

MidOcean University

College of Business

Masters of Business Administration



Research title

**Roots of Corporate Social Responsibility in
the Kingdom of Saudi Arabia**

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Introduction

Corporate Social Responsibility (CSR) has become a key pillar of business strategy worldwide, and the Kingdom of Saudi Arabia is no exception. Historically, CSR in the Kingdom was not as prominent or formalized as it is today, but it has deep roots that align with the country's cultural, social, and economic landscape.

Understanding the evolution of CSR in Saudi Arabia requires an exploration of both traditional values and modern economic developments, which have shaped the current framework of corporate responsibility in the region.

The foundation of CSR in the Kingdom can be traced to Islamic principles that emphasize social justice, charitable giving, and ethical behavior in business. The concept of Zakat, a form of almsgiving and one of the Five Pillars of Islam, plays a significant role in shaping the social responsibility mindset. It encourages wealth redistribution to support the less fortunate, which aligns closely with modern CSR practices that focus on sustainable development and societal welfare.

In addition to religious influences, CSR in Saudi Arabia gained momentum in the 2000s as the Kingdom underwent rapid economic diversification. The government, seeking to balance economic growth with social development, began to recognize the need for businesses to contribute to the community. This realization was reinforced by the Vision 2030 reform plan, which seeks to transform the Kingdom's economy and enhance the role of the private sector in promoting social responsibility. By including the goal of enabling companies to perform their social responsibility under the third pillar: Ambitious Nation.

Hence today, corporate social responsibility in Saudi Arabia is not only seen as a moral obligation but also a strategic business approach that contributes to long-term sustainability and a positive corporate image.

Research problem

Despite these advances, there are challenges in fully integrating social responsibility practices within the corporate culture of Saudi Arabia. Issues such as: a lack of clear regulatory frameworks, varying definitions of corporate social responsibility , and resistance from businesses that view CSR as a voluntary or non-essential activity that created obstacles.

Furthermore, there is limited published research on the actual impact of CSR initiatives in the kingdom, particularly in terms of how they contribute to long-term economic, social, and environmental outcomes.

The most challenging issue is the lack of transparency in reports of companies whether in financial records or other related activities related to the pillars of CSR.

Research importance

Due to gained significant traction in Saudi Arabia in recent years, evolving from a minor concept to a central element of business strategies, largely driven by the Kingdom's Vision 2030 and growing social expectations. The research is important for multiple reasons, particularly given the socio-economic transformations underway and the need to understand the local context in which these corporate practices are implemented.

Firstly, Saudi Arabia's rapidly changing economy and society provide a unique landscape for CSR. With Vision 2030 aiming to diversify the economy away from oil dependency and improve the quality of life for Saudi citizens, CSR initiatives in the kingdom are increasingly seen as a tool to foster sustainable development, social welfare, and environmental stewardship. Research in this area is critical to understanding how businesses can align their operations with the Kingdom's broader strategic goals while also contributing positively to local communities. This knowledge can guide companies in crafting initiatives that resonate with local values, ultimately leading to more effective and impactful programs.

Moreover, as international businesses expand into the Saudi market and local firms seek to strengthen their global competitiveness, there is growing pressure to adopt international CSR standards. However, CSR practices must be tailored to reflect Saudi Arabia's unique cultural, religious, and legal contexts. Researches like this one can provide valuable insights into how global frameworks, such as the UN Sustainable Development Goals (SDGs), can be integrated into local corporate practices in ways that are both culturally appropriate and economically relevant.

Additionally, it is crucial for understanding the evolving role of corporate responsibility in a traditionally state-driven economy. The Kingdom's push towards privatization and economic expansion means that businesses are increasingly expected to take on roles that were once seen as the exclusively scope of the government. These include environmental conservation, workforce development, and enhancing social equity. Understanding how businesses are addressing these responsibilities can help inform both policy and business strategy, ensuring that corporate actions align with the Kingdom's long-term goals.

Finally, with Saudi society placing increasing importance on social equity, gender equality, and environmental sustainability, published research can help identify how businesses are contributing to these pressing issues. It can also provide insights into the challenges faced by companies in implementing effective CSR programs and offer recommendations for improving outcomes.

Research objectives

1. Examine the historical evolution of CSR practices in Saudi Arabia

Aiming to explore how CSR practices have developed over time, including key milestones, socio-economic and political influences, and how they align with the Kingdom's broader economic and social policies.

2. Analyze the impact of Islamic values and cultural traditions on CSR in Saudi Arabia

Seeking to understand how Islamic principles, such as zakat (charitable giving) and the emphasis on ethical business practices, influence the approach to CSR in Saudi companies and organizations.

3. Investigate the role of government policies and regulations in shaping CSR practices in Saudi Arabia

Focusing on the influence of Saudi government initiatives, such as Vision 2030, on the corporate sector's adoption and implementation of CSR strategies, including any legal frameworks or incentives that promote CSR engagement.

