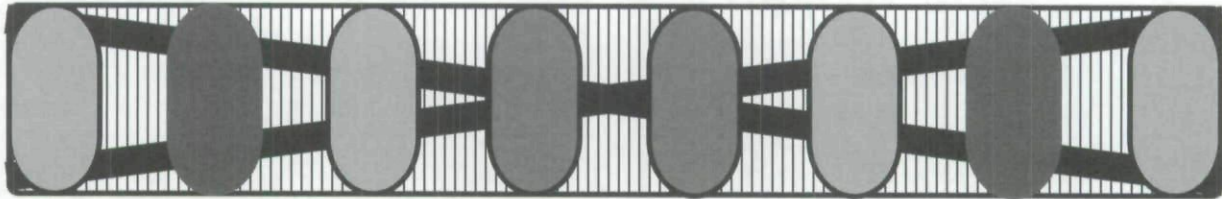


Corporate Social Responsibility: An Exploratory Study in the United Arab Emirates

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Introduction

In a region that makes headlines for wars and political turmoil, the United Arab Emirates (UAE) is an oasis of political and economic stability rarely found in the Middle East. This stability, among other factors, has allowed the UAE to carve a place among the world's most significant business centers, with impressive multinational corporations such as DHL, Shell, Intel, and many others establishing their offices in the country. If current trends continue, these multinational corporations will be followed by many more. With both global and local firms operating side by side in a rapidly expanding economy, one of the most important business issues in the UAE in recent years is corporate social responsibility (CSR) and its role, present and future, in the country's business environment.

This paper looks at CSR in the UAE, an Islamic country where multiculturalism and a Western presence through multinational corporations (MNCs) are prevalent. The literature on CSR, though vast, is still extremely limited in the Middle East, especially in the UAE. Therefore, this paper attempts to shed more light on this important subject, examining the UAE enterprises' self-reported performance in three key areas of CSR: environment, community affairs, and consumer protection. Performance in these areas varies, and within them the performance of different industry sectors also varies. We consider the current and possible role of Islam in the development of CSR in the UAE, finding that in medium-to-large enterprises operating outside the Free Zones, there is an awareness that something called "corporate social responsibility" is important, both to

society and to the financial success of businesses, but also that many enterprises are unaware of what CSR requires of them and how to align CSR initiatives with their business goals.

Literature Review

Despite 70 years of vociferous academic debate regarding the concept of corporate social responsibility, there is no universally accepted definition of the term (Votaw, 1973; Whitehouse, 2003). Meanwhile, many large companies appear to have found common ground upon which they have constructed elaborate CSR policies and practices. As Hester notes, while, "... there has been no general agreement as to the meaning of corporate social responsibility or how it should be implemented ... businessmen enthusiastically have adopted the concept ..." (1973). The increased prevalence of CSR as a feature of corporate policy and practice during the last decade is evident by a review of the literature of some of the largest companies in Europe, the U.S., and the rest of the world.

A few paragraphs within an annual report dealing with the nonfinancial aspects of the business have been replaced by glossy reports and a high profile presence on corporate Web sites of CSR issues. The popularity of CSR among European firms reflects to some extent the approach adopted by large companies within the U.S. where CSR has been a feature of corporate practice since the 1960s. As Esrock and Leichty's analysis of a random sample of Fortune 500 companies revealed, "90% had Web pages and 82% of the sites addressed at least one corporate social responsibility issue" (1998).

The literature available regarding the concept of CSR is substantial (Andriof and McIntosh,

