Ideation Center Insight

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The Rise of Corporate Social Responsibility *A Tool for Sustainable Development in the Middle East*

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EXECUTIVE SUMMARY

Sustainable economic development in the Middle East and North Africa (MENA) will depend on job creation, education, poverty alleviation, and careful environmental management. Government, civil society organizations, and academic institutions should all be involved in this effort. Companies have a particularly important role to play. They must be involved and contribute to the betterment of the societies in which they operate. They can do this through corporate social responsibility (CSR) initiatives that align with national development objectives in areas as diverse as affordable housing, educating women, and conserving water.

Although CSR is a complex undertaking, made the more challenging by the fact that it is a relatively new concept for the region, such projects are entirely within the capabilities of MENA region companies. To illustrate what companies are doing and how CSR can meaningfully contribute to regional development, Booz & Company has conducted extensive interviews and drawn on its work with CSR leaders in the Middle East. This research seeks to define what CSR means in the MENA region; study how CSR is practiced; identify best practices among CSR leaders, such as leveraging the strength of institutions and improving corporate governance; and propose how to build the corporate capacity for sustainable CSR practices with the help of governments, civil society organizations, and academia.

Project Goals and Methodology

The goal of Booz & Company's research is to provide rich qualitative accounts of CSR in the MENA region that can guide the building of a resilient CSR agenda suited to the Middle East's specific needs. Our research is based on client work, publicly available information, and interviews with leading CSR corporate champions, scholars, and other stakeholders in the region. Our sample was randomly drawn from top corporate performers in the MENA region, which includes a range of private and public companies.

THE NEED FOR SUSTAINABLE DEVELOPMENT

Governments, private companies, civil society organizations, and academia will need to coordinate and commit themselves to sustainable development if the MENA region is to achieve its economic potential. The United Nations Development Program (UNDP) defines sustainable development as distributing the benefits of economic growth equitably, regenerating the environment rather than destroying it, and empowering people rather than marginalizing them.

Corporate leaders and government officials interviewed in our study most frequently cited the need for robust job creation to nurture economic growth and spread benefits among the population as the most salient issue. Today, half of the region's population is under the age of 25 and there is widespread unemployment. Among those 15 to 24 years of age, approximately 25 percent lack a job, significantly higher than the 17.3 percent average in the OECD area.[1]

The task ahead is formidable. The World Economic Forum estimates that to keep employment at 2011 levels, the region needs to create 75 million jobs by 2020—a 43 percent increase on the number of jobs in 2011. Failure could have severe consequences. The region might lose its most promising youth to emigration, poverty could grow, and there are other risks when large numbers of young people lack opportunities.

Job creation is not the only aspect of sustainable development that leaders must confront. There is also the environmental impact of a growing population and increased economic output on a fragile ecosystem. The Arab states have over 60 percent of the world's oil reserves, but only 0.5 percent of its renewable fresh water resources. Consequently, most countries in the region suffer from severe water shortages (just 616 cubic meters of renewable internal freshwater resources per capita for the MENA region compared with the global average of 6,266). Other environmental concerns include waste management and poor air quality

in urban areas. The estimated cost of environmental degradation in the Arab region is 5 percent of GDP annually, according to the Arab Responsible Competitiveness Index of 2009.[2]

The scope of these sustainable development challenges demands a high level of attention and coordination between the region's most powerful stakeholders. In particular, the region's companies can play a critical role by establishing CSR initiatives. The European Commission defined CSR in 2002 as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis."[3] This formulation may have originated in developed countries, but CSR needs to become a mainstream corporate principle in the MENA region. As major stakeholders in these countries, companies have a responsibility to foster sustainable development and improve the societies in which they operate. To do this effectively, they should coordinate with governments on national development goals and plan their CSR initiatives accordingly.

Integrating Sustainable Development into CSR in Iraq

WesternZagros Limited is a Canadian company exploring and developing oil and natural gas in the Kurdistan region of Iraq. The firm's approach is an example of proactive, as opposed to reactive, CSR. The company included CSR in its operations from the beginning, thinking about community needs before commencing operations. WesternZagros takes into account the sustainability of the surrounding community and of its own business operations.

WesternZagros' area of operations is rural, remote, and poor. The company's approach is to integrate information on the socioeconomic position of the local communities that are situated within a 10 kilometer radius of its operations. The information is gathered by internal staff, who have nurtured relationships with local stakeholders, during the environmental impact assessment phase. This data is used in the planning of oil and gas operations so that WesternZagros can assist with local development and avoid disturbing the patterns of local life.

BUILDING A CSR AGENDA

The CSR concept has been circulating in corporate boardrooms for decades, but a turning point came in 1992 with the revelation that Nike was manufacturing products in Asian sweatshops. Over the next five years the company experienced a severe public backlash. Openings of NikeTown retail stores around the world became tense standoffs between local police and protesters.

