Exploring the Factors that Determine a Corporate Socially Responsible (CSR) Bank in Saudi Arabian (SA) Banking Context

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Conceptual Domain
This study will explore the factors that determine CSR bank within the Saudi Arabian (SA) context from different group of stakeholders’ perceptive by utilizing Freeman (1984) “Management Stakeholders’ Framework”. It will also take into consideration the idea of “first, do no harm and then, do some good”. Finding out these factors will add clarity to the exiting literature review, provide better understanding of the CSR concept within SA banking industry and will increase the CSR engagement of SA local banks.

Methodological Domain
This study consists of four phases of data collection. First phase: reviewing the literature to identify and evaluate Western theories and practices of CSR. Second phase: utilizing secondary data by analysing published reports and current CSR activities in the Saudi market that produced by local banks. Third Phase: will involve semi structured interviews with CSR activities managers in the local banks of Saudi Arabia. Fourth Phase: conducting a survey of the stakeholders (investors, borrowers, and employees) of these banks.

The Substantive Domain
This study will explore the corporate banking CSR activities in the Saudi Arabian context. It will shed the lights on the ethical financing and responsible investment. Banking in general is one of the cleanest industries when it comes to their direct operations (RARE, 2006: 17; Jeukken et al., 1999). However, banks are still aware of the negative social and environmental impact they may have if they finance corporations with a negative impact on society and the environment.
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1. Introduction

Although there is no worldwide standard definition for CSR, it generally covers the aspects of 3Ps (People, Planet and Profit) which is also called the Triple Bottom Line (TBL or 3BL). The Confederation of British Industry noted that “CSR is highly subjective and therefore does not allow for a universally applicable definition” (CBI, 2001 in Jones et al., 2007: 583). Recent studies highlighted three main reasons for the lack of one standard definition shaping CSR worldwide. Firstly, the concept is not yet mature so there are ongoing debates with new ideas and initiatives added to the CSR’s notion (Godfrey et al., 2007; Kakabadse et al., 2007). Secondly, different industries and businesses require different forms of CSR, so CSR is tailored to the industry along with the organizational strategy (Rowley et al., 2000). Lastly, rapid changes in consumer expectations and cultural differences of understanding the concept of CSR generate lots of criticism among scholars (Nijhof et al., 2006). “Clearly, a firm's social responsibility strategy, if genuinely and carefully conceived, should be unique, despite the sameness of the growing number of corporate reports on CSR. As well as a fit with industry characteristics, it should reflect the individual company's mission and values and thus be different from the CSR strategy of even its closest competitors”(Smith, 2003:67). “Corporate Social Responsibility requires companies to acknowledge that they should be publicly accountable not only for their financial performance but also for their social and environmental record” (Confederation of British Industry, 2001 in Saleem, 2009:32)

2. Aims & Objectives

This study seeks to identify the range of factors that determine when a Saudi Arabian (SA) bank can be defined as a CSR bank. The stance of the study is that CSR has to be judged from a range of stakeholders and thus it will build on the “Management Stakeholders’ Framework” designed by Freeman (1984) and then developed by Clarkson (1995). The first aim of this study is to identify and understand the range of factors that defines CSR within retail banking and how these shape stakeholders’ perceptions. This aim helps the research to ground a practical understanding of the CSR perception in the Saudi banking context in order to achieve the second aim of this study. The second aim is to measure SA retail bank CSR engagement to judge the depth of commitment according to the local understanding of CSR. This aim helps the researcher to evaluate the current CSR level of embeddedness within the retail banking industry in order to find the gaps between the local understanding and the current CSR level. The third aim is to identify drivers, barriers and opportunities that face banks for deeper CSR engagement.

The need for this study becomes vital as societies are expecting much from financial institutions, especially banks, because of their key role in the economy and their profitability, especially in tax-free economies such as Saudi Arabia. This became clearer after the financial crisis in 2008. Banks are blamed for their irresponsible practices that complicated the problem (Karnani, 2009). With the dramatic increase in the use of social media, banks’ irresponsible practices have been shared. This increases the awareness of consumers, supports activists’ positions, and forces governments to regulate new rules that control negative behaviours. This factor promotes the need for better understanding of CSR within a specific business, culture and environment.

Factors supporting the need for this study are as follows:

1. CSR and banking industry are extensively researched subjects; however they are not often viewed in the same context, especially in the emerging markets and developing countries (Abrol, 2002).
2. It is notable that there is no worldwide standard definition of CSR because of the
nature of CSR concept, in addition to the ongoing development of concept. This emphasises the need to better understand the contextual factors that shape the CSR organization (Rahman, 2011).

3. Different industries and businesses require different forms of CSR. So, CSR should be tailored to the industry along with the organization strategy (Rowley et al., 2000). The same applies to cultural values. The values that might determine the characteristics of CSR bank in the West may differ from those that determine a CSR bank in the East (Nijhof, 2006).

By reviewing previous academic work in the field, a number of knowledge gaps can be defined. First, it is notable that there is no universal definition of CSR nor its components, which leads to different understandings of the factors that shape the CSR organization. Second, the majority of CSR studies have addressed the CSR notion without considering industry and cultural difference specifications. According to Rowley et al (2000), different industries have their own business characteristics that impact on how a CSR organization might be perceived. Third, recent researchers consider CSR from a single stakeholder point of view, however, in order to better understanding the CSR organization it needs to be studied from 360 degrees (Wang, 2008). Finally, literature fails to define the ideas of social good and social harm or make it clear which stakeholders are responsible for determining this (Du Jardin et al., 2005).