2001; Carroll, 1991, 2001; Davis, 1960; Friedman, 1962; McIntosh et al., 2003; Sethi, 1970), but it is not the aim of this paper to review current thinking about the concept; that task has been undertaken by other writers (Garriga and Mele, 2004). To date, the existing literature has tended to focus on perceptions of CSR in relation to three groups, namely, consumers (Drumwright, 1994; Mohr et al., 2001), investors (Hockerts and Moir, 2004), and managers (Das, 2005; Hemingway and MacLagan, 2004), located usually within the U.S. A survey undertaken by Mohr et al. (2001), for example, involving 48 in-depth interviews with U.S. consumers, coupled with the use of secondary data sources (Brown and Dacin, 1997; Creyer and Ross, 1996; Holmes and Kilbane, 1993), found that consumers desire more accurate information about the CSR activities of firms, "Many respondents reported that it is difficult to use CSR in their buying decisions because they do not have enough information on what companies are doing, and they would have to work too hard to get it" (Mohr et al., 2001). Unsurprisingly, they conclude by suggesting that companies should offer more information to consumers on CSR policies and that public policy-makers should seek to educate consumers on this issue (Mohr et al., 2001). The increase in corporate reporting on CSR by firms in both the U.K. and the U.S., alluded to above, may indicate that action has been taken in response to the findings of such research. The question remains, however, as to whether that information is sufficient in terms of quantity and quality to allow consumers to make an informed choice in their purchasing decisions.

The basic belief that "... organizations are accountable to a larger society" (Kerin et al., 2003) has evolved into debate about the accountability of corporations to a myriad of special-interest stakeholders. Much of the discussion is centered on whether CSR should take priority over a company's obligation to make money for its stockholders, or vice versa (Bakan and Burke, 2005). For example Mintzberg et al. (2002) suggest that

"In the past 15 years, we in North America have experienced a glorification of self-interest perhaps unequalled since the 1930s. It is as if, in denying much of the social progress made since then, we have reverted to an earlier and darker age. Greed has been raised to some sort of high calling; corpora-

tions have been urged to ignore broader social responsibilities in favor of narrow shareholder value . . ."

The quote illustrates the importance of a firm's perceived social responsibility in recent decades. Views on social responsibility run the gamut from a purely stockholder perspective, such as that advocated by Friedman (1962), where the sole focus is on a firm's responsibility to its equity holders, to a perspective that suggests that firms have an obligation to balance the interests of all stakeholders (Polonsky, 1995; Post et al., 2002; Mintzberg et al., 2002). Munilla and Miles (2005) propose that a corporation's commitment may follow a social responsibility continuum that ranges from a compliance perspective (corporations meet legal and ethical requirements but do not expend stockholder monies for noneconomic priorities), to a strategic perspective (corporations change their business models to include CSR strategies that create economic returns for stockholders), to a forced perspective (corporations are pressured by various entities to go beyond compliance or strategic interests and expend resources that may not, in the long term, be in the best interest of the stockholders).

But wherever companies fall on the CSR spectrum, most would agree that a concerted effort must be made to align strategies to take full advantage of CSR business opportunities while also including stakeholders in the strategy-making process. After all, a firm that is perfectly socially responsible, but consistently loses money, will cease to be socially responsible when it ceases to exist due to financial pressures.

The field of business ethics and CSR has grown worldwide into an interdisciplinary area of study and is reshaping the way businesses act. While the field has been a subject of extensive study worldwide, as discussed earlier, it has received little attention in the Middle East. We are undertaking to assess the degree to which the business community in the United Arab Emirates is aware of CSR issues. A number of activities reflect a growing regional interest in CSR. To promote it, the Dubai Ethics Resource Centre recently launched a series of training seminars, specifically tailored to the needs of executives in the UAE and Gulf markets. Among other things, the training sessions have been designed to develop the CSR knowledge required by business professionals to manage a variety of related programs, strategies, and infrastructures (Kapoor,

2006). Most CSR activity in the UAE is performed by multinational corporations found in Dubai, e.g., Intel, DHL, Shell, etc., and not by local businesses.

The World Bank has identified good governance and accountability as a major element necessary for economic growth and sustainability in the Middle East region. Therefore, the challenge is to document the region's best practices of responsible business conduct and to promote them as learning tools for business professionals and students in the Gulf region.

The UAE Context

The United Arab Emirates is a young country, established in 1971 when six states of the Arabian Gulf — Abu Dhabi, Ajman, Al Fujairah, Sharjah, Dubai, and Ummal Qaywayn — merged to form the UAE. In 1972 Ra's al Khaymah joined, so today there are seven emirates. The UAE's per capita GNI, at \$24,860 is not far below the average of developed nations (\$26,310). Its generosity with oil revenues and moderate foreign policy stance has allowed the UAE to play a vital role in the affairs of the region. The UAE has an open economy: its wealth is grounded on oil and gas output (about 33% of the GDP), and the economy's health fluctuates with the prices of those commodities.

