

CSR AND STAKEHOLDER ENGAGEMENT: PERSPECTIVES FROM THE UNITED ARAB EMIRATES

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Abstract

The purpose of this study is to explore Corporate Social Responsibility and the relationship between corporations and stakeholders from various industries in the United Arab Emirates. Ethical stakeholder engagement entails a consistent, two-way dialogue where an organization understands stakeholders' needs and wants. This understanding sets the foundation of a strong relationship between the companies and different audiences such as: NGOs, community, employees, influencers, investors or international groups. In order to distinguish the nature of this relationship and how stakeholder engagement is constructed, eight in-depth face-to-face interviews with CSR managers were conducted. The participants were from the United Arab Emirates (Dubai and Abu Dhabi), from different sectors (law, real estate, logistics, banking, tourism, environment, etc.) and held different titles from "Global Corporate Responsibility" to "Head of Sustainability". Findings indicate that CSR managers are practising CSR with an emphasis on mutual engagement with their stakeholders, in particular the government, NGOs, and their employees.

Keywords : CSR, stakeholder, engagement, UEA

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Background

The concept of Corporate Social Responsibility (CSR) continues to evolve worldwide in the academic world as well as in the professional realm. Recently, the term CSR is not always the preferred label as organizations adopt terms such as “sustainability” and “corporate responsibility.” Regardless of the terminology used for this corporate activity, stakeholder engagement is perceived as an important aspect of a company’s corporate social responsibility. However, there are many perspectives with regards to stakeholder engagement. Researchers mainly agree that CSR has to engage various stakeholders but some researchers argue that CSR has to move away from one-way communication to stakeholder engagement, more like a dialogue.

As stakeholder engagement is contextual and companies operate within a cultural socio-economic and legal context, this research focuses on CSR in the United Arab Emirates (UAE), a rich Gulf country in Southwest Asia. The paper addresses the unique CSR issues of the Middle East, but in particular the UAE, by describing existing CSR practices of stakeholder engagement. Stakeholders typically include: stockholders, employees, suppliers, customers, government, competitors, community, activists and others (Donaldson & Preston, 1995). These stakeholders vary based on certain industry or countries. In particular, stakeholder engagement in the UAE should reflect some of the cultural, economical, political, and environmental issues that are unique to this country.

The literature review is organized as follows. First, corporate social responsibility and its relationship to stakeholder engagement is reviewed. Then, the paper reviews the few research articles and report outlining how CSR functions within the UAE context.

Literature Review

As there is no universally accepted definition of CSR, this paper will adopt Carroll and Buchholtz (2006) four-part definition of corporate social responsibility, “The social responsibility of business encompasses the economic, legal, ethical, and discretionary (philanthropic) expectations that society has of organizations at a given point in time (2006, p. 35).”

As a business concept, CSR emphasized the importance of shareholders but then changed the focus from shareholders to stakeholders (Donaldson & Preston 1995). More recently with the financial crisis, companies have to incorporate the different perspectives and concerns from various stakeholders instead of focusing only on the economic value of the company. Economic benefits are not enough as CSR seeks to increase the social value of an organization while having a minimal impact (Retolaza, Ruiz, San-Jose 2009).

Donaldson & Preston’s (1995) Stakeholder Theory officially shifted the focus from shareholders to stakeholders in CSR. However, this business approach views stakeholders as external parties, meaning they need to be managed by the companies. More recent researchers argue that stakeholders should not be managed but engaged like in a dialogue (Reynolds & Yuthas, 2007).

Stakeholder Engagement

Stakeholder engagement has become a hot topic of discussion as it relates to Corporate Social Responsibility. Greenwood (2007) defines stakeholder engagement as “practices that the organisation undertakes to involve stakeholders in a positive manner in organizational activities.” (p. 318). This definition is relatively broad and does not address how and in what type of practices the organizations engage.

