



## **Corporate Social Responsibility in the UAE Construction and Education Sectors**

المسؤولية الاجتماعية للمؤسسات في قطاعي الإنشاء والتعليم في الإمارات العربية المتحدة

**Betty E Thomas**

Dissertation submitted in partial fulfillment of the requirements for the degree  
of MSc in Human Resource Management

**Faculty of Business**

**Dissertation Supervisor: Professor Ashly Pinnington**

**8 May 2011**

# **Corporate Social Responsibility in the UAE Construction and Education Sectors**

Dissertation Length: 37846

Appendices are available upon request. Please contact the author to request a copy

## **Abstract**

Society, environment and community in the United Arab Emirates have experienced the impact of industrialization and globalization over the last few decades. This has provided grounds for businesses in the United Arab Emirates to construct a close relationship between corporation, state and society which implies the relevance of Corporate Social Responsibility (CSR). This dissertation investigates the perception, policies and practices and the relevance of CSR which is a relatively new concept to the country.

The samples selected for the study are taken from the construction and education sectors with a combination of local, expatriate and joint venture businesses. The research focuses on stakeholder management as well as investigates topics such as benchmarking, factors that motive individuals and businesses to practice CSR including small and medium enterprises operating in the UAE.

In-depth interviews are the main method of data collection. Thematic and quantitative content analysis was used to evaluate selected research propositions designed by the researcher to explore and understand the new CSR policies and practices and identify how they are implemented in the organizations studied. The dissertation concludes there is evidence for some CSR practices and CSR policies being promoted and supported within the region.

**Key words: Corporate Social Responsibility, Stakeholders, Benchmarking, Drivers, Values**

## المسؤولية الاجتماعية للمؤسسات في قطاعي الإنشاء والتعليم في الإمارات العربية المتحدة

في العقود الأخيرة تأثر المجتمع و البيئة في الإمارات العربية المتحدة من وقع أثار التصنيع والعولمة وهذا أعطى الأسس اللازمة للشركات في الإمارات لأن تبني علاقة وثيقة بين المؤسسات ، الدولة والمجتمع و تتضمن هذه العلاقة أهمية المسؤولية الاجتماعية للمؤسسات . هذه الرسالة تبحث الإنطباع، السياسات و الممارسات و علاقتها "بالمسؤولية الاجتماعية للمؤسسات" والتي تعتبر مفهوم جديد نسبيا في الدولة.

أخذت العينات المختارة للدراسة من قطاعي الإنشاء و التعليم تجمع بين المشاريع المحلية ، مشاريع المغتربين والمشاريع المشتركة. يركز البحث على أصحاب المصلحة و كذلك يبحث قضايا ضبط المواصفات المعيارية و العوامل التي تحفز الشركات والأفراد على ممارسة المسؤولية الاجتماعية بما فيها المؤسسات الصغيرة و المتوسطة في الإمارات العربية المتحدة.

كانت المقابلات المفصلة الأسلوب الرئيسي لجمع المعلومات.استعمل تحليل المحتويات الموضوعي و الكمي لتقييم المقترحات البحثية المختارة التي قامت الباحثة بتصميمها لاستكشاف وفهم السياسات و الممارسات الجديدة للمسؤولية الاجتماعية للمؤسسات ومعرفة كيفية تنفيذها في المؤسسات التي درست.

تستنتج هذه الدراسة بأن هناك دليل على تبني بعض السياسات و الممارسات للمسؤولية الاجتماعية للمؤسسات و تشجيعها في المنطقة.

## **Dedication**

I remember my parents who have instilled in me the value for education and hard work which has been an inspiration throughout my life. I dedicate my dissertation to them.

## **Acknowledgement**

I would never have reached the point today, without the guidance and support of many who have contributed in various ways throughout the course of the development of this dissertation. I cannot conclude without acknowledging them:

Professor Ashly Pinnington, my supervisor who has been a source of inspiration to me. His infectious enthusiasm and without delay guidance has been a driving force throughout my dissertation studies.

Dr Abubakr Suliman for the direction and encouragement he has given me during the instructive period of my MSc studies.

My colleagues who supported me to overcome setbacks and stay focused on my graduate study.

The University for its flexibility and the financial support it has extended to me.

The organizations and individuals who supported the study.

None of this would have been possible without the love, care and patience of my children, Sumina and Philip and the silent support of my husband, Vinod. I warmly appreciate the generosity and understanding of my extended family and friends. I value the belief they had in me.

Lastly and most importantly, I thank my God for the strength He has given me to cross this not so easy path.

## **Abbreviations**

|  |       |
|--|-------|
| 1. Balanced Score Card                                     | BSC   |
| 2. Corporate Social Responsibility                         | CSR   |
| 3. Corporate Social Entrepreneurs                          | CSE   |
| 4. Leadership in Energy and Environmental Design           | LEED  |
| 5. Performance Measurement and Management                  | PMM   |
| 6. Road Transport Authority                                | RTA   |
| 7. Small and Medium Enterprises                            | SMEs  |
| 8. Socially Responsible Investing                          | SRI   |
| 9. The Confederation of British Industry                   | CBI   |
| 10. The World Business Council for Sustainable Development | WBCSD |
| 11. United States of America                               | USA   |
| 12. United Arab Emirates                                   | UAE   |
| 13. United Kingdom   | UK    |
| 14. Value-based Networks                                   | VBN   |

## **Table of Contents**

|                    |  |
|--------------------|--|
| List of Tables     |  |
| List of Figures    |  |
| List of Charts     |  |
| List of Appendices |  |
| Abbreviations      |  |
| Abstract           |  |
| Dedication         |  |
| Acknowledgement    |  |

|   |          |
|---|----------|
| <b>Chapter1: Introduction</b>   | <b>1</b> |
| 1.1 Businesses as Social Sector Organizations   | 1        |
| 1.2 The Background: United Arab Emirates  | 2        |
| 1.3 Urgency to Apply CSR in the UAE   | 4        |
| 1.4 Problem Statement   | 4        |
| 1.5 Purpose and Objectives  | 4        |
| 1.6 Research Propositions   | 5        |
| 1.7 Dissertation Structure  | 6        |
| <br>  |          |
| <b>Chapter 2: Literature Review</b>   | <b>7</b> |
| 2.1 Introduction  | 7        |
| 2.1.1 Evolution of Corporate Social Responsibility  | 7        |
| 2.2 Stakeholders: History and Concept   | 8        |
| 2.2.1 History of the Stakeholder Concept  | 8        |
| 2.2.2 Definition of Stakeholders: Narrow and Broad Views, and Voluntary and Involuntary Views | 8        |
| 2.2.3 Ethical Responsible Management: Stakeholder Analysis & Stakeholder                      | 10       |



|  |    |
|--|----|
| Synthesis  |    |
| 2.2.4 Stakeholder Theory: Managerial Perspective   | 12 |
| 2.2.5 Value-based Networks: Corporate Social Responsibility, Sustainability and Stakeholder Management | 14 |
| 2.2.6 Stakeholder Theory: Input-Output Model   | 14 |
| 2.2.7 Stakeholder Theory: Managerial Model   | 15 |
| a. Shareholders  | 16 |
| b. Employees   | 17 |
| c. Suppliers   | 19 |
| d. Customers   | 20 |
| 2.2.8 Broader Representation: Involuntary or Secondary Stakeholders                                    | 21 |
| 2.2.9 Aspects of Stakeholder Theory  | 24 |
| a. Descriptive / Empirical   | 25 |
| b. Instrumental  | 25 |
| c. Normative   | 26 |
| 2.2.10 Identification of Stakeholders: Powerful, Legal and Urgent Claimants                            | 26 |
| a. Power   | 26 |
| b. Legal   | 27 |
| c. Urgent  | 27 |
| 2.2.11 Stakeholder Salience: Latent, Moderate and Dynamic  | 29 |
| 2.2.12 Stakeholder Salience: Various Attributes  | 30 |
| a. Dormant stakeholders  | 30 |
| b. Discretionary Stakeholders  | 31 |
| c. Demanding Stakeholders  | 31 |
| d. Dominant Stakeholders   | 31 |
| e. Dependent Stakeholders  | 31 |
| f. Dangerous Stakeholders  | 32 |
| 2.3 Benchmarking   | 33 |
| 2.3.1 What is Benchmarking?  | 33 |
| 2.3.2 Benchmarking: Crucial System for Continuous Improvement  | 34 |
| 2.3.3 Benchmarking: Evolution through Generations  | 36 |
| 2.3.4 Benchmarking: Principles and Characteristics   | 37 |
| 2.3.5 Benchmarking: Crucial System for Implementing CSR in Various Sectors                             | 40 |

|  |    |
|--|----|
| a. Purchasing  | 40 |
| b. Construction  | 41 |
| c. Pharmaceutical  | 42 |
| 2.3.6 Management Systems: To Realize CSR   | 43 |
| 2.3.7 Business Excellence Principles   | 45 |
| 2.3.8 Additional Attributes for Business Excellence: Values and Attitudes                | 47 |
| 2.4 Drivers of Corporate Social Responsibility   | 48 |
| 2.4.1 Employee: Drivers of Social Responsibility   | 48 |
| 2.4.2 Values: Driver of Social Responsibility  | 49 |
| 2.4.3 Leaders and Motivation: Driver of Social Responsibility                            | 50 |
| 2.4.4 Religious and Moral Values: Driver of Social Responsibility                        | 53 |
| 2.4.5 Finance: Driver of Social Responsibility   | 55 |
| 2.4.6 Government: Driver of Social Responsibility  | 56 |
| 2.4.7 NGOs, Mass Media, Global Practices and Awareness: Drivers of Social Responsibility | 59 |
| 2.4.8 Summary of Literature Review   | 63 |
| <b>Chapter 3: Methodology</b>  | 64 |
| 3.1 Introduction   | 64 |
| 3.2 Techniques: Data Collection and Interpretation                                       | 64 |
| 3.3 Evolution of the Study and Research Questions  | 66 |
| 3.4 The Case Study Context   | 67 |
| 3.5 Pilot and Main Study   | 68 |
| 3.6 Data Collection  | 70 |
| 3.7 Interviews and Transcription   | 71 |
| 3.8 Thematic Content Analysis  | 72 |
| 3.9 Examination: Responses and Discussion of Propositions                                | 73 |
| 3.10 Limitations of the Research Design  | 74 |
| 3.11 Summary of Methods of Data Collection and Interpretation                            | 74 |
| <b>Chapter 4: Data Analysis and Results</b>  | 76 |
| 4.1 Overview of the Interview Participants   | 76 |
| 4.2 Interview Design   | 76 |

|  |     |
|--|-----|
| 4.3.1 Section 1: Investigation on Interviewee's views: Stakeholders and Stakeholder Relationship                       | 77  |
| a. Question 1  | 77  |
| b. Question 2  | 81  |
| c. Question 3  | 83  |
| d. Question 4  | 83  |
| e. Question 5  | 84  |
| 4.3.2 Section 2: Investigation on Interviewee's Views: Benchmarking  | 85  |
| f. Question 6  | 85  |
| g. Question 7  | 87  |
| h. Question 8  | 88  |
| i. Question 9  | 90  |
| 4.3.3 Section 3: Investigation on the Interviewee's Views on what Drives Individuals and Organizations to Practice CSR | 92  |
| j. Question 10   | 92  |
| k. Question 11   | 92  |
| l. Question 12   | 94  |
| m. Question 13   | 96  |
| n. Question 14   | 97  |
| o. Question 15   | 99  |
| p. Question 16   | 101 |
| 4.3 Themes Generated from the Interview Dialogue   | 103 |
| <b>Chapter 5: Discussion</b>   | 104 |
| 5.1. Introduction  | 104 |
| 5.2 Stakeholders: Propositions: 1, 2, 3, 4, 7, 9 and 10  | 104 |
| a. Proposition 1   | 104 |
| b. Proposition 2   | 105 |
| c. Proposition 3   | 105 |
| d. Proposition 4   | 106 |
| e. Proposition 7   | 107 |
| f. Proposition 9   | 107 |
| g. Proposition 10  | 108 |

|   |         |
|---|---------|
| 5.3 Benchmarking: Proposition 12                                      | 108     |
| h. Proposition 12   | 108     |
| 5.4 Drivers for CSR: Proposition 18 and 20                            | 110     |
| i. Proposition 18   | 110     |
| j. Proposition 20   | 111     |
| 5.5 Summary of Main Findings for the Selected Propositions            | 113     |
| 5.5.1 Stakeholders: Summary for Propositions: 1, 2, 3, 4, 7, 9 and 10 | 113     |
| 5.5.2 Benchmarking: Summary for Proposition 12                        | 114     |
| 5.5.3 Drivers for CSR: Summary for Proposition 18 and 20              | 114     |
| 5.6 Propositions: Future Research and not Addressed in this Study     | 115     |
| <br><b>Chapter 6: Conclusion and Recommendations</b>                  | <br>117 |
| 6.1 Introduction  | 117     |
| 6.2 Proposition 1   | 117     |
| 6.3 Proposition 2: and Proposition 3                                  | 118     |
| 6.4 Proposition 4   | 118     |
| 6.5 Proposition 7   | 118     |
| 6.6 Proposition 9   | 119     |
| 6.7 Proposition 10  | 119     |
| 6.8 Proposition 12  | 119     |
| 6.9 Proposition 18  | 120     |
| 6.10 Proposition 20   | 120     |
| 6.11 Association to Themes: Interview Dialogue                        | 120     |
| 6.12 Recommendations  | 121     |
| <b>References</b>   | 125-134 |

## **List of Tables**

|               |  |     |
|---------------|--|-----|
| Table No. 1:  | Forms of Benchmarking  | 38  |
| Table No. 2:  | Business Excellence Principles   | 45  |
| Table No. 3:  | Government Role in Relation to Promoting CSR                                       | 57  |
| Table No. 4:  | Overview of the Participants in the Pilot Study                                    | 69  |
| Table No. 5:  | Overview of the Participants in the Main Study                                     | 70  |
| Table No. 6:  | Occurrence of Concept during the Interview Dialogue                                | 78  |
| Table No. 7:  | Order of Mention during the Interview Dialogue                                     | 79  |
| Table No. 8:  | Policies Related to Code of Conduct  | 93  |
| Table No. 9:  | Direction to Practice CSR  | 95  |
| Table No.10:  | Championing CSR: Ethics, Values, Principles and<br>Motivation of Senior Management | 98  |
| Table No.11:  | CSR and Sustainable Practices: Competitive Advantage                               | 102 |
| Table No.12:  | Frequency of Positive Reference during the Interview<br>Dialogue                   | 103 |
| Table No. 13: | Summary of the Propositions  | 116 |

## **List of Figures**

|                 |  |    |
|-----------------|--|----|
| Figure No. 1:   | Contrasting Model of the Corporation: Input-Output Model | 15 |
| Figure No. 2:   | Traditional Managerial Model of the Firm                 | 16 |
| Figure No. 3:   | Contrasting Model of the Corporation: Input-Output Model | 21 |
| Figure No. 4:   | Stakeholder Map  | 23 |
| Figure No. 5:   | The Three Aspects of Stakeholder Theory                  | 24 |
| Figure No. 6: A | Qualitative Classes of Stakeholders                      | 28 |
| Figure No. 7: B | Qualitative Classes of Stakeholders                      | 30 |
| Figure No. 8:   | Development in the Art of Benchmarking                   | 36 |
| Figure No. 9:   | The Benchmarking Template                                | 39 |
| Figure No. 10:  | The P-D-C-A Cycle  | 44 |
| Figure No. 11:  | The Role Model of Responsible Leadership                 | 52 |

## **List of Charts**

|                   |   |     |
|-------------------|---|-----|
| Flow Chart No. 1: | Dissertation Structure  | 6   |
| Flow Chart No.2:  | Summary of Literature Review  | 63  |
| Flow Chart No.3:  | Summary of Data Collection and Interpretation                       | 75  |
| Chart No. 4:      | Analysis to Identify Stakeholders                                   | 82  |
| Chart No. 5:      | Upholding a Value-based Approach                                    | 83  |
| Chart No.6:       | Benchmarking/Management Systems: Compulsory<br>Business Requirement | 88  |
| Chart No.7:       | SMEs as Examples to Large Organizations                             | 100 |

## **List of Appendices**

|            |   |
|------------|---|
| Appendix 1 | Pilot Study Interview Schedule  |
| Appendix 2 | Main Study Interview Schedule   |
| Appendix 3 | Themes Based on Positive Affiliation Throughout the<br>Interview Dialogue                 |
| Appendix 4 | Propositions Suggested for Future Research and Sensitivity<br>/ Irrelevance to the Region |
| Appendix 5 | Interview Dialogue  |

# **Chapter 1**

## **Introduction**

### **1.1 Businesses as Social Sector Organizations**

Industrialization and globalization have impacted society, environment and community. It has become a matter of concern and these have compelled Corporate Social Responsibility (CSR) to grow since the 1950s. As a result the relationships maintained between company, state and society have changed and businesses can no longer act as independent entities. The relationship has gradually grown from a humanitarian co-existence to where the interest of stakeholders and society are becoming more and more acknowledged as interdependent. Votaw (1973) and Whitehouse (2003) claim that despite 70 years of debate; CSR still does not have a universally accepted definition. The Kennedy School of Government at Harvard University defines CSR strategically. The School argues that CSR is beyond philanthropy and compliance and what businesses do with their profits and how profits are made. Further it claims that CSR is “How companies manage their economic, social, and environmental impacts, as well as their relationships in all key spheres of influence: the workplace, the marketplace, the supply chain, the community, and the public policy realm” (in McNabb, King & Petersons n.d., p. 2).

Stormer (2003) argues that businesses are important in society; however, that the businesses of today cannot be considered as the center of a social system. This business model has been replaced by the concept of businesses becoming one of the many interacting systems. Carroll (1991), in his extensive study on the responsibilities of corporations, argue that businesses have been struggling with commitments to various stakeholders. Mitchell et al's (1997) study categorizes stakeholders according to the characteristics they possess which determine the relationship between stakeholders. Stormer's argument, the Kennedy School of Government's definition and the various definitions and studies conducted by scholarly academics provide evidence that business and CSR involve the interaction between many social systems. This is further justified by Peter Drucker “The 21<sup>st</sup> century will be the century of the Social Sector Organization” (in Qasim et al 2011, p.109). As a result, responsibility, ethics and values have become interdisciplinary topics in management and in study. These are also included in corporate policy and practice in Europe, United States of



America (USA) and are being transmitted to other countries which are discussed in detail in the literature review section. Katsioloudes (2007) claims that while there is vast study and literature on CSR in the west and other regions, the Middle East has received less attention. In the United Arab Emirates (UAE) literature and focus on CSR can be described as meager and limited.

## **1.2 The Background: United Arab Emirates**

The UAE comprises of seven states which attained sovereignty in 1971. The Supreme Council consists of seven rulers of the emirates and is the uppermost executive and legislative authority in the UAE. Abu Dhabi is the largest emirate and has implicitly taken on the leadership of the UAE regarding federal matters with Dubai contributing extensively in the decision making process. With regards to its political system the UAE maintains a patriarchal style of leadership which is also combined with tribal rudiments of the region. Since the attainment of sovereignty it has undergone significant transformation with sustained high per-capita income and has resulted in the ruling families not feeling the requirement to raise the institutional capability of government institutions. But it would be unfair to distinguish the UAE as being authoritarian without absolute political development considering the fact the state is still young. UNDP (2005) reports that there is internal debate of the weakness of the system mainly because the governance and the capability to uphold the extreme economic growth and social system are solely dependent on personal capacities.

There are no elections in either of the emirates and each emirate is ruled by a structure of inherited succession. The president is chosen from the Federal National Council and is the highest authority and members of the council are not elected but chosen by the rulers. The speaker is elected from the chosen members. The constitution does not contain provision for political groupings such as formalized political parties, non-governmental organizations although the right to assembly is recognized in article 33 (UNDP 2005). The ruler's Majlis provide an avenue for individual members to raise their grievances but all political decision-making is rested in the hands of the ruling families. To a large extent the judicial system relies on the Islamic Shariah law and the traditional Qadi system. The legislative organism depends on a consultative capacity and it does not provide a system for check and balances. Since 2004 the UAE has begun to realize the need for a more structured government as the political growth has not been consistent with the economic progress and there are enormous

variances between the economic and political progress, reforms and democratization of the country (UNDP 2005).

The UAE is the fourth largest oil producer in the world. It has also made large gains in construction, retail and education and today the gross national income comes from non-oil sectors. The low national population has contributed to the national gross domestic product rising tremendously. The improvised state witnessed dynamic and economic growth and some technical issues of monopoly, corruption and a lack of transparency plagues the system which have been taken note of by the government. The tremendous growth and the focused spending on infrastructure have created opportunity for foreign and local private-sector participation which has created a shortage of skilled and unskilled labour. In addition, in the UAE, nationals are hesitant to work in private sector and do not consider work in manual or unskilled positions (Wilkins 2001). For these reasons the UAE has had to rely on expatriate labor. The share of expatriate workforce in the UAE rose to 90% in the 1980s (Ali and Camp 1995), thereby transforming this Islamic country into an oasis of multiculturalism. The 2010 statistics reported by the National Bureau of Statistics claimed the influx of expatriate workers and foreign investment has contributed to the population growing to 8.3 million resulting in the local population dwindling from 15.4 % in 2006 to 11.5% (Salama 2011). This challenge has compelled the UAE to shift from its feudalistic nature to modernization (Katsioloudes 2007).

While the Middle Eastern region makes headlines for political unrest, the UAE experiences political stability and is a sanctuary of peace (Katsioloudes 2007). The stability and moderate foreign policy have paved the way for this impoverished province to become a hub for foreign direct investments and its per capita is not far below the average developed nation (Katsioloudes 2007). The Emirate of Dubai is considered as the commercial city of the UAE (Al-Shaikh 2001). Damyanova and Singer (2004, p. 101) express that the CEO of AME Info regards Dubai as the “mother of globalization”. Damyanova and Singer (2004) further supports by saying that the vision of the Vice-President is to create an open society and businesses are invited to participate in building the infrastructure. It provides ‘tax-free shelters’ and allows businesses to operate from free trade zones as for example the Dubai Media City where a number of international print , satellite and broadcast media have established businesses.

### **1.3 Urgency to Apply CSR in the UAE**

The local environment has been impacted as these international media agencies operating in the UAE focus on cost of living, environmental issues, discrimination, labour disputes, and such other areas of domestic concern. The new business either being started or re-located to the region has caused a strain on the natural resources of the UAE and CSR has become an important topic of discussion and concern in the UAE. The awareness created by the media, the pressure exerted by the International Labour Organization and other western governments want the UAE to comply with international labour regulation. It is therefore thought that ethical responsible business practices, protection and development of the environments have to be the order of the day in the UAE yet according to Qasim et al (2011, p.111) “it remains stunted in one key area: Corporate Social Responsibility”.

### **1.4 Problem Statement**

Management literature has provided substantial arguments supporting the idea that businesses have broader responsibilities and commitments to society. To achieve this obligation, businesses are required to maintain positive relationships with their stakeholders who claim economic, legal and/or ethical rights. Academic studies have argued that organizations advocating a value-based approach will obtain positive benefits and even competitive advantage. Organizations that are committed to identifying their stakeholders based on values, principles and substance are able to recognize what the right things are required to be done, share their knowledge and contribute to constructive supply chain stakeholder management.

### **1.5 Purpose and Objectives**

The study is based in the UAE and to understand the environment, the researcher has addressed the following practicalities of the region which will add value for rationalizing the purpose for the study which is exploratory. It aims to investigate the perception, policies and practice in Corporate Social Responsibility in the United Arab Emirates concentrating on two industry sectors: Construction and Education. There are two wide-ranging questions addressed in this dissertation.

1. How relevant are the new CSR policies and practices to organizations operating in the UAE?
2. How do managers and professionals working in the UAE implement CSR?

The objectives as detailed below are established to guide this research dissertation:

1. To explore the principles and practices of stakeholder management
2. To recognize the commitment organizations have to the environment from which they operate in and effect.
3. To understand the assumptions of benchmarking as a tool for business management and assess the practicality of benchmarking CSR in the UAE
4. To discover how senior management can play a vital role in leading and championing CSR
5. To obtain evidence for the proposition that doing the right things will add to achieving competitive advantage

## **1.6 Research Propositions**

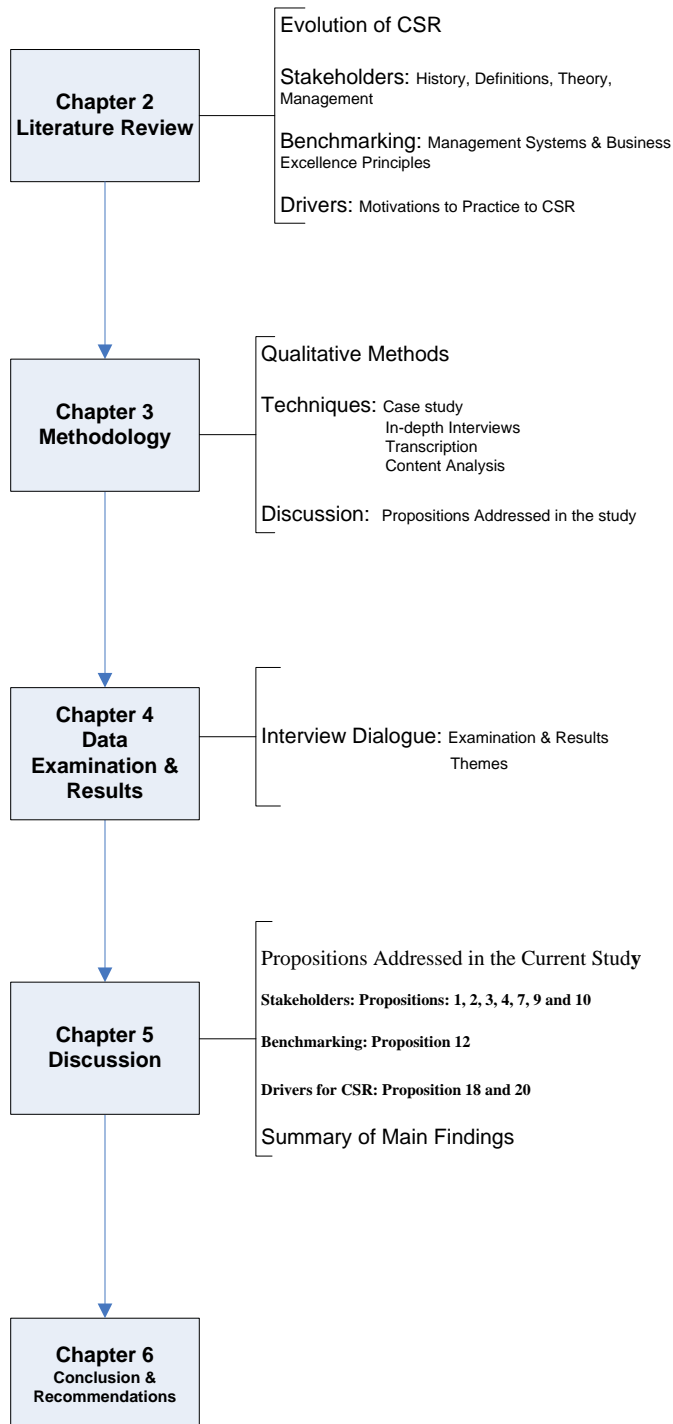
X Propositions were formulated based on concepts and issues of CSR arising from a review of the literature. The propositions are presented and explained in chapters 2 and 5 of this dissertation. A sub-set of these propositions was selected for empirical study in the UAE. These are:

1. Stakeholders: Propositions 1, 2, 3, 4, 7, 9 and 10
2. Benchmarking: Proposition 12
3. Drivers for CSR: Proposition 18 and 20

## **1.7 Dissertation Structure**

The flow chart below gives an overview of the layout of this dissertation from chapter 2 onwards.