Since 1973, the UAE has undergone a profound transformation from an impoverished region of small desert municipalities to a modern state with a high standard of living. The government has increased spending on job creation and infrastructure expansion and is opening up its utilities to greater private-sector involvement. Financial services have become one of the most important parts of the modern UAE economy. The UAE now has one of the largest and most advanced financial services and banking sectors in the Arab world, which, unfortunately, makes it vulnerable to money laundering; anti-money-laundering legislation was signed into law in 2002.

The UAE, like many Gulf States, is also characterized by the high percentage of youth in its national demographics. According to the National Human Resources Development and Employment Authority's ("Tamnia") 2005 Human Resource Report, 45% of the UAE's nationals are under 15 years of age. When expatriates are brought into the calculation, this figure is estimated to be around 25%. Tamnia also reports alarming rates of unemployment among UAE nationals, nearly 20% for women

and 9% for men. In coming decade, the UAE labor market will experience an enormous influx of young national workers looking for meaningful work, and projected growth rates may not be enough to accommodate them. The problem is exacerbated because Gulf Cooperation Council countries like the UAE (the others are Saudi Arabia, Qatar, Bahrain, Kuwait, and Oman) employ large numbers of expatriate workers. These workers are often recruited from relatively poor countries and are paid a fraction of what it would cost to employ a national of the same qualifications, or train a national to the same level as an expatriate. In addition, low-skilled laborers are a constant feature of the region's construction sites.

In the UAE, the government has responded to this challenge by issuing "Emiratization" targets for different industries. These targets are set for each industry and specify that individual businesses hire a certain percentage of nationals or face fines and other penalties from the government.

Islam: The Invisible Foundation for CSR Awareness in the UAE

One of the most intriguing aspects of the UAE is the integration of Western modernity with deeply rooted religious beliefs and cultural traditions that combine to produce a unique business atmosphere. A prominent feature of this atmosphere is the strong influence of Islam, the country's official religion.

Charity in itself is not a new concept in the Middle East. For centuries the Holy Qur'an has deemed that every adult, stable, free, and financially-able Muslim male or female has a responsibility to support specific categories of people through a process deeply ingrained in Islamic values called Zakat, giving alms to the poor. The difference between this practice and CSR, however, is that the former is a private, potentially nontransparent, affair. This holds advantages for donors who feel the need to see how their money was spent, a service the Zakat system may not necessarily provide (Kapur, 2006).

This influence on business practices is most evidenced by Zakat, a requirement under the religion's holy scripture to provide financial support for specific categories of people, including, *inter alia*, widows, the disabled, and orphans, for the purpose of ensuring a "better society." Although this is technically a private affair, Zakat is a common feature of corporations all over the Gulf Region, including the UAE,

with major companies donating significant amounts of money at specific times each year for different charity projects.

Although CSR may include philanthropic giving, it also necessarily involves stewardship of resources and the balancing of interests among different stakeholders, something absent in Zakat. However, the practice of Zakat by corporations settles an important issue in CSR in the context of the UAE, and this is the question of a firm's responsibility toward society as a whole as opposed to shareholders, which is yet to be resolved in Europe and America. Clearly, businesses in the UAE are expected to satisfy obligations to society as a whole as well as their own shareholders. This has two important implications for businesses in the UAE. The first is a need to develop clearly defined CSR practices that serve the interests of local firms and also facilitate mutual understanding with the international firms operating in the country; the absence of such clarity could lead to future disagreements between local and international firms, which could hamper business development. Second, the heavy influence of Islam on businesses in the region implies a strong foundation upon which to establish CSR policies and practices.