Ethical stakeholder engagement should go beyond risk management, where a particular event might destroy the organisation, its reputation or the networks of relationships it has with stakeholders. Instead, stakeholder engagement should be seen as consistent, two-way dialogue where understanding stakeholders' needs and wants set the foundation of a strong relationship between the companies and different audience.

There are various ways by which CSR can engage stakeholders, although it is mainly done through CSR reporting. Sloan (2009) suggests a few ways of identifying ways to engage stakeholders, such as policy commitments, engagement activities, and performance outcomes. Organizations need to move away from one-way communication such as CSR reporting, and focus more on different ways to engage. Researchers call for more dialogue with stakeholders (Burchell & Cook, 2008; Reynolds & Yuthas, 2007).). McNamee & Gergen (1999) argue that by engaging in dialogue, ethical obligations and responsibilities between companies and stakeholders are being co-constructed.

Burchell & Cook (2008) propose a model of creating effective dialogue, especially looking at dialogue between NGO and companies. Using data from a three-year research project, they propose the following guidelines on how to create dialogue:

1. Selective engagement: NGOs want to engage in dialog with companies who are genuine and not greenwashing or just doing good. These companies' CSR policies need to be aligned with their business goals. They need to believe that engaging in dialog will result in social change.

2. Creating new forms of interactions: NGO and companies need to go into dialogue with open minds which is not easy and not always the case.

3. Placing dialog in a broader context: NGO and companies need to understand and/or agree to see if entering into a dialog affects other activities each are engaged in.

4. Sharing information and asymmetrical

learning: be careful with imbalances. Information sharing is important and should not be one sided.

5. Managing and identifying expectations: Manage all expectations of outcomes, don't shoot too high.

These guidelines would benefit, both companies and NGOs and could determine the type of relationship developed by these two entities.

CSR in the UAE

There are very few empirical studies on the practice of CSR in the Middle East, the Gulf Region and the UAE. Although CSR is present in the Middle East it is not widespread and its application is certainly varied. As stated previously, stakeholder engagement is contextual as companies operate within a specific cultural context. As this research takes place in an Arabic context, stakeholder engagement in the Middle East cannot be the same as in the West where most of the research on CSR comes from.

In the UAE, stakeholder engagement is adapted to the political, economical and cultural environment. For example, certain stakeholders are not allowed in many Arab states such as collective bargaining, trade unions and lobbyists (Ararat, 2006). Similarly, NGO and charities in the UAE are not clearly defined and do not have an official legal status. For example, Red Crescent Society (Islamic version of Red Cross) is a state run organization. Other private charities are run by member of the ruling families which makes it hard to draw the line of what is a Non-Governmental Organization (Selvik, 2013).

Traditionally, CSR is primarily considered external to business and about philanthropy in the Arab world and the UAE in particular. Research done in the UAE to date highlights a mixture of Islamic and capitalist practices (Ronnegard, 2011; Selvik, 2013). CSR is strongly influenced by the Islamic religion. Ronnegard (2011) notes that companies in

the UAE started to engage in CSR activities primarily through corporate philanthropy by making donations to local charities. Philanthropy is a major part of the religion so often CSR is perceived as the same as philanthropy (Katsioloudes & Brodtkorb, 2007). Managers often regard the modern concept of CSR to be a corporate form of Zakat, the charitable percentage of wealth that Muslims are expected to give. As a result there is little strategic alignment between their philanthropy projects and business objectives. A 2009 survey done by the Dubai Chamber of Commerce revealed that only 17% of the 334 organizations indicated that CSR was central to their business strategy (Rettab, Ben Brik, Mellahi, 2009). Companies don't do CSR to enhance stakeholder goodwill or to legitimize their existence but rather due to religious pressure.

Also as a result of the Islamic perspective is that CSR reporting is not widespread either due to not "bragging" as it is not well perceived to promote or discuss donations, seen as vulgar as society see that one is obligated to donate and you don't want to be seen as self gain. In fact, a survey done in 2007 revealed that 62% of UAE companies do not report publicly on its CSR activities and performance (Katsioloudes & Brodtkorb, 2007).