## Flow Chart No: 1 Dissertation Structure



## **CHAPTER 2**

### **Literature Review**

#### **2.1 Introduction**

##### **2.1.1 Evolution of Corporate Social Responsibility**

The idea of Corporate Social Responsibility (CSR) has a long and diverse past, and there are some indications that businesses have had concern for society from centuries ago (Carroll 1999). The modern concept of CSR has grown in importance and significance, and may be traced way back to the 15<sup>th</sup> century when wealthy families in Europe performed charitable acts to help the less fortunate. The German banker Jacob Fugger, as cited in Metaxas and Tsavdaridou (2010), one of the richest men in history, received public condemnation for his humanitarian actions in housing poor families in town houses he owned. His realization of CSR was similar to philanthropy and community development which is seen as being detached from business objectives.

The concept of CSR, as we recognize it today, probably first began to take shape in the 1920s when corporate business representatives and executives felt a need for trustees to act in the interests of social claimants in addition to shareholders (Frederick 1994). For practical purposes, the planned implementation of CSR can be identified as occurring before World War II when Wendel Wilkie helped to educate the new sense of social responsibility in businessmen (Cheit 1964, p.157, in Carroll, 1979). CSR was generally referred to as ‘social responsibility’ in the early literature of the 1930s and 1940s. Some of the contributions to the CSR literature worth mentioning during this period are Chester Barnard’s (1938) ‘The Function of the Executive’, J.M. Clark’s (1939) ‘Social Control of Business’ and Theodore Kreps (1940) ‘Measurement of the Social Performance of Business’ (Carroll 1999).

The social science literature claims the term CSR was first formalized by Howard R. Bowen (1953) in his book ‘Social Responsibilities for Businessman’ which according to Carroll (1979) is the first distinct published text specifically addressing CSR. It espoused the doctrines of CSR (Carroll, 1999) and gave food for thought on future CSR (Carroll and Shabana, 2010). Bowen (1953) argued that CSR “refers to the obligations of businessmen to pursue those politics, to make those decisions, or to follow those lines of actions which are

desirable in terms of objectives and values to society” (Carroll 1999 p. 270). Influenced by Bowen’s early and influential work, Carroll (1999 p. 270) proposes that he be called the “Father of Corporate Social Responsibility”.

## **2.2 Stakeholders: History and Concept**

### **2.2.1 History of the Stakeholder Concept**

In the management literature the word “stakeholder” can be traced back to 1963 when it was initially used in an international memorandum by the Stanford Research Institute. With the publication of Professor Edward Freeman’s landmark book ‘Strategic Management: A Stakeholder Approach’, the concept of stakeholder has grown within the context of the management literature (Elias and Cavana 2010). The concept of “stakeholder” is a powerful one and signifies different meanings for different people (Philips et al 2003). It has been widely researched in the context of large corporations (Carroll 1979). Goodpaster (1991) is of the opinion that the term “stakeholder” was invented in the 1960s as a jibe towards the word “stockholder” intending to clarify that in addition to stockholders; there are others groups who have a stake in the decision-making processes in modern corporations. Yang and Rivers (2009) argue that the stakeholder concept is significant to CSR and its practices.

### **2.2.2 Definition of Stakeholders: Narrow and Broad Views, and Voluntary and Involuntary Views**

An early definition of the concept of stakeholder was provided by Jones (in Mitchell et al 1997, p. 856) when he defined it as “the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond the prescribed by law or union contract, indicating that a stake may go beyond mere ownership”. His practical questions on what are stakeholders, how many stakeholder groups must be gratified, which welfare requirements are more important and how their requirements can be well-adjusted are still unanswered. In addition there is no definitive answer on how much cash should corporations keep aside to attend to these interests. Many scholars have attempted to define stakeholders but with limited success (Mitchell et al 1997). Professor Edward Freeman classified and modeled the stakeholders of a modern corporation and Mitchell et al (1997)

claim that Professor Edward Freeman's (1980) quotation of stakeholder is one of the broadest available in the literature.

Freeman and Reed (in Mitchell et al 1997) explain the narrow definition of stakeholders in terms of the Stanford Research Institute which includes those groups who are vital to the survival and success of the corporation. The narrow view attempts to define groups or individuals who have direct significance for the economic interests of the organization. Under the narrow classification, Mitchell et al (1997) refers to Clarkson's yet narrower definition which includes voluntary and involuntary risk-bearers. He describes voluntary stakeholders as those who bear risk due to their economic or human investment in the firm. Involuntary stakeholders are categorized as those who bear jeopardy due to the activities of the firm. Consequently these stakeholders are established on the actuality of limitations of time, attention, resources and even by limited patience from managers in being responsive to them. Mitchell et al (1997) debate that those firms who maintain the narrow view focus only on the claims made by legitimate stakeholders and hold a normative principal which is one of the three aspects of the stakeholder theory. This is explained in more detail in the three aspects of stakeholder theory (Figure 5) addressed in this chapter.

Mitchell et al (1997) cite Freeman's broad definition of stakeholders which included the individuals or groups who can affect or be affected by a corporation. His theory of a stakeholder theory of the modern corporation challenges the framework of managerial capitalism. He argued that stakeholders are either individuals or groups who may benefit from and be respected by corporations or those individuals or groups who have particular interests that may be subject to harm or violations by corporations. This view is based on the empirical principle which is another aspect of the stakeholder theory which is described further on in Figure 3 of this chapter. Mitchell et al (1997) suggest that it is incomprehensibly difficult for managers to systemically put into practice the broad view of stakeholder theory. Several authors have defined stakeholders based on their requirement for the organization's survival.

From a strategic management view point, Mitchell et al suggest that the stakeholder framework must include groups or individuals that affect or are affected by the organization. Some corporations may include legitimate or illegitimate individuals or groups such as "terrorist groups" as stakeholders (Crane, Matten, and Spence 2008, p. 112). It may be



disagreeable to include such groups as stakeholders but from the strategic management point of view it must be done in order to be prepared for the risk factors due to potential attacks that may affect business. Goodpaster (1991) refers to the strategic point of view as 'stakeholder synthesis'. He argues that in addition to the strategic point of view the stakeholder concepts should deal with multi-fiduciary aspects.

### **2.2.3 Ethical Responsible Management: Stakeholder Analysis & Stakeholder Synthesis**

There is considerable literature on 'stakeholder analysis' being used as a process to make ethical decisions. The 'stakeholder analysis' concept deals with the management of relationships and 'responsible decision-making' and ethical management between stockholders and stakeholders. Goodpaster (1991) suggests that for ethical responsible management, an organization must give careful consideration to stockholders and to stakeholders in the decision making process. He further argues that in an organization where stakeholders are considered as a means to achieve organizational goals a weak relationship is maintained with its stakeholders. In a strong relationship the stakeholders are considered as 'quasi-stakeholders'. Goodpaster (1991) suggests that organizations use the French Mathematician, Blaise Pascal's (1623-62) six steps referred to as 'PASCAL' which stands for 'Perception', 'Analysis', 'Synthesis', 'Choice', 'Action' and 'Learning' to make ethical decisions in identifying its stakeholders.

**Proposition 1:** If stakeholders are considered primarily as a means to achieve organizational goals then these organizations will tend to maintain a weak relationship with their stakeholders.

Goodpaster (1991) is of the opinion that gathering data, processing and taking action to rectify the problem reduces the six steps to "input", "decision" and "output" which should be used from the initiation to the resolution stage of a problem. Organizations use stakeholder analysis to identify its stakeholders but in the process they are only able to identify their stakeholders, since stakeholder analysis does not enable the organization to discover the ethical personality, values or substance of the stakeholders. The process uses the first two steps of PASCAL which are 'Perception' and 'Analysis' which do not address the questions why and for what purpose the stakeholders are being identified. The stakeholder synthesis method uses the next three steps of PASCAL which are 'Synthesis', 'Choice' and 'Action' in

the identification process. This process calls for investigating the principles, values and substance of stakeholders that have been identified and addresses the questions of when and what kind substances and how they become ethical. The whole stakeholder plan is to incorporate ethical values in the decision making process. Goodpaster (1991) refers to the Poletown Controversy in which the losses borne by General Motors Plant in Detroit compelled it to close down two assembly plants which impacted on the community negatively. He identified the stakeholder analysis conducted in this case as strategic stakeholder' syntheses as holders outside the stock were looked at instrumentally. The main aim was to maximize the profits for General Motors (GM). He further argues that it could have been that those managers involved in the process held fiduciary relationships that warranted them to do so. Personally, they may have identified with the circumstances of the less significant stakeholders. As employees, customers, and local communities' are affected by the closure Goodpaster goes on to recommend the Multi-Fiduciary Stakeholder Synthesis approach which gives equal consideration to all the stakeholders. Multi-Fiduciary Stakeholder Synthesis may create a situation of trading off the interests and financial advantages of one group with another. In such situations, Goodpaster (1991) proposes the conservative view of Adam Smith's (1733) "invisible hand" which argues legal compliance will assure good for all in a competitive economy. Those who hold the liberal outlook consider government intervention, legislation and regulation as a requirement to stand for other stakeholders that includes customers, employees, suppliers and neighbours. These other stakeholders become associated with the decision making process either directly or indirectly through instrumental economic factors or through lawful claims respectively (Goodpaster 1991).

**Proposition 2:** Organizations implementing the stakeholder synthesis method of identifying stakeholders will be competent in identifying the stakeholder values, principles and substance of the stakeholders identified.

Goodpaster (1991) suggests that Professor Edward Freeman (1984) applied in his book a form of strategic stakeholder synthesis to define stakeholders. Freeman explains that through strategic management, firms plan their future direction and argues that those who affect those directions must be considered in the strategic management process. He observes that there is a lack of clarity on why "those groups who are affected by the corporation" should be considered as stakeholders. Freeman claims that 20 years ago such groups would not have

had an effect on the actions of the firm but over time firms have undergone changes and such groups who previously had no effect 20 years ago may affect the firm today and must not be ignored. Freeman identifies such affected groups as stakeholders and affirms that the strategic management model is insightful for impending change (Goodpaster 1991). Professor Edward Freeman (1984) later writes:

From the strategic management, or the achievement of organizational purpose, we need an inclusive definition. We must not leave out any group or individual who can affect or is affected by organizational purpose, *because that group may prevent our accomplishment*

(Cited in: Goodpaster 1991, p. 59)

Freeman argues that no stakeholder should be left out as they may disrupt the organization in achieving its goals. The stakeholder management approach from the strategic point of view includes ensuring that no stakeholder is ignored. Before concluding his book he suggests that future research on the theory of management should find out if the fiduciary relations that managers have towards their stockholders can be replaced by the concept of management in which the managers must act in the interest of all stakeholders of the organization.

#### **2.2.4 Stakeholder Theory: Managerial Perspective**

Donaldson and Preston (1995) propose that stakeholder theory is also a managerial concept. They argue attitudes, practices and structures all contribute to stakeholder management. According to Philips et al (2003), organizational management and ethics are limitless whenever Stakeholder Theory is referred to “unreflectively”; management consequently plays a vital role in the modern corporations as it has to take into account the stakes of employees which may be implicit or explicit. Top management is involved in caring for the health of the organization which involves balancing the multiple claims of conflicting stakeholders such as stockholders wanting higher returns, customers wanting better products, employees’ wanting higher wages and local communities wanting better amenities. For successful “Stakeholder Management Capability” an organization must combine three levels of analysis of stakeholders. The first level is a verification of who the stakeholders are and identification of what their stakes are in the company. The second level involves organizational processes used to manage implicit and explicit relationships and assess where

and how they may fit on the stakeholder map. The third level is to understand the transactions and bargains made between the organization and stakeholders, and to understand if it matches with the map and process for the different stakeholders (Philips et al 2003).

**Proposition 3:** Organizations that combine the three levels of stakeholder analysis stakes, relationships, and transactions are more likely to succeed in stakeholder management capability.

According to Billgren and Holmen (2008), the literature offers a wide range of definitions on who are the stakeholders given that various numbers of stakeholders have been studied previously. Donaldson and Preston (1995) recognize governments, investors, political groups, customers, communities, trade associations and suppliers as powerful stakeholders. Prebble (2005) suggests that numerous studies have included environmentalists, media and non government organizations (NGOs) in the list. Yang and Rivers (2009) lengthens the list of stakeholders by including formal government institutions, and the communities in which subsidiaries of a parent Multi National Corporation operates. Their study confirms that in this situation the subsidiary has to meet expectations from various stakeholders in the host country. It is expected that they obey the rules of the parent company and be flexible in its regulations so as to become more isomorphic and meet the demands the stakeholders in the host countries where the subsidiaries operate. Yang and Rivers's (2009) study concluded that the greater the host country stakeholder demands, the more the subsidiary will have to be flexible and accept local CSR practices to increase its authority within the host country. In an environment of globalization and international security issues, theorists advocating the agency and stakeholder viewpoints are encountered with numerous challenges in CSR, sustainable development and stakeholder approaches.

**Proposition 4:** MNC subsidiary companies operating in host countries are likely to encounter greater demands from host country stakeholders. These MNCs and their subsidiaries will be compelled to be flexible, and accept and practice CSR to maintain and exercise their authority in the host country.

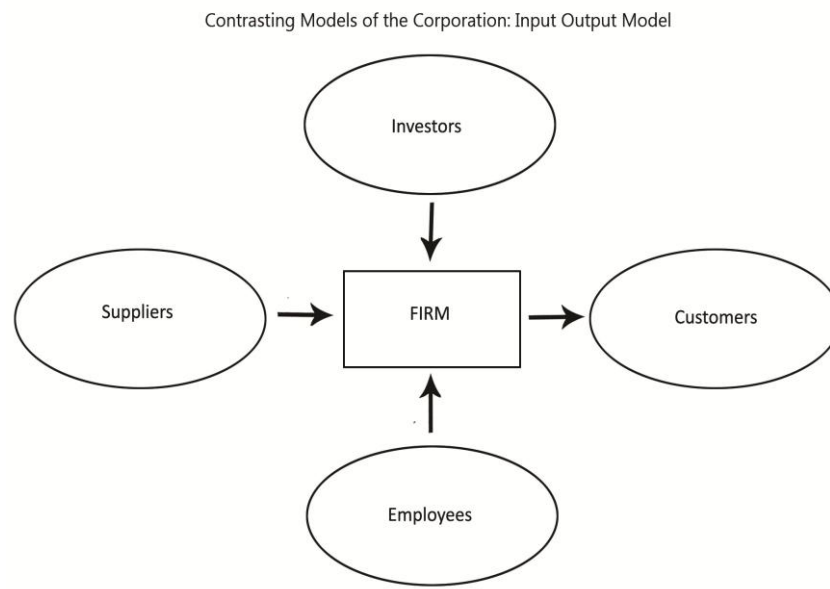
### **2.2.5 Value-based Networks: Corporate Social Responsibility, Sustainability and Stakeholder Management**

Academics have long deliberated on the purpose of business and the relationship between investors and other stakeholders (Wheeler et al 2003). Those who advocate the new economic and social concepts assert that economic globalization and technology are changing the nature of business thorough network forms of organization. The beginning of this 'network economy' has generated discussion on the nature and purpose of business, value creating processes and business strategy. USA, United Kingdom (UK), Canada and Australian markets have each tried to understand how to improve profits and economic value. These countries acknowledge that, in some circumstances, the formation of social networks or communities 'united by a common sense of what is valuable' is a requirement for monetary advantage. Wheeler et al (2003) terms these communities as 'value-based networks' (VBN). Value creation is the main motivator for all business actions and those involved in the VBN search for an approach informed by Corporate Social Responsibility, Sustainability and Stakeholder Management. The framework for the players in the VBN is to protect value, increase the prospect for generating value, and shift from compliance to the consideration of stakeholder needs and to develop the culture and its internal capabilities of Sustainability and a Stakeholder approach. Stakeholders in a VBN recognize the merits of their association and its support for business. Wheeler et al (2003, p.4) quotes the digital industry where 'sets of contributors come together to create value customers and wealth for shareholders ... Inventing new value propositions, transferring rules of competition, and mobilizing people and resources to unprecedented levels of performance'. The merger of America Online with Time Warner in 2000 demonstrated VBN in communications and entertainment and the business plan was intended to signal this change towards network forms of governance and media communication that add value to people's lives, however, the merger was a financial disaster.

### **2.2.6 Stakeholder Theory: Input-Output Model**

Donaldson and Preston (1995) propose that the stakeholder theory "is intended both to explain and guide the structure and operation of the established corporation". Each contributor expects to be remunerated on the basis of their input. Due to rivalry in the system the major advantage goes to the customer which is explained in Figure 1 as the arrow is

directed from the firm to the customer. The input-output model in the Marxist-Capitalist version has the arrows of the shareholder and customer reversed with the purpose of indicating that the goal of the capitalist system is mainly to produce profits for the shareholder.



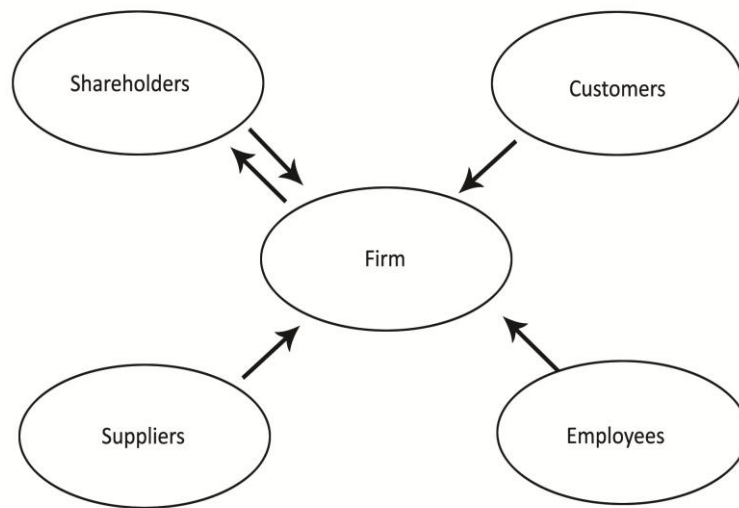
**Figure No. 1:** Contrasting Model of the Corporation: Input-Output Model

Source: Donaldson and Preston (1995, p.68)

### 2.2.7 Stakeholder Theory: Managerial Model

The traditional managerial model of the stakeholder map in Figure 2 includes shareholders, employees, suppliers and customers, and this model can be understood as a traditional theory of the firm. Due to the inclusion of stakeholders who are purely directly involved in the firm this model is termed as a sparse representation and model of stakeholders. The roles of the stakeholders in this model are explained in detail below.

(a) Traditional managerial model of the firm



**Figure No. 2:** Traditional Managerial Model of the Firm

Source: Adapted from Crane and Spence (2008, p.17)

- a. Shareholders:** The Stockholder Theory was advocated by Milton Friedman who claimed that "there is one and only one social responsibility of business: to use its resources to engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition, without deception or fraud" (Friedman 1962, p.133). He suggests that businessmen are of the opinion that they are defending a free enterprise system when they claim that they are not "merely" concerned with profits but also desire to promote social ends of providing employment, avoiding pollution or eradicating unfairness. He argues that they were in fact preaching pure socialism and opposes the argument that business has responsibilities to community and proposes that even in the indistinct sense business cannot have such responsibilities. He claims the initial step is to seek clarity by scrutinizing the doctrine of social responsibility of business by querying what it means and towards whom it concerns (Friedman 1970). As the discussion of social responsibility is centered on corporations, he disregards individual owners and addresses the question of responsibility to corporate executives. He argues that

employees have an undeviating responsibility to their employers as they are employed by the owners of the business in a free-enterprise system. The sole purpose of the employee, he claims, is to act and conduct business in the interest of the stockholder and within the basic rules of society and the law. In certain cases a group of individuals may establish a corporation for charity purposes. Nevertheless Friedman contends that in either case the manager is the agent of the owner and the manager's main responsibility is towards the owners of the corporation. Friedman (1970) agrees that managers in their own right may have many other social responsibilities such as family, church, club, country and he may devote his earnings for a cause he considers to be worthy. The manager may even decline to work in a corporation to devote time and money for such social responsibilities. Berle and Means (1932 in Freeman, n.d.) argue that scholars and managers are of the opinion that since stockholders have financial stakes in the corporation, they are entitled to rights and privileges which must be given to them. He argued that the financial return affects the stockholders livelihood and their expectations are justified. Abrams (1951) argues that the stakes of any stakeholder will depend on the individual monetary or moral references. He compares and contrasts AT&T which had its stock dispersed among three million stockholders with the Ford Motor Company that had its stock held within the family. Parsons (1960) distinguished organizations as consisting of levels (in: Pfeffer 1972). The first is the technical level which performs work to attain goals. The next level is the administrative level which integrates the requirements from the first level and manages work to ensure that operations are not hindered. This level deals with the internal efficiency of employees and Pfeffer (1972) stresses that organizations must pay attention to the link between employee satisfaction and productivity. In the realm of stakeholders, employees play a very important role.

- b. Employees:** Pfeffer (1994) in his book 'Competitive Advantage Through People' pointed out that employees are significant stakeholders and that mutual, supportive and trusting relationships will provide competitive advantage to the firm (Jones 1995). Employees have their jobs and in return for their skills they expect security, wages, benefits and meaningful work. They are expected to be committed, loyal and favorable to the organization. Smith et al (1996) supports Pfeffer's views that organizations wanting to provide good customer satisfaction must satisfy the requirements of their employees. The quality of employee work life has to be taken



seriously by employers even in a relationship when employees are used as a means to attain organizational goals. Freeman (n.d., p.42) urges that employees must be given opportunities to participate in decision making to promote a positive “employee-company relationship” though he foresees enormous opportunities for soured relationships. Dill (1975) affirms that there is a shift from stakeholder influence to stakeholder participation and employees, both men and women and at all different levels and ranks, are encouraged to participate in internal planning. Dill (1975) is of the opinion that organizations that have trained their employees to be dynamic and confident contributors within the organization have trained them to be active and confident kibitzers from outside for other organizations. Cooperative Game Theory (Aoki 1984) explains the internal governance of the firm in relation to maintaining a balance between the owners and the employee’s interests (Donaldson and Preston 1995). Pfeffer (1994) argued that the employer-employee relationships are built on an assumption of implicit or explicit human behavior whereas in agency theory or in transaction cost economic models there is more likely to be adverse effects from opportunism. These forms of economic governance system lead to the maintenance of expensive control mechanisms which ultimately reduces the level of trust in the organization. Pfeffer (1994) observed that top-performing firms in terms of returns on stock price, during 1972 and 1992 managed their workforce differently. His study cites the work of Michael Porter (1983) who observed that firms that give more value to their employees than to the economic factors achieved competitive advantage (Jones 1995). A study on redundancies in the UK had noted a positive relationship between shareholder returns and settlements. It was noted that directors involved in the process recognized their responsibility to shareholders as well to the employees being made redundant. Anticipated gains due to the downsizing were passed on to the employees who were affected by the downsizing. The study also suggested that firms that have made generous redundancy settlements tend to do better over a period of two years (Collett 2004). In the sparse representation model it is recognized that suppliers play a major role.

**Proposition 5:** To gain competitive advantage organizations are required to promote positive employee-organization relationships and maintain a balance between stockholder and employee interests.