Methodology

We surveyed a number of companies to determine awareness of CSR, drawing the sample from all private sectors in the Non-Free Zone of the Dubai economy. Special attention was given to some sectors like construction and finance, primarily due to specific issues of safety or to Dubai's ambition to reach the world's highest standards of financial disclosure. Furthermore, special areas such as the Dubai Free Zones were excluded from the survey. Free Zone companies have a significant foreign equity component and derive their corporate DNA from their foreign-parent. It was assumed, therefore, that Free

Zone-based companies follow the CSR standards of their internationally headquartered parent companies. However, companies in the Free Zones could be relevant for further research and as a benchmarking measure to compare progress with the rest of Dubai.

Regarding size, emphasis was given to enterprises with more than 50 employees, since it was assumed that medium and larger companies were more aware of CSR.

For sampling purposes, the database of the Dubai Chamber of Commerce and Industry was used. This registry currently comprises over 53,000 names plus contact details of Dubai-based companies. The selected sample included 2,100 companies, and a 12-question questionnaire with sub-questions was sent to the CEOs of these companies. In total, 403 companies — about 20% — responded to the questionnaire.

Results and Analysis

Three key CSR issues were raised in the questionnaire — environment (Tables 1–4), community affairs (Tables 5, 6), and consumer protection (Tables 7, 8).

Environment

Of the firms surveyed, 93% remarked that their company complies with the UAE environmental law (Table 1). This pattern remained the same with no statistically significant variations across industry sectors (Note: computed chi-squared (χ^2) is only 2.53). The range of variation was 95% in manufacturing to 90% in "other" sectors.

Implications: Compliance with the UAE environmental law by almost all companies is a fairly predictable result, but it does suggest a high level of environmental awareness. An array of environmental laws and regulations has been developed by the UAE to govern firm behavior, for example, Federal Law No. 24 of 1999 concerning the Protection and Development of the

Table 1. Environment: Does your company comply with the UAE environmental law?

Compliance with UAE environmental law?	Yes %	No %	Do Not Know %	N
Manufacturing	95	1	4	112
Construction	92	--	8	108
Trade, Restaurants, Hotels	94	2	4	98
Other sectors	90	1	9	153
All Companies	93	1	6	471

Chi-squared (χ^2) = 2.53. Reveals no statistically significant variation across industry sectors

Table 2. Environment: Does your company conduct environmental impact assessments?

Environmental impact assessments?	Yes %	No %	Do Not Know %	N
Manufacturing	65	25	10	106
Construction	51	38	11	107
Trade, Restaurants, Hotels	41	41	18	95
Other sectors	55	35	10	147
All Companies	53	35	12	455

Chi-squared (χ^2) = 0.52. Reveals no statistically significant variation across industry sectors

Table 3. Environment: Does your company have effective internal measures in place that sanction environment-harming activities?

Sanctions for environment-harming activities?	Yes %	No %	Do Not Know %	N
Manufacturing	77	16	7	109
Construction	58	26	16	103
Trade, Restaurants, Hotels	60	21	19	95
Other sectors	66	19	15	145
All Companies	66	20	14	452

Chi-squared (χ^2) = 0.57. Reveals no statistically significant variation across industry sectors

Environment, and regulation concerning Impact Assessment of Projects, etc. (Federal Environmental Agency, 2006).

Fifty three percent of the responding companies conduct environmental impact assessments (Table 2). This pattern remained the same with no statistically significant variations across industry sectors (Note: Computed chi-squared (χ^2) is only 0.52). The range of variation is 65% in manufacturing to 41% in trade, restaurants and hotels.

Implications: Table 2 reports a lower rate of environmental impact assessments among the trade, restaurants and hotel industry sector. This may suggest lack of tolerance toward, or awareness of, international standards of environmental controls. Therefore, concepts of eco-hotels and eco-tourism could be promoted by various entities, whether the government or other NGOs or private organizations.

Sixty-six percent of respondent companies reported that they had effective internal measures in place to sanction environment-harming activities (Table 3). This pattern remains the same with no statistically significant variations across industry sectors (Note: computed chi-

squared (χ^2) is only 0.57). The range of variation is 77% in manufacturing to 58% in construction.

Implications: It can be observed from Tables 2 and 3 that more companies reported internal sanctions than conducted impact assessments. This is predictable as environmental impact assessments usually constitute part of a more advanced environment management system, of which environmental policies and commitments (e.g., internal sanctions) play a more initial role. However, this could perhaps call for further examination into the scope and level of detail of current internal sanction measures or policies, as well as a review of the impact assessments conducted.

