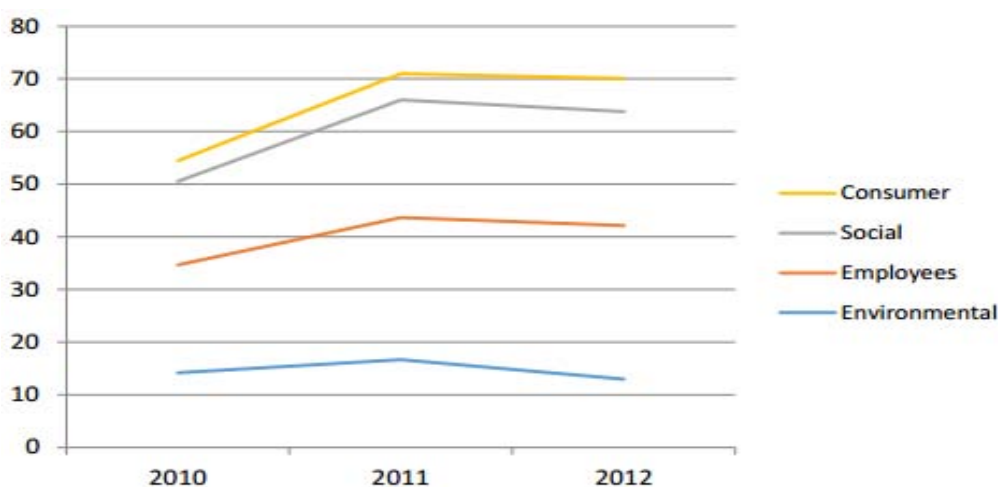
After the introduction of CSR in cooperate world, numerous changes have been seen in the industry. The most significant one is the increase in profit and value of the product. A good CSR policy increases accountability, local communities, shareholders, and investment analysis which

consequently increase the overall profits of the company.

Consumer relations are highly governed by CSR. It has been seen that customers prefer products of those companies which are socially responsible and helping towards a better environment. According to a survey by students of Tilburg University, Netherlands, most customers are willing to pay 10% higher price for a product made by a socially responsible company (Kielmas). This shows the amount of trust people have on companies with CSR values.

Costs required against adopting CSR policy are exceptionally high especially for small companies. Well established companies have separate departments taking care of social responsibilities and they are easy to run but small companies don't have such resources to make separate departments. They have to hire services which in turn drive up the production cost of the product, reducing the profit, hence disturbing the money lifecycle (Dontigney).

A company has a trust relationship with its shareholders but CSR opposes it. The main reason behind this is to maximize the profits earned by the company. In this case, if the workers of a company follow CSR policies, profits will decrease hence they might lose their job and get replaced by workers who can produce more profits.



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### III. CSR IN SAUDI ARABIA

Saudi Arabia is situated in Middle East region and is a major oil exporting country in the region. Politically, it is the key player in world politics as it has very close ties with western powers of the world. On the other hand it has strong hold in the region as well which makes it as the economical hub for its neighboring countries. Moreover, countries like Yemen, Jordan, and Oman are dependent on Saudi Arabia and its industries.

As an emerging oil country, Saudi Arabs economy depends on oil but still industries play a vital role in the economy as well.

Just like other countries in the world, the Arab region has also transformed its industries into social and environmental friendly. According to a report in 2011 by Arab Forum for Environment and Development (AFED), it was found out that "Green Economy" has become a requisite for having a good and sustainable development in the region (Ali & Al-Aali, 2012). In Saudi Arabia, the companies used to solely depend on government and its rules but for a past few years, private sector has emerged as a substantial sector and has defined its own development and social roles, which has significantly amplified the expansion of the industry. Sub-Section example is given below:

#### a) Evolution of CSR

In Saudi Arabia, evolution of CSR occurred in three stages, environmental and charitable activities being the first one. Companies espoused environmental and charitable responsibilities in 1963 and Saudi Aramco was the first one to adopt it. It was even before the Saudi government made reforms, back in 1986, and introduced environment protective steps in order to boost ecological hygiene.

During the second stage, industrial competitiveness and productivity were focused. The communication between industries and government were promoted in this era and the results were seen instantly. A great number of jobs were created in private sector with attractive packages; there was a sustainable and rapid economic growth as a result of increase in productivity which not only strengthened the concerned industries but also economy of Saudi Arabia as a whole. Figure 1 shows that a higher priority was given to consumer, social and employee disclosure.

Economic sites were created in the suburbs of mega cities in order to stimulate economic diversification, raise GDP of private sector, creating new jobs, maximizing energy conservation and minimizing negative ecological impacts at the same time. In the third stage, CSR evolved as a link between political stance and economic rationale.

During this time, political-business relation grew stronger and new economic friendly reforms were made in laws related to industries. Companies showed more interest in political strengthening which increased

political stability leading to more prosperous and stable Saudi Arabia.

#### b) Absence of CSR

Although Saudi Arabia implemented the CSR very properly and many companies adopted it but it proved to be a disaster as it was not implemented properly. If they would have followed the proper proceedings of CSR, Saudi Arabia might have become a key economic power. Apart from two to three well established companies, all other companies who implemented CSR were either not able to afford it or did not properly fulfilled the needs of CSR, instead of executing it diligently so that partnership between government and private sector can be institutionalized (Ali & Al-Aali, 2012).