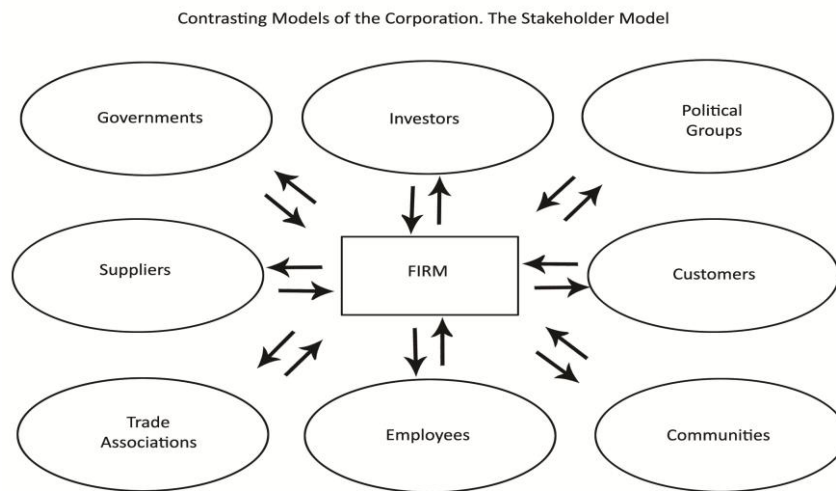
c. **Suppliers:** Suppliers contribute to a product's quality and price and also play an important role in the success of an organization. Supply of timely, genuine raw materials is vital when interpreted in a stakeholder network sense. Hill (1995) highlights the remarkable economic success in Japan after World War II and argues that Japan can claim to be the first industrial economy not following the western tradition of management. He claims that one of the reasons for Japan to emerge as the world's second largest economy by 1990 was due to the minimal costs invested in achieving cooperation and specialization. Cooperation and specialization have been recognized to benefit productivity positively since Adam Smith (in Hill 1995) wrote about cooperation and specialization with regard to the division of labour framework. Hill (1995) cites the Modern Economic Theory which proposes that in a world with self-centered people it is difficult and expensive to achieve cooperation and specialization. Hill claims that Japan inherited a cultural value system from the 'Tokugawa period' and the preindustrial past that facilitates cooperation between individuals. This enables the Japanese to work with high levels of efficiency and to increase investments made in activities of specialization. Hill (1995) researched the association and transactions maintained by American and Japanese car manufacturers with their suppliers and found that despite the fact that Japan lacked natural economic resources like raw materials and its long geographical distance from many global markets, Japanese firms have been able to achieve enterprise productivity due to the firms being able to reduce their transaction costs which arise as a result of self-interested resource suppliers who shirk their commitments (Alchain and Demsetz 1972, Jensen and Meckling 1976 in Hill 1995). It is claimed that the costs incurred due to shirking include the following steps which are identifying resource suppliers who do not have the tendency to shirk, the costs involved in negotiating with and monitoring them, and lastly the enforcement costs. But despite these efforts it is claimed that some residual cost will have to be incurred to avoid shirking. These researchers state that the above mentioned steps and the residual costs together are called transactions costs. Cusumano (1982) and Womack et al (1990) in Hill (1995) argue that since Japanese firms have to bear less transaction costs, the production costs in these firms are significantly lower. Monteverde and Teece (1982) and Klein et al (1978) in Hill (1995) point out that in the US automobile industry, component part suppliers have been persuaded by the automobile manufacturing units to make

specific investments in an attempt to economize the manufacturing but the exercise was found to be an expensive solution due to the bureaucracy involved (Hill, 1995). On the contrary, Hill found it to be a less expensive solution for the Japanese automobile industry. The component part suppliers received trustworthy and long-term commitments, and the major suppliers were provided with marginal shares in the company and in addition received technical and management support. Aoki's (1988) study reported that 50 to 70 % of components that are required by Ford and General Motors are manufactured internally; on the contrary Toyota and Nissan manufacture only 30%. The function of the cultural institution of mutual trust and obligation provides Japanese firms with the ability to maintain long-term supplier relationships (Dore 1987 in Jones, 1995). A study conducted by Jones (1995) concludes that firms which have performed well have maintained long-term relationships with their suppliers and are more effective than those that have maintained short-term relationships with their suppliers. It is recognized that such suppliers will respond to firms positively in crisis situations. For example, when Chrysler, came close to calamity, suppliers responded with reduced prices. Customers play a major role in stakeholder theory as they contribute significantly to the survival of organizations.

**Proposition 6:** Organizations that maintain good relations with their suppliers are more likely than others to receive positive responses from their suppliers during crisis situations.

- d. **Customers:** Peters and Waterman (1982) in Freeman (n.d.) have argued that companies have performed well by maintaining good relationships and being close to their customers. Customers pay for the products manufactured by the firm and in doing so contribute to the livelihood of the firm. Based on the level of reinvestment they indirectly pay for the development of new products. This has contributed to the success of other stakeholders and stockholders. (Peters and Waterman in Freeman 1994) argue that "Excellent Companies" are organizations that have maintained a good reputation in the community and have kept good relationships with their stakeholders. Freeman reaffirms that these organizations have established various applications of Kant's dictum which is to "Treat persons as ends unto themselves" and it will be a revelation that customers, suppliers, owners or members of the local community will respond positively. The broader representations of stakeholders in Figure 3 which also indicate the input-output model have the arrows pointing in both

directions and are equidistant to the firm. It explains that legitimate individuals or groups participating with the organization obtain equal benefits. Freeman (1994) does not include competitors as stakeholders as they are not instrumental in the success or survival of the firm. Freeman agrees that competitors, governments, communities are among others who may affect or be affected by the organization must be considered as stakeholders. The traditional stakeholder map has given way to a more inclusive, broader representative framework and local communities are discussed further on.



**Figure No. 3:** Contrasting Model of the Corporation: Input-Output Model

Source: Donaldson and Preston 1995, p.68

**Proposition 7:** If organizations establish the dictum “Treat persons as ends unto themselves” and maintain implicit social contracts they will receive positive responses from stakeholders.

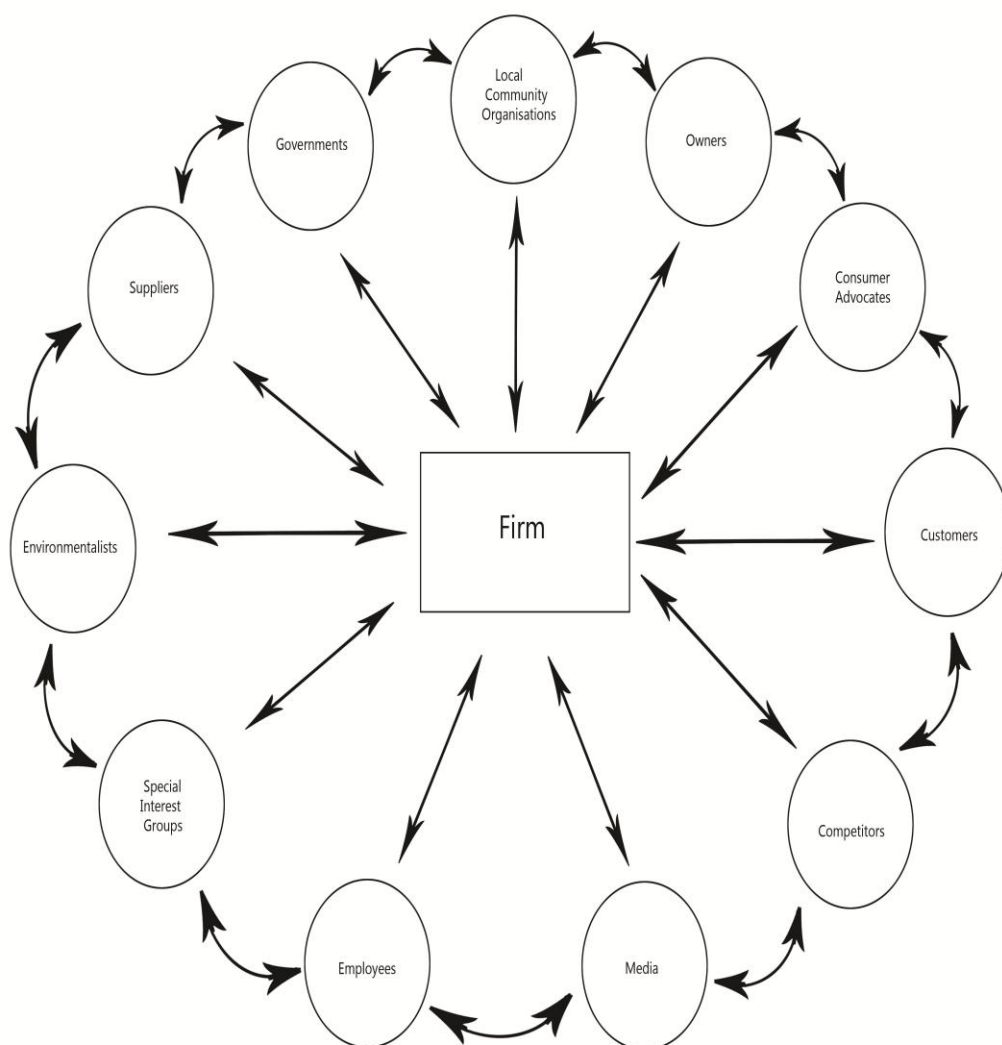
### 2.2.8 Broader Representation: Involuntary or Secondary Stakeholders

Preble (2005) suggests that community be defined as including public stakeholders along with governments. In effect, the community provides infrastructure and legal frameworks for corporations to operate in. Kuhn and Shriver (1992) comment that companies are a ‘voluntary community’ in which all interests need to be considered equally to avoid organizational

dysfunction (Collett 2004). It is argued that we are not in an era of the owner, individual or the corporation, nor are we in an age of just buying and selling for expected capital gains (Dill 1975). This era looks at dimensions of community ties, sex, ethnic background, age which are not directly linked to the corporation but establish a relationship through identity, ethics, aspirations, goals and styles of associations that make the organizations decide on specific actions and role which may be voluntary or involuntary. As examples of involuntary customers Dill (1975) draws attention to customers who are the by-products of pollution and are thus compelled to react and confront corporations despite their involuntary roles. Dill states it is a period of the concerned citizen, consumer and investor trying to address the interests of the community and the future generations. The local community benefits from the tax, economic and social contributions of the company. In return for the delivery of local service the community expects the company to be a good citizen by safeguarding it from pollution and toxic waste. In addition the community expects the company to work in coordination with the leaders of the local community to prevail over the challenges it may encounter. If a company breaks the implicit social contract it must not be accepted and ought to be punished.

This collection of community stakeholders are not directly involved in the transactions of the organization but may affect or be affected by the corporation. Such special interests groups may be classified as secondary stakeholders as they are not crucial to the survival of the organization. In Great Britain 'The Companies Act' (1980) compels corporate directors to include matters related to employee interest in their decision making. In Germany 'The Codetermination Law' requires employees to be represented on the second level of board of directors. In the USA "Title VII of the Civil Rights Act' of 1964 unequivocally states that no employers violate the law on the basis of discriminatory criteria. This legislation has led to substantial settlements being paid by companies as for example Potomac Electric Power Co., was charged for hiring less Blacks from its applicant pool (Donaldson and Preston 1995). Governments have strong influence on organizations, both formally and economically. For instance, in the US there is the 'Occupational Health and Safety Administration' and the 'Securities and Exchange Commission'. Consumer advocates like the Earth Island Institute (EII) (Frooman 1999), Ralph Nader in USA and its UK counterpart 'Ethical Consumer' have influenced customers and they have the power to lead consumer boycotts which may wreak the organization with losses (Preble 2004). Frooman (1999) observed that in a relationship where the stakeholder has more power the stakeholder will use a direct withholding strategy

to influence the firm and quoted the case study conducted in StarKist, an American tuna canning company's method of canning purse-seined tuna. Preble (2004) quotes the Nike Corporation's decision to include secondary stakeholders due to the negative media and boycott it encountered. Nike in its corporate social responsibility report in 2001 has a more formalized approach to its stakeholders and has over 100 non-profit stakeholders. In addition it is working in partnership with sustainability development consultancy in the United Kingdom to create a map similar to figure 4.

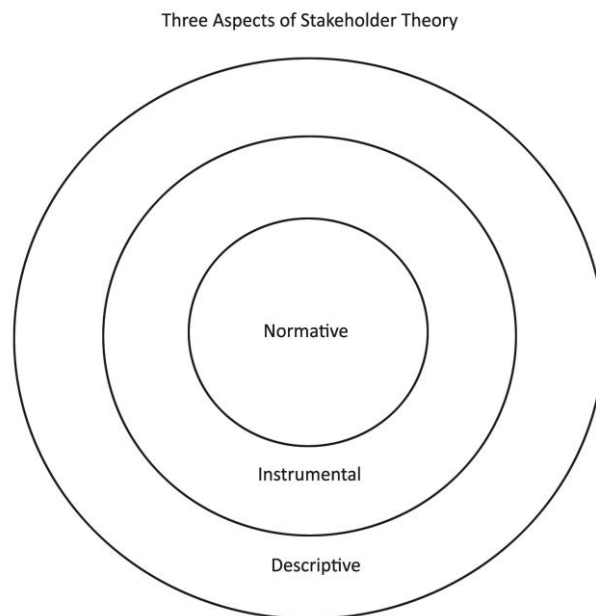


**Figure No. 4: Stakeholder Map**

Source: Preble (2005 p. 417) from Freeman (1984)

### 2.2.9 Aspects of Stakeholder Theory

The philosophy that corporations have stakeholders has become universal in the academic and professional management literatures. Freeman (n.d.) argues that Donaldson's and Preston's normative, descriptive, instrumental theories and his metaphorical theory are all foundations of the stakeholder theory. Freeman suggests that the stakeholder theory could be decomposed into several theories and each theory is bound to have a normative principal which explains how corporations should be managed and how its managers must maintain relationships with stakeholders. Stakeholder Theory has been justified on the foundation of descriptive accuracy, instrumental power and normative validity. Donaldson and Preston (1995) argue that these themes are relatively distinct but they are interrelated. The Three Aspects of Stakeholder Theory are illustrated in Figure 5.



**Figure No. 5:** The Three Aspects of Stakeholder Theory

Source: Donaldson and Preston (1995 p. 74)

- a. Descriptive / Empirical:** According to Donaldson and Preston (1995) stakeholder theory is unquestionably descriptive of a constellation around the corporation of accommodating or uncooperative interests of essential value. This theory explains the circumstances why managers consider some categories as stakeholders. This aspect of stakeholder theory reflects and clarifies the state of affairs of the corporation namely the past, the present and the future, and it is suggested that the future normally is envisaged through the construction of predicative and explanatory propositions. The corporations use this theory to explain and exhibit specific uniqueness and behaviors, for example the nature of the firm (Brenner and Cochran 1991), the way managers think about managing (Brenner and Molander 1977), how board members think about the interests of corporate constituencies (Wang and Dewhirst, 1992) and how corporations are actually managed (Clarkson 1991 in Crane, Matten and Spence 2008). This model can be used as a framework to test empirical claims and instrumental predictions in relation to the stakeholder concept but cannot be used for testing normative justifications (Donaldson and Preston 1995).
- b. Instrumental:** Stakeholder Theory can be based on instrumental criteria that stand as if they are almost unopposed. It creates a structure to study the associations between stakeholder administration and the achievement of corporate goals. Donaldson and Preston (1995) propose that corporate organizations practicing stakeholder management are doing comparatively well in terms of growth, profitability and stability. They explain stakeholder management as ‘cause’ and corporate performance as ‘effect’ and argue that the instrumental approach does not link the cause and the effect. To support the thought that it is definitely implicit Donaldson and Preston (1995 p.72 cite the Stanford Research Institute definition “those groups without whose support the organization would cease to exist”. The statement clearly means that for corporations to achieve their goals and anticipated outcomes their corporate managers must manage their stakeholders constructively and maintain positive relationships. Many of the instrumental studies on CSR use statistical methodologies to make explicit or implicit reference to stakeholder perspectives (Preston, Sapienza and Miller 1991). The theory is used to distinguish the differences between stakeholder management and the achievements of established objectives of the organization. According to Kotter and Heskett (1992) other studies have been conducted on direct observations and interviews. They put forward the view that



highly successful companies such as, Wal-Mart and Hewlett-Packard adhered to stakeholder principles and practices (in Crane, Matten, and Spence 2008).

- c. Normative:** Normative beliefs and values stand as the foundation for the descriptive and instrumental ideas, and involve acceptance of the idea that stakeholders are recognized as individuals or groups having rightful interests in technical, administrative and/or other aspects of the activity, whether or not the corporation has an interest in them. In contrast with the instrumental viewpoint, Donaldson and Preston (1995) suggest that all stakeholders are of value and should merit individual and normative consideration for their own sake and not because they are considered to add value to the stockholder or other groups. In relation to CSR, normative theory is applied to understand the functions of the organizations and also to discover the corporation's moral or philosophical ideologies. It is a complex area and it is acknowledged that the free-market economist Friedman (1970) used normative terms to critique CSR concepts and according to Carroll (1989) this practice continues (Crane, Matten and Spence. 2008).

#### **2.2.10 Identification of Stakeholders: Powerful, Legal and Urgent Claimants**

Mitchell et al (1997) state that the theories of Resource Dependence, Agency, Ecological, Transaction Cost, Institutional, Behavioral and Institutional have each separately tried to identify stakeholders. Still no theories have been able to find distinct features in providing incontrovertible guidance to identify stakeholders. Despite that, Mitchell et al (1997) were still able to draw out from available literature a few points to identify stakeholders of the firm that bore individual significance. Mitchell et al (1997) began their analysis on Edward Freeman's (1984) broad definition that no stakeholders potential or actual are to be left out illogically or without evidence. Their study proposed three classes of stakeholders which are the stakeholders who have the power to influence the firm, the stakeholders who have legal rights and stakeholders who have urgency to make claims from the firm.

- a. Power:** Salancik and Pfeffer (1974) argue that those who possess power have the ability to bring out outcomes they desire. In trying to define power, Pfeffer rearticulates Dahl's (1957) definition by saying that in a social relationship; actor A may get actor B to execute something that actor B would not have performed out of

his own will (Mitchell et al 1997). Weber (1947) is of the opinion view that it is easy to distinguish power but it is problematic to define it. Mitchell et al in their study concurs with Weber's opinion. In an organizational framework, Etzioni (1964) categorized power as coercive supremacy which is physical and based on resistance, violence or force. Utilitarian power focuses on power related to resources material or financial and symbolic resources are the foundations of normative power (Mitchell et al 1997).

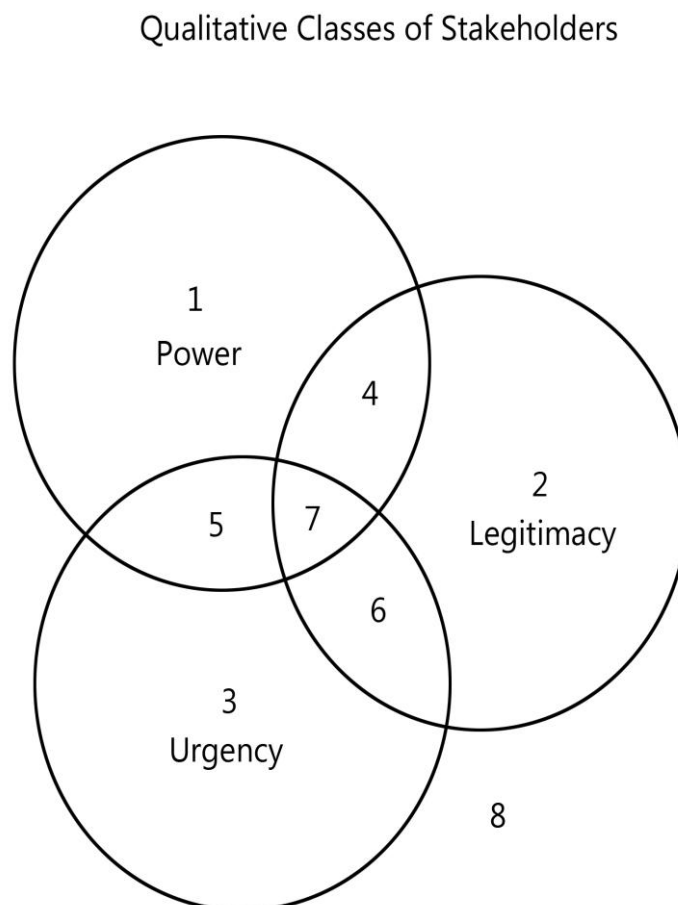
- b. Legal:** In terms of stakeholder legal rights Suchman (1995) defines legitimacy as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions” (Mitchell et al 1997, p.866). The belief that legitimacy refers to expected and accepted behaviors and is normally linked to power when it is used to assist with evaluation of the nature of relationships in society. Davis (1973: in Mitchell et al 1997) argues that those who have the power and do not use it in behavior that is responsible for society will lose it over the long run. Weber (1947 in Mitchell et al 1997) proposes that legitimacy and power are dissimilar in nature but together can create authority which he defines as the legitimate exercise of power. Weber further claims that the traits of power and legitimacy can survive separately and states that an individual may have legitimate claim in society or in a firm but if the claimant does not have the power to enforce or project the urgency the individual may lose significance from the firm's managers. Mitchell et al (1997) claim that separate attention be paid to the characteristic of legitimacy in the stakeholder-manager relationship.

**Proposition 8:** Dominant stakeholders perceived to have components of legitimacy and power combined can be expected to exercise authority which is deemed as a legitimate exercise of power.

- c. Urgent:** In relation to urgency Mitchell et al (1997) use the Merriam-Webster Dictionary definition which means “calling for immediate attention” or “pressing”. They relate urgency to “compelling”, “driving” or “imperative” and justify that urgency exists only in two conditions which are time sensitive and of critical importance to the claimant which will require immediate attention. Wartick and

Mahon (1978: in Mitchell et al 1997) argue that, in the stakeholder literature, urgency has been almost ignored but urgency has been a focus of attention for crisis management scholars. Mitchell et al (1997) agree that time sensitivity is required but argue that in relevance to stakeholder claims or stakeholder-manager relationship time sensitivity should not be identified as urgent.

In explaining power, legitimacy and urgency Mitchell et al (1997) analyse stakeholder classes based on the different combination of three characteristics represented in Figure 6.



**Figure No. 6: A - Qualitative Classes of Stakeholders**

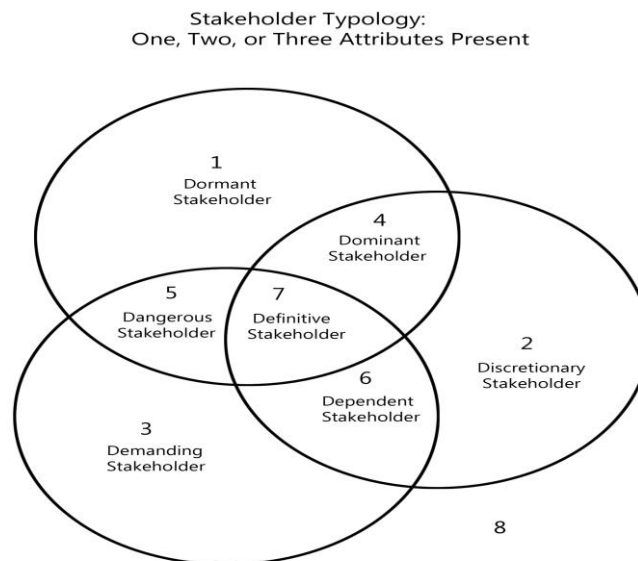
Source: Mitchell, Agle and Wood. (1997 p. 872)

### **2.2.11 Stakeholder Salience: Latent, Moderate and Dynamic**

Mitchell et al (1997) categorizes stakeholders with numbers on the basis of combinations of the three features of “power, legitimacy and urgency” that have been discussed earlier. Stakeholders under 1, 2 and 3 are termed as “latent” stakeholders and possess only one of the three attributes of power, legitimacy and urgency. The study noted low stakeholder salience when stakeholders possessed only one attribute. It is recognized that managers may not even acknowledge the existence of stakeholders coming under this category (Mitchell et al 1997). Moderate salience was noted among stakeholders that came under 4, 5 and 6 and these stakeholders possessed two out of three traits, and Mitchell et al (1997) categorized them as “expectant” stakeholders. The study noted a difference in manager perceptions in situations when stakeholders possessed two features. The relationship level between these stakeholders and managers are likely to be higher. Those stakeholders who come under 7 are dynamic as they have a combination of all three elements and are extremely salient (Mitchell et al 1997). The study noted that in the case of dynamic stakeholders, the stakeholder salience is high and managers are highly responsive. Those stakeholders who have not been categorized under any of these categories are referred to as potential or non-stakeholder stakeholders and Mitchell et al (1997) categorize them under 8 as in figure 7.

## 2.2.12 Stakeholder Salience: Various Attributes

On the basis of the components the stakeholders possess, Mitchell et al (1997) further categorize the stakeholders as demonstrated in Figure7.



**Figure No.7: B - Qualitative Classes of Stakeholders**

Source: Mitchell, Agle and Wood. (1997 p. 874)

**Proposition 9:** When stakeholder salience is high, managers will respond most to stakeholders that possess the three attributes of power, legitimacy and urgency.

The numbers given in brackets below refer to the numbers in Figure No.7 – B

- a. **Dormant Stakeholders** (1) have power but do not have a legitimate relationship or cannot make an urgent claim. Some examples are those stakeholders who command media attention, such as an individual who displays a loaded gun in a public place. These stakeholders have no interaction with the firm but have the probability to acquire a second element either urgency or legitimacy and it is suggested that this category may become salient. Mitchell et al (1997) states that management should be mindful of such stakeholders. Examples are a laid-off or fired employee as they have the potential to exercise their dormant power.
- b. **Discretionary Stakeholders** (2) do not have the power to influence or the ability to make urgent claims. These stakeholders' only possess legitimate rights and there is

no pressure for managers to maintain a dynamic relationship. These groups are of interest to scholars of CSR and corporate performance (Wood 1991). Carroll (1991) refers to these groups as recipients of discretionary corporate social responsibility which he later redefined as corporate philanthropy. Examples of the latter are nonprofit organizations like schools and hospitals that receive donations and use voluntary labour for their survival. Mitchell et al (1997) are of the opinion that all recipients of CSR philanthropy do fall into this category.

- c. **Demanding Stakeholders (3)** are described as when their sole trait is urgency in the stakeholder-manager relationship and are considered as “mosquitoes buzzing in the ears” as for example a lone picketer (Mitchell et al 1997). These stakeholders are noisy but are not able to make such a strong stakeholder claim as can other stakeholders who have both traits of power and legitimacy.
- d. **Dominant Stakeholders (4)** are those who have power and legitimacy, and their influence on the firm is assured. These categories of stakeholders, despite having the legitimate rights to make claims may not use their power to do so. It is expected that these stakeholders will have some formal role in the firm as that of a corporate director, investor, and representative of owners or community leader. Mitchell et al (1997) suggest that dominant stakeholders anticipate and get attention from managers which heightens the relationship. They suggest that scholars have been trying to create a view point that dominant stakeholders are the only stakeholders of the firm but Mitchell et al (1997) oppose the view and argue that this category of stakeholders are not the only ones that managers must pay attention to.
- e. **Dependent Stakeholders (6)** depend on other stakeholders or the managers of the firm to cater to their needs. These stakeholders have legitimate claims but lack the power due to the relationship that is administered by protection, patronage of other stakeholders or through the value systems of internal management. Mitchell et al (1997) used as an example the oil spill in Exxon Valdez where several stakeholders had urgent and legitimate claims but did not have the power to enforce their claims. In this case the local residents, the environment mammals and birds are the stakeholders who did not have the power and had to depend on the Alaskan state government to provide guardianship.

- f. Dangerous Stakeholders (5)** are groups of stakeholders that have urgency and power but do not have the legitimate rights to make a claim but these classes of stakeholders are considered to be dangerous as they are violent. They use coercive power to attain illegitimate status. Some examples are sabotage, terrorist attacks, hijacking, religious or political bombings. Mitchell et al (1997) suggest that these classes must be given some legitimacy and identification despite the discomfort that such recognition creates, because failure to do so may result in being less prepared for attacks from such groups. The study claims that society refuses to acknowledge this class of stakeholder but Mitchell et al (1997) reiterate that by identifying them, society will be able to respond to terror and will become a more effective counteragent to preserve peace and civility.