Since the Nike experience, the corporate view of CSR has evolved significantly—from a way to mitigate risk to a means of creating value. Indeed, as global consumers increasingly come to expect that companies act in a socially responsible manner, the value of doing so is becoming more apparent. A Nielsen survey in 2011 of more than 28,000 online respondents from 56 countries around the world found that 66 percent of consumers prefer to buy products from companies that give back to society and are responsible, 62 percent prefer to work in these companies, 59 percent invest in these companies, and 46 percent say they are willing to pay extra to buy products and services from these companies.[4]

There is also mounting pressure on companies to put CSR policies in place due to ethical considerations and because of the risk of an economic and reputational backlash. However, there is far more to CSR than risk mitigation alone. Companies understand that good CSR leads to value creation, as well. It has now become standard procedure among the world's top companies to publish stand-alone CSR reports to highlight major CSR initiatives and achievements. Among the top 250 companies ranked in the Fortune Global 500, the percentage of companies with CSR reporting jumped to 85 percent in 2010 from 52 percent in 2005.

Governments have also taken steps to encourage CSR, particularly in the European Union. For example, in 2000 the U.K. assigned a minister for CSR at the then Department of Trade and Industry. In 2008 Sweden and Denmark announced legislation to mandate CSR reporting. More recently, France has proposed laws that would require private French companies with over 500 employees, and French subsidiaries of foreign companies, to report on social and environmental issues on a yearly basis. There have been similar initiatives in the U.S., China, South America, Canada, and Australia.

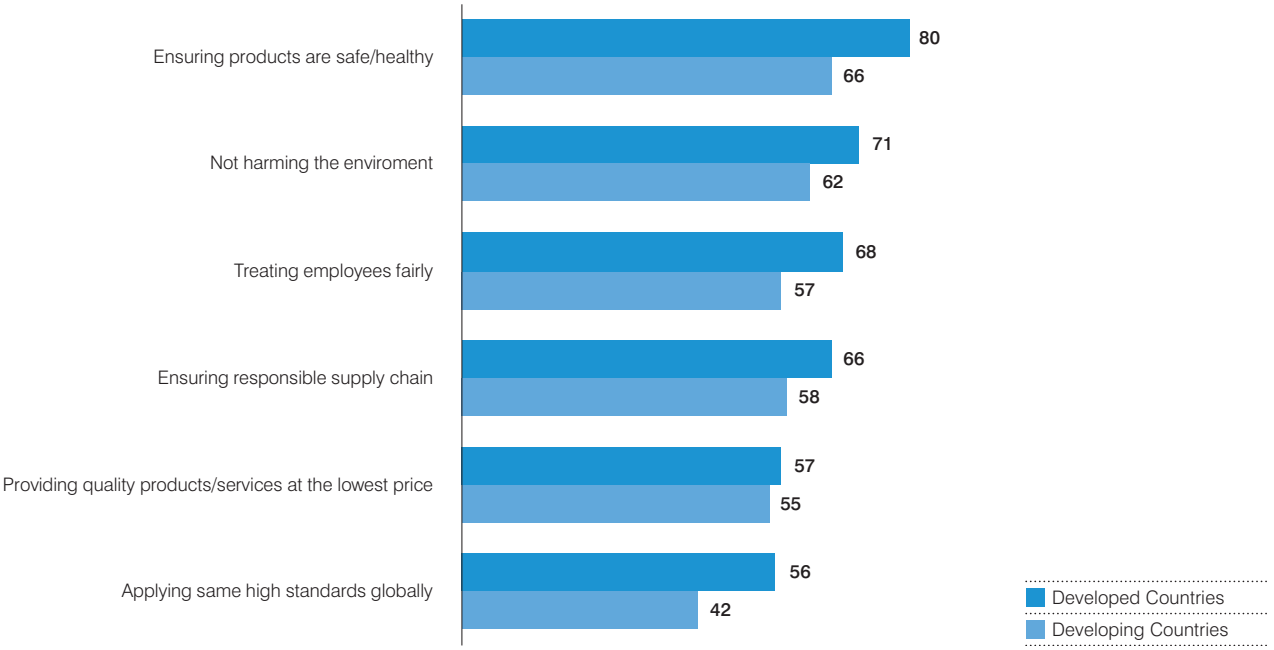
In the MENA region, CSR activities have also increased over the past decade. For example, newly formed professional CSR networks have spread awareness about the concept. One such network is CSR Middle East, a professional, nonprofit, online platform whose membership includes companies, civil society groups, agencies, and organizations interested in sharing their CSR initiatives. To date, the network has 1,285 corporate members from 18 MENA countries.