Although, the UAE is an Islamic country, multi-nationalism and a Western presence through multinational corporations are prevalent. As in other parts of the world, through globalization pressure, CSR was introduced by multinationals or lead by multinationals. These international companies challenged the way business was done. In the UAE, traditionally, the government takes care of society; or in the case of the UAE, the ruling family. However, with more companies engaging in CSR, there is a redistribution of responsibilities between private and public organizations (Sevik, 2013). Recently, state-dominated companies (private companies owned by members of the UAE ruling families) along with multinationals are leading CSR initiatives.

There are challenges as international companies that have their own CSR policies have to adapt to the UAE's lack of policy approach to CSR. In the 2009 Dubai Chamber of Commerce survey, over 90% of the 334 organizations revealed that they had not adopted CSR policies and practices (Rettab, Ben Brik, Mellahi, 2009). Katsioloudes & Brodtkorb (2007) also found that UAE companies do not know where to begin formulating CSR policies and practices that would satisfy international standards.

Methods

Sample

The primary method of data collection is a qualitative approach using face-to-face personal interviews. In order to distinguish the nature of this relationship and how stakeholder engagement is constructed, in-depth interviews with CSR managers were conducted. The purposive sample was comprised of CSR managers from various industries. Sampling aimed to identify individuals who have a leading role in CSR in their organization. Recruitment was effected first through personal contacts and supplemented by referrals from the participants. The researcher contacted several CSR managers from Dubai and Abu Dhabi, in industries such as tourism, banking, real estate, law, logistics, and government. Of the 8 participants, all were holding senior positions in their organization.

Data collection

Interviews took place in the work environment of participants, in either their office or a meeting room and lasted about one hour. A semi-structured interview technique was used. Interviews allowed for a wide range of topics to be introduced by participants, with an emphasis on stories about their lived experiences of working in a corporate environment and being 'in charge' of CSR. The

interviews explored a number of broad themes: general information about the participant, information about their job, potential interests, claims, motivation and issues of interest to their organization, and stakeholder engagement.

Ethical procedures were followed in gaining consent for data collection and use and in the storage of data. All interviews were conducted in English, recorded, and transcribed. Each interview was analyzed separately using a hermeneutic approach where themes were identified and checked across the whole interview for confirmation. This ideographic analysis was then used to establish the themes.

Findings

Who are the CSR managers?

While this project is about Corporate Social Responsibility, most participants do not talk about CSR or hold CSR in their titles. In fact, most titles remove "social" or uses "sustainability". Here are some examples of the participants positions' titles:

Regional & UAE head of Corporate Sustainability – Bank

Senior Manager - Corporate Sustainability - Bank

Head of Sustainability – Retail

Director, Global Corporate Responsibility – Logistics

Community Engagement Manager – Legal

In fact, only one person was called a CSR Manager and she was from a government organization. Even during the interviews, participants avoided using the term CSR but preferred "sustainability" or "corporate responsibility." One participant was very adamant about not being part of CSR. In fact, making the change from CSR to CR was the first decision she made when she started in her position.

Take the S out of it and then call it Corporate Responsibility, take the emphasis away from being social and focus more on making it part of the business and make sure the business is run in a sustainable way.

This has been the biggest challenge and continues to being the biggest challenge – Logistics

These CSR managers come from a variety of educational background, from Engineering to Business and Administration. However, passion and personal commitment to sustainability are all part of these participants.

I feel lucky to be working in this field. I can't imagine doing anything else. It took me a long time. It wasn't around when I was younger but this is what I meant to be doing. It spreads into my life – Bank

I knew I wanted to do this as a kid. In 5th grade, I even sold my bike to go work for Greenpeace – Retail

Certain qualities typically associated with CSR were also used to describe themselves, such as honest, transparent, and accountable.

UAE Culture and CSR

Although CSR is a global phenomenon, it is implemented with local flavor. Participants are either individuals who have brought their experience from abroad or individuals who were sent abroad to bring back their knowledge to the UAE.