Of the respondent companies, 75% considered the environmental impact of their supplier's business activities (Table 4). This pattern remained the same with no statistically significant variations across industry sectors (Note: computed chi-squared (χ^2) is only 0.14). The range of variation is 62% in "other" sectors to 51% in construction.

Implications: It would be useful to identify the benchmarks companies consider when assessing

Table 4. Environment: Does your company consider the environmental impact of its supplier's business activities?

Considering the environmental impact of suppliers' activities	Yes %	No %	Do Not Know %	N
Manufacturing	61	25	14	106
Construction	51	31	18	105
Trade, Restaurants, Hotels	53	31	16	94
Other sectors	62	25	13	149
All Companies	57	28	15	454

Chi-squared (χ^2) = 0.14. Reveals no statistically significant variation across industry sectors

Table 5. Community affairs: Is your company engaged in goodwill projects in the local community?

Compliance with UAE environmental law?	Yes %	No %	Do Not Know %	N
Manufacturing	67	25	8	109
Construction	55	35	10	104
Trade, Restaurants, Hotels	68	20	12	95
Other sectors	70	25	5	149
All Companies	65	26	9	457

Chi-squared (χ^2) = 0.55. Reveals no statistically significant variation across industry sectors

Table 6. Community affairs: Does your company have clear policies on spending resources for social goals—are these strategically aligned with the company's business?

Compliance with UAE environmental law?	Yes %	No %	Do Not Know %	N
Manufacturing	42	42	16	103
Construction	34	54	12	99
Trade, Restaurants, Hotels	49	36	15	93
Other sectors	55	35	10	148
All Companies	46	41	13	443

Chi-squared (χ^2) = 0.38. Reveals no statistically significant variation across industry sectors

environmental impact in supply chain. Against a backdrop of weak regulatory framework and lack of enforcement, it is doubtful that companies would be able to conduct a fair assessment of suppliers. Developing templates for assessing and monitoring the environmental impact of suppliers could be considered by a number of entities; i.e., government, NGOs, and private sector.

Community Affairs

Of the respondents, 65% reported that their companies engaged in goodwill projects in the local community (Table 5). This pattern remained the same with no statistically significant variations across industry sectors (Note: com-

puted chi-squared (χ^2) is only 0.55). The range of variation is 70% in "other" sectors to 55% in construction.

Implications: Research in documenting the scope of the goodwill projects would help in making a distinction between Zakat (a tax on wealth that is one of the pillars of Islam), driven corporate giving, and corporate citizenship. The extent of company involvement in the community projects is worth exploring.

Of the companies that responded to the survey, 46% had clear policies on spending resources for social goals that were strategically aligned with the business strategy (Table 6).

This pattern remains the same with no statistically significant variations across industry sectors (Note: computed χ^2 is only 0.38). The range of variation is 55% in "other" sectors to 34% in construction. More than 10% of companies did not know if their social spending was strategically aligned to their business objectives.

Implications: Integrating and aligning CSR activities in strategic planning has been proven to enhance the business's sustainability and performance (Epstein and Roy, 2001). Therefore, companies must streamline their CSR processes and investments with their business strategies. In the absence of such alignment, a multi-stakeholder approach could assist with the realignment effort in the corporate sector.

Consumer Protection

Three quarters of all respondents stated that their company conducted trials of new products and services for safety and security purposes before launching them in the market (Table 7). This pattern remains the same with no statistically significant variations across industry sectors (Note: computed chi-squared (χ^2) is only 1.83).

The range of variation is 90% in manufacturing to 60% in construction.

Implications: Since the manufacturing sector ranked high on performing safety and security tests of new products and services, best practices within this sector could be identified and disseminated. The regulatory and market environments could perhaps explain the high degree of safety and security tests in manufacturing. It would also be worth looking into post-market surveillance of products and services.

Of the respondent companies, 82% reported that they record and benchmark complaints as key performance indicators (Table 8). This pattern remains the same with no statistically significant variations across industry sectors (Note: computed chi-squared (χ^2) is only 1.13). The range of variation is 86% in manufacturing to 71% in construction.