Mitchell et al (1997, p.881) agree that many scholars have endeavored to identify in the stakeholder setting “Who or What Really Counts” which explains that managers will base their response to stakeholders based on the particular kind of claim they seek to achieve. Accordingly, Mitchell et al also claim that the studies by Freeman, Clarkson, and Donaldson and others are actually trying to find the foundations of legitimacy in the relationship between stakeholder and manager. In doing so, these scholars are searching to find a reason why some associations and claims are reasonable and must be given management attention and why some should not be given consideration. Mitchell et al (1997) implies the studies by these scholars give importance to property-based, legal and moral claims and disregard the importance of power in stakeholder management relationships. Mitchell et al (1997) do not disregard the study of these scholars but articulate that power and urgency of a claim must be taken into consideration in addition to legitimacy. They also contend that managers must be aware that the environment in which they operate have entities that have power and the resolve to execute on behalf of the environment and suggest organizations include power and urgency in the stakeholder theory despite its likeliness to lead to some unpleasant results. They argue further that if managers are to indulge in moral and legal requirements of legitimate stakeholders, then the power and urgency which Mitchell et al term attributes must be addressed.

**Proposition 10:** Environments in which organizations operate often have entities that possess power and urgency. Organizations must be prepared to include such stakeholders in the stakeholder management relationship despite the undesirable effects they may create.

In addition:

**Proposition 11:** If organizations fully address the moral and legal requirements of legitimate stakeholders then they will be compelled to address the stakeholder components of power and urgency.

With businesses being managed in global, inter-connected, ambiguous and complex networked environments, corporate organizations must be managed well to minimize obstacles and uncertainties. Maak and Pless (2006) discuss leaders and leadership responsibilities in the context of stakeholder theory. In a global stakeholder society Maak and Pless (2006, p.99) cite Wade (2006) “where companies are expected to be accountable not only to shareholders for financial performance, but to stakeholders for their wider economic, environmental and societal impacts”. Scholars like Freeman (1984, 1994, 2005), Donaldson and Preston (1995), Wheeler and Sillanpaa (1997), Sevendsen (1998), Philipps (2003) have stressed that for the long-term success of business, organizations and their leadership must demonstrate responsibility to all stakeholders in the business, environment and society which according to Elkington (1998) is delivering on the “Triple-Bottom-Line” (in Maak and Pless 2006). Papaioannou (2007) cites Ogden and Wilson’s (2000) argument that a controlling tool for the private sector to gain improvement to achieve CSR is through techniques of comparison and identifying best practices of different performers which is referred to as benchmarking.

## **2.3 Benchmarking**

### **2.3.1 What is Benchmarking?**

Benchmarking is the process of assessing the best standards to meet excellence in services, products or processes and is sometimes also referred to as “Best Practices”. According to Bhutta and Huq (1999) the outcomes of benchmarking and best practices may lead to a



‘creative breakthrough’. The process involves making a shift from normal practice and benchmarking requires the business to accept to be broken into sections, delete or discontinue what is not required, and then purchase or design new products, services or processes to adapt and implement the change. Benchmarking is expected to be a continuous process if individuals working on it are constantly striving to make businesses better. It loses its purpose if individuals working on the process are not able to analyse and subsequently implement the changes.

In the 1980s and earlier decades, benchmarking was used as a monitoring and problem solving technique but in more recent times, it is used as tool for achieving greater returns. Greengard (1995 in Bhutta and Huq (1999), states that 70% of the Fortune 500 companies, for example, AT&T, Ford, Eastman Kodak, IBM use benchmarking regularly. It is regarded as the foremost tool for improvement and better performance. The American Productivity and Quality Center (1996) explains that the philosophy behind it is for organizations to identify their failings, acknowledge the better performance of others, learn how products, services or processes are created and delivered better, and then put what has been learnt into practice in one’s own business (Bhutta and Huq 1999). Benchmarking is also implemented to act as a catalyst in organizational change interventions like business process re-engineering (Thor and Jarett 1999), for achieving improved operational performance (Voss et al. 1997) and successful changes in organizational thinking and action (Saw, 1997; Rohlfer, 2004). In describing benchmarking, Lundvall and Tomlinson (2002) explain:

...Some firms perform better than others and that the performance reflects  
firm specific practices that can be transferred from one to another... By  
comparing yourself with the best, you get an idea to enhance performance.

( in: Papaioannou, 2007, p.499)

### **2.3.2 Benchmarking: Crucial System for Continuous Improvement**

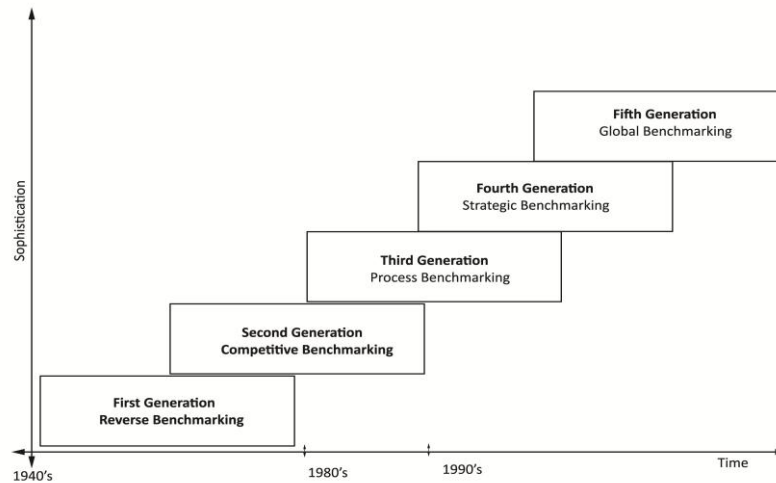
The concept of benchmarking originated from America when Xerox Corporation used measures to evaluate its performance against its joint venture partner Fuji-Xerox in Japan. Robert Camp (1989), Corporation Manager in Xerox and pioneer in benchmarking, states that for businesses to attain strategic, operational and financial advantage, it is necessary to

improve its business process by taking advantage of “best practices” (Rohlfer 2004). Similarly, Toyota introduced a new inventory system from its study of USA supermarkets’ shelf-stocking from which the concept of ‘Just in Time’ was developed and it enabled Ohno (1988 in Ahmed and Rafiq 1998) to create the ‘Kanban’ system. The book “The machine that Changed the World” (Womack et al. 1990) as cited by (Rohlfer 2004) revealed the glaring differences between the quality and production of outstanding and less successful automobile manufacturing companies. It was noted that successful organizations adopt the practice of benchmarking to lead to them to peak performance. The concept of benchmarking became a crucial system for contributing to competitive advantage (Rohlfer2004). According to Rohlfer, company level benchmarking has become a quality tool which aims at attaining continuous improvement of management processes. It has become a vehicle for continuous improvement for most businesses. Although it is acknowledged as a widely used tool in corporate business practice, it is less often applied as a quality management system in small and medium sized organizations.

Though the concept is used in the private sector it can also be applied in the public sector. It is described as one of the public sector methods of “new accountability”. O’Neill (2002) claims there is as growing need for more accountable governments, institutions and professionals (in Papaioannou 2007, p.499), and it has become a mainstream area in public sector change initiatives. Lundvall and Tomlinson’s (2001) method of systemic comparison became a mainstream practice in European Union (EU) policy making and is a common topic of discussion in the EU conferences (cited in Papaioannou 2007). A survey conducted in the US by Ernst & Young with American Quality Foundation in the automobile, hospital, computer and banking sectors revealed that 31% of the businesses benchmarked their products and services regularly. It was noted that 7% of the survey respondents did not make any use of the practice. Main’s (1992) study noted that Japanese and German companies were far behind in benchmarking practices than their counterparts in the US. IBM’s benchmarking office has conducted 500 studies and AT&T had completed 120 studies with 20 studies in the development stage. The National Quality Award established in 1987 emphasizes benchmarking and the winner of the award in 1989, Rodger Milliken Chairman of a textile industry confessed, “we borrow shamelessly” (Main 1992, p.1). The CBI/DTI (1996) survey conducted in 1994 reports that 78 % of the top 1,000 companies in United Kingdom used benchmarking practices and it rose to 85 % in 1996 (Ahmed and Rafiq 1998). According to Saunders et al (2007) benchmarking is moving from an art to a science.

### 2.3.3 Benchmarking: Evolution through Generations

Watson's (1993) study states that benchmarking has historically evolved over generations (Ahmed and Rafiq 1998). Figure 8 indicates the movement from one generation to another.



**Figure No. 8: Development in the Art of Benchmarking**

Source: Adapted from: Watson 1993 in Ahmed and Rafiq 1998, p.227

The first generation of benchmarking was product-orientated which involved comparison of characteristics, functions, performance, and analysis of technical products with the intention of attaining competitive product offering, performance and analysis of market-oriented features. It was referred to as reverse engineering. The second generation refined benchmarking into a “science” and referred to it as competitive benchmarking which involved making systematic comparisons of processes with competitors. The third generation benchmarking continued with the same theme of process and those involved recognized that cross-sectorial learning was possible. The process of learning and sharing was made more transparent and emphasized that those involved in the process should have the ability and knowledge to perform the process correctly. The inclusion of evaluating and implementing approaches for improvement in organizational strategies and including approaches for improvement in organizations that partner them is known as strategic benchmarking. These developments constitute the fourth generation stage of benchmarking. Global benchmarking, fifth generation benchmarking, engages in global learning in an attempt to bridge ‘cross

cultural barriers' negotiate worldwide trade challenges and eliminate 'business process distinctions'. Watson (1993 in Ahmed and Rafiq1998) suggests that a strategic and global approach are goals for the future, but admits that few companies have managed to implement and sustain such systematic approaches.

#### **2.3.4 Benchmarking: Principles and Characteristics**

The fundamental principles of benchmarking are learning, improvement of processes, business activity and management. Saunders et al (2007) refers to the New Zealand Benchmarking Club (NZBC) that was formed in May 2000 that comprised of fourteen different organizations which aimed to achieve "World-Class performance by members and widespread adoptions of excellent business practices within New Zealand". NZBC club project focused on finding out the best practices in strategy deployment. It was led by a facilitator from Massey University's Center for Organizational Excellence Research (COER). The members of the NZBC developed a methodology of sharing experiences and identifying best practices in strategy implementation. The project aimed at exchanging experiences and sharing practices. Despite the difference in size, sector and culture of the participating organizations, it was noted that their strategy and operational concerns were similar and hence the members were able to participate in the benchmarking strategy deployment practices. Knuckey et al (2002) in their study quote the report released by the New Zealand Ministry of Economic Development which confirms that there is scope for organizations in New Zealand to engage in 'inter-firm' and 'cross-sectorial' learning. There is evidence of benefits arising from the processes of cooperative learning by diverse organizations in New Zealand (in Saunders et al 2007).

**Proposition 12:** Organizations of diverse sizes, cultures or sectoral differences will from time-to-time encounter similar strategic and operational concerns therefore reducing the relevance of many of these differences rendering benchmarking CSR practices 'inter-firm' and 'cross-sectoral' possible and beneficial to all of the benchmarked organizations involved.

From its various definitions, Ahmed and Rafiq (1998) conclude that the characteristics of 'measurement via comparison', 'continuous improvement' and 'systemic procedure in carrying out benchmarking activity' have emerged. In order to capture these aspects they suggest the use of the benchmarking triangle which includes the 'Assessment aspect' which

is made through comparison of best practice benchmarks to identify the “gap”. The size of the gap must be evaluated for progress if the organization is to be successful in the future. The principle of the ‘Enabling aspect’ is to understand and learn the processes which contribute to performance which involves a deeper level of understanding. The ‘Outcomes aspect’ involves the transferring and implementation of best practices and the learning gained. Performance can only be achieved through successful implementation. Ahmed and Rafiq (1998) argue that the context and culture will matter when the “Enabling practices” are put into practice and require adaptation. Their study suggests the numerous practices that can be used which are listed in Table.1.

**Table No. 1:** Forms of Benchmarking

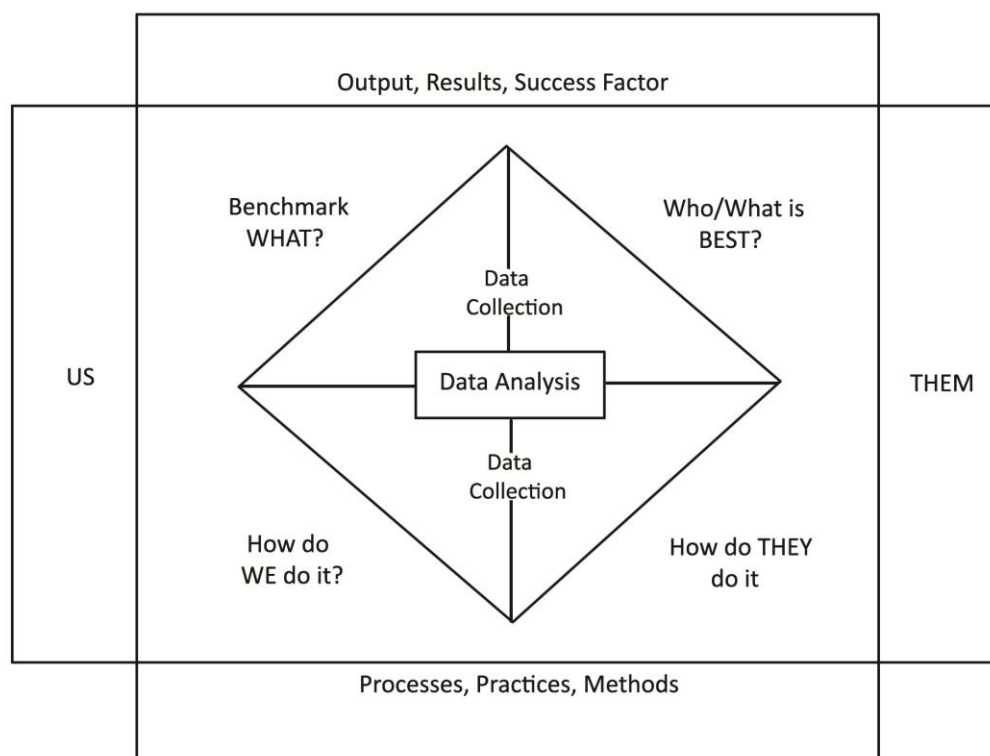
|   |  |
|---|--|
| Internal  | Process, functions and activities are evaluated and compared in the same organization    |
| External  | Process, functions and activities are evaluated and compared with external organizations |
| Competitive   | Comparison with direct competitors with the intention to reach or outdo competitors      |
| Industry  | Comparison with larger players such as competitors, customers and suppliers              |
| Generic / Functional  | Comparison made across industry sectors/markets  |
| Process   | Comparison between work, process and systems   |
| Performance   | Comparison and scrutiny of price, time to market, reliability and robustness             |
| Strategic / core competence benchmarking (Jennings and Westfall,1992) | Comparison at a higher level to address strategic issues or processes                    |

Source: Based on Ahmed and Rafiq 1998, p.230

Successful benchmarking involves the systematic transfer and implementation of the acquired learning, knowledge and skills. Watson (1993) states that the process involves asking four questions such as:

- “What should we benchmark?”
- “Whom should we benchmark?”
- “How do we perform the process?”
- “How do they perform the process” (Ahmed and Rafiq 1998).

In response to the model advanced by Watson the benchmarking template as in Figure 9 was jointly developed by Boeing, Digital Equipment Company, Motorola and Xerox.



**Figure No. 9:** The Benchmarking Template

Source: Adapted from: Watson 1993, ‘The benchmarking template’ in: Ahmed and Rafiq 1998 p. 227)

The processes, practice and methods used in businesses impact on society, and hence environmental and social features have become a matter of increased importance in business

decision making. In addition, stakeholders exert increased pressure on organizations regarding environmental and social responsibility. Organizations that do not comply with societal norms and expectations may be damaged by poor reputations which are likely to impact negatively on competitive position. Hence there is a growing interest amongst companies to develop their CSR responsibilities. Activities such as comparing business practices, managerial approaches, culture, laws and government legislations against the western countries has helped to fuel the rising interest in benchmarking CSR.

**Proposition 13:** Organizations failing to comply with norms that impact on society and the environment are likely to face pressure from stakeholders that may influence negatively on their reputation and competitive advantage which consequently will compel these organizations to compare and develop their CSR practices.

### **2.3.5 Benchmarking: Crucial System for Implementing CSR in Various Sectors**

Benchmarking is an integral tool for the proper management of CSR. Non-governmental organizations, suppliers, business partners, consumers, employees and shareholders have insisted on the need for environmental benchmarking measures (Bjorklund 2010). The academic literature includes a large number of studies that have been conducted to develop benchmarking tools to improve CSR in various functions and sectors of businesses.

- a. Purchasing:** Preuss (2001) states that purchasing was a neglected management function and has gained prominence most recently and suggests that this function is the “gate-keeper” of the company and in the process can influence the quality of materials that enter and leave the organization. Bjorklund (2010) argues that globalization has increased the practice of outsourcing to purchasing from the developing economies and has contributed to the increased interest in CSR. The study states that purchasing is an ‘inter-organizational’ action and stresses the supplier’s organizational characteristics. CSR in this function is not a ‘one man show’ as it requires mutual interaction. The study, along with many other studies conducted by other researchers shows that benchmarking is a suitable tool to increase the performance of the purchasing process but the studies were not successful in determining how benchmarking could be most effectively implemented. Bjorklund’s (2010) study on benchmarking purchasing and outsourcing is a major contribution to

the area since it establishes a range of tools that can be used. The empirical investigation provided tangible examples of practices that can be used to deal with various aspects of companies being socially responsible when purchasing plant, materials and equipment. It also demonstrates the importance of applying inter-organizational approach to social responsibility in purchasing.

As noted by the New Zealand Benchmarking Club's study, the strategy and operational concerns were similar across organizations' sectors and cultures and hence benchmarking practices is not limited to any one sector. The green movement in the construction industry has become very popular and construction companies have come to use benchmarking over recent years. Takim and Akintoye (2002) are of the opinion that it is used to improve organizational performance measured against the performance of competitors and consequently to surpass their achievements as well as incorporate best practices that have been learnt (Presley and Meade 2010).

- b. Construction:** The industry is often said to be facing a 'green movement' and companies are seeking certification from institutions such as the US Green Building Council (USGBC, 2006) and Leadership in Energy and Environmental Design (LEED). Green construction, also known as sustainable construction, seeks to decrease toxic waste, dumped into the ground, water or air. In the process of adopting green construction, the industry has to monitor the current and long-term impact it will have on the environment and its social systems on the site of construction and for those that reside in and around it (Hassan 2006). Presley and Meade's (2010) study notes the prominence of 'performance measurement and management (PMM)' in the construction industry. Bassioni et al's (2004 in Presley and Meade 2010) study confirms that the use of PMM has enhanced performance and effectiveness in the industry and suggests that the indicators for PMM should possess characteristics that are related to and arise from the organization's strategy, must be stakeholder focused, have activities focusing to guiding management and progress, must be responsive to change in market situations and be easy to develop, determine and assess. The concept of the Balanced Score Card (BSC) was first introduced by Kaplan and Norton (1992). This approach focuses on multiple perspectives incorporating financial and non-financial measures that have become more vital to performance measurement in



the sector. It examines business from the financial, customer, internal business processes and innovation and learning perspectives.

The Enterprise Performance Management Methodology (EPMM) tool is used to forecast and measure impacts at the project level. McMullen (2001 in Presley and Meade 2010) argues that companies are resorting to sustainability because it results in business value such as increased rental income and tax rebates. McMullen further states that “many companies are pursuing sustainability because they are finding business value for it”(Presley and Meade 2010 p.435) which is supported by the investigation conducted by Miller et al (2008) on 2.4 million properties which found that tenants are prepared to pay higher rents for greener buildings.

- c. Pharmaceutical:** The industry faces criticism and condemnation due to the non-existence of transparency and lack of evaluation. Lee and Kohler (2010) state that benchmarking in the pharmaceutical industry is in the infancy stage. They suggest the industry may overcome the pressure from civil society by providing unrestricted supply of medicines and in being more transparent in its pricing structure. Sweeney and Coughan (2008: in Lee and Kohler 2010) state that there is less literature available in the industry on reporting to its stakeholders. The Oxfam International and the Interfaith Center of Corporate Social Responsibility (ICCR) have made attempts to use benchmarking in the industry. Reports released by them in 2006, 2007 and 2008 aimed at benchmarking AIDS and processes for drug manufacturers to address the main challenges which are failure of drug manufacturers to create new medicines and the shortage of existing medicines. The ‘Investing for Life’ paper (cited in Lee and Kohler 2010) attempts to determine the commitments made by companies after the release of the earlier report which was published five years earlier. The study confirmed that there has been resistance from companies to meet their responsibilities. In an attempt to improve social responsibility, ‘The Access to Medicines Index’ promotes a progressive approach that includes three goals which are to:

- supply all stakeholders with impartial and accurate information and access to medicines
- increase transparency in assessing, monitoring and improvement of self-performance, public and investor

- create an avenue for all stakeholders to discuss best practices

Rothenberg et al (2005) state that manufacturing units were compelled by government mandates to comply with maintaining good environmental practices. Over the last 15 to 20 years environmental concerns have grown and along with this trend, citizens have become more aware about pollution such as fish kills, smoke, toxic waste and dirty water. With this increased awareness citizens who are also part of the stakeholder group are concerned to protect themselves from pollution and frequently turn to governments for protection. This has created more interest in organizations to benchmark their performance to demonstrate to stakeholders and to themselves their achievements and improvements made (Rothenberg et al 2005). Some benchmarking methodologies in use are the European Foundation of Quality Management (EFQM) Business Excellence Model, the Balance Scorecard, the Service Quality (SERVQUAL framework, Gap Analysis techniques and Analytic Hierarchy Process (AHP) technique.

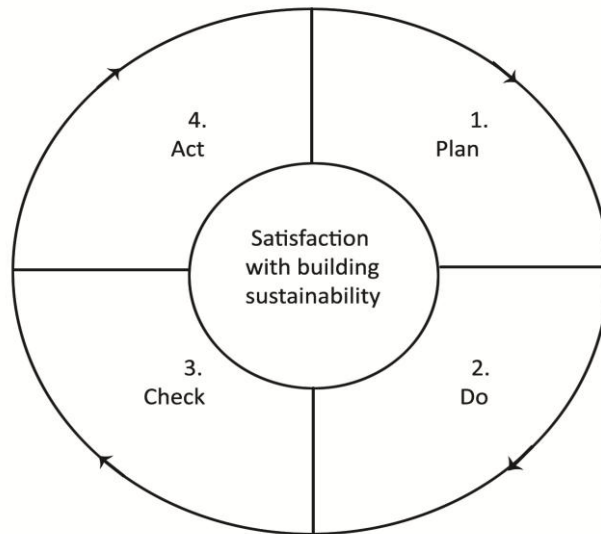
**Proposition 14:** If benchmarking is taken as an essential tool for CSR management it is more likely that businesses across various sectors will act responsibly to society and the environment.

### **2.3.6 Management Systems: To Realize CSR**

The 1990s saw the rise of quality management systems such as ISO 9000, the total quality approach based on the EFQM which was based on a business excellence model and approach. The Environmental Management systems based on ISO 14001 or EMAS focused on eco-friendly, greener products and better environmental performance. Health and Safety Management Systems based on OHAS 18001 contributed to safer and healthier work places.

The dawn of the 21<sup>st</sup> century has witnessed innovative business practices that have had a positive impact on people, the planet and on profit which is centered around three management systems namely ‘doing things right the first time’, ‘doing the right things’ and ‘continuous improvement and innovation’ (Zwetsloot 2003). According to Zwetsloot, management principles focus on ‘doing things right the first time’ and the linked management approach is similar to the Deming cycle known as the P-D-C-A loop which

involves planning, checking and acting and which helps to analyse the situation in a 'value-focused' thinking approach (Hassan 2006).



**Figure No. 10:** The P-D-C-A Cycle

(Source: Based on Hassan 2006, p.234)

Zwetsloot (2003) argues that the Deming cycle is a management style which is rational and is initiated by top management planning. The approach is to distribute accountabilities and responsibilities amongst employees using rational arguments which they are then expected to implement accordingly. He suggests that this approach assumes that there is only one perfect solution to the challenge and proposes that people with scientific or technical backgrounds are more likely to feel that this approach is the right one. Zwetsloot (2003) argued that management systems have often failed due to the stress and difficulties of following procedural aspects to some extent regardless of whether or not the procedures are considered to be user friendly. Gilbert (2002) in the Corporate Sustainability Conference Rotterdam stimulated a discussion on the good and bad points of management systems. He conveyed to the conference delegates that management systems were too rational and it fails by denying the human aspects of emotions, such as the frustration, recognition, pride and conflicts of business practices (Zwetsloot2003).

### 2.3.7 Business Excellence Principles

Juran (1988 in Zwetsloot 2003) a quality management specialist, is of the opinion that ‘doing things right the first time’ is not enough to achieve continuous performance and confirms that if the goals are inadequately selected, all the planning performed will be done to arrive at the wrong goals. He states that business will be “doing things right” but “not doing the right things”. Through these business excellence principles, Juran (1988) clarifies that there is another component of business excellence which is “doing things right”. A two by two matrix as in Table 2 was later presented by Conti (1993: as in Zwetsloot 2003).

**Table No. 2:** Business Excellence Principles

| The two dimensions of business excellence ( Conti) | Doing the right things               | Doing the wrong things               |
|--|--------------------------------------|--------------------------------------|
| Doing things right                                 | Doing the right things right:<br>(A) | Doing the wrong things right:<br>(C) |
| Doing things wrong                                 | Doing the right things wrong:(B)     | Doing the wrong things wrong:(D)     |

(Adapted from: Zwetsloot, 2003 p.203.Categories A, B, C, D are created by the researcher)

Juran (1988, in Zwetsloot 2003) explains the businesses that do the ‘right things right’ (A) will achieve excellence and does not foresee problems arising in such organizations. He affirms that management systems can assist companies that are doing the right things wrong (B). He also argues that such organizations presume the problems are only related to doing the right things wrong and hence resort to using rational solutions. Quite often they actually fail to see the real cause of the problem as they give prominence to the application of procedures. He further argues that management systems will not be able to assist in a situation when organizations do the wrong things wrong (D) and corrective actions will lead organizations to perform the wrong things right (C). CSR gives importance to ‘doing the right things’. It involves value based decision making that starts by defining a set of common values which are essential for corporate identity and is initiated from the top down to the shop

floor. However shared values cannot be implemented through this form of management. Socialization in the values, awareness raising, appropriate role behaviours from top management, enhanced strategy implementation and transparent internal and external communication will all help to attain mutual understanding.