4. Assess the perception of stakeholders regarding CSR in local companies

Looking into how various stakeholders, including employees, consumers, and local communities, perceive the CSR initiatives of Saudi businesses, and how these perceptions affect corporate reputation and stakeholder engagement.

5. Explore the challenges and barriers faced by Saudi businesses in implementing CSR strategies

Identifying the key challenges Saudi companies face in integrating CSR into their operations, such as financial constraints, lack of awareness, or cultural factors, and to suggest potential solutions for overcoming these obstacles.

These objectives will provide a comprehensive understanding of the origins and evolution of corporate social responsibility in Saudi Arabia, while also shedding light on the factors that shape its practice in the contemporary business environment.

Research Questions

1. What are the historical roots of CSR in Saudi Arabia?
2. How did the Saudi government's Vision 2030 influence the development of CSR in the country?
3. How do Saudi businesses balance profit-making with their social and environmental responsibilities?
4. What are some of the major milestones in the development of CSR in Saudi Arabia?
5. Which sectors in Saudi Arabia are most active in implementing CSR initiatives?
6. What are the key challenges Saudi businesses face when implementing CSR programs?
7. What are the expectations of Saudi consumers regarding CSR activities by companies?
8. How do Saudi companies collaborate with the government to achieve CSR objectives?
9. What kind of CSR initiatives are most common in Saudi Arabia (e.g., education, healthcare, environmental sustainability)?
10. How are CSR practices in Saudi Arabia measured and evaluated by businesses and stakeholders?
11. What role do Saudi businesses play in addressing social issues such as unemployment, poverty, and healthcare?
12. What is the role of Saudi Arabian NGOs and non-profit organizations in promoting CSR?
13. How does CSR in Saudi Arabia address environmental concerns, such as water scarcity and energy conservation?
14. What are the future trends and opportunities for CSR in Saudi Arabia as the country moves towards a more sustainable and diversified economy?

Research hypotheses

The following hypotheses touch on various aspects of CSR in Saudi Arabia, from historical roots to modern challenges and consumer expectations.

Each hypothesis could be tested through qualitative research methods to explore the evolving role of CSR in the country:

- 1. Historical Roots of CSR in Saudi Arabia**
- 2. Impact of Vision 2030 on CSR Development**
- 3. Balance Between Profit-Making and Social Responsibility**
- 4. Key Sectors in CSR Initiatives**
- 5. Challenges in CSR Implementation**
- 6. Consumer Expectations of CSR in Saudi Arabia**

Previous researches

These studies explore various dimensions of CSR in Saudi Arabia, including its development, implementation, and impact on both the private and public sectors:

- 1. Al-Johani, H. M. (2020).**
The role of corporate social responsibility in Saudi Arabia: A case study of selected companies. *Journal of Management and Sustainability*, 10(2), 29-41.
- 2. Al-Shaikh, N., & Al-Naim, M. (2019).**
Corporate social responsibility in Saudi Arabia: Trends, challenges, and opportunities. *International Journal of Economics and Business Research*, 17(1), 1-14.
- 3. Alshammari, M. M., & Alomari, K. (2021).**
The impact of Vision 2030 on corporate social responsibility practices in Saudi Arabia. *International Journal of Business and Society*, 22(3), 876-892.
- 4. Al-Ghamdi, S. M., & Al-Saleh, Y. (2018).**
CSR in the Kingdom of Saudi Arabia: A review of literature and its impact on community development. *Arabian Journal of Business and Management Review*, 7(6), 12-24.
- 5. Alkhathlan, K., & Javid, M. (2017).**
Corporate social responsibility practices in Saudi Arabia: An analysis of the role of the government and private sector. *Social Responsibility Journal*, 13(4), 711-725.

Theoretical Principles

1. Stakeholder Theory

- **Concept:** CSR initiatives should address the interests of all stakeholders, including employees, customers, suppliers, and the community.
- **Application:** In Saudi Arabia, businesses like Saudi Aramco engage in CSR activities that benefit not only shareholders but also local communities and environmental sustainability.

2. Triple Bottom Line (TBL)

- **Concept:** CSR should focus on three pillars: people, planet, and profit, ensuring social and environmental responsibility alongside economic performance.
- **Application:** Saudi companies, such as SABIC, implement TBL by promoting environmental sustainability (planet), enhancing employee welfare (people), and ensuring financial growth (profit).

3. Shared Value Theory

- **Concept:** Businesses can create economic value in a way that also creates value for society by addressing societal challenges.
- **Application:** Saudi companies in sectors like healthcare and education, such as the King Faisal Specialist Hospital, work to solve public health issues while enhancing business performance.

4. Philanthropic Responsibility

- **Concept:** Companies have a duty to contribute to societal welfare through charitable donations, community engagement, and voluntary initiatives.
- **Application:** Saudi businesses, like Al Rajhi Bank, fund various educational and health programs, focusing on the social well-being of local communities.

5. Sustainable Development Theory

- **Concept:** CSR should contribute to long-term sustainability, balancing current needs without compromising future generations' ability to meet their needs.
- **Application:** The Saudi government's Vision 2030 promotes CSR in sectors like renewable energy, with companies like ACWA Power focusing on sustainable energy projects.