Unfortunately, companies in the MENA region rarely align their individual CSR initiatives with national development priorities, with the net result that their CSR projects have insufficient impact. To bridge this divide and to improve CSR as a discipline, companies and governments should follow a four-step process:

- Define CSR for the MENA region
- Study current CSR activity
- Identify CSR best practices
- Create an environment for CSR

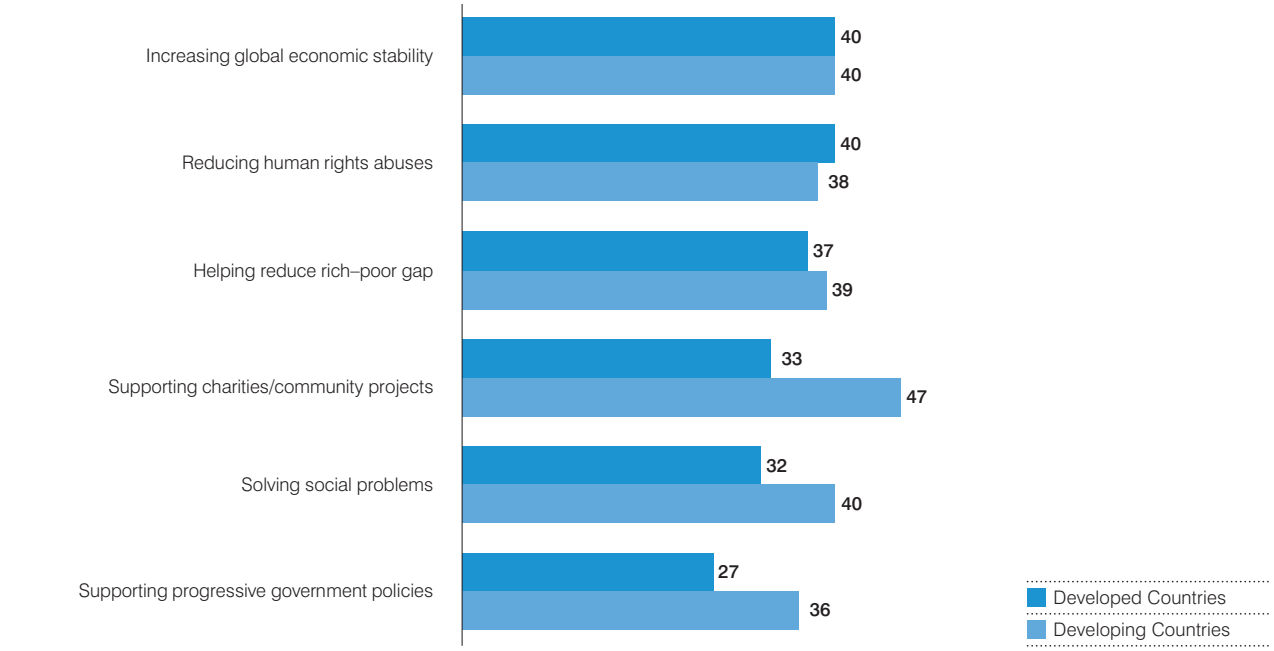
Define CSR for the MENA Region
Citizens in developing and developed countries have different ideas of what CSR work should accomplish. According to research from the Corporate Social Responsibility Monitor, citizens in developed economies tend to expect companies to focus on "core corporate issues," such as product safety and environmental standards. By contrast, citizens in developing countries expect companies to look beyond core corporate concerns and instead address national problems such as alleviating poverty and supporting charities and community projects (*see Exhibits 1 and 2*). However, these are just the broad strokes. Even within developing countries, CSR initiatives diverge. For example, in Saudi Arabia the main CSR themes are education and employability, whereas in China they are worker safety and countering pollution.

Exhibit 1
Developed Economy Citizens Want "Core" CSR Projects (Percentage of Respondents)



Source: Corporate Social Responsibility Monitor, 2009

Exhibit 2
Developing Economy Citizens Want CSR to Promote National Development (Percentage of Respondents)



Source: Corporate Social Responsibility Monitor, 2009

Adding to the challenge of defining CSR in the MENA region is the dispute over the term itself. Some MENA corporate leaders we interviewed dislike the label CSR. They prefer to talk of "corporate responsibility," "corporate philanthropy," "corporate citizenship," or "the business contribution to sustainable development." To them, the term CSR is an unnecessary import and even condescending. After all, corporate philanthropy based on religious and cultural traditions is well established in the Middle East. It may not be called CSR, but a local version exists just the same.

All this reinforces the understanding that the local economic and cultural context is critical if CSR is to contribute to national sustainable development goals. As Dr. Fatih Mehmet Gül, the chairman and founder of CSR Middle East, told us, "We ourselves have to define what the right CSR model will be for the region. We need a better understanding of local stakeholders and their needs."