Zwetsloot (2001) claims organizations that integrate values into the corporate culture apply a value based approach. To do so Zwetsloot is of the opinion that organizations will need to implement the Environmental Management and Health and Safety Management (EHSM) which requires involvement from all and emphasis on a shared feeling that “we should do the right things”. He explains that in situations that organizations are going through radical innovations the shared feeling is vital for success. Zwetsloot (2003) states that the value based approach is a better management approach. The ISO approach is based on rational approaches and initiative in problem solving and according to him the EFQM model shows more potential. He states that management systems for CSR such as ISO COPOLCO 2000 and in Japan the Ethics Compliance Management System Standard (BECRC2000) are being developed to monitor CSR compliance but contends that self-assessment and communication are the best ways to uphold this business philosophy.

‘Doing the right things’ and the ‘doing things right for the first time’ are not permanent changes in this world of change and competition. Quality management systems compel organizations to resort to continuous improvement and innovation which involves learning at an organizational level and also involves co-learning by stakeholders. Zwetsloot (2003) claims that continuous improvement and innovation are not independent dimensions and that even if the two above mentioned principles of ‘doing the right things’ and the ‘doing things right for the first time’ are fully satisfied this may only give an impression of completeness as the environment is going through constant changes which will require more adaptations or changes. Continuous improvement and innovation principles require processes of organizational learning and innovation. Zwetsloot argues that in the wider context of CSR, learning is about ecological sustainability and social responsibility and refers to them as rationalities and values. Inevitably, some learning processes are more difficult than others.

### 2.3.8 Additional Attributes for Business Excellence: Values and Attitudes

In relation to CSR, Zwetsloot suggests two additional features are necessary for continuous improvement and innovation which are the involvement of key people and co-operation. Zwetsloot is of the opinion that individuals or organizations who implement CSR require fundamental learning processes of new values and behaviors rather than more rational behaviours and claims the learning process is more difficult when it involves changes in values and attitudes. He reasons that people are “carriers of learning processes” and also transmitters of continuous improvement and innovation (Zwetsloot 2003, p.206). For CSR to develop further and for its successful implementation the three management principles are vital. CSR calls for a robust strategic approach which focuses on principles of innovation and values. Zwetsloot confirms that continuous improvement and innovation should support ‘doing the right things’ and the ‘doing things right for the first time’ in the context of CSR.

**Proposition 15:** If people are “carriers of learning processes” and transmitters of continuous improvement and innovation, then successful implementation of CSR calls for a principled value based approach in addition to the management doctrines of ‘Doing the right things’ and ‘Doing things right for the first time’.

CSR has become an important issue due to society’s interest and expectations of responsible behaviours from organizations. Consequently, organizations are concerned that their employees maintain values of morality and follow ethical codes on responsible behaviour in order to achieve the ‘Triple-bottom-line’ also referred as ‘triple P bottom line’ which stands for an organization’s contribution to profit, planet and people (Graafland and Eijffinger 2004). To meet these expectations, Haigh and Jones (n.d.) identify internal and external pressures referred to as drivers being exerted on organizations. The external drivers that pressurize organizations to promote responsible behaviour are its competitors, investors, consumers and regulatory bodies. Within the organization the pressure is on managers to implement CSR actions.

## **2.4 Drivers of Corporate Social Responsibility**

CSR reminds organizations that in addition to being accountable for financial performance, organizations are responsible to society and environment in which they operate (Hemingway and MacLagan 2004). It is affirmed that organizations that are not sufficiently responsible are likely to gain a poor reputation and reduced profitability (McIntosh et al 1998 in Graafland and Eijffinger 2004). MacLagan (1998) is of the opinion that “Corporate Social Responsibility may be viewed as a process in which managers take responsibility for identifying and accommodating the interests of those affected by the organization’s actions” (in Hemingway and MacLagan 2004, p. 2). CSR is interpreted as part of the significance of principles and motives of individuals within the organization and motivation to practice CSR is an important element (Hemingway and MacLagan 2004).

### **2.4.1 Employee: Drivers of Social Responsibility**

Haigh and Jones (n.d.) suggest that senior management must be aware of the instrumental value of CSR for effective deployment of any CSR design. Instrumental arguments for CSR focus on risk management and market efficiency by adopting practices that pay attention to stakeholders. Organizations operating under such principles may encourage greater motivation for CSR practice. Porter and Van Der Linde (2000) are of the opinion that CSR may be used as a vehicle to attain competitive advantage and those organizations that want to be involved in practicing CSR will need resources with values (in Haigh and Jones n.d.). It can be assumed that employees are included in the drivers for CSR and this is highlighted through Laff’s (2009) example of the Interface Carpet Company. Employees in the California plant were seen searching for discarded items in the local landfill every Saturday afternoon which Laff concedes was a messy sight. Inspired by a book he read, the founder of Interface Carpet, Ray Anderson decided to change the practices followed in his carpet manufacturing company besides the green initiatives he and his employees took on. Interface Carpets viewed their customers, community and the environments in which they operated differently. This demonstrated positive change in their interactions with their stakeholders. Influenced by change Anderson felt the requirement to modify the business model of Interface Carpet, he visited every plant to share his awakening with all his employees to create an “Eco Dream Team”. Erin Meezan, Assistant Vice President for

Sustainability at Interface Carpets argues that donating old products is old fashioned and CSR is not about issuing big cheques and who you donate it to “corporate social responsibility starts with developing and engaging your own people and integrating it into your business model” (Laff 2009, p.36). Sustainable voluntary acts must be integrated into the organization’s day-to-day activity and not be a one-time event as Susan Sarfati , organizational strategy consultant, proclaims “Today we’re going to a homeless shelter, but tomorrow we’re not doing anything” (Laff2009 p. 37). Peter Heslin, assistant professor of management in Southern Methodist University, predicts that organizations will continue with the fad of being involved in charity and greening efforts which are singular plans rather than calculated long-term initiatives. Sustainable voluntary acts are different from feel-good efforts due to the creativity involved in the management process. Laff (2009) suggests that the management of sustainable acts must involve the use of existing talents, skills or supplies from within the organization. Incidents at the Interface Carpet Company demonstrate that employees are drivers of CSR.

**Proposition 16:** In an attempt to achieve profits and exhibit an appropriate concern for the Planet and for People, entrepreneurial businesses require their employees to maintain values of morality and follow ethical codes which demonstrate socially responsible acts  
In addition:

**Proposition 17:** Entrepreneurial businesses encourage employees to maintain values of morality and follow ethical codes which institute socially responsible behaviour. Such strategies instituted by entrepreneurial businesses will contribute to achievement of ‘the Triple Bottom Line’

#### **2.4.2 Values: Driver of Social Responsibility**

Hemingway (2005) asserts that CSR should be advocated by socially responsible personnel and human values of individual behaviour and is not solely driven by profit. To support this argument, Hemingway explores the views of Carroll (1979), Child (1973), Drumwright (1994), MacLagan (1991), and Swanson (1995) who mainly believe that personal values drive individuals to practice CSR. Tevino (1986 in Hemingway 2005) affirms that some managers exercise moral preferences when performing their work and engage in discretionary behaviours that affect the lives and well-being of others. These managers are involved in ethical decision making which can produce remarkable social values for the community,



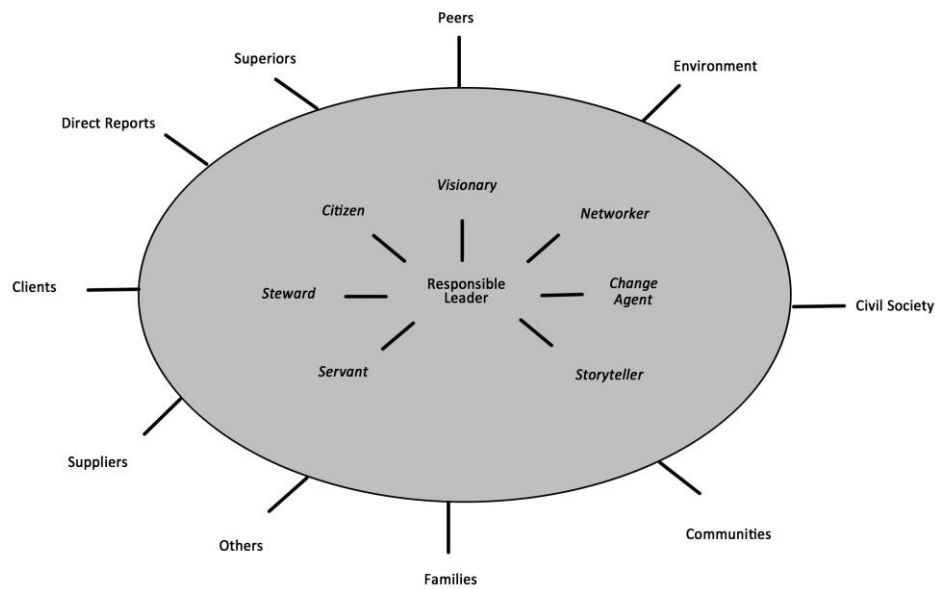
consumer welfare, employees, and health and safety. Carroll (1979) and Wood (1991) argue that one of the main principles of CSR is managerial discretion often its role is contained within metaphors that show implicitly our fundamental responsibilities as moral actors. Cramer et al (2004) suggest managers are CSR change agents based on their "... personal interest and sphere of influence..." (in Hemingway 2005, p.235). Hemingway is of the opinion that CSR champions may not only belong to the manager category but can include manual workers, clerical staff, junior management or directors and cited a German study by Marz (2003) on managers which noted greater social orientation among the lower level managers. Hemingway disagrees with Drumwright's (1994) 'Policy Entrepreneur' view which is described as "working to put issues on the corporate agenda" which explains that a CSR champion must have status in the organization (in Hemingway 2005, p.237). Hemingway concludes that such champions need not necessarily have high profiles and that these employees will identify and operate CSR activities within the corporation either openly or clandestinely. Hemingway terms these CSR supporters as corporate social entrepreneurs (CSE) operating in a business context. It is suggested that CSEs have not been considered in the entrepreneurship literature and CSEs are different from Drumwright's policy entrepreneur who typically holds a top designation in the corporation. To prove that socially responsible acts are not limited to management Hemingway gives the example of a secretary working in the operations department of a UK health products company who raised over thirty three thousand pounds for charity over a four year period. Hemingway suggests that individuals championing CSR initiatives demonstrate individual values that are motivated by a social agenda as opposed to any other agenda.

### **2.4.3 Leaders and Motivation: Driver of Social Responsibility**

Moon (2001) suggests that the motivation to be involved in CSR on a commercial or strategic level could be driven by self-interest, a personality trait known as 'Machiavellianism'. According to Gurtman (1992) machiavellians are cynical, insincere and two-faced and he proposes those who advocate this narrow view of managerial responsibilities share this trait (in Mudrack 2007). Menon and Menon (1997) cite the 'Theory of the Firm' which advocates specific shareholder interests through a primary concern to maximize stockholder share value (Hemingway and MacLagan 2004). Likewise Desmond and Crane (in Hemingway and MacLagan 2004) claim that self-interest may demand the organization to manipulate some of its stakeholders for the organization's survival. Hemingway (2005) offers some noteworthy

examples of corporate violation due to self-interest such as Microsoft being fined 497 million Euros for anti-competitive practices (anon 2004 in Hemingway 2005) and the “Fat Cat” scandal in which the CEO of Sainsbury, a UK department chain walked away with a bonus of 2.5 million pounds as a reward for the store’s poor financial performance. These are some newsworthy examples of corporate powers acting irresponsibly in ways that lead to disastrous outcomes. Hemingway (2005) observes that business scholars of ethics tend to agree that personal values play a role in ethical decision making.

Pless (2007) analyses the relationship between motivational drivers and responsible leadership and agrees that while it is vital to examine irresponsible leaders, it is equally important to identify “What is bad leadership, how does it happen and why does it matter?” (Pless 2007 p. 437). Pless argues that equal importance ought to be given to positive leadership and suggests that studies on responsible leadership provide insights on how responsible leadership can drive CSR. His study examines the widely recognized archetype, Anita Roddick of the Body Shop who has influenced scholarly CSR discussions in addition to building a socially responsible organization. Pless and Maak (2006) agree that corporate responsibility is a leadership challenge and requires leaders who are empathetic, feel, are open and morally mindful within and outside the organization. In addition, responsible leadership is based on values and ethics, and is driven by interactions with stakeholders. Leaders are said to be connected through shared meaning and purpose by which they foster the motivation and commitment in one another (employees) to create social change and achieve sustainable value. Pless and Maak (2006) suggest that studies on leadership have not given due consideration to leadership roles in the stakeholder environment. Leadership research has examined leadership dynamics in relation to stakeholder society and maintained that ethical viewpoints of norms, values and principles are related to leadership dynamics. In their study Pless and Maak explain that leadership roles integrate diverse roles into one role as illustrated in Figure 11 which indicates leaders being surrounded by a network of relationships, namely, fellow citizens, family, peer, supplier and others. To nurture relationships, to organize and align the stakeholders from different backgrounds, leaders are expected to play the roles of servant, steward, visionary or citizen. Connected to this role are more operational ones of coach, architect, story teller, meaning enabler and change agent.



**Figure No. 11:** The Role Model of Responsible Leadership

Source: Pless 2007, p. 437

Anita Roddick has been extensively recognized as a socially responsible leader and Pless (2007) examines her journey of becoming a responsible leader from her early childhood when she was inculcated with a strong work ethic. Anita Roddick confesses that the foundations of the Body Shop's environmental doing good were inherited from her mother who taught her to exercise frugality as the main housekeeping principle was recycling and re-using everything or anything that could be used. Above all, her mother taught her the 'incredible language of love, the power of love as life-force'. Pless (2006) states that work ethics are woven in her language as an ordinary individual leader: "the twin ideals of love and care touch everything we do: how we view our responsibilities, how we treat our staff, how we educate and communicate, how we relate to the community and the environment" (Roddick 1991 in Pless 2006, p.444). In 1984, when the first Body Shop store opened, she dedicated her business to the search for social and environmental change which thereafter it has continued to represent. Pless (2007) highlights what commenced as a one-woman enterprise in 1976 has accumulated over 5,000 employees in its 1,900 outlets and serving

over 77 million customers in 50 countries. The brand is legendary for its social responsibilities to community trade partnerships, voluntary work, achievements on animal and human rights, eco-friendly principles and education to raise awareness on these principles. The Body Shop is a prime example of how “business can have the power to do good” (Pless 2006, p.442). Roddick stepped down from her executive duties in Body Shop to start Anita Roddick Publications and, before her untimely death from an unexpected brain hemorrhage, claimed that she will be kept busy for the next 30 years fighting for human rights and against any initiative that may exploit and ignore human right principles. Pless (2006) probes the motivational forces that drove Anita Roddick to become a responsible leader. The analysis of her life story confirms that she proved to be an example of responsible leadership practicing the words she spoke, maintaining an alliance between words, deed and values. She has portrayed character and leadership responsibility in different levels – to herself and responsibility for others and for issues arising from serving the triple bottom line. Most significantly, her responsible leadership is far-reaching, significant and rich in ethical moral and philanthropic principles.

**Proposition 18:** Corporate Social Entrepreneurs are said to have high human and moral values which demonstrate a high degree of consistency between words and deeds, including in their entrepreneurial businesses. These individuals are likely to make ethical decisions which will positively influence the well-being of others and be compatible with activities serving the Triple Bottom Line.

#### **2.4.4 Religious and Moral Values: Driver of Social Responsibility**

As stated in the introduction to this chapter, corporate philanthropy can be traced back to the 15<sup>th</sup> century. Hemingway and MacLagan (2004) suggest that altruistic principles of CSR are founded on corporate philanthropy and relate it to religious values. In the UK and USA, the Quakers in particular, are associated with maintaining integrity and moral ideologies in both their business and personal relationships. Noteworthy Quaker corporations in the UK are the chocolate manufactures Rowntree, Fry and Cadbury and an example of corporate responsibility from them was drinking chocolate as a healthier substitute to alcohol (Hemingway and MacLagan 2004). Philanthropy is not confined to Christianity as all major religions like Buddhism, Hinduism, Islam and Judaism advocate the values of helping the less fortunate. In Chinese religion, Ren is explained as “Human-heartedness, or loving

benevolence toward other humans; a pivotal ethical notion of Confucianism” (Smart 1989 in Hemingway and MacLagan 2004, p.4). It therefore can be confirmed that religious values have the capacity to motivate philanthropic practices.

Hemingway and MacLagan (2004) argue that all moral values are not similar to religious values even though moral teachings are recognized in almost all religions. Rescher (1969, in Hemingway and MacLagan 2004) separate moral values from social, political, religious/spiritual and sentimental values and suggest that any of these can be taken as drivers of CSR. Di Norcia and Tigner (2000) clarify that motives and their fundamental values may be interrelated and business decisions may be based on personal values and priorities (in Hemingway and MacLagan 2004). In investment decisions, investors who hold on to peace and non-violence choose not to invest in businesses that manufacture products to kill or suppress their fellow beings. In doing so their business decisions are based on their religious values. Schueth (2003) suggests the concept of Socially Responsible Investing (SRI) was introduced by the Methodist and Quaker immigrants. Schueth dates SRI to the early biblical times when Jewish law dictated to Jews to invest ethically. SRI can be traced to the 1960s, when it encountered a sequence of events like the civil rights war in Vietnam, equality for women and cold war concerns which prompted social responsibility and accountability. In the 1980s, SRI grew dramatically when the white minority government in South Africa was pressurized by individuals, institutions and states to dismantle the apartheid rule. Information about global warming, ozone reduction and in the light of the Bhopal, Chernobyl and Exxon Valdez tragedies, the American public directed more attention to making socially responsible investments (Schueth 2003). The motivations for American investors making SRI investments include that it is aligned to their personal values and makes them feel good. Nevertheless other groups feel by committing to SRI they are contributing to positive change in society. Schueth (2003, p.190) defines SRI in USA concisely as “the process of integrating personal values and societal concerns into investment decision making”.

According to Haigh (2006, p. 989) investment managers of social funds describe their practices as ‘ethical’, ‘green’, ‘mission-directed’ ‘sustainable’ and ‘socially responsible’ and claim to deploy social considerations in the deployment of funds. The Social Investment Forum assessed the performance of socially responsible mutual funds and the data rated by Lipper, Morningstar, Analytical Services and Wiesenberger in 2000 found that out of the 48 mutual funds surveyed, 32 received top rankings. Schueth (2003) believes that the main

factors that fuelled this growth were greater socially responsible awareness among US investors and an increasing number of women being promoted to top roles as finance executives. The SRI industry estimates 60% of socially responsible investors are women. Schueth (2003) argues that socially responsible investors of today realize that social responsibility and profit are interconnected and suggests that investors no longer have to separate returns from good will. Scholtens (2006) suggests that stockholder advocacy in conjunction with socially responsible investment encourages socially and environmentally friendly outcomes.

**Proposition 19:** Moral universal values advocated by all major religions are to some extent distinct from social, political, spiritual and sentimental values; business decisions based on in-grained personal values are likely to encourage responsible social and environmental commitments and actions.

#### **2.4.5 Finance: Driver of Social Responsibility**

The World Business Council for Sustainable Development (WBCSD) claims that the finance industry has the potential to make the world a better place to live in and labels the industry as a leader with regards to sustainability. Academics are apprehensive of this theoretical view held by the WBCSD but empirical evidence has proved the contrary to views assumed by some groups of academics. King and Levine (1993 in Scholtens 2006) address this apprehension with statistics and arguments to support the view that there is a strong link between financial and corporate social responsibility otherwise known as sustainable development. Scholtens (2006) investigates the probable linkages between finance and the economy and discusses how CSR can be involved in the domain of finance and economy. Levine (2004 in Scholtens 2006) argues that financial systems are able to generate past and future information about stakes; monitor allocations and investments and exercise corporate governance after providing finance. In addition, it facilitates trading, expansion of businesses and administration of risk, mobilizes and invests funds and simplifies the exchange of goods. Scholtens (2006) suggests that timing and size of economic operations are affected by finance. Financial intermediaries add value by providing financial services of screening, monitoring and enforcement to investors and borrowers. Scholtens point out that the linkages between CSR, sustainable development and the operations of the financial intermediaries are many. Allen and Gale (2000 in Scholtens 2006) claim that financial intermediaries direct the

economy at the macro level, impact on savings and investments, affect productivity by releasing funds for specific projects only, and affect the global economic movement by providing and maintaining the payment system. At the micro level, consumers and business household are screened, monitored, offered expertise in risk management, and in addition governance is exerted on them. It is in this authority system that the financial intermediaries influence socially responsible behaviour from organizations. Scholtens (2006) agrees that there is no one-to-one relationship between financial development and sustainable development. However, it has been proved to have many indirect connections and Scholtens claims that finance is a lubricant to the economy; it is a very powerful tool to govern business policies and practices and it can be assumed that there is scope for finance to drive CSR.

#### **2.4.6 Government: Driver of Social Responsibility**

Moon (2004) attracts attention to another vital and paradoxical driver of CSR. Moon studies the role of governments in giving direction to society and in taking particular interest in the governance of a wider system. Governments have teamed up with other stakeholders over the last decade to encourage more understanding of CSR in organizations. Together with intergovernmental organizations, governments have taken on the role as a driver of CSR (Albareda et al 2008). In this role governments have developed strategies to promote and encourage CSR practices in businesses and CSR has become a priority concern in government programs. Zappal (2003) states that governments have been adopting public policies to stimulate and inspire responsible behaviours from business (Albareda et al 2007). Consequently, Moon (2004) suggests that governments, in order to promote responsible and sustainable businesses practices, are involved with businesses in a new kind of political relationship. The European Commission 2001 (in Albareda et al 2007) state that CSR was defined as the voluntary contribution by organizations for a healthier society and cleaner environment. Fox et al (2004 in Albareda et al 2008) points out that government have taken on new roles to enable the practice of CSR. Some views advanced by various scholars are highlighted in Table 3

**Table No. 3:** Government Role in Relation to Promoting CSR

| Author  | Government Role in Relation to Promoting CSR   |
|---|--|
| Fox et al (2002)                                | Suggest that governments have taken on: public sector role, mandatory or legislative, facilitator, associating with stakeholders, involved in approving and publicity tool.  |
| Lepoutre et al (2004)                           | Observations are that governments play strategic roles by stimulating, coordinating, and controlling the management of uncertainty. Support by offering tools such as labeling, public information promotions, reporting by organizations, agreements, settlements and other incentives for the management of strategic uncertainty. |
| Gribben et al (2001)<br>Nelson and Zadek (2000) | Justify the view that governments in their new role act as link to public-private partnerships.  |
| Guarini and Nidasio(2003)                       | Point out that governments in their new role acts as a mediator to solve social problems, to facilitate cooperation among organizations, to scrutinize and govern public-private partnership.  |
| Joseph (2003)                                   | Maintain that governments in their new role adopt the soft policy approach by acting as a facilitator and collaborator with the private sector.  |

Adapted from: Albareda, Lozano and Ysa (2007 p.392)

Moon (2004) reasons that most of the academic and other scholarly literature put forward the proposition that governments must be actively involved to promote CSR within a global economic context. Aaronson and Reeves (2002 a, 2002b in Albareda 2007) examine the public initiatives undertaken by European policymakers to encourage CSR and highlights the absence of these in the US. The study analysed European and USA companies with regard to the level of acceptance and attitude to public policies. It was noted that the USA companies are less receptive than European companies and Aaronson and Reeves suggest the difference is due to particular business cultures. The authors add that the research revealed European



companies are more comfortable with working in a government-regulated environment. The study revealed that “Businesses expect governments to ask more of them and government does ask more of businesses. It seems that European business leaders seem to believe that CSR policies can help them find their way in the chaotic, ever-changing global economy” (Aaronson and Reeves 2002 in Albareda 2007 p.393). Albareda et al (2007) in their research on the role of European government in driving CSR claim that these governments have taken on various approaches and actions to develop CSR public policies. The research developed the following four models:

‘The Partnership’ model of the 1950s which was based on improving the social services within the framework and, towards the latter part of the decade, the governments of Denmark, Finland Netherlands and Sweden began to realize the economic importance of involving businesses. These partnerships were also instrumental in solving problematic social challenges (Albareda et al 2007).

‘The Business for community’ model focused on the role played by government in social challenges and community development. In UK and Ireland, CSR was born in response to the social exclusion and rural and urban poverty challenges that were encountered by the industrialized economies. This model provided support for the private sector to facilitate economic and sustainable development from the private as well as the public sector (Albareda et al 2007).

The ‘Sustainability and Citizenship’ model is practiced in Austria, Luxembourg, Belgium, France and Germany. The above mentioned countries governments’ actions were to promote CSR by providing incentives to businesses to take on social responsibility. This model is related to the concept of the social market economy which features the principles of CSR. Governments have established national sustainable development strategies taking into account the fundamental responsibility of is sustainable development, improvement and profit (Albareda et al 2007). The Agora model (Albareda et al 2007) is a model used to impose CSR in the Mediterranean countries such as Greece, Italy, Portugal and Spain. The development of CSR is at its initial stage in these countries but it has been noted that multinationals that have invested in these countries or corporations from these countries working towards globalization are endorsing CSR in a substantial way. It is acknowledged that CSR is under construction by these governments as they have realized the need to do so,

due to them facing the challenges of social exclusion, unemployment and economic crisis similar to that of other European countries. From the research conducted it can be seen that governments are incorporating CSR into the public agenda and in doing so governments are considered as vital bodies to drive businesses towards practicing CSR. Albareda et al (2008) claim that in addition to the role of advocating and inspiring, governments are also required to work as mediators between businesses and Non-Government Organizations (NGO). The United Nations (2003) defines NGOs as:

any non-profit, voluntary citizens groups which is organized on local, national or international level. Task-oriented and driven by people with a common interest, NGOs perform a variety of services and humanitarian functions, bring citizens' concerns to governments, monitor policies and encourage political participation at the community level. They provide analysis and experience, serve as early warning mechanisms and help monitor and implement international agreements (in Guay et al p. 126 2004).