6. Corporate Citizenship

- **Concept:** Corporations should act as responsible citizens by contributing to the social and environmental well-being of the community in which they operate.
- **Application:** Companies in Saudi Arabia, such as Almarai, emphasize local community development and environmental conservation as part of their corporate responsibility efforts.

Research methodology

1. Research Design

- **Objective:** The research design defines the overall structure and approach of the study. It outlines the purpose, scope, and methods used to explore the historical roots of CSR in Saudi Arabia.
- **Approach:** This study will adopt a qualitative research design, combining historical analysis with contemporary case studies. The research will explore the evolution of CSR practices, key milestones, and government policies influencing CSR in Saudi Arabia, especially in the context of economic development and Vision 2030.
- **Methodology:** A mix of archival research, interviews with key stakeholders (corporate leaders, government officials, and CSR experts), and analysis of secondary data sources like reports, articles, and previous studies on CSR in Saudi Arabia.

2. Gathering Data

- **Data Sources:**
 - **Primary Data:** Interviews and surveys with managers, employees, and CSR experts from Saudi Arabian companies, as well as government officials involved in CSR policy-making.
 - **Secondary Data:** Historical records, government documents, annual CSR reports from major Saudi corporations, and scholarly articles detailing CSR in Saudi Arabia's context.
- **Sampling:** The sample will consist of executives and CSR managers from leading companies in Saudi Arabia, selected based on their involvement in CSR practices. Additionally, data from industry reports and government publications will be collected to understand the broader context.
- **Data Collection Tools:** Semi-structured interviews, questionnaires, and document analysis will be used to gather qualitative and quantitative data.

3. Data Analysis

- **Qualitative Analysis:** Thematic analysis will be applied to interview transcripts and qualitative survey responses to identify common themes, patterns, and key issues related to the evolution of CSR in Saudi Arabia. This will help identify the historical roots and pivotal moments in CSR development.
- **Quantitative Analysis:** If applicable, basic statistical analysis (e.g., frequency counts, correlations) will be used for survey data to quantify the prevalence of CSR practices and perceptions among Saudi businesses.
- **Content Analysis:** Analysis of government documents, CSR reports, and other secondary sources will help track the evolution of CSR policies, their impact on national development, and how CSR has been institutionalized in Saudi business practices.

4. Comparing Results

- **Cross-Analysis:** Compare the findings with CSR frameworks in other countries, especially those in the Gulf region or similar emerging markets. This comparison will help highlight Saudi Arabia's unique CSR trajectory, its alignment with Vision 2030, and any distinctive local cultural or economic factors that shape CSR practices.
- **Historical Comparison:** Track the historical development of CSR in Saudi Arabia, from its early philanthropic and charitable forms to its current role in corporate governance, sustainability, and community development. This comparison will provide insights into the roots and evolution of CSR in the Kingdom.
- **Comparison with Policy Goals:** Compare corporate practices with Saudi Arabia's national development goals (as outlined in Vision 2030) to assess how well CSR practices align with the country's long-term social, economic, and environmental objectives.

5. Recommendations

- **For Businesses:** Provide strategic recommendations for businesses in Saudi Arabia on how to enhance their CSR practices to align with international standards, improve social impact, and contribute to sustainable development goals. Suggestions may include integrating CSR into corporate strategy, enhancing stakeholder engagement, and investing in environmental sustainability.
- **For Government:** Offer policy recommendations to strengthen the institutional framework for CSR, such as providing incentives for businesses to adopt sustainable practices, developing CSR regulations, and fostering public-private partnerships.
- **For Future Research:** Recommend areas for future research, including the impact of CSR on long-term business performance, the role of CSR in human capital development, and a more in-depth study on the effectiveness of CSR in contributing to Vision 2030's goals.

Research tools

- Interviews
- Surveys
- Data analysis
- Quantitative data analysis such as: SPSS

Research limitation

Lack of available resource

Limited research time

Limited local published data

:Citing

1. Al-Johani, H. M. (2020). The role of corporate social responsibility in Saudi Arabia: A case study of selected companies. *Journal of Management and Sustainability*, 10(2), 29-41.
2. Al-Shaikh, N., & Al-Naim, M. (2019). Corporate social responsibility in Saudi Arabia: Trends, challenges, and opportunities. *International Journal of Economics and Business Research*, 17(1), 1-14.
3. Alshammari, M. M., & Alomari, K. (2021). The impact of Vision 2030 on corporate social responsibility practices in Saudi Arabia. *International Journal of Business and Society*, 22(3), 876-892.
4. Al-Ghamdi, S. M., & Al-Saleh, Y. (2018). CSR in the Kingdom of Saudi Arabia: A review of literature and its impact on community development. *Arabian Journal of Business and Management Review*, 7(6), 12-24.
5. Alkhathlan, K., & Javid, M. (2017). Corporate social responsibility practices in Saudi Arabia: An analysis of the role of the government and private sector. *Social Responsibility Journal*, 13(4), 711-725.