Implications: A notable feature is that a high percentage of companies reported the use of complaints to improve their business processes. It would be interesting to investigate what other key performance indicators assist companies in

Table 7. Consumer Protection: Does your company conduct trial of new product/services for safety/security before launching them in the market?

Trial of new products/services before putting on the market?	Yes %	No %	Do Not Know %	N
Manufacturing	90	5	5	107
Construction	60	25	15	97
Trade, Restaurants, Hotels	75	20	5	91
Other sectors	75	17	8	130
All Companies	75	17	8	425

Chi-squared (χ^2) = 1.83. Reveals no statistically significant variation across industry sectors

Table 8. Consumer protection: Does your company record and benchmark complaints as key Performance Indicators?

Record of Complaints?	Yes %	No %	Do Not Know %	N
Manufacturing	86	8	6	106
Construction	71	17	12	99
Trade, Restaurants, Hotels	85	11	4	95
Other sectors	85	10	5	143
All Companies	82	11	7	443

Chi-squared (χ^2) = 1.13. Reveals no statistically significant variation across industry sectors

Table 9. Benchmarking CSR: The percentage of the companies (by sector and in total) having a policy in the following areas: (For which of the following does your company have policies and/or practices in place?)

	Manufacturing n=110	Construction N=107	Trade, rest/hotels N=97	Others N=150	Total N=464
Having a policy in the following areas?	%	%	%	%	%
Employee behavior	72	69	91	85	80
Health & safety	86	75	74	68	75
Employee development	68	61	78	71	69
Financial transparency	63	58	64	63	62
Corporate governance	50	46	69	61	57
Anti-discrimination	43	41	51	52	47
Environmental impact	55	37	43	48	46
Consumer policy	54	28	57	43	45
Community relations	33	27	43	40	36
Work-life balance	29	21	37	33	30

achieving this aim. Customer complaints are often regarded as a useful tool resulting from a process of stakeholder engagement — a process aimed at helping business improve its CSR and, consequently, business performance. Employee opinion surveys are also regarded as important stakeholder engagement tools by companies focusing on continuous improvement. However, the low percentage of such surveys conducted in the local market (DERC and DMRD, DCCI, 2006) illustrates a lack of appreciation that such tools can enhance corporate benefits. The underutilization of stakeholder engagement tools in this market illustrates the need to focus on the business benefits of such dialogue and promote the relevance of all stakeholder views in providing CSR-related key performance indicators to measure and benchmark corporate performance.

Benchmarking CSR

The following paragraphs provide an overview of the key areas in which local companies prioritize CSR issues by creating policies and practices and adhering to international guidelines and public reporting activities.

Sector comparison: The majority (more than 50%) of all participants reported that their companies have policies/practices in place in the areas of employee behavior (80%), health and safety (75%), employee development (69%), financial transparency (62%) and corporate governance (57%) (Table 9). This applies to all sectors, with an exception for construction

related to corporate governance (46%). Only a minority (less than 50%) of respondents answered that their companies have policies or practices in the areas of anti-discrimination, environmental impact, consumer policy, community relations, and work-life balance. There are some interesting, positive exceptions (less than 50%) regarding environmental impact in the manufacturing sectors and consumer policies in manufacturing as well as trade, restaurants, and hotels.

Implications: On seven out of 10 issues, trade, restaurants, and hotels fared the best. This could be explained by the direct consumer interface in this sector. In contrast, the construction sector ranked lowest on nine out of 10 issues. It would be useful to identify best practices in the various sectors and to share the same within each sector.

The companies were asked if they consulted any international guidelines in dealing with areas such as accounting, corporate governance, environmental management, human rights and labor standards, environmental risk management, bribery and corruption, social risk management, equality and diversity issues, corporate giving, and nonfinancial/CSR reporting (Table 10). Of all the areas mentioned, accounting principles ranked highest with 70%. Thirty three percent or less of all firms consulted on guidelines in the remaining areas.