#### **2.4.7 NGOs, Mass Media, Global Practices and Awareness: Drivers of Social Responsibility**

Kourula and Laasonen (2010) state that the relationship of NGOs with businesses has received interest from academic scholars and practitioners in the community. Doh and Teegen (2003) are of the opinion that the increasing interest in NGOs is because of their influence, growth in numbers, international prominence, the shift in focus from government to business and their deliberate tactics to become more involved with business (in Kourula and Laasonen 2010). Guay et al (2004) have found that corporations are directly, indirectly or interactively influenced by NGOs. Arenas et al (2009) confirm that as secondary stakeholders, NGOs are vital agents in CSR. However despite this their legal claims are disputed. They are regarded mostly as controversial and have been labeled as being critics, accusers, idealists, fundraisers or counselors. Kourula and Laasonen (2010) argue that recently it is acknowledged that NGOs and businesses have begun to share a more cooperative relationship. Arenas et al (2009) confirm that there has been an increased involvement of NGOs in concerns related to child labour, human rights, sweatshops, tropical deforestation, sustainable development and oil pollution. Corporations have been compelled to amend policies and strategies due to the political and social pressure imposed on them by NGOs (Arenas et al 2009). Some famous NGO initiatives are International Baby Food

Action Network (IBFAN) against Shell, the demands of the Ogonis in Nigeria, against child labour by Nike and against the working conditions in supplier factories by GAP. In the present time, NGOs are seen to engage in identifying and disseminating best practices for businesses. In addition they partner to stimulate environmental and social action, provide specialized guidance and help, plan and design CSR standards, management and reporting and are involved in the monitoring and auditing of CSR practices (Arenas et al 2009). NGO presence has interrupted the customary associations between investors, directors on the boards and corporate executives and this has added a new element to governance. NGOs have come to occupy a significant and powerful position in corporate governance and in society. As a result of their influence on corporate behaviour, environmental codes of conduct and labour practices it has become pertinent to include NGOs as authoritative drivers of CSR (Guay et al 2004).

NGOs have played a main part in emphasizing environmental and labour practices concerns to the mass media and it is claimed that media is an important ally to NGOs (Islam and Deegan 2010). Islam and Deegan question what caused the above change in western buyers' habits and ask how they became more aware of the poor, depressing labour conditions in the developing countries. The researchers cite the case of the Bangladesh garment manufacturing industry where the study was conducted. Statistics in relation to media coverage related to CSR during the period of study were 712 negative reports of which 577 were related to human concerns, out of these 70% were negative reports mainly on employee practices such as child labour and working conditions in developing countries. Researchers have developed theories of media agenda setting to explain the influence of media on community and corporate communications, and in particular explain how media shapes public awareness of specific issues. Neuman (1990) makes a distinction between these issues as obtrusive and unobtrusive. He cites inflation as an obtrusive issue as the general public is aware of it as they experience it in their day-to-day purchases. For unobtrusive issues, Neuman points out workplace practices, oil spills and other environmental concerns that the public do not have direct experiential access to due to its geographical remoteness (in Islam and Deegan 2010). The public is hungry for news and require the media to inform them of real world issues that are not available to their direct experience. Bowles (in Islam and Deegan 2010) state that these previously unknown skeletons in the cupboard are corporate shadows and claim that when these shadows are revealed accidentally or intentionally by activist groups or through the media, they can create a legitimacy gap. The legitimacy theory

emphasizes that organizations enter into a social contract with the community and environment in which it functions and a breach of the contract will create damaging consequences for organizations' survival (Lindblom 1994 in Islam and Deegan 2010).

From an interview with a senior associate of BGMEA (a trade organization dealing with garment manufacturing in Bangladesh) it was claimed that pressure from western consumers have compelled MNC buyers to change their approach to purchasing in order to repair the legitimacy gap produced by the garment manufacturers in Bangladesh. The representative of BGMEA pointed out that the garment manufacturing companies were forced to change their practices to match the requirements and standards of global practices. He remarked that the MNC buyers were pressurized by human rights organizations and consumers in the west which compelled them to transform (Islam and Deegan 2010). The mass media has been an informant on corporate practices that previously were not generally known by the wider public and since the media controls the powerful tool of public reporting, it is claimed to be an influential driver of CSR practices.

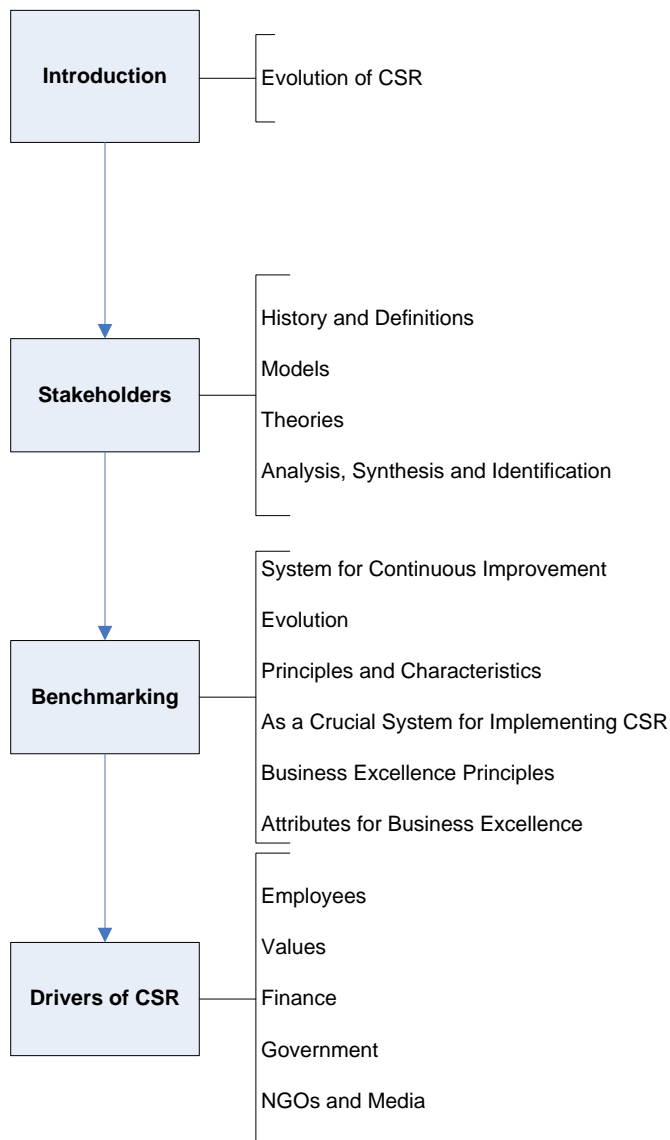
CSR has been a theme of considerable interest across a wide range of disciplines. Graafland and Eijffinger (2004) claim that society is increasingly interested in responsible actions from enterprises and as a result of these expectations from society, enterprises are concerned about implementing integrity and ethical codes among their employees and organizations' operations. The Confederation of British Industry (CBI) claim that CSR requires businesses to be publicly answerable not only for their economic performance but also should be accountable for their social and environmental actions. CSR initiatives must promote sustainable development, human rights, community development and democracy and these initiatives should be made across the world (Hemingway and MacLagan, 2004). In this section business, societal drivers and emotional drivers have been deliberated on, discussed and reviewed. These include individual values and principles, personal motivation, religious principles and moral ethics, employees, leaders, finance mass media, various other stakeholders and non-governmental organizations. In addition, regulatory influences such as governments and international bodies like the UNO are also studied

They suggest that CSR should have a purpose that is clearly advocated. The assumption that finance is the main driver for CSR decision-making in entrepreneurial businesses has given way to believe that employees, personal values, individual motivation, leadership, mass

media and /or regulatory pressures are associated with implementing CSR to achieve ‘the Triple Bottom Line’. Carroll (1996) identifies economic, legal, ethical and philanthropic responsibilities in his pyramid as components for business to exercise socially responsible behaviours and actions (Hemingway and MacLagan, 2004).

**Proposition 20:** It is inferred that organizations, including SMEs, have also realized that venture capital may not be the sole determinant to obtain competitive advantage. As agents in global markets it may be inferred that all organizations, regardless of size are acknowledging and accepting the importance of ‘doing the right things’, to incorporate multiple stakeholder approach and other sustainable business practices.

## 2.4.8 Flow Chart No.2: Summary of Literature Review



## **CHAPTER 3**

### **Methodology**

#### **3.1 Introduction**

Literature has provided evidence that if organizations consider stakeholders who affect them and stakeholders who are affected by them as partner or associates in their businesses these organizations are expected to achieve business excellence and respect in the environment they function. CSR being a recent concept in the UAE this dissertation focuses on studying the CSR perceptions policies and practices that are developed to meet the requirement of practicing this recent concept. It also investigates how managers and professionals working the construction and education sectors in the UAE implement CSR. The literature review concentrates on stakeholder management, benchmarking and the motivations to put CSR into practice with a focus on SMEs and the propositions covered for the study revolve around these theories. For the purpose of this study a case study approach using qualitative method was selected in order to gain a deeper insight. In-depth interviews were conducted to obtain the perceptions of the interviewees. The transcribed dialogues are analysed using content analyses which are elucidated in detail further on in this chapter.

#### **3.2 Techniques: Data Collection and Interpretation**

Glesne (2006) argues that qualitative and quantitative methods of study use the same factors such purpose, problem, research population, research methods, time frame and analysis to arrive at the outcomes. Qualitative methods allows the researcher an avenue to gain a ‘deeper’ insight of the social phenomena that cannot be obtained from only using quantitative data. In reflection of Glesne’s and the arguments made by academics that businesses are composed of interactions between many social systems, the researcher has considered using qualitative method of analysis for the study of this dissertation though difficult it provides an avenue for comprehensive data gathering. In addition, academic journals that have been consulted for the purpose of this dissertation have mostly used qualitative method of research which further evidences why the choice for qualitative analysis instead of quantitative analysis.

Heath (1997 p.1) views qualitative research as...

The purpose of "qualitative" or "naturalistic" research varies according to the research paradigm, methods, and assumptions. Generally speaking, qualitative researchers attempt to describe and interpret some human phenomenon, often in the words of selected individuals (the informants). These researchers try to be clear about their biases, presuppositions, and interpretations so that others (the stakeholders) can decide what they think about it all.

Kirk and Miller (1986) argue that qualitative research is “not simply a residual grab-bag comprising all things that are ‘not quantitative’ ” (Silverman 2001 p.47). Despite the numerous limitations the quantitative research supporters claim the uniqueness of qualitative research is that it may produce findings that were not determined in advance when the research study began. In addition the findings may be significant beyond the immediate scope of the study. The themes of this dissertation are on stakeholder management, benchmarking CSR and what drives individuals to be committed to CSR which in one way or other involves societal experience. Literature has provided evidence that organizations function in a web of relationships and that stakeholder management either in the narrow or broad sense involves affiliation, values and trust which are interpretation of human experience. Morse (1991) claims that qualitative research does not follow a single accepted technique as in the conservative, positivist research method (Heath 1997). Qualitative analysis is an umbrella expression that covers a variety of research approaches which includes case study (Glesne 2006). According to Baxter and Jack (2008) case study approach permits the researcher to explore the phenomenon within its framework using various data sources. The case study approaches proposed by Stake (1995) and Yin (2003 & 2006) try to make certain that the focus of study is well researched and the real meaning of the facts are discovered and both the methods are based on a constructivist paradigm which is dependent on one’s perspective. Crabtree and Miller (1999) further assert that the benefit of this approach is that it develops a close collaboration between the researcher and the participant. It enables the participants to tell their stories (Baxter and Jack 2008). This is what the researcher experienced during the study.

Case study research has been extensively used in the disciplines of law, medicine, and psychology. Hamel, Dufor and Fortin (1993) trace the origin of modern social sciences through anthropology and sociology and cite its history way back to the 1920s to the 1950s. Examples are Thomas and Znaniecki’s (1958) case study work conducted on Polish peasants



in Europe and America by the Department of Sociology in University of Chicago and the study conducted by the French sociologist LePlay on families Creswell (2007). According to Creswell (2007) case study research technique engages in the study of one or several cases within a context and could involve a multi-site study though comprehensive in-depth data gathering. Stake (2005) is of the opinion that case study investigation is a choice of what is to be researched and does not consider it a methodology. Yin (2003) describes that multiple case study approach can be used either to foretell similar results and divergent results for expected reasons which he terms as ‘lateral replication’ and ‘theoretical replication’. This method of study has its advantages and disadvantages and though “robust and reliable” it is time consuming and expensive to conduct (Baxter and Jack 2008, p.550). Yin (2003) put forward that case study research is the ‘strategy of inquiry, a methodology, or a comprehensive research strategy’ (in Creswell 2007, p. 73). UAE is within the thriving sectors of construction and education and therefore the multiple case study approach has been selected for the study within the UAE context.

### **3.3 Evolution of the Study and Research Questions**

While the Middle Eastern region make head-lines for political unrest, the UAE experiences political stability and is an oasis of peace. The UAE has faced competition in business and moved from the 47<sup>th</sup> position to 33<sup>rd</sup> position. The World Economic Forum in 2009-10 ranked the UAE 23<sup>rd</sup> in the world and second in the region for global competitiveness (Rahman 2009) and its per capita is not far below the average developed nation (Katsioloudes 2007). The constant and moderate foreign policy has paved the way for the impoverished province to become a hub for foreign direct investments various sectors including education where Dr Ayoub Kazim, MD of Dubai International Academic City and Dubai Knowledge Village claims “We are firmly on our way to become the regional hub for higher education with 30 academic partners who offer diverse academic programmes for the student community”(English Aalroya, 2010) . The United Arab Emirates is moving towards globalization since the transformation began from 1973. The improvised state witnessed dynamic and economic growth with new business being started or being re-located to the region causing a strain on its natural resources. Therefore it is thought ethical responsible business practices, protection and development of the environments have to be the order of the day yet according to Qasim et al (2011, p.111) “it remains stunted in one key area: Corporate Social Responsibility” . This exploratory study is conducted to investigate the

perceptions, policies and practice in the Construction and Education Sectors in the United Arab Emirates with special focus on Dubai.

To execute this exploratory study, academic journals were reviewed to discover the concepts and perceptions of CSR in countries that have a mature history of practicing CSR. The propositions were developed after consulting secondary data. The research questions for the in-depth interviews are developed from the hypotheses which are outlined in chapter 2. The research questions for the investigation focuses on the themes studied in chapter 2 of this dissertation which include stakeholders, benchmarking, drivers of CSR and SMEs. Open ended, semi-structured standardized questions were designed for the study. In some cases the questions were pursued with leading questions. The questions were pre-piloted with my supervisor who gave me insight and clarity on the question-topic fit. The interview schedule with semi-structured open ended questions were developed on the four themes selected for the study which is to make an exploratory investigation on the perceptions, policies and practice of CSR with attention being given to stakeholder management, benchmarking, and what drives organizations to practice CSR with particular focus on small and medium enterprises.

As “CSR is relatively new thing that is evolving in the region” ([www.ameinfo.com](http://www.ameinfo.com)) and business have limited or negligent understanding on the concepts the interview schedule was re-designed for the main study. In addition, because of the feudalistic structure in which the case is set, questions relating to employer–employee relationship, dominant, powerful and legitimate stakeholders related to ethical decisions for the benefit of employees or customers among a few others were removed in consideration of the main study.

### **3.4 The Case Study Context**

CSR has become one of most important business issues in the UAE with the presence of such parallel operations in the private sector. A detailed description of the case study setting has been outlined in the introduction chapter. The samples for this case study include organizations from the foreign and local sectors and are discussed in detail later in chapter 4. Sake (2000) identifies intrinsic, instrumental and collective case study and argues that the collective case study method allows the researcher to ‘investigate a phenomenon, population, or general condition’ (Glesne 2006 p.13). In this case the phenomena are the subjects of CSR discussed in chapter 2. Glesne (2006) claims that qualitative methods are used to

understand and interpret the perspectives of social phenomena. This method is particularly effective when the researcher wants to achieve culturally specific information about the subjects involved which may include the principles, ideals, behaviours, and opinion of a particular small population. The investigation is conducted on the main themes such as stakeholder management, benchmarking CSR practices, the motivations for individuals and organizations to practice CSR. The cases selected for the study are from the construction and education businesses in the private sector in the UAE.

### **3.5 Pilot and Main Study**

For the purpose of this study, invitations with an overview of the study were sent out via email to over fifty organizations in the construction sector seeking voluntary participation with the intention to choose multiple cases for the study. Yin (2003 in Creswell 2007) is of the opinion that researchers' choose multiple cases for the study in order to show different perspective of the question being studied and accordingly this study involved research to be executed in ten organizations within the private sector. The response rate for voluntary participation was poor and local bodies working on sustainable and environmental issues in Sharjah and Dubai were contacted in order to gain access to Small and Medium Enterprises (SMEs) in the construction sector. Academic institutions were contacted on telephone by the researcher. Persistent and repeated follow-up did not facilitate progress and therefore the researcher was compelled to use professional business contacts to find voluntary participants.

Glesne (2006) suggests that it would be ideal that the respondents for the pilot interview be drawn from the actual group of the study. In this study four pilot interviews were conducted. The first two participants for the pilot study referred to as interviewee A & B in the overview given in Table no.4 who are actively involved in promoting awareness and sustainable initiatives in the UAE were not included in the main study.

**Table No. 4:** Overview of the Participants in the Pilot Study

| <b>SI No</b>  | <b>Participant</b>                       | <b>Nationality</b> | <b>Age</b> | <b>Employment</b>                                |
|---------------|--|--------------------|------------|--|
| Interviewee A | Head of Business Development & Marketing | French             | 36         | UAE Business Council for Sustainable Development |
| Interviewee B | Managing Director                        | Italian            | 42         | Independent CSR and Suitability consultant       |

Interviewee A & B had a thorough knowledge of the themes and the region. The two other participants one from construction and education are included in the main study. The pilot study interview schedule is in Appendix no. 1. The rationale to request the experts to participate in the pilot study was to gain insight on the sensitivity of the region which ultimately led to the researcher redesigning the interview questions for the understanding of an ordinary person. In addition irrelevant questions literally “fell to the ground” after the pilot interview (Glesne 2006 p. 86). The reason for which they were removed from the main study are explained in the section evolution of the study and research question further on in this chapter. The interview schedule used in the main study is listed in Appendix no. 2 and an overview of the participants is in Table no. 5.

**Table No. 5:** Overview of the Participants in the Main Study

| <b>Sl No</b>   | <b>Participant</b>                       | <b>Nationality</b>   | <b>Industry</b> | <b>Nature of Ownership</b>         |
|----------------|--|----------------------|-----------------|------------------------------------|
| Interviewee 1  | Manager: Business Strategies             | Indian               | Construction    | Local                              |
| Interviewee 2  | Director                                 | Indian               | Construction    | Foreign                            |
| Interviewee 3  | Head of Communications, Middle East      | British              | Construction    | Foreign                            |
| Interviewee 4  | Asst QMS Manager & HSE & Quality Manager | Indian South African | Construction    | Joint venture with British company |
| Interviewee 5  | KEO                                      | British              | Construction    | Foreign                            |
| Interviewee 6  | Dean, Faculty of Business                | Indian               | Education       | Foreign                            |
| Interviewee 7  | President                                | Australian           | Education       | Foreign                            |
| Interviewee 8  | Sr VP Institutional Development          | Indian               | Education       | Foreign                            |
| Interviewee 9  | Director of MBA Studies                  | New Zealand          | Education       | Local                              |
| Interviewee 10 | Registrar                                | British              | Education       | Local                              |

### 3.6 Data Collection

Stake (2005 in Glesne 2006) argues that case study research is not a methodology but the choice of what is being studied and Creswell (2007) proposes that case study investigation is a qualitative approach in which in-depth data collected made using various techniques such as interviews, observations, audiovisuals documents and reports. Kvale and Brinkmann (2009) maintain that research interviewing involves seven steps which are thematizing, designing, interviewing, transcribing, analyzing, verifying and reporting and is conceived as a craft. For this dissertation the researcher has included the above steps but as a novice in qualitative research the interviewing process may not be conceived as a craft.

For this study, the researcher conducted in-depth interviews with the participants as they assist in extracting a vivid picture of the interviewee's perspective of the research. In

addition, the study included review of documents provided by the participants and online search. Participants' consent to participate in one-hour interviews was collected via email. In order to gain the confidence of the participant assurance was given on email and before the interview that the interview data will be only used for the purpose of the study and will be kept in confidence. The interviewees were receptive to being met in their offices only one interview had to be arranged in a public place for easy access of the interviewee. The interview began with exchanging brief pleasantries and then briefing participants on the purpose of the interview and topics covered for the study. In addition approval was sought to use the recorder and the ten interviews in the main study were taped. Each interview lasted about one hour and fifteen minutes. Some exceeded the time as the interviewees went into in-depth explanations and participated intensively. After the interviews were concluded and the recorder had been turned off the researcher enquired if the interviewee had any area of interest that he would want to discuss further.

### **3.7 Interviews and Transcription**

The interviews conducted for the study were audio taped with the consent of the participants. The target period set to start with the interviews was the middle of December but had to be delayed until the beginning of February 2011 due to the delay in finding participants. As a result, the closing date for the study was also delayed and the last interview was conducted in the second week of April, 2011.

According to Kvale and Brinkmann (2009) a face-to-face interview interaction between two people becomes abstracted in transcription. Transcribe means to alter from one form to another which is from verbal language to language written on paper. The process may produce a mix and non-natural constructs that may not be useful for either the active oral conversation or the written text but once the oral language is transcribed the transcripts becomes solid empirical data for a study. The social interaction involved in an interview cannot be captured in transcription and it is not accessible to an out of context reader of the interview scripts. Bourdieu (1999) points out that transcription usually fail to portray irony in a transcript due to the intentional inconsistency between verbal and nonverbal verbal communication or between diverse features of a spoken message. He further explains ironies as well as other common yet important tropes are almost certainly "lost in transcription" (Bourdieu 1999 in Kvale and Brinkmann 2009 p. 178). This is because the recording of the interview is the first abstraction which involves the live physical one-to-one conversation

which loses the gestures, body language and postures. The transcription is the second abstraction where the breathing, the tone, the intonations and the voice are lost. Despite the critical limitations of recorded and transcribed interviews and transcription being the most difficult part of the task of the study, the researcher heavily depended on using this technique to transcribe the interviews. Transcription for each interview took about six to seven hours as it requires the researcher to frequently go back and forth of the recordings. The interviews were literally transcribed word for word within the next two days of the interview on to an excel sheet in order to make the analysis easier. For a qualitative researcher transcription is the most laborious and painful part of the study. The researcher compares her experience to that of Glesne (2006) as cited below.

The worst problem was in transcribing the interviews verbatim. My initial attempts at home left me somewhat crazed; it took me about one hour to transcribe about ten minutes of conversation. In desperation, I hired someone to do this. However, the expensive transcriptions contained numerous “???” where the words were obscured ... I then had to go over the entire tapes to fill in missing parts of the interaction.

Glesne (2006 p. 89 & 90).

### **3.8 Thematic Content Analysis**

With the transcriptions completed one angle of the puzzle is revealed. The next step is to find the results from the ‘text’ which according to McTavish and Pirro (1990) are the transcripts in the form of verbal, written documents or electronic data which would have been got from responses to open ended questions raised during the interview or observations or survey questions. Busha & Harter (1980 in Palmquist n.d.) claim that content analysis is used to determine words, themes, concepts, phrases, characters or sentences within the text. Hsieh and Shannon (2005) claim that it has been extensively used as a technique in qualitative research and is not viewed as a single technique but with three distinct approaches: conventional, directed and summative. Cavanagh (1997) claims that it is a flexible method but Tesch (1990) argues although this flexibility is useful to a multiplicity of researchers, the lack of a rigid definition and methods have potentially limited the scope of its application (in Hsieh and Shannon 2005). This method is also widely used in health study research and has a long history dating back to the 18<sup>th</sup> century. Barcus (1959) claimed that in USA content analysis was used as an analytic technique first in the twentieth century and was used in quantitative and qualitative research. Later this method was limited for use in qualitative studies.

In recent time, thematic content analysis was mainly used as a quantitative research method where the texts are coded into clear categories and then described using statistics (Morgan 1993 in Hsieh and Shannon 2005). I adopted this approach in order to translate the responses of the interviewees into numbers or percentages to validate the frequency of use in relation to the aims and objective of the study. I used the basic process of coding, which according to Weber (1990), is to organize large pieces of text in fewer content categories which are themes or patterns openly expressed in the transcriptions or text or that derived from the investigation (Hsieh and Shannon 2005). The phrases that evolved out of the interview dialogue are coded into themes related to Carroll's (1991) pyramid which are directly or indirectly linked to the aims and objectives of this study. The responses to the questions are verified against the literature in chapter 2. The themes based on the frequency of positive reference during the interview dialogue in Appendix 3 are validated with extracts from the interview dialogues. A cross-sector comparison is illustrated in Table no 12 in chapter 4.

### **3.9 Examination: Responses and Discussion of Propositions**

The transcripts of sixteen questions of the main study are analysed in sections as in the interview schedule which includes sections on stakeholders, benchmarking and drivers for CSR. The findings are rationally explained in text, tables and charts in chapter 4 of this dissertation. According to Barcus' (1959) study I was trying to incorporate an analytical approach to the study with also an intention to validate the deliberation of the responses, views and perceptions of the respondents. The propositions carried forward for the discussion in the stakeholder section are 1, 2, 3, 4, 7, 9 and 10. Proposition 12 is discussed in the section on benchmarking and proposition 18 and 20 from the section on drivers for CSR. In chapter 5 the findings are equated to or differentiated from the arguments of scholarly academics which are studied for the conducting the research. The responses that I identified as not being relevant were not carried forward for arguments in the discussion chapter. This is mainly because of the insignificance on the grounds that the region is still young with regards to its understanding of social responsibility and for example "does your organization encourage its stakeholders to compare and develop CSR practices? If so give examples". This is further validated by the CSR report released by the Dubai Ethics and Resource Center (DERC) which states that CSR is a new concept in the region and that businesses in the region have to understand its strategic concepts. The propositions that are not debated are listed in Appendix no. 4 and may be considered for study in the future.