The first step is for companies in the region to define CSR more broadly to include environmental issues. In many other parts of the world the environmental aspect of CSR is a given. By contrast, a recent CSR survey by the Sustainability Advisory Group in the MENA region shows that executives are struggling to relate environmental issues to profitability and long-term business objectives. This makes them complacent about some of the critical environmental issues facing the region. For instance, a relatively high number of business leaders continue to rate water conservation, climate change, and waste management as unimportant.[5]

Tackling environmental issues connects to another challenge, that most MENA executives view CSR as an exclusively external activity, when it is actually both external and internal. Donating to a charity, for instance, does not demand any fundamental internal

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changes at a company. The difficulty with this approach is that giving money to charitable organizations does not guarantee a company is acting responsibly and promoting national development goals, such as reduced carbon emissions or improved employee working conditions. Working toward these objectives requires changes to internal operations, which means that CSR is fundamentally an internal as well as an external activity.

A regional definition of CSR must therefore encompass the internal policymaking and operational decisions of companies, while also taking environmental issues into account. Fortunately, these ideas are starting to take hold. As Dr. Gül noted, "CSR in our understanding can be how a company writes its policies, or when you're opening a new dealership you consider which lightbulbs you will use [to increase efficiency and environmental protection]."

Study Current CSR Activity

One clear sign that CSR in the region is gaining momentum is the number of companies that have joined the UN Global Compact—a strategic policy initiative for businesses committed to aligning their operations and strategies with 10 principles in the areas of human rights, labor, the environment, and anticorruption.[6] By doing so, businesses, as a primary driver of globalization, can help ensure that markets, commerce, technology, and finance advance in ways that benefit economies and societies everywhere. The list of signatories from the MENA region has grown from just three in 2003 to 262 by the end of 2012: one each in Algeria and Bahrain, 36 in Egypt, 61 in Iraq, 21 in Jordan, 7 in Kuwait, 8 in Lebanon, 11 in Morocco, 3 in Palestine, 9 in Qatar, 4 in Saudi Arabia, 32 in Syria, 27 in Tunisia, and 41 in the United Arab Emirates (UAE).

In our research and interviews with executives, we found that CSR is practiced in different ways by the various types of companies in the region: state-owned enterprises

(SOEs), small and medium-sized enterprises (SMEs, including family-owned businesses), multinational corporations (MNCs), and social businesses. Understanding how each one approaches CSR today is a critical step to aligning CSR initiatives in the future.

*SOE*s Operating across a wide range of sectors—hydrocarbons, banking, construction, and network industries—SOEs account for about half of the region's economic output and approximately 30 percent of employment. Even after the wave of privatization during the 1980s and 1990s, the role of SOEs has actually increased in many countries because they are an engine of job creation for the burgeoning population.[7]

Historically, SOEs have had a public component to their mission and have operated within an overarching public policy scheme. For example, the Saudi Telecom Company (STC) has ongoing CSR programs in healthcare, education, training, and employment. STC's Al Wafa (Fidelity) healthcare program—its flagship CSR program—is a unique partnership with the Ministry of Health that builds facilities and equips healthcare centers across the kingdom. This program fits with STC's mission to become part of the local community and contribute to the economic and social development needs of Saudi Arabia. Some of the most progressive SOEs are starting to make their CSR initiative more transparent by adopting international reporting standards, such as that of the Global Reporting Initiative, a nonprofit organization that promotes economic, environmental, and social sustainability and provides companies and organizations around the world with a comprehensive sustainability reporting framework.

Given that SOEs have close relationships with the government and are often among the best-run companies in the country, they can lead by example on many

CSR issues. For instance, SOEs can help reduce corruption and restore public confidence in public institutions through promoting better corporate governance standards and transparency. SOEs can also highlight the value of partnerships with other public and private firms—such as by teaming up with an educational institution to improve vocational training to advance the region's job creation goals.[8]

*SME*s When CSR is discussed in academia, the media, and wider civil society, the focus is usually on the largest companies. SMEs tend to be overlooked given their small size and their lower profiles. However, SMEs consume significant resources and energy, meaning that they have an important impact on the economy and the environment. They account for 75 percent of the private-sector economy and employ an estimated 70 percent of the private-sector labor force in the GCC,[9] which means that SMEs must be deeply involved for sustainable development initiatives to succeed.

These companies' relatively small size can work to the advantage of sustainable development. SMEs tend to be closer to their communities, and these strong ties help them stay in tune with local needs and demands. Their autonomy allows flexible decision-making to implement CSR as they see fit. A good example is the Rumman Company in Saudi Arabia, which has about 20 employees and annual revenues between 1 million and 5 million Saudi riyals (US$266,000–$1.3 million). Rumman is a holding company that owns, operates, and manages ventures that publish and produce electronic media content. These business units share a youth-culture orientation and are committed to creating businesses by recruiting and investing in local talent. In 2010 Rumman was rated the quickest growing startup in the country.[10]

Most SMEs' CSR practices are informal and tend to address

pressing community issues and needs. Given their relatively small size, these firms tend not to take on large environmental initiatives that might affect their bottom line. SMEs practice what is sometimes called "silent" or "sunken" CSR because their activities are localized and often not publicized.