Implications: On nine out of 10 issues, “other” sectors fared the best. “Other” includes

Table 10. Benchmarking CSR: The percentage of companies (by sector and in total) that has consulted guidelines in dealing with each of the following areas: (Has your company consulted any international guidelines in dealing with the following areas?)

	Manufacturing n=110	Construction N=107	Trade, rest/hotels N=97	Others N=150	Total N=464
Consultation of guidelines; areas?	%	%	%	%	%
Accounting principles	67	64	69	77	70
Corporate governance	26	20	39	43	33
Environmental management	32	28	32	35	32
Human rights and labor standards	28	24	35	33	30
Environmental risk management	22	21	27	30	25
Bribery and corruption	12	16	24	25	20
Social risk management	10	16	22	24	18
Equality and diversity issues	12	9	23	27	18
Corporate giving	11	12	18	28	18
Non-financial/CSR reporting	10	16	16	22	17

Table 11. Benchmarking CSR: Does your company publicly report on its activities and performance in the area of CSR?

Public report about CSR?	Yes %	No %	Do Not Know %	N
Manufacturing	20	72	8	100
Construction	17	65	18	100
Trade, Restaurants, Hotels	25	56	19	100
Other sectors	32	55	13	100
All Companies	24	62	14	100

Chi-squared (χ^2) = 1.13. Reveals no statistically significant variation across industry sectors

sectors such as agriculture, mining, transport, storage, communication, finance and insurance, real estate, and business services, electricity, gas, water, and public services. The construction sector scored the lowest, on six out of 10 issues. Identifying best practices within sectors and sharing these within each sector would be a useful exercise.

Of all surveyed, 62% reported that their company did not report publicly on its activities and performance in the area of CSR (Table 11). This percentage varies from 72% in manufacturing to 56% in trade, restaurants, and hotels.

Implications: Companies should be encouraged to report on CSR performance, honestly and accurately detailing the current state of play, key challenges, proposed initiatives and targets as well as best practices, as a means of publicly committing to CSR, initiating stakeholder dia-

logue, and benchmarking performance. CSR should not become merely a PR tool aimed at creating a competitive advantage, without addressing the substance of this stakeholder focused approach to management throughout the entire firm's operations. However, companies currently do not adequately utilize the potential of CSR reporting as a marketing and stakeholder engagement tool in the UAE.

Challenges

An open-ended question was posed to the companies regarding their biggest challenges or areas where they felt improvement was needed to raise the company's CSR in the local market. This query did not attract encouraging answers, either qualitatively or quantitatively. There was no response from 60% of participants, with only 40% providing comments, many of which were difficult to comprehend. From the 124 available

answers, the following results were found (Table 12).

A large number of the companies described a challenge that was focused on competition, prices and expenses (40), or other items such as consumer satisfaction and logistics (28). There were 68 answers out of the 124 (56%) that were not strictly focused on CSR. This is worrying, suggesting a misunderstanding by the participants of the CSR agenda.

Forty four percent of the total 124 answers pertained to the companies' CSR, and this comprised no more than 14% of the respondents participating in the questionnaire.

Regarding the companies' CSR agenda, local challenges identified appeared to focus on issues of employee professional development (12), health and safety (8), the attracting of locals in employment (Emiratization) (8), corporate

governance (7), and the environment (6).

Conclusions and the Road Ahead

A sense of awareness of CSR prevails among the business community in the UAE. The fact that a high percentage of companies (93%) indicate a strong commitment to CSR reveals the importance attached to this concept by local companies. There is evidence of some linkage between CSR and business performance as 86% of respondents agreed that ignoring CSR will harm the commercial and financial performance of the company. The research study points out some major drivers of CSR, such as the impact of CSR activities on business performance, in addition to the fulfillment of legal and regulatory obligations.