### **3.10 Limitations of the Research Design**

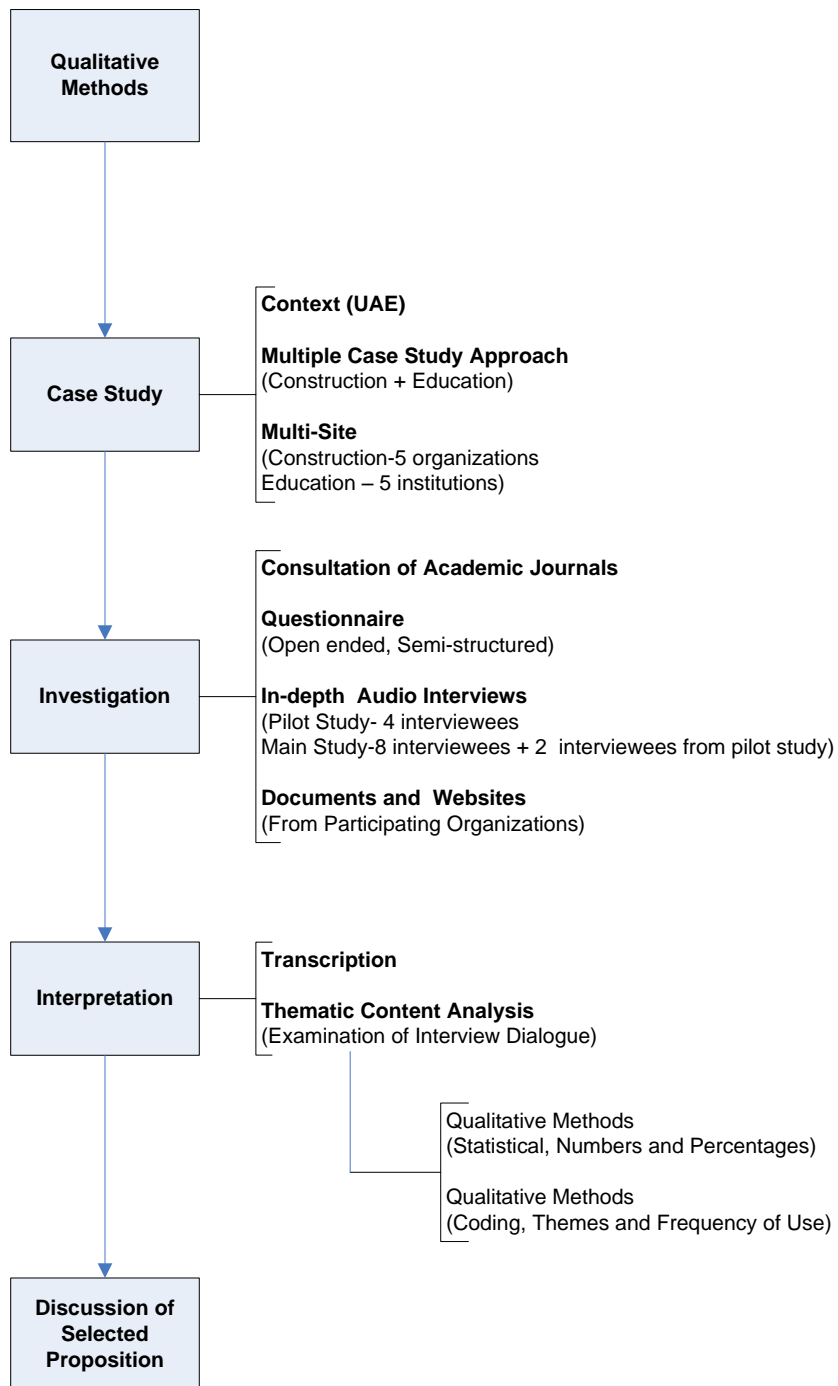
The scope of study is extensive which resulted in the study becoming wide and the exploration involved various themes such as stakeholders, benchmarking, drivers of CSR and SMEs. Consequently the methods for entire study broadened as for example the interview questions had to cover all the themes and likewise all the methods that are involved for the study. Therefore all the procedures that had to be conducted for the study widened and narrowing the study became challenging. This can be seen as the key limitation to the design especially taking into account the study is being conducted by one investigator. The interview schedule was largely technical and it was difficult for the participants to understand and respond. As a result I had to explain the questions citing examples as in the case of the stakeholder characteristics. It could also be assumed that another reason for this limitation is because the region is not aware of the actual deeper meaning of stakeholder management.

Another limitation of the research design was my decision to conduct a two sector study which limited choice of participants to two industries only, combined with the extensiveness of the scope which created other limitations such as constraints of time and resources. Consequently, surveys, participants' observations as a CSR employee or ethnographic observations were not considered. These quantitative and qualitative methods and techniques may have produced data from a broader range of viewpoints and probably would have increased the breadth, depth and commonality of the issues and themes covered.

### **3.11 Summary of Methods of Data Collection and Interpretation**

The techniques used for data collection and interpretation I have used have been explained in the previous sections. The flow chart no. 3 on the design of this study is to give the reader a clearer picture and a quick understanding on the design for this study.

**Flow Chart No. 3: Summary of Data Collection and Interpretation**



## **Chapter 4**

### **Data Analysis and Results**

#### **4.1 Overview of the Interview Participants**

This study focuses on construction and education sectors which are two of the major industry sectors in the UAE. The interviewees in the sample were from the construction and education sectors. Both sectors can be regarded as way of revenue generation for the UAE. All the interviewees are males holding a senior level either leading a large department or the organization. Of the five interviewed from construction only one was an owner manager the others were employed in the organization. The interviewees from this category either had a management or an engineering degree. In education, two interviewees led the administration of the respective universities, two led the programmes or faculties where they worked, and one was involved in teaching and administration of the business school. Four out of the five interviewed held doctorate degrees and one a master's degree in management. The interviewees in the study have been resident in the UAE from 2.5 to 14 years and are conscious of the significance of corporate social responsibility and the limitations of the region. In addition they were familiar with the themes focused in this dissertation which are stakeholder management, benchmarking CSR practices and the motivation to integrate CSR in relevance to SMEs.

#### **4.2 Interview Design**

Each interview lasted for about one hour and addressed the themes related to the theory studied in chapter 2 which include stakeholder relationship and management, benchmarking, the motivations and drive to practice CSR with focus of SMEs becoming examples to large organization. All the interview dialogues addressed sixteen questions which are analysed below in the order the interviews were conducted. The interviewees from the construction sector are referred to as interviewees 1 to 5 and those from the education sector are referred to as interviewees 6 to 10.

#### **4.3.1 Section 1: Investigation on Interviewee's views: Stakeholders and Stakeholder Relationship**

This section corresponds to section 1 of the questionnaire which is on stakeholders and it explains the views of the interviewees on stakeholder management and stakeholder relationship.

**a. Question 1:** What are your organizations main goals? To achieve these goals, who are your key stakeholders?

The organizational goals are based on the application of individual businesses. In relation to the goals and their significance, each interviewee identified their stakeholders. Table no. 6 (Occurrence of Concept during the Interview Dialogue) presents a synopsis of the stakeholders identified. Table no. 7 (Order of Mention during the Interview Dialogue) gives the order in which these were expressed in the interview dialogue. To clarify the order in which the interviewees listed individual stakeholders, numbers from 1 to 8, have been allocated where 1 represents the particular stakeholder being mentioned first and 8 the last. Where no mention was made I have kept the cells blank. It can be assumed that they either failed to spot or ignored these as stakeholders. It could also be assumed that the interviewees may have mentioned the stakeholders in the order of importance to respective businesses.

**Table No. 6: Occurrence of Concept during the Interview Dialogue**

1. What are your organizations main goals? To achieve these goals, who are your key stakeholders?

| Interviewee  | Sectors      | Society/<br>Community | Employees | Shareholders/<br>Partners | Customers/<br>Clients | Sub-Contractors/<br>Vendors/Suppliers | Business/<br>Industry | Students | Government<br>/<br>Govt<br>agencies | Potential<br>Employers | NGOs     | Regulatory<br>Authority |
|--------------|--------------|-----------------------|-----------|---------------------------|-----------------------|---------------------------------------|-----------------------|----------|-------------------------------------|------------------------|----------|-------------------------|
| 1            | Construction | √                     | √         | √                         |                       |                                       |                       |          |                                     |                        |          |                         |
| 2            |              | √                     | √         | √                         | √                     |                                       |                       |          |                                     |                        |          |                         |
| 3            |              | √                     | √         |                           |                       |                                       |                       |          |                                     |                        |          |                         |
| 4            |              | √                     | √         |                           | √                     | √                                     |                       |          | √                                   |                        |          |                         |
| 5            |              |                       |           |                           | √                     |                                       |                       |          |                                     |                        |          |                         |
| <b>Total</b> |              | <b>4</b>              | <b>4</b>  | <b>2</b>                  | <b>3</b>              | <b>1</b>                              |                       |          | <b>1</b>                            |                        |          |                         |
| 6            | Education    |                       | √         |                           |                       |                                       |                       | √        |                                     |                        |          |                         |
| 7            |              | √                     | √         |                           |                       |                                       | √                     | √        | √                                   | √                      | √        | √                       |
| 8            |              |                       | √         |                           |                       |                                       |                       | √        | √                                   | √                      |          |                         |
| 9            |              | √                     | √         | √                         |                       |                                       |                       | √        |                                     |                        |          |                         |
| 10           |              | √                     | √         | 0                         |                       |                                       |                       | √        | √                                   | √                      |          |                         |
| <b>Total</b> |              | <b>3</b>              | <b>5</b>  | <b>1</b>                  |                       |                                       | <b>1</b>              | <b>5</b> | <b>3</b>                            | <b>3</b>               | <b>1</b> | <b>1</b>                |

**Table No. 7: Order of Mention during the Interview Dialogue**

1. What are your organizations main goals? To achieve these goals, who are your key stakeholders?

| Interviewee<br>No. | Sectors      | Society/<br>Community | Employees | Shareholders/<br>Partners | Customers/<br>Clients | Sub-Contractors/<br>Vendors/Suppliers | Business/<br>Industry | Students | Government /<br>Govt agencies | Potential<br>Employers | NGOs | Regulatory<br>Authority |
|--------------------|--------------|-----------------------|-----------|---------------------------|-----------------------|---------------------------------------|-----------------------|----------|-------------------------------|------------------------|------|-------------------------|
| 1                  | Construction | 1                     | 2         | 3                         |                       |                                       |                       |          |                               |                        |      |                         |
| 2                  |              | 4                     | 2         | 3                         | 1                     |                                       |                       |          |                               |                        |      |                         |
| 3                  |              | 2                     | 1         |                           |                       |                                       |                       |          |                               |                        |      |                         |
| 4                  |              | 4                     | 2         |                           | 1                     | 3                                     |                       |          |                               |                        |      |                         |
| 5                  |              |                       |           |                           | 1                     |                                       |                       |          |                               |                        |      |                         |
| 6                  | Education    |                       | 1         |                           |                       |                                       |                       | 1        |                               |                        |      |                         |
| 7                  |              | 6                     | 8         |                           |                       |                                       | 1                     | 1        | 3                             | 2                      | 5    | 7                       |
| 8                  |              |                       | 3         |                           |                       |                                       |                       | 1        | 4                             | 2                      |      |                         |
| 9                  |              | 4                     | 3         | 1                         |                       |                                       |                       | 2        |                               |                        |      |                         |
| 10                 |              | 4                     | 5         |                           |                       |                                       |                       | 2        | 1                             | 3                      |      |                         |

It was noteworthy that Interviewee1 echoed the culture of his organization “*Business exists to serve society*” and the organization gave first priority to society and community. Interviewee3 “*...to act as an agent and work towards making the planet a low carbon society*”. The documents that were shared by these organizations validated their commitment to working towards the betterment of the community. Four out of five of the organizations specifically mentioned their commitment to the community. Three out of the five interviewees in education expressed their view that they had a role to play in community development. Though Interviewee9 ranked the community as 4th on their stakeholder list in conveying the goals stated “*...when I say focused, it is to build the quality of a local community*” which demonstrated a precedence for community development. Interviewee7 was of the opinion that all universities must engage in community development activities and expressed that “*like all universities we have a third goal which is community engagement because any university should give back to the community so there are major strategic developments*”.

Interviewee2 also the owner manager, explained that “*First goal is to stay in business, make revenue to employ people and generate revenue for shareholders*”. Interviewee9 reasoned that his stockholder was the key stakeholder and articulated “*we are founded and run by the ..... and can’t do anything without the board approving it*”. Interviewees 2, 4, 5 from the construction sector listed customers/clients first on their list. In the education sector Interviewees 6, 7, and 8 ranked students first on their stakeholder list and Interviewee 9 and 10 listed students second on the list. Interviewee7 commented “*of course the students are the key stakeholders and because we are preparing potential graduates to work in this environment...*” It could be assumed that these stakeholders directly impact the business, and therefore these stakeholders receive more attention from these organizations.

9 out of the 10 interviewees identified employees as their stakeholder but only Interviewee3 ranked employees the first. Interviewee 1, 2, and 4 from the construction sector ranked employees second on their list. Interviewee4 conveyed that they have many initiatives in place to train, develop and retain its workforce, and make sure the training is delivered in different languages. They have in place a zero harm initiative and conveyed “*the organization aims at safeguarding employees from harm and make sure they leave the company without encountering any fatality or damage*”. Interviewee5 identified being client focused without which employees will not have their job and he expressed “*...staff will not have their jobs and will not be in business if they are not client focused*”. This further reiterates the need to give more attention to stakeholders that demand the attention.

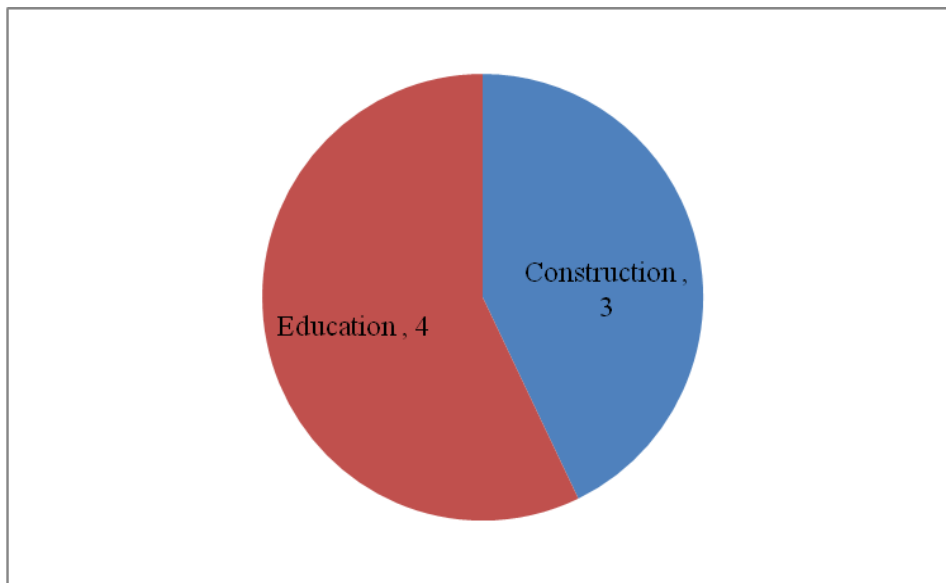
On the contrary, in education, only Interviewee6 listed employees second on their list and Interviewee7 to 10 listed employees eighth, third and fifth (respectively) on their list. In the pilot interview the questions related to employees were dropped as the interviewee declined to respond saying it was a personal and sensitive question which I gather is influenced by the culture prevailing in this region. Of the participating organizations, three from construction and three from education are foreign investments in the region. One each in construction and in education is a local group. One in construction a joint venture with a leading British firm and one in education are very closely associated with the higher education in the United Kingdom. No matter what the nature of ownership the organizations had each demonstrated commitment to the region

**b. Question 2:** Do you conduct any analysis to identify your stakeholders? If so what methods do you use to identify these stakeholders.

The type of analysis used to identify individual stakeholders varied based on the nature of business. In education the analysis was mainly used for student and staff recruitment. However Interviewee9 held an opposing view and said, “*not*



*that I know of. We do have entry requirements but I wouldn't call this as stakeholder analysis as we already know who our stakeholders are".* The pie chart shows the number in each category that conducted analysis to identify their stakeholders.



**Chart No. 4:** Analysis to Identify Stakeholders

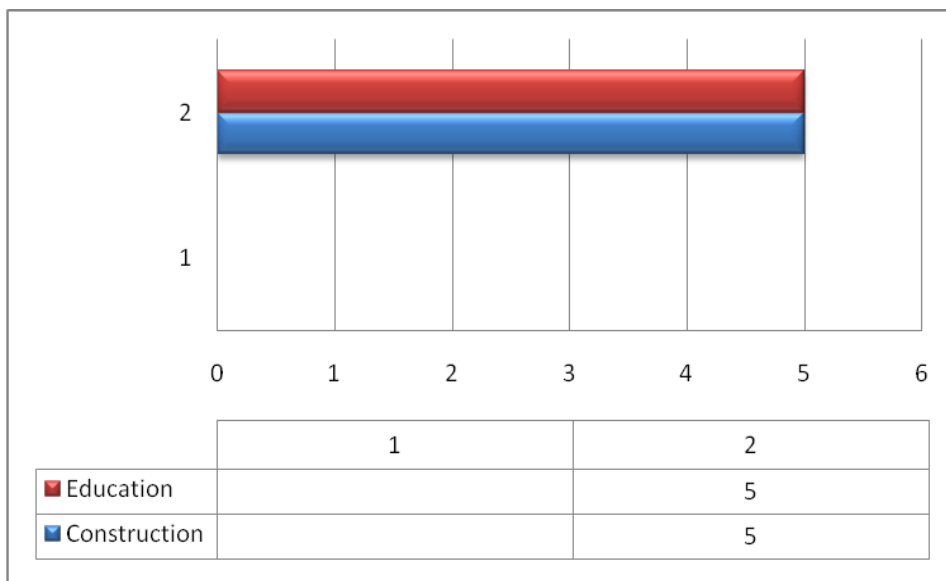
It was interesting to note the response from Interviewee1 from a local group with regard to stakeholder analysis *"we mainly choose Emirati partners as business associates keeping in mind the Islamic religious beliefs and practices as for example Halal, and Ribba practices .The contracting company has maintained good, informal relationship with its stakeholders ... "* This demonstrated that religious values played an important role in business decision making. The main goal of this organization is to serve society and the Chairman's theme that *"Business exists to serve society"* is filtered down into the organization. Interviewee 5 verified another angle being used to identify stakeholders and his response was *"... maintains very strong ethics and we choose to do business with credible clients"* which demonstrated responsible business practice.

**c. Question 3:** Do you insist that your stakeholders practice sustainability? If so what values and principles do these stakeholders maintain in relation to practicing CSR?

This did not provide much relevance and I decided not to analyse all the responses. However, I would like to include the response from Interviewee3 who said that they insist on stakeholders practicing sustainability but “... *it is harder in the Middle East*” which indicated the culture of insistence is not prevalent in the region.

**d. Question 4:** Do you feel that a trusting, ethical, value based approach with your stakeholders will benefit your organization? Please describe the relationship your organization maintains with these stakeholders.

All the interviewees agreed that a value based approach benefited the organization. The charts below clearly indicate the response from both the sectors.



**Chart No.5:** Upholding a Value-based Approach

In response to the leading question on the relationship that the organization maintains with stakeholders, Interviewee5 commented *“trusting relationship is the core of Business practice and is very important. It maintains very strong ethics, practices mutual respect with staff and clients, advises clients on best practices, sustainable design approaches and expects the same from its staff. We are a professional organization, with a social conscience and will not allow clients breach the commitment we have for the environment”*. It can be believed that the organization adopts a co-operative approach with their clients, and do not advocate an approach of insistence.

In response to the first part of the question if they believe a trusting relationship will add value Interviewee7 responded *“We would be very reluctant for example to engage in a contract with an organization that engages in unethical practices”* and coming back to the latter part of the question said *“ I feel intuitively that there are its benefits to advertise your ethical standards”*. He cited some examples to validate the practice of what they preached, and particular mention is to be made about the research funding that was declined by the parent university as it was endowed by an organization with a conducted business that the University believed was unethical. So they were willing to forego a research funding opportunity because they wanted to stand up for their values and by their ethical position, and the interviewee claimed that the same culture and practice is imbibed in the subsidiary operating in the UAE.

**e. Question 5:** Has your organization felt the need to incorporate a multiple stakeholder approach and sustainable business practices into the culture of your organization?

Three of the participants in the construction sector and four from the education sector responded positively about maintaining a multiple stakeholder approach. The chart below demonstrates it. However in list their stakeholders this was not demonstrated. Only Interviewee7 demonstrated as having incorporated a

multiple stakeholder approach into their business practices. This is illustrated in Table no.6 of question 1.

#### **4.3.2 Section 2: Investigation on Interviewee's Views: Benchmarking**

As mentioned earlier the interview samples belong to the construction and education sectors, and this section explores their views on benchmarking which is a management tool used to identify continuous improvement.

**f. Question 6:** Nine out of the ten interviewees were of the opinion that benchmarking added value to the organization and their views are cited below. Interviewee2 expressed that *“Numbers and metrics are important. UAE has the statistics but has done nothing in regards to this”* and cited the example of UAE having the highest number of diabetics but as not having done anything with regard to it. This leads to the assumption that the government has its limitations or may perhaps be due to various other reasons which include the regional culture, food habits, sedentary life style, work pressure, expensive medical health, and poor/expensive exercising facilities among other reasons that have contributed to high number of diabetics. It may be assumed that the government has its limitations due to the large expatriate population in the UAE. Interviewee5 said *“It definitely adds value to the organizations and is without doubt a part of everyday approach”*. Interviewee4 said that Dubai had a focus group in the construction sector that shared good practices and the organization had shared many of its practices with competitors but due to undisclosed reasons the focus group stopped meeting. It was later conveyed that the focus group may possibly begin to meet once again in a more formalized way which I assumed would have government or some regulatory intervention which possibly reads that it is not the culture of the region. Interviewee1 conveyed that the *“the group does not believe in copy- paste philosophy.”* Notwithstanding it was gathered from the interview dialogue that concept of recycling of waste oil was learnt from a benchmarking exercise with other countries.

Interviewee6 stressed that *“it helps in maintaining standards and hence adds value to the organization”*. Interviewee8 was very vocal about their benchmarking and concluded his dialogue by saying *“stakeholder benchmarking is built into the DNA of the organization and we have to do it”*. This was further reiterated by Interviewee7 expressing his views on benchmarking *“My feeling is that the two main benefits of benchmarking is that one it helps you to identify areas in which you could improve. The other reason is it identifies individual organizations other than your own that have solved some problems and because they have demonstrated and achieved higher level of performance and other than that it will be an example of good practice and so I also put the two together the issue of sharing good practice and benchmarking involves knowledge of good practice”*.

Benchmarking was significantly practiced in the Universities where the interviewees worked. It can be assumed that a plausible reason for this was because of the regulatory influences from the shapers of regulations for the sector. In addition it was noted that those organizations that were having subsidiary operations in the UAE endeavored to benchmark against their local competitors and the parent organization or overseas associate.

In responses to specifically benchmarking CSR, Interviewee9 expressed that *“It maintains the reputable benefit that might bring and make sure we are a corporate citizen”*. Interviewee10 responded *“For all the reasons we have just discussed that CSR adds value then on the bottom line as soon as you reach that position the idea of benchmarking CSR in the input, output and outcome model makes sense”*. Even though all the interviewees were vocal about the benefits of benchmarking it was clear that the region had not reached a level of maturity where organizations would specifically benchmark in the area of CSR which is evident in Interviewee7’s comment *“however we do not benchmark specifically in the area of CSR”*. I would further add that as I am not convinced that organizations in the region would actually want to share information about

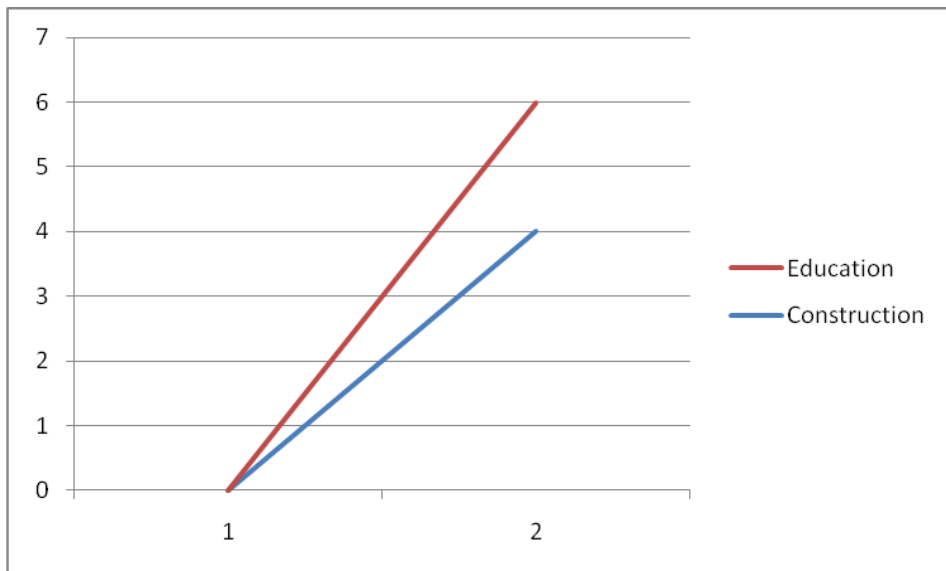
employee practices I was obliged to drop some questions related to employees from the pilot study.

**g. Question7:** In your opinion do you feel that benchmarking or management systems are a compulsory business requirement?

An overview of the response from both the sectors and a chart illustration are given below.

From the interview conversation, review of documentation shared and the websites, it was gathered that all the participating organizations were quality certified and maintained the health and safety standards as per the UAE regulations and respective emirate. Though it was not categorically conveyed that benchmarking or management systems was a mandatory business requirement, interviewee1 articulated that these systems are *“a road map and not a prescription”*. He also claimed that *“organizations that are quality certified are able to attract an experienced and qualified talent”*. I gathered that organizations in the region used these certifications to link up the brand value. Interviewee5’s opinion was that management systems are mandatory as systems, checks and balances are required. It is not a good approach to use arbitrary systems and such business must have a formalized approach. Quality is very important in design. *“Lives of people depend on the accuracy of design and he agreed that it is good practice to have checks and balances to validate their designs”*. He added further *“You put business at risk if you don't have check but too many controls stifle innovation. A prescriptive approach will kill the spirit of innovation and enthusiasm and too much documentation and procedure are not good. The secret is to have an efficient quality control system in place”*. Interviewee7 who leads a University voiced his views by saying *“I don't feel personally that benchmarking or management systems are compulsory but it will be foolish to engage in a competitive business without them”*. Three of the participants shared the view that it was not a compulsory requirement but expressed that apprehension that it would be imprudent to operate a business with these systems. Interviewee10

categorically stated that it was not a compulsory requirement and put across “universities have succeeded without benchmarking of course value will be added by a good approach”. He further justified his views by saying that “if you make it a compulsory requirement then people will try to get round it”. From the overall dialogue with the interviewees, I gathered that they were in agreement about benchmarking and management systems adding value to the organizations, and that they are good approaches for business practice.