MNCs The ad hoc approach to CSR practiced by SMEs stands in sharp contrast to the MNCs' institutionalized and formalized approach. Multinational firms are generally keen to transplant their CSR guidelines and operating policies to their subsidiaries overseas, in part to overcome the possible bias against foreign companies. Although their tendency is to manage CSR from the top down, some MNCs are starting to give greater autonomy to their MENA subsidiaries to plan local efforts and engage in grassroots community actions.

MNCs can lead by example because they often take a more proactive stance toward environmental issues than local companies. For instance, Hewlett-Packard (HP) Middle East incorporates principles of pollution prevention, resource conservation, legal compliance, and performance measurement to manage the environmental impact of its operations. The Savola Packaging Company in Saudi Arabia uses biodegradable materials and special machinery that have reduced its energy consumption by 30 to 35 percent and water consumption by 20 to 25 percent.

Despite these successes, many MNCs' strategies remain constrained in terms of themes, flexibility, and budgets. More problematic is the tendency of some MNCs to launch CSR activities that attract maximum media attention in bigger markets. The desire for PR is understandable. However, if the public doubts the MNC's sincerity the initiative could do more harm than good to the company's reputation.

Localized CSR Approach—HSBC in the Middle East

HSBC, with offices in over 80 countries, has been a market leader with its sustainable and responsible approach to business. In 2011, HSBC won the International Green Award for Best Green Employee Engagement jointly with Earthwatch; it also won the Best Corporate Social Responsibility Financial Institution award from the China Banking Association and the Socially Responsible Company award for HSBC Mexico for the sixth consecutive year.

Furthermore, HSBC was rated "AA" in Environmental, Social, and Governance, achieving the highest score among 638 Hong Kong and Chinese listed companies on the Hang Seng Corporate Sustainability Index.

Over the last few years, HSBC has built on that success with a new localized strategy, with "sustainability" at its heart. In addition to traditional stakeholders (i.e., employees, customers, shareholders, and suppliers), HSBC identified community representatives, charity partners, and civil society organizations as strategic partners in its sustainability initiatives. Four principles guide HSBC's investments in building sustainable communities:

1. Community programs should follow themes that are both globally significant and locally relevant.
2. The approach to philanthropy should be businesslike.
3. Community programs should capitalize on available skills of employees as well as philanthropy.
4. Community programs should engage employees.

A local example of these principles in action is HSBC's commitment to its Kids Read program in partnership with the British Council. After consultation with various ministries of education across the Middle East, HSBC and the British Council identified six public schools in each country that would benefit the most from the program, which aims to instill a culture of reading and English literacy through the donation of books and teacher training on how to make reading fun.

Now in its second year, the program operates in 11 countries and works with a total of 132 schools. It reaches 25,000 students, 300 teachers, and more than 250 HSBC volunteers who help with community events. The program was recently awarded an International Business Award for CSR Program of the Year in the Middle East.

Social Businesses Over the past few years the region has seen the proliferation of "social businesses," a new hybrid of conventional business and charity. A social business focuses on social missions, making them a priority over all aspects of operations, even profits. Their value proposition is to have a social and environmental impact and they are tackling some of the region's thorniest problems. For example, social entrepreneurs have pioneered efforts in the health sector. In Egypt, Care with Love has created jobs for almost 1,000 unemployed, marginalized people to provide healthcare to housebound elderly and chronically ill patients.

Opportunities for social entrepreneurship across the Middle East remain poorly explored, in part because this type of organization is relatively new. However, some trends are emerging. According to a recent report, the leaders of these businesses are highly educated.[11] Many of them have studied, lived, or worked abroad, and have an intimate understanding of, or personal experience with, the problems they are trying to solve. Moreover, they are pursuing systemic change by, in part, reaching out to governments.

To date, Egypt has the most social ventures, followed by the West Bank and Gaza, Jordan, Lebanon, and Morocco. These ventures are starting to attract a network of support. For instance, Synergos, which is dedicated to bringing various stakeholders together to advance social causes, has several programs designed specifically to support social entrepreneurs in the MENA region. These include: the Alliance for Social Entrepreneurship, a collaborative program to help build a robust social entrepreneurship movement in the Middle East, Asia, and Africa, with an initial focus on Egypt and Lebanon; the Arab World Social Innovators, a program that supports high-impact social entrepreneurs; and Mobaderoon Masr (Pioneers of Egypt), which focuses on young leaders in Egypt.

Identify CSR Best Practices

After extensive interviews with CSR leaders in the region, we have identified six best practices for designing a CSR program that aligns with national development goals: engage senior leaders, strengthen corporate governance, integrate with the operating model, leverage business capabilities, partner with experts, and measure results.