On environmental issues, a large number of companies commit to compliance with the local environmental laws. However, not many

Table 12. Results of the open question about challenges in CSR

	Manufacturing	Construction	Trade, Rest., Hotels	Others	N
Focus: Company's Corporate Responsibility Challenges					
A. Corporate governance	1	4		2	7
B. Financial transparency	1	0		1	3
C. Business ethics					
-employee development	1	2		8	12
-health and safety	1	2		2	8
-labor standards, work/life balance	0	4		2	6
-anti-discrimination, bribery/corruption	0	1		1	3
-Attracting locals in employment	1	1		3	8
Business Ethics Total	3	10		16	37
D.CSR					
-Environment	3	0		2	6
-Community affairs, human rights	2	1		0	3
CSR Total	5	1		2	9
GRAND TOTAL	10	15		21	56
					44%
Focus: Other aspects					
E. Competition, prices, expenses	7	9		13	40
F. Other items					
-consumer satisfaction	1	2		1	9
-logistics, traffic, parking	2	1		2	7
-other aspects	2	2		5	12
Other aspects Total	5	5		8	28
Total Other Aspects	12	14		21	68
					56%
All Answers	22	29		42	124
					100%

actually engage in conducting environmental impact assessments, consider the environmental impacts of the supply chain, or install internal measures to prevent environmentally harmful activities. Therefore, there is an overarching need for companies to focus more on issues of environmental protection and responsible initiatives that go above and beyond the letter of local laws.

Companies in the UAE are generally socially responsible to community needs and many are engaged in goodwill projects. A few also allocate resources for societal objectives that are mutually beneficial to their business and the community, recognizing that the extent and type of involvement by business with the community can help companies streamline and direct their social initiatives. However, this research illustrates that little strategic alignment currently exists between most firms' social giving and their business objectives.

One of the interesting aspects of this study is that a majority of the companies records and benchmark consumer complaints as key performance indicators to assist in the continuous improvement of business processes. In addition, three-quarters of all respondents stated that their company conducted trials of new products or services for safety or security purposes before launching them in the market, with the manufacturing sector being the best performer in this area.

Putting these results together, it's possible to conclude that there is a strong, yet perhaps indirect, awareness of the importance of CSR in the UAE. This is suggested by the evident sense of responsibility held by firms toward the environment, community affairs, and consumers, all of which are supported by the strong influence of Islam, which not only makes such responsibility an important part of the lives of individuals but also a necessity for business success. However, in spite of such an awareness it can be clearly seen that UAE firms lack a firm grasp of the concept of CSR as promulgated in Europe and America; clearly defined CSR policies and practices are rare (except in the cases where they simply comply with the country's laws in specific areas). In fact, it seems as though UAE firms don't know where to begin formulating CSR policies and practices that would satisfy international standards. When asked about the biggest challenges to improving the company's CSR practices, respondents either did not answer, or provided answers that were unrelated to

CSR; 50% of the answers were irrelevant to CSR. All of this suggests that although UAE firms are aware of the importance of CSR (86% of them agreed that ignoring CSR could harm the commercial and financial performance of the company) they lack an understanding of what these CSR policies and practices are and how they should be implemented.

The challenge facing the UAE and the international firms that operate within it and interact with its local firms is to formulate clearly defined CSR policies that are consistent with those adopted by American and European firms yet reflect the country's particular social norms. The best chance of demonstrating the importance of CSR in the context of the UAE is to show that the business practices it advocates, while not necessarily mandated by Islam, like Zakat, are nonetheless consistent with and complementary to the moral and social teachings of the religion. Turning those policies into actual performance can then be facilitated through regular training and education that would apply to all levels of the firm, from workers to CEOs, and this coupled with constant governmental support would then encourage these firms not only to practice CSR policies, but also accurately to report on them to improve their efficiency. The benefits of this are twofold: it would not only facilitate the emergence of UAE firms on the international business scene, it would also improve profitable relations with the existing foreign firms. This in turn, would attract even more international firms to the country. It is clear that for the UAE and other Islamic countries, CSR, if adopted and implemented successfully, holds great promise for the country's business development. If ignored, however, the consequences could be of great magnitude. The time to act has come.

Dr. Katsioloudes, who has taught at a number of U.S. universities, focuses his research interests on the strategic planning process in for-profit and nonprofit sectors and on corporate social responsibility as a strategic tool for corporations. He has published five books on strategic management and international business and numerous articles. Tor Brodtbodt, an attorney and member of the New York Bar Association, is publishing in such areas as business ethics and law and current CSR issues.

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