To address these gaps, this study would take into consideration the characteristics of the banking industry as well as the cultural values of the Saudi Citizens. The CSR concept will be discussed from a multi-dimensional point of view by applying the management stakeholders’ framework (Clarkson, 1995) to better understand the subject. According to Chandler, the stakeholders of a bank include; stockholders, employees, consumers (borrower, depositors and investors), creditors, banks and financial institutions (competitors), and social and environmental committees (Chandler, 2001).

3. Research Objectives
In the light of the above, the main objectives of this thesis are as listed:

- **Objective 1:** To review extant CSR literature to identify level of fit between Western drivers CSR derivers and their conceptual application to SA FSI.
- **Objective 2:** To build and evaluate a framework to measure the extent to which SA FIS have embedded CSR within their business activities in order to find the gaps between the local understanding and the current CSR level.
- **Objective 3:** To promote a better understanding of how CSR orientation can be strengthened by distinguishing how different stakeholders view CSR according to the local understanding of CSR.

### 4. Significance of Research

This study will contribute to advance the academic knowledge, practices and research methodology fields. In the academic field, it will add clarity to CSR literature knowledge by determining the factors that shape CSR organizations while taking into consideration the local context of Saudi Arabia as well as the financial context. It will contribute to knowledge by identifying the drivers, barriers, and opportunities that affect understanding of CSR. Previous researches have not addressed this issue within a developing country context such as Saudi Arabia.

This study will contribute to business practices by allowing local banks in Saudi Arabia to gain better understanding of the factors that determine CSR for banks. It will help...
banks to better understand how these factors can be operationalized.

In the research methodology field, this research will utilize a mixed method approach to gain deeper and more comprehensive views of the phenomenon under investigation. The majority of previous researches have applied a quantitative research approach.

5. Research Questions
The critical research questions that need to be addressed in this study are as follows:

- Q1: What is a SA CSR Banks?
- Q2: What are the main drivers (variables) that affect the understanding of a CSR bank in the Saudi context?
- Q3: What group of stakeholders are responsible to determine CSR oriented actions?
- Q4: How can banks become more CSR oriented from stakeholders’ perceptive?

6. Stakeholder's Theory

“The notion of CSR practices has been tackled mainly by two streams of research, the social performance model (Wood, 1991) and the Management Stakeholders’ Framework (MSF)” (Clarkson, 1995; Donaldson et al., 1995 in Wang, 2008). Recently MSF has become the main focus to research CSR in certain industries (Jamali, 2008). According to the Business and Biodiversity Resource Centre (BBRC), this shift was a result of the following aspects:

- The Stakeholder approach provides a “multi-directional flow of information” for organizations which facilitate the generation of cross-feedback from vertical, horizontal and diagonal directions.
- It develops trust and credibility between organizations and their customers as it is compliant with a 360 degree panoramic view of the surrounding bodies.
- It helps corporations to understand and design its strategies by providing detailed information of future trends and market expectation from a variety of relevant participants.
- Recent research shows that the stakeholder model has a direct impact on earnings, expense reduction, brand image, employee satisfaction and customer loyalty. “The stakeholder approach makes commercial sense allowing the firm to maximize shareholder wealth, while also increasing the total value added” (Hawkins, 2006; Phillips et al., 2003; Wallace, 2003; Jamali, 2008).
- The Stakeholder approach leads to corporate citizenship and the development of partnerships which help corporations to compete in new markets, develop competitive advantages and key competencies, retain and attract qualified employees, enhance brand loyalty/image and empower the organizations’ reputation.
- The Engagement of stakeholders and their interest in decision-making models increases the interaction and involvement with the corporation, which has a direct impact on customers’ loyalty (The Business and Biodiversity Resource Centre, 2011).
7. Methodology

This study will conduct four phases of data collection and will be utilizing mixed methods techniques.

- **Phase I:** Reviewing the literature
- **Phase II:** Analysing the Secondary Data
- **Phase III:** Interviewing CSR Activities Managers
- **Phase IV:** Conducting a Survey (stakeholders)

To maximize the outcomes of this research, the researcher has chosen to adopt a mixed method approach to avoid the weaknesses of a single approach. It is designed to take place into the below four phases.

- **Phase one,** literature review to identify theories and concepts that can be used to define CSR activities. This phase is designed to achieve the first objective which is to conceptually evaluate the CSR concept within a SA banking context.
- **Phase two,** utilizing secondary data by analysing published reports and current CSR activities in the Saudi Market that produced by local banks. This phase is designed to achieve the second objective, which is from better understanding of CSR concept within SA banking sector, evaluate to which extend CSR is embedded in the SA banking Sector and to find out convergence and divergence points between Western and Saudi Arabian CSR understanding.
- **Phase three** will involve semi structured interviews with CSR activities managers in the 12 local banks of Saudi Arabia. This phase is designed to achieve the second and third objectives, which are From better understanding of CSR concept within SA banking sector, evaluate to which extend CSR is embedded in the SA banking Sector, to utilize the idea of “Do No Harm” and “Do Some Good” as an external measurement of SA CSC bank., respectively.
- **Phase four** will consist of a survey of the stakeholders (investors, borrowers, depositors and employees) of these banks. This phase is designed to achieve the third and fourth objectives, to utilize the idea of “Do No Harm” and “Do Some Good” as an external measurement of SA CSC bank, and to increase CSR engagement by finding out how to strengthen CSR orientation from different groups of stakeholders’ perspectives.
Bibliography