Engage Senior Leaders

One obstacle to effective CSR is the all-too-common gap between what executives say about CSR and their actions. The Dubai Chamber of Commerce's annual 2011 CSR survey of executives found that a majority of companies support CSR: 67 percent agreed that CSR would benefit their company and 65 percent said that CSR is the responsibility of every company. Yet only 34 percent of respondents had CSR guidelines, just 10 percent communicated CSR goals to employees, and only 3 percent had appointed a CSR officer.

For CSR initiatives to succeed, senior leaders must be visibly engaged and active in steering the company's CSR strategy both internally (which may require some cultural change) and externally. This also requires a long-term financial commitment. The Savola Group in Saudi Arabia, for instance, allocates 1 percent of annual revenues to CSR activities. Even with the global economic crisis, the company maintained its commitment to its CSR activities and programs. Furthermore, leaders can encourage employees to focus on CSR goals by tracking results and designing compensation schemes. Linking any corporate initiative to bonuses is one of the clearest ways leaders can signal commitment to a goal, and one of the most powerful mechanisms for reaching it. Yet a survey of executives from the Sustainability Advisory Group covering 150 organizations in the MENA region found that only 14 percent have formal CSR-related key performance indicators, and just 11 percent include CSR performance in their bonus schemes.[12]

The Middle East Leadership Initiative

In 2009, the Aspen Institute and two individuals from the region launched the Middle East Leadership Initiative. Its mission is to foster community-spirited leadership and open-minded dialogue on challenges facing the incoming generation of leaders. Each year, leaders from communities, businesses, and governments in the region nominate individuals, of whom between 20 and 24 are then selected based on success in their fields of endeavor, their entrepreneurship, and their potential for future leadership. The goal is to create a diverse group in terms of occupation, industry, country, ethnicity, religion, and gender. Upon acceptance to the program, these individuals become permanent fellows of the Aspen Global Leadership Network, a worldwide community of entrepreneurial business, government, and civil society leaders committed to values-based leadership, all of whom have completed similar leadership programs in Africa, Central America, China, India, or the U.S.

The 18-month curriculum includes four seminars and a project chosen and designed by each individual. Throughout the program, they are expected to tackle some of the most pressing societal challenges. They are asked to move "from thought to action" in ways that maximize their impact on the communities in which they live. A few project examples include:

- Working with the Al Noor Magrabi Foundation and the Egyptian government to reduce the high incidence of preventable blindness in Egypt.
- Cooperating with the Young Arab Leaders and Junior Achievement organizations to increase the number of UAE citizens working in the private sector (currently 0.4 percent) by introducing UAE youth to private-sector employers.
- Encouraging Palestinian and Israeli entrepreneurs to work jointly on projects that will be sold online to create jobs and greater cross-cultural understanding.

Strengthen Corporate Governance
Our research suggests that good corporate governance—particularly enhanced transparency around business decision making—makes internal and external CSR initiatives much more effective. There are two reasons for this. First, transparency encourages a candid discussion of CSR issues with all stakeholders. Second, transparency requires the company to create clear guidelines for how the business will respond to CSR issues.

Corporate governance is a relatively new concept in the MENA region. It was only within the last 10 years that an Arabic word for corporate governance, *hawkamah*, was coined. Since then, however, the concept has spread and is widely understood. In 2005, Hawkamah, the Institute for Corporate Governance, was formed to spearhead the advancement of good corporate governance in the region. Six years later the UAE-based institute partnered with Standard & Poor's and the International Finance Corporation to create the first Environmental, Social, and Governance Index for the MENA region. The index ranks and tracks the transparency and disclosure of the region's listed companies.

The business community has started to respond to this push for improved corporate governance. Bank Muscat in Oman is the first bank to establish a full-fledged CSR department in Oman. In 2012, it was also awarded the regional Hawkamah Bank Corporate Governance prize. In Saudi Arabia, family-owned businesses committed to CSR are starting to adopt corporate governance standards more frequently (*see "Al Muhaidib Group: Corporate Governance Creates a CSR Agenda," p. 13*). As one CSR officer from the UAE told us, "Good governance is about setting corporate values as well as rules. If good governance flows from values, CSR is an external expression of those values."

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Al Muhaidib Group: Corporate Governance Creates a CSR Agenda

Al Muhaidib Group was formed more than 60 years ago and today includes more than 200 companies with a strong presence in financial and investment services, industrial goods and services, consumer goods and services, real estate, energy, and utilities. In 2011, the group decided to restructure its approach to CSR, transforming it from ad hoc and untargeted to strategic and sustainable. The company chose to make "housing and rehabilitation for low-income families" its signature CSR program to leverage its own capabilities and align with national development needs. This makes sense in terms of national priorities as Saudi Arabia has a shortage of nearly a quarter million housing units, which according to some estimates will double by 2015. Al Muhaidib Group is aware of the importance of reporting and accountability and is developing systems to provide feedback on its projects and their contribution to the community.