For instance, in Saudi Arabian plants are unable to grow because of byproducts of chemical waste such as electro chemicals. Companies should introduce recycling plants in order to recycle the waste by products but unfortunately they have to pay the price for not following CSR properly.

Apart from all the technological innovations which have reduced the impact on environment, there still remain several risks. For instance, offshore drilling has deep consequences on marine life and put in danger the integrity of coastal shelf. On Persian Gulf, about 40 percent of country's coastline has been filled, resulting in wiping of mangroves located in the region. This has caused great ecological problem to the natural eco-cycle. Companies working there should implement proper techniques in order to overcome this loss. If they require clearing an area from natural habitat, they should build a similar one for the species so that ecological loss can be reduced, which describes the basic essence of CSR (Saudi Arabia: Environmental Issues, 2000).

Some of the employees in Saudi Arabia have very poor status. Their rights are only limited to papers laws and in reality they have no access to it. They cannot claim about their rights. They have been denied proper accommodation, school and medical facilities. Most of the lower level employees of the hierarchy are affected by this. Although companies claim to have equal rights for every employer but the condition of low grade working class are still of poorer quality.

Companies are liable to provide good medical facilities and education funds to its employees but time has proved that these were all tales. These acts are only performed by companies in order to attract good employees and customers. They don't even tend to provide such amenities.

Moreover, according to CSR and rules regulated by government, companies are required to give their employees hygienic and proper uniform. But unfortunately, employers are denied to this basic right as well. They are forced to wear low quality uniform in such high temperature of Saudi Arabia. Such uniforms

are not only uncomfortable to wear at work but also cause rashes to the skin. Multiple injuries have been reported in the past causing harmful skin infections to workers due to no competent uniform.

In some companies' workers are also denied from hygienic washroom facilities. Companies also don't want them to work nonstop and not even give them washroom break. This is extremely harsh and against the rules of CSR. Such companies claim following CSR rules but actually they don't implement them in order to save money.

Foreign employees are also affected by these harsh conditions. They have to live their life in abysmal working and living conditions. People who hire foreign workers on cheap rates are often seen to give less and take more out of the workers. They have to work overtime without any extra pay.

Furthermore, companies implementing CSR are bound to provide good customer services to the consumer after selling their products. They are required to set up call centers for receiving product complains and should regularly get back to their clients for assessments and feedback of their product. Only a few companies are following this procedure which is a good practice (Aldosari & Atkins, 2015).

On the other hand, there are some companies in Saudi Arabia such as Saudi Aramco and Abdul Latif Jameel who rightfully implement all these laws. People give priority to work here and they have a huge customer bank. They are also contributing to a healthy environment as they have eco-friendly plants and properly managed waste by-products. They have good ties with their government and they are contributing positively to the economy of Saudi Arabia.

#### c) *Aramco as a role model*

Aramco is committed in providing all sorts of comforts to their employees. It is rendered as a role model in the cadre of corporate social responsibility in the whole country. Why is it so? The reason lies in different rules and regulations they employ. Aramco ensures proper basic rights to their employees. Aramco employees, if facing any upsets or psychological issues due to work or any other reason are sent to psychiatric counselor where they can discuss their issues and get positive results. Aramco has been working for initiating different programs for disabled people to adjust them in their company. Aramco is also committed in incorporating social reforms in the society (Saunders, 2012). When whole of the country is sleeping when it comes to implementing CSR; this company stands as a model for all of them.

#### d) *CSR in Abdul Latif Jameel*

Another prominent company, implementing CSR in it is Abdul Latif Jameel. The company keeps in view the basic needs of their employees. They provide

them with proper wages. Employees are allowed to have a specific number of holidays. Medical, transport and culinary facilities are also provided to the employees with full strictness.

Although both these companies are expanding in performing corporate social responsibilities with full commitment and dignity, still there are some loopholes. They are fair with their employees, but when it comes to their contractors, they are not fair with them. All in all, the efforts of these companies are appreciated and act as a role model for rest of the institutions where CSR is almost dead.

## IV. CONCLUSION

Saudi Arabia have shown great theoretical discourse in relation to CSR compared to other western economic powers which emphasize on labor rights, human rights, anti-corruption, environment and economic power of the country. On the other hand, Saudi Arabia only focuses on increasing social capital and human resource in the country. These facts may be linked with the political and religious perspective of the country and these points have been buttressed by the key players of CSR which are also working to add broader perspective of CSR.

Saudi Arabia and its people are facing such problems from the beginning which should have reduced after implementing CSR but unfortunately due to lack of attention by the government, companies apparently claim to follow CSR rules. There is no actual implementation of it which has brought bad name to the companies as well as to the country. Apart from a few companies, all others are harming the integrity and trust of the country.

In a nut shell, Saudi government should take strict actions immediately without taking any sides, against all the companies who are not implementing CSR and defaming country's image. There is also an immediate need to give employee their rights, facilities and better life style as employee will work more productively if they have don't have to worry about their families.

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