I knew that (the bank) was doing a great job worldwide with CSR and I wanted to bring their best practices to the UAE. I studied the global standards, global mechanism, global guidelines and principles. I learned from colleagues from South America and Europe. I wanted to bring communication tools. However I struggle to transfer that to the local organizations and Emiratis. I feel that the locals should go back and forth between local and multinationals to transfer the knowledge, to update your information. - Bank

Similar to what the literature indicated, CSR in the UAE is strongly influenced by multinationals. As the participant notes, transferring the knowledge back to the UAE can be rather difficult as people or organizations resist. Some organizations and/or individuals are not ready to adopt different ideas.

I started to understand what CSR was so my organization paid for me to go to the Cambridge

Institute for Sustainability Leadership. But (the Bank) was not ready for it. They paid for it but weren't ready to implement it - Bank

As mentioned in the literature review, there are certain unique cultural elements that make CSR unique in the UAE, such as Zakat and the lack of NGOs. In all the interviews, Zaqa or philanthropy was mentioned indicating that it is still widely present in the UAE. However, participants are aware that it is not how they would like to implement CSR in their organization.

We've been struggling to explain what is CSR because they mainly think of charity, so it's been a struggle at the beginning... it's going to take a while for people to understand what CSR is. The main reason is that the higher management needs to be aware of that. They need to give us direction. We finally reached the stage where higher management is very aware and they created a video to introduce CSR to the entity - Government

They were giving checks to special needs school. But what is strategic about that - Bank

Another influence from the Islamic culture of the UAE is how CSR is communicated. One cannot be perceived as bragging. It is not culturally acceptable to brag.

We make it very clear that we separate CSR and marketing. We are separate. We want to be recognized but we don't want to serve them. We don't want marketing mileage. There is a backlash globally with green washing. We would rather have others talk about us than us talking about ourselves.

In the legal context, as stated in the literature review, NGOs do not really have a legal status in the UAE. As of 2014, there is no legislation regulating or recognizing NGOs.

The government in the US is not as paternalistic as it is here and they don't have the same patronage. The government here takes care of everything so why do you need NGOs? That's the mentality. Everything is taken care of: health, education, why would you need an NGO. That's why

NGO exists, because there are gaps in the services that the government is able to provide. So the concept is still coming up in the UAE - Legal

It was easier for respondents to talk about NGOs that exist abroad or international NGOs that have local representation. Some respondents indicated doubt about working with local NGOs, either because of lack of trust or being too much about publicity. Organizations tend to be aware of the risks associated sometimes with certain stakeholders or with certain CSR projects. One participant admitted to avoid working with Human Rights Watch as it has antagonized the UAE government.

There's always risk and there are projects we can't take on because it may antagonize our clients or governments and we are guest in the country in which we operate. We have to respect them. I call them political risks. There are precarious bonds that we have to consider - Legal

I don't want to get involved with an NGO that is government. In the Middle East, lines are blurred. If an NGO is headed by a royal family member, (the bank) stays away from it. Some companies love it. It's a way for them to get publicity - Bank

CSR and Stakeholders

The CSR projects mentioned through the interviews are those who create value and those who are supported by the government. However, CSR projects tend to be rooted in stakeholder engagement.

We have a global strategy. Our local people do stakeholder engagement to find out what is material to our people and what is material to our community. Through good stakeholder engagement and mapping and to understand what is important to our business. Projects come through good stakeholder engagement. Logistics

In the UAE, the government is one of the most important stakeholders. Many projects emanate from the government's priorities.

Also our partnership with government. For example, we work with the Ministry of Transport. Because of that I was able to test out the car sharing program, Park and Ride, shuttle buses, etc. Some work, some don't; but we still go with it because it's government. It's a government initiative and it helps employees so it's part of our responsibility - Bank

For example, one area that is important in the Middle East and the UAE in particular is youth development, and youth employment. The government has created a specific employment program called Emiratisation. Creating employment opportunities is a critical priority for the UAE government but also one of the main challenges.