Integrate with the Operating Model
For CSR initiatives to have the greatest impact, the CSR function must be integrated into a company's daily operations. Although there is no simple method for developing a CSR operating model, there are some basic requirements. At the very least a company's businesses, functional units, and partners must coordinate and communicate on CSR initiatives. One interviewee noted that "companies spend a lot on their CSR programs. But the next door finance department has no idea what the CSR department is doing. Good communication is needed."

As with any business decision, management's call for action is only the first step. The commitment to CSR must then be translated into specific goals that are embedded in corporate policies and processes. For example, the Abdul Latif Jameel Group in Saudi Arabia established the Abdul Latif Jameel Community Initiative (ALJCI) in 2003 to integrate operations and govern all of the group's CSR programs. ALJCI's current CSR work revolves around five key areas: job creation, poverty alleviation, health and social, education and training, and arts and culture. For example, ALJCI established the Bab Rizq Jameel (BRJ) initiative, or "The Beautiful Gateway to Prosperity," to generate employment opportunities in Saudi Arabia. BRJ's activities focus on identifying job opportunities, providing skills and training to individuals, and granting microfinance loans to new entrepreneurial ventures. To date, BRJ has created more than 320,000 jobs—100,000 of them in 2012—for men and women in Saudi Arabia and other MENA countries including Morocco, Syria, and Egypt. Recently, Mohammed Jameel, president of the ALJ Group, received the "Best Initiative to Support Entrepreneurship in the Arab World" award from Sheikh Mohammed Bin Rashid Al-Maktoum, the prime minister of the UAE.

Leverage Business Capabilities
To design effective CSR initiatives, executives need to leverage their company's specific strengths. Our study found that those companies considered to be CSR champions in the MENA region tend to focus on a few key thematic areas that are most relevant to their expertise, industries, and core business rather than tackling different ideas on an ad hoc basis. They are increasingly applying their own core competencies (e.g., employee skills, technology capabilities, social networks, product donations) in addition to money to develop a CSR agenda.

If a company's strengths play to national development needs, it has a particular obligation as a responsible corporate citizen to contribute to achieving these goals through CSR initiatives. For example, Al Muhaidib Group leveraged its construction-related capabilities to tackle Saudi Arabia's housing shortage.

Partner with Experts
To maximize the benefits of CSR initiatives, companies should tap the credibility and expertise of civil society organizations, public–private partnerships, and social business ventures. In Yemen, for example, local businesses partnered with the United Nations Girls' Education Initiative to create public awareness campaigns for "Let Me Learn," a program to reduce the gender gap in the education system. MTN Yemen, a local telecom operator majority-owned by MTN of South Africa, sent out 1.5 million text messages to rural subscribers in the summer of 2008 urging parents to keep their girls in school. Another partner, Shamlan Water, put a message supporting girls' education on 10 million water bottles.

Measure Results
One CSR best practice virtually absent from MENA companies is measuring the results and impact of CSR initiatives. None of the MENA executives we spoke to measure results. They often measure "inputs," such as the money and employee hours spent, but not outcomes. As a result, they have virtually no idea what impact their programs are having on society. Although some CSR initiatives may be difficult to measure, even basic data—such as the number of students graduating from a workplace training program, or how many subsequently found jobs—is not being collected. Companies need to begin measuring the results of CSR initiatives so they can assess and refine their approach. Otherwise much effort will be wasted.

SEDCO Holding: Best Practices in Action

SEDCO Holding is a leading Shariah-compliant private wealth management organization based in Jeddah, Saudi Arabia, with more than 1,500 employees. During the past 10 years, the company has put many CSR best practices into action.

From its very beginnings as a family-run business SEDCO has pursued local philanthropic activities, so leadership has long been engaged and committed to CSR principles. In 2006, the company launched an initiative to become a leading global Islamic wealth management organization. To this end, SEDCO engaged in a comprehensive restructuring of its corporate governance to separate family ownership from management and develop formal corporate governance. This was achieved through five guiding principles: fairness, transparency, accountability, responsibility, and reducing the firm's vulnerability to financial crises.

To develop its CSR agenda, SEDCO started two processes: first, it reviewed the company's capabilities—which revolve around financial education. As SEDCO's CSR manager noted, "SEDCO believes in human capital development. It heavily invests in empowering citizens and residents with knowledge required to live a respectable life." Second, in 2011 SEDCO integrated CSR into its operating model by establishing a full-fledged CSR department to centralize all such operations and programs.

Before launching CSR activities under this new structure, SEDCO conducted a nationwide survey of one thousand young Saudi nationals to assess national development needs. Results showed only 11 percent keep track of their spending, 45 percent do not save any money at all, while 90 percent said that they want to increase their financial knowledge.

With these results in hand, the company launched its flagship financial literacy program, "Riyali" (named after the local currency), and partnered with Operation HOPE—an international nonprofit organization based in the U.S.—to support the development of its "Financial Literacy Curriculum." SEDCO also partnered with the Saudi Ministry of Labor, which endorsed the program, and aligned with national human development goals. Riyali hopes to reach 15,000 university students in its first phase and 50,000 beneficiaries over the next five years.

Create an Environment for CSR
The corporate sector must drive CSR, but other institutions—specifically the government, academia, and civil society organizations—need to actively support this push by vocally encouraging these initiatives and fostering an environment in which CSR can flourish and mature.

The Role of Government
If companies are going to align with national development goals, governments must help define these goals. More generally, governments in the region need to create an environment where CSR is encouraged and, in fact, expected from companies. Indeed, governments have an evident interest in CSR as it is a very cost-effective means of enhancing sustainable development.

Encouragingly, MENA governments have become more active promoters of CSR. Almost all GCC countries now have corporate governance codes or guidelines in place for publicly listed companies, which is a key enabler for CSR. Some Arab countries have also passed legislation on transparency and accountability targeted at SOEs. Egypt was the first in the region to develop and implement a corporate governance code for its SOEs in 2006.

More needs to be done on the part of governments to set CSR priorities. At the very least, governments could define and mandate minimum standards for business performance through legislation. Governments wishing to play a more active role can facilitate CSR. This could involve naming a government department to coordinate CSR strategies and policymaking, offering incentives to companies to pursue CSR, providing funding and research for CSR, and spearheading training and promotional campaigns. On the far end of the involvement spectrum, a government might actually partner with companies on CSR initiatives. These strategic partnerships could bring together the complementary skills of the public sector, the private sector, and civil society to tackle complex social and environmental problems.

Eventually, when the CSR environment is mature, MENA governments may not need to intervene (except to offer encouragement). For the time being, however, given the region's enormous development needs and the undeveloped nature of CSR, governments need to play a more active role.

The Role of Academia
The education sector has an important role to play in shaping the attitudes of future business leaders. Outside the MENA region, CSR is an established part of MBA programs. The CSR rating in the "QS Global 200 Business Schools Report" is dominated by schools in North America and Europe, with an increasing presence of business schools from the Asia Pacific region (eight schools in the 2012 ratings).

In addition to introducing CSR-related concepts into business schools,

some ministries of education outside of MENA are introducing lessons about sustainable development as early as primary school. For example, the international organization ENSI (Environment and School Initiatives) has developed a program to help educate teachers about sustainability, and to offer guidance for schools to incorporate principles and actions for sustainability into school plans.

Business schools and other educational institutions in the MENA region should follow this example. They can help mainstream CSR by incorporating the concept into school curricula. They should also produce and distribute research and analysis on sustainability concepts, value, and metrics.

The Role of Civil Society

Civil society organizations in the region are growing and attracting more support as governments realize that they are useful partners in reaching development goals. Egypt, for example, has about 16,000 such organizations, many of which are dedicated to women's health, education, and awareness of legal rights.

Civil society organizations are well positioned to partner with private companies to carry out CSR initiatives, lend credibility to these initiatives, and monitor the performance of the private sector on diverse issues such as child labor, fair trade, community involvement, and environmental protection. A number of civil society organizations have even managed to encourage private-sector companies to establish and fund foundations—culturally known as *waqf*, meaning a charitable trust—to advance social and environmental causes.

One promising type of civil society activity is "venture philanthropy"—a growing global philanthropic movement looking to change the whole concept of "giving" with a transparent, results-oriented approach. For example, the Emirates Foundation recently relaunched itself under the name Emirates Foundation for Youth Development. Following a comprehensive review that assessed all aspects of UAE society—identifying the Foundation's strengths, community issues already being addressed by other institutions, and immediate societal challenges—the Emirates Foundation singled out youth development as the most pressing challenge of the time and the area in which it would have the greatest impact. To deliver this new mission the Foundation has embraced venture philanthropy.

"Venture philanthropy recognizes there are no 'quick fixes' to creating tangible, developmental results," Emirates Foundation Chief Executive Clare Woodcraft says. "Instead of giving money on a short-term reactive basis it looks at investing in organizations or initiatives with the expectation of social returns. This increases the measurable impact and opens the way for foundations like ours to play an even greater role in a nation's socioeconomic progress."[13]

CONCLUSION

Sustainable development—particularly as it relates to job creation, poverty alleviation, and the environment—is critical for the MENA region's long-term prosperity and stability. Companies, as good corporate citizens, must become involved in sustainable development and contribute to the broader improvement of their societies. They therefore need to align themselves with these national goals that are built around sustainable development, using the powerful tool of CSR initiatives to help achieve them. The onus of these major development goals does not rest solely on the shoulders of private enterprise. Governments, academia, and civil society organizations have important roles to play in their own right, as well as in partnership with companies, so that they can create an environment in which CSR will flourish. The region's increasingly capable companies, however, should be at the center of this effort.

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