We focus on female law students. The entire aim of this project is to improve these Arab law students' skills so they are more employable by international law firms who expect high level of work ethics, of language fluency, etc. and I've seen the results as we just hired 2 law students. And these are 2 students who went through one of our volunteering project. That's impact. We did something - Legal

Now we are looking at SME. We have commercial banking but there is mass unemployment in the region. Many Emiratis want to work in government. However the Government wants Emiratis to join the private sector. We see SME as a priority because countries thrive with SME - Bank

For some, public-private Partnerships are also important as most Emiratis work for the government and refuse to enter the private sector. Overall, participants were adamant at obtaining strong governmental buy-in to the concepts of CSR. Government understands that CSR can positively contribute to their society.

Stakeholder Engagement

Engagement with stakeholders is reflected by participation in multi-stakeholder initiatives, collecting information about stakeholders,

consultation and dialogue with them. Organizations tend to communicate with stakeholders through direct and indirect communication, such as one-on-one meetings, newsletters, through conferences, through PR and media and on social media.

In order to mitigate risks, many companies work with stakeholders. There are always risks, at different level, and different levels of influence between the company and the stakeholder. Companies have to try to manage the stakeholder and what is material to each of them.

Risks are enormous especially regulatory risks with NGOs. Laundering money is done through NGOs. So we need to be aware of it and take steps to avoid this. Another risk is that the NGO is not efficient. They lose track or lose the money. We need to hold them accountable and give money a little at a time. Also when something goes wrong. For example, with SOS Village, in one of the villages there was an accusation of molestation. And that is one you're involved. So how responsible are you when you support an NGO - Retail

Risk management is part of the strategy. If we didn't respond to the risk we wouldn't be here today - Bank

There is an understanding that organizations need to behave ethically, whether the company itself or its stakeholders. Companies need to understand what stakeholders want and what their expectations are so they know that if they financed a project that goes against the stakeholders. Vice versa, it's also important for companies to establish a relationship with stakeholders so they can adapt their strategy to the feedback they receive. We cannot support a customer that is involved in deforestation or destroys wetland. We won't fund utilities that can contribute to climate change. We have a lot of money. Our parameters are capable of making changes can make certain changes - Bank NGOs are suspicious of multinationals. They watch them and they

hold them accountable. They've caught (the bank) a couple of time. They pointed out to us where we dropped the ball. Occasionally we need NGOs to tell that to (the bank)... We know if we do something wrong, we'll be caught.

The best way to establish an ethical relationship between stakeholders is through that two-way dialogue. However, only one participant described an attempt at creating dialogue by hosting stakeholder engagement sessions.

Some of our stakeholders don't understand what sustainability means. We have to be honest about that. And there are stakeholders with whom you work a lot to improved things. But we don't have anything structured. Its informal So we are trying to create a proper way of doing it and managing it so it becomes effective and we get the best out of it. We can actually use what they tell us not only to perform better in terms of sustainability but we can pass on to the rest of (the bank) so we can tell them that these things are important and how we can be mindful of that because we are on the steep trajectory of expanding

Conclusion

This exploratory study determined that CSR and stakeholder engagement is at its infancy in the UAE. There are difference in terms of how companies implement CSR and but they are all thriving to make it more sustainable and an integral part of their organization. There is an international influence that have led managers to see CSR not as a communication function but part of strategic planning.

In the UAE, the main stakeholder is government as obviously it dictates regulations. With more regulation, companies tend to think of sustainability more. The issue of environment is becoming more important as some regulations are introduced, such as "green building." As the government is looking to bring in regulations on the environment, companies are becoming more aware of environmental issues. As the government starts other regulations in areas such as workplace and marketplace, companies will start focusing on these soon.

Similarly, in companies, the drive for CSR comes from the leaders who want to position their organization in a particular way. In general, company leadership is driving the change in the UAE rather than customers, employees or the community.

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