**Chart No.6:** Benchmarking/Management Systems: Compulsory Business Requirement

**h. Question 8:** Does your organization encourage its stakeholders to compare and develop CSR practices? If so give examples

The overall responses from the five interviewees from construction indicated a collaborative, awareness creating approach being maintained in regards to them encouraging stakeholders to compare and develop CSR practices. Interviewee2 said that the organization’s CEO is spreading the message of a low carbon society and future to wider community in over forty countries. Interviewee2 is a certified LEEDS trainer. Interviewee5 expressed that they have put words into practice by

training their subcontractors, encouraging them to follow the organizations practices and in doing so adopt them into the organization which they call “... *village*”. They follow these procedures mainly with subcontractors who do not have their own policies and procedures on sustainability, health and safety and quality standards. They do this to ensure the standards are maintained and it may be assumed that it could be in their own interest and in the interest of their stakeholder. Interviewee1 conveyed that his chairman was the keynote speaker at the benchmarking conference held in Dubai; however he believes that the region is not mature and receptive to the philosophy of comparing and developing CSR practices. This can be supported with the response to question 3 which is about insisting stakeholders to practice sustainability, Interviewee3 said “*as a global player the organization understands and know the difference in different parts of the world. In UK a stronger emphasis is placed on purchase of printing services and outsourcing of services and other products. There is a culture difference and in the Middle East it is harder to get information regarding quality as providers are not used to being queried*”. This clearly gives some indications of constraints of the region.

The response from the Universities demonstrated that while understanding the philosophy, the approach was mainly encouraging the internal stakeholders to do so and all responded positively about their commitment to the initiatives of the free zone in which they operated. On the contrary, Interviewee7 articulated strongly “*I personally feel that the UAE has not reached that level where one encourages external stakeholders to compare and develop CSR practices*”.

In summary each organization understands the requirement to practice sustainable business and that comparing CSR practices will add value for themselves and to their stakeholders. It was also noted that in their own way, each was trying to do something for themselves and for their stakeholders within the limitations of the region.



**i. Question 9:** Is the UAE government a regulatory influence in regards to organizations maintaining sustainability? In your opinion do you feel that businesses in the UAE will act responsibly of choice rather than by compulsion?

The interviewees in construction had different views regarding regulation. Interviewee1 was of the opinion practicing responsible business should be by choice and that in due course businesses will undertake the practice due to the business value it would create. He said that *“ten years down the line or even earlier businesses will be compelled as it will affect its brand value and organizations will become responsible by choice”*. This may also imply that the region is not yet mature and is expected to move in the direction. Businesses in the regions will also begin to understand that incorporating CSR in their strategy will add to brand value and stakeholders opinion which will contribute to their survival. Interviewee3 felt that regulation was important as companies are normally driven to make money for their shareholders and expressed his view *“it is naïve to think that organizations will take care of the environment as you always get organizations behaving irresponsibly to meet competitive advantage”*. He was of the opinion that governments must be *“involved, understand the needs of the region and regulate accordingly”*. Interviewee2 is of the opinion that *“Green”* and *“CSR”* are *“buzz words”* and there is awareness about *“environmental stewardship”* but there is a lack of understanding. He reiterated his opinion by saying *“UAE has a long way to go in relation to practicing CSR - the people lack the understanding of economic living”*. He gave example of inherent wastage in the UAE by citing examples of the life years for a car, insurance regulations for cars that have over five years road life, the discarding of electronic goods and wastage of food. In the dialogues he further added the new rules that were being considered by the government with regard to reducing the validity of residency visa. He said that this would impact on the environment as it would increase the number of times an individual would have to go for a medical checkup that was mandatory requirement for stamping the visa for an immigrant and asked me to imagine the increase in number of disposable needles being used.

Though he did not categorically respond to the question what I gathered was that he was implying about the current regulations that permitted this gross waste in the region. Interviewee5 said shared the same views of Interviewee2 regarding waste generation within the region and said *“The UAE is a very wealthy country economically and is also a large contributor in regards to waste generation”*. He then said *“Very few organizations will act of choice. Regulatory influences are very important”* and felt that he had noted that there was more of a regulatory influence in Abu Dhabi and ESTIDAMA and MASDAR are working hard to create the awareness and also work as regulatory authorities. He felt that since the Federal regulations are in Abu Dhabi and hence they have the authority and to monitor the legal requirement. He was of the opinion there is not much of a regulatory influence in Dubai. On the contrary Interviewee4 felt the Dubai municipality keeps a check on waste disposal methods and has strict procedures and processes with regard to the disposal of medical waste from the organizations clinic.

In education, Interviewee6 shared somewhat the same opinion of interviewee1 from construction. He felt that there is not much of regulation in the UAE and *“the question of CSR is always between a compulsion and choice and if a compulsion it becomes a legal requirement is” and in the long run in the long run sustainability will depend on what your stakeholder looks at as a business. Are you ethical or fly by night operator”*.

Interviewee2 felt that *the government agencies that they work with are adopting a very natural encouraging role in relations to CSR activity.” I don’t think the UAE government maintains a regulatory influence”* and continued to add *“I absolutely feel a more formalized approach is required but I do agree that there should be a much more coordinated approach”*. Interviewee8 and 9 felt there was not much of a regulation in the UAE and said that they were not enthusiasts of regulation. To support his view interviewee8 further added *“we have done it by choice. It is a conscious effort. I feel compulsion should not be there. This is something of our*

*own initiative if you compel I will do it but there is no passion. I do not have the excitement when I am compelled*". He further talked about "*the dirty secret of the UAE*" and that it has the largest per capita garbage production that each one of us produces more garbage than the whole world can take. He then shared his concern by saying "*It is rubbish statistics which is so disheartening. We are all contributing to it. I am conscious about it and practice about it*". Interviewee10 felt that the UAE government is moving in the direction. "I don't think they have fully established, I can recognize there seems to be a genuine intent and will to use power to encourage social responsibility and CSR". He added that as UAE and Dubai projects are founded on free trade and free economy. It implies that the individual must be given sufficient freedom to peruse commercial enterprise within broad rules.

#### **4.3.3 Section 3: Investigation on the Interviewee's Views on what Drives Individuals and Organizations to Practice CSR**

Section three of the interview questions corresponds to the section on what obliges individuals and organizations to practice CSR as discussed in the literature review chapter in this dissertation. Theory has proved that various attributes of individuals motivate them to practice CSR and within organization the pressure is on managers to implement CSR. The questions in this section try to ascertain the culture and commitment concerning such motivation and leadership of CSR in the region.

**j. Question 10:** Does your organization have a code of conduct for practicing sustainability?

**k. Question 11:** What other documents does your organization maintain in regard to business ethics and social responsibility?

I have preferred not to go into detailed analyses of questions ten and eleven and due to the inter relatedness of the questions. Table no. 8 represents the responses to whether the participating organizations had a code of conduct. All the organizations in construction had a documented code of conduct. Interviewee6 from education conveyed that they practice the code of conduct of the parent organization which is posted on the website. Interviewee7 admitted “*we are probably deficient in the form of documentations for CSR but many of these are addressed in the strategic plan*”. All in education said that they had various documents related to Code of Conduct which are embedded in master documents of the University. The documents are on behaviours for staff and students, ethics and for business covered in the area of Higher Education which are guided by the business of a private university which the values of integrity, honesty being reliable which are all related to CSR. Business ethics was included in the curriculum. It could be thought the difference in having documented codes could be because of the difference in operations.

| Table No.8: Policies Related to Code of Conduct |              |  |   |
|---|--------------|--|---|
| Participant No.                                 | Sectors      |  |   |
| 1   | Construction |  | √ |
| 2   |              |  | √ |
| 3   |              |  | √ |
| 4   |              |  | √ |
| 5   |              |  | √ |
|   | Total        |  | 5 |
| 6   | Education    |  | √ |
| 7   |              |  |   |
| 8   |              |  |   |
| 9   |              |  |   |
| 10  |              |  |   |
|   | Total        |  | 1 |

Embedded in various other code of conducts such as ethical codes for staff and students

**I. Question 12:** Do you have an individual or a team who drives CSR and/or sustainable initiatives, if so, please explain what initiatives are in place or planned?

Nine out of the ten organizations have either individuals or teams involved in taking forward the CSR initiatives for their organizations. Only one from education admitted that they did not have a team or firm plans but committed “*I would like to see something happening*”. From the interview dialogue I gathered it was because the University is relatively new and lacked the resources to devote to CSR involvement but the interviewee suggested that there may be future commitment. Table no. 9 highlights who or from where the initiatives are directed. Five of the interviewees in construction said that the initiatives are directed from top management. Two in education had the same experience of initiatives being driven from the top. Interviewees7 said “the manager of Properties and Services department which is responsible for the coordination of transport of staff and students, safety, heads the responsibility. Interviewee9 said the lecturers who advise student on CSR take a lead role in initiating the initiatives.

**Table No.9: Direction to Practice CSR**

| Participant No. | Sectors      |          |   |
|-----------------|--------------|----------|---|
| 1               | Construction | √        | "A whole department headed by the Chairman's daughter"                          |
| 2               |              | √        | "Director"  |
| 3               |              | √        | "CEO filtered to the organization"  |
| 4               |              | √        | Top management , the interviewees play and important role"                      |
| 5               |              | √        | "Director / CEO - mainly driven by figure heads"                                |
| <b>Total</b>    |              | <b>5</b> |   |
| 6               | Education    | √        | "The Director and the Student Manage"r  |
| 7               |              | √        | "The Manager properties and services department"                                |
| 8               |              | √        | "Top Management"  |
| 9               |              | √        | "Lecturers in charge of advising the students on the various volunteer club"    |
| 10              |              | 0        | "No team at the moment. No firm plans. I would like to see something happening" |
| <b>Total</b>    |              | <b>4</b> |   |

**m. Question 13:** In your organization do you have individuals with high moral values who demonstrate a high consistency between their words and deeds? Can you give some examples of how these individuals make ethical decisions that benefit the well-being of others?

Four out of five respondents in construction agreed that the top management demonstrated high values and walked the talk. Interviewee1 said that Director and CEO mainly drive the initiatives “*they are the figure heads, forwarding thinking professionals*” and further explained the numerous initiatives of the organizations which were mostly philanthropic which reaffirmed the organization practicing its goals which stated that business exists to serve society. Though interviewee2 claimed that religion is an important component and “*moral and religious values contribute to practicing CSR*” in the earlier question he admitted that in his organization CSR was driven by the director. He further stated that most religions preach about supporting the environment and cited Buddhism, Islam, and Christianity which preach respect for human life. Interviewee7 from education said “*we have an expectation of high moral values from everyone in the organization*” he particularly cited the example of the Under-graduate students’ manager who translated her own interests on sustainability and CSR by involving students in competitions on CSR and topics of the environment through the university’s debating club thus getting the students involved from the undergraduate level. Interviewee10 had a different experience to share and said “*It is difficult with professionals*”.

**n. Question 14:** How do ethics, values, principles, motivation and the leadership of top management contribute in championing CSR?

All the ten respondents were in union on their views that top leadership played a central role in championing CSR. Extract of their views are given in Table no.10 below.



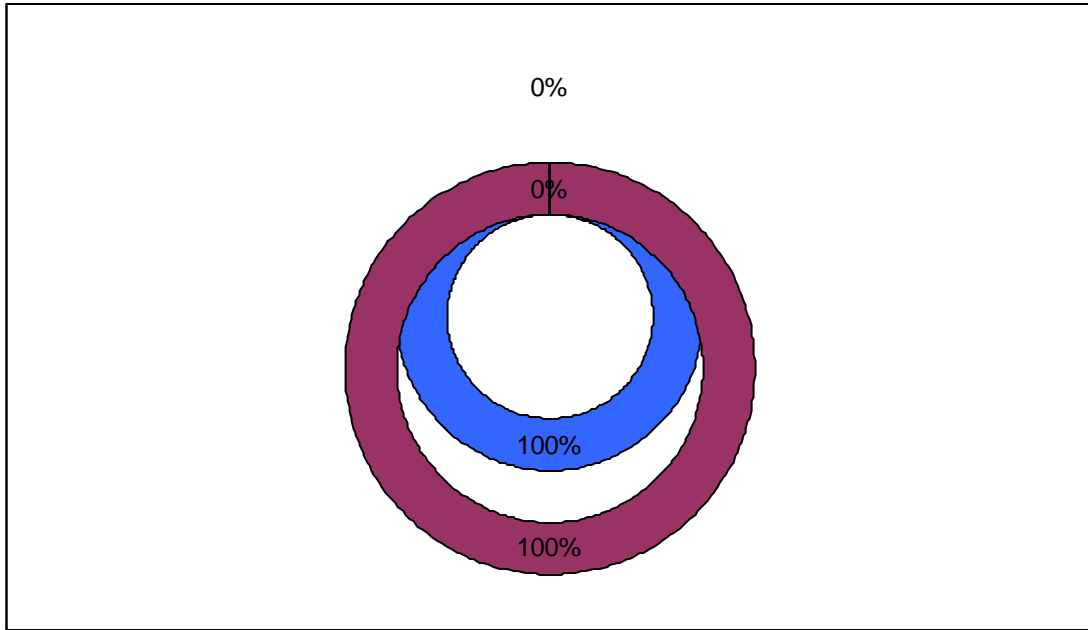
**Table No.10: Championing CSR: Ethics, Values, Principles and Motivation of Senior Management**

| Participant No. | Sectors      |   |
|-----------------|--------------|---|
| 1               | Construction | √ “Largely – CSR is driven from the top, the philosophy influences and excellences are injected”  |
| 2               |              | √ “Owner manager plays an important part”   |
| 3               |              | √ “CEO and filtered down into the organization”   |
| 4               |              | √ “From top management”   |
| 5               |              | √ “Every management has a shared responsibility, show commitment. Driving CSR is a key responsibility and fundamental requirement of being driven from the top - cant be driven from the bottom”.   |
| <b>Total</b>    | <b>5</b>     |   |
| 6               | Education    | √ “This is the most important aspect - top management has the biggest role to play especially in the business driven environment of the UAE , If is does not come from the top it will not happen mainly because if everything is looked at a short run profit and cost type issue not many CSR initiatives will take place within the region. It is for top management to understand that CSR benefits the organization rather than a cost to it which may be short term but will definitely have a positive impact” |
| 7               |              | √ “The culture has to be set by top management and I think it is absolutely critical to be set by top management because in turn it will affect the values, ethics and principles of the organization. It is extremely critical”  |
| 8               |              | √ “Religion drives our core values - altruism, love, charity are driven by the value system that embedded in our religion. Again religion unfortunately has become a dirty word. I would like to call it spirituality more than religion”   |
| 9               |              | √ “Yes very important. You cannot get anything done if you don’t get support from top management”   |
| 10              |              | √ “Yes of course. Any business is hierarchical”   |
| <b>Total</b>    | <b>5</b>     |   |

**o. Question 15:** In your experience do you feel that CSR in small organizations can become examples for large businesses?

The study had only one owner-manager participating but all the others with the exception of one came from organizations that had less than five hundred employees. The exception had five thousand employees in employments after the recession and earlier had thirteen thousand employees on its payroll. It could be gathered that the economic down turn had hit the construction sector in the UAE. Despite this, the organization has tried hard to sustain the sustainability initiatives that were in practice before the downturn. This is further supported by the response from Interviewee3 in response to question4 of section 1 in this chapter where he states *“despite economic downturn has maintained good business ethics”*. These demonstrate the commitment of these organizations.

In response to whether SMEs can be examples to large organizations Interviewee1 felt that learning in small organizations can be less difficult due small number of staff and can be role model to large organizations. In addition to sharing the views expressed by Interview1, Interviewee2 claimed *“human touch is lost if SMEs are not there. Quality of service is lost especially in the consultancy business. SMEs should be promoted and there should be more owner- managers and SMEs will always exist to offer specialized services”*. His view was evident as he was the only owner-manager participating in the study. Theory has also provided proof that SMEs offer specialised service. Interviewee3 argued that *“SMEs benefit from being flexible, quick to respond to change and the environment”*. He said that his organization recruits from big and small organizations and in that respect it is able to understand the good practices staff bring and agreed *“I am perfectly sure that large organizations can learn from small organizations”*. Interviewee5 claimed “the size does not matter especially depending on their innovative approaches based on the nature of the business” and Interviewee4 claimed SMEs as having a good set of values. The chart below illustrates the responses from population is construction and in education. The participants from education had more views on the role of SMEs. I believe it was because of their professional knowledge on SMEs.



**Chart No.7:** SMEs as Examples to Large Organizations

Interviewee9 said *“Yes, and they can learn from each other”* implying the learning can be mutual but *“they are under different pressures and can contribute in their own ways”*.

Interviewee7 was more cautious in agreeing to the view that SMEs can be examples he and argued that *“not all but some”* can be examples. He further shed light *“if the owner or manager have strong moral views or strong views on sustainability then the whole Organization can display this quite readily and it is quite easy to make decision about cost shifting and therefore underwriting the initial apparent cost of environmental or social responsibility because there are not many steps to go through”*. Interviewee7 claimed that SMEs are not structured, not formalized, do not get media attention and one does not know what is happening in the SME sector and further added that *“I also think that for CSR managers in large organizations SMEs can be provide example if media provides the attention and can compare that if a SME can implement a good practice why can’t we”*.

From his views I gather he has implied that he also shares the theory of Interviewee9 that the learning can be mutual. From the interview dialogue with Interviewee7 it was gathered *“a big organization especially a publicly listed organization is going to be almost driven by*

*shareholders and unless they themselves as a display highly ethical and responsible behaviour. Then everything can drive the organization to shift its behaviour because they are in it for the dividend and investment. So there is a fundamental difference between a large organization especially publicly listed and a SME. SME have more potential if the leader has the right attitude where as a leader with the right attitude in a MNC does not have the same flexibility". He further clarified in a really big organization, "I think CSR is generally about pragmatism and markets, they are actually saying that there is tangible benefits that will come back to the organization if we say we are green. We are going to make sales. So it is really so not so much about culture it is just another business practice. In small enterprises it might be about philosophy, values and value system". This again provides evidence the individual values motivate individuals to champion CSR.*

**p. Question 16:** Have you felt that practicing CSR adds value to your business and creates competitive advantage?

All the respondents were of the opinion that CSR is a business case and would add in creating competitive advantage. Most important principles on this question that were articulated in the interview dialogues are indicated in the in Table no 11.

| Table No.11: CSR and Sustainable Practices: Competitive Advantage |              |          |  |
|---|--------------|----------|--|
| Participant No.   | Sectors      |          |  |
| 1   | Construction | √        | “CSR is the competitive advantage to organizations”  |
| 2   |              | √        | “CSR and sustainable practices will definitely add competitive advantage. This has been proved”  |
| 3   |              | √        | “Yes it is important especially if you want to be a leader and ahead of your competitors. Having a motivated workforce adds to competitive advantage - it is part and parcel of CSR. Practicing sustainability adds value to business but it is expensive”   |
| 4   |              | √        | “It definitely adds value "the company gets third party reorganization of the organizations commitment".   |
| 5   |              | √        | “Yes. Absolutely. It adds value and colour to the palette. It is enriching and without doubt important”  |
| <b>Total</b>  |              | <b>5</b> |  |
| 6   | Education    | √        | “Yes I very much support that aspect of it - CSR should not be viewed as charity or as just any activity in an organization”   |
| 7   |              | √        | “Yes it can create competitive advantage”  |
| 8   |              | √        | “Yes it does. CSR done genuinely is a business case. It is win-win. In a world that has lost its values moral ethical and corporate, I think it is time that we re-visit those legal traditional values which the scriptures have always taught us. It is not rocket science. There is nothing new in it. It was all there. But in our mad ways for gross commercialism, we have lost all the core values which is what a human being is about.” |
| 9   |              | √        | “Your competitors could also do it then CSR will become an expectation from your customer and in the long run CSR will become more of a business practice and will not be a competitive advantage”   |
| 10  |              | √        | “Cut throat businesses will survive short term, the more humane approach sustains”   |
| <b>Total</b>  |              | <b>5</b> |  |

### 4.3 Themes generated from the Interview Dialogue

Carroll's (1991) pyramid offer businesses guidance to discover the nature of CSR and what it can do for humanity in terms of their economic, legal, ethical and philanthropic responsibilities. From the interesting thought- provoking interviews conducted with the ten interviewees I created themes on the basis of Carroll's guidance. Table no. 12 illustrates the frequency of positive affiliation throughout the interview conversation. A detailed analysis is presented in appendix .3. The next chapter discusses the finding based on these themes.

| <b>Table No.12: Frequency of Positive Reference during the Interview Dialogue</b> |  |              |           |       |
|---|--|--------------|-----------|-------|
| Sl No   | Themes   | Construction | Education | Total |
| 1   | Serve to society/community                       | 5            | 5         | 10    |
| 2   | Capacity building within the UAE                 | 4            | 5         | 9     |
| 3   | Training /awareness on responsible behaviour     | 4            | 5         | 9     |
| 4   | Environmental stewardship                        | 5            | 5         | 10    |
| 5   | Inculcating CSR values                           | 5            | 5         | 10    |
| 6   | Trusting ethical collaboration with stakeholders | 5            | 5         | 10    |
| 7   | Disengagement with unethical stakeholders        | 5            | 2         | 7     |
| 8   | Multiple stakeholder approach                    | 4            | 4         | 8     |
| 9   | CSR as a business model                          | 5            | 5         | 10    |
| 10  | CSR as brand value                               | 5            | 4         | 9     |

## Chapter 5

### Discussion

#### 5.1. Introduction

The previous chapter analysed the data collected related to the study which involved three main concepts which are fundamental for businesses operating responsibly. These include stakeholder management, benchmarking for continuous improvement and why individuals and organizations are motivated to take on this additional accountability to practice CSR and to explore the participants views on SMEs and if SMEs can be examples to large organizations in practicing CSR. The study which was conducted in the UAE on construction and education sectors is evaluated against research conducted by scholarly academics in the literature review chapter. In this chapter, key aspects are discussed in relation to the literature review in chapter 2. The following propositions from each section of the literature review are discussed in detail.

#### 5.2 Stakeholders: Propositions: 1, 2, 3, 4, 7, 9 and 10

**a. Proposition 1:** If stakeholders are considered primarily as a means to achieve organizational goals then these organizations will tend to maintain a weak relationship with their stakeholders.

Goodpaster (1991) suggests that organizations must give consideration to stockholders and to stakeholders in the decision making process. The organizations that participated in the study maintained a collaborative and participative relationship with their stakeholders and this is validated with the response from the respondents “...*is committed to acting responsibly towards all stakeholders*” and further validated by the statement made by Interviewee6 from education “*the students are our key stakeholders and we exist for the students. Faculty and staff within the organization are also its stakeholders. Service and knowledge are very important for an organization and very important for the community*”. This was further supported by one participant from construction “...*believes that subcontractors on our sites are working in the confines of our village, they are encouraged to follow the same regulations laid down by us, known as the ... model. If they do not have*

*individual health and safety regulations then we encourage following ... standards. We conduct audits*". This clearly demonstrated a participative approach being maintained nevertheless a stirring insistence was not observed. Based on each organizations clientele they demonstrated as having strong relationship and commitment to their stakeholders.

**b. Proposition 2:** Organizations implementing the stakeholder synthesis method of identifying stakeholders will be competent in identifying the stakeholder values, principles and substance of the stakeholders identified.

and

**c. Proposition 3:** Organizations that combine the three levels of stakeholder analysis—Stakes, Relationships, Transactions—are more likely to succeed in stakeholder management capability.

The identification of stakeholders demonstrated evidence of them choosing their stakeholders using Blaise Pascal's (1623-62) method. Based on respective business or value system the respondent used different criteria to identify the principles, values and substance of stakeholders. Some of the identification criteria discussed in the dialogue was religious values keeping in mind the Islamic traditions of the region "*we mainly choose Emirati partners as business associates keeping in mind the Islamic religious beliefs and practices as for example Halal and Ribba*". Disengagement with unethical stakeholders was another criterion that was raised and it was proved with evidence from a respondent in construction "*... maintains very strong ethics and chooses to do business with credible clients. They do not investigate the CSR policies of their clients and will continue to do business with companies that do not have a CSR policy as long as they are ethical and credible*". According to Goodpaster (1991) the whole stakeholder plan is to incorporate ethical values in the decision making process and this was further validated with interviewee8 expressing his views "*we believe in the philosophy of authentic leadership, transparency, trust and stakeholder commitment, value driven processes. We strongly believe in up-front, very straight forward*". Donaldson and Preston (1995) propose stakeholder theory is also an administrative concept and argue that attitudes, practices and structures all contribute to stakeholder management. The attitude aspect can be supported with the interviewee2 saying that he identifies stakeholders only from the financial perspective, and check financial credibility of the client. With regard to practice "*we maintain a data base of approved vendors. They have a detailed assessment procedure. A purchase order can only be raised*



*from the approved list - The vendors are assessed based on 10 criteria".* The interview discussion provided evidence of conducting analysis of stakes, relationship and transactions as cited by Philips et al (2003)

**d. Proposition 4:** MNC subsidiary companies operating in host countries are likely to encounter greater demands from host country stakeholders. These MNCs and their subsidiaries will be compelled to be flexible, and accept and practice CSR to maintain and exercise their authority in the host country.

Six of the participating organizations operating business in the UAE are operating from a host country and each in their own way demonstrated commitment to the community. *"Like all universities we have a third goal which is community engagement because any university should give back to the community so there are major strategic developments".*

In addition collaboration with the local initiatives was observed "we are actively involved with the Dubai International Academic City initiatives of blood donation, health awareness, anti smoking campaigns".

The dialogues did not demonstrate the organizations as having encountered particular compulsion from the regulatory authorities in spite of operating in a hosting country. These participating organizations viewed the regulatory authorities as key stakeholders along with understanding the regulation they have maintained. Interviewee7 claimed *"Because we engage in research, business and industry in the area are our key stakeholders as well and perhaps to an equal extent multi business management is our field and government is also a key stakeholder ..... the health sector and medical environment the community is also a key stakeholder. Regulatory authorities such as the Ministry of Higher Education and Scientific Research sets the standards, Knowledge and Human Development Authority in Dubai that gives the license to operate in Dubai, The Economic Department that gives license to do business in Dubai, and there is our landlord TECOM are also our stakeholders and partners in some ways because we share objectives. In other respects there are potential risk factors- a challenge in the regulatory environment could compromise the business".* In comparison to Yang and Rivers's (2009) study detailed earlier in chapter 2, it is evident that these organizations were abiding by regulation of their parent company or their own local regulation and were flexible, cooperative and isomorphic to meet the needs of the stakeholders in the regions they are operating.

**e. Proposition 7:** If organizations establish the dictum “Treat persons as ends unto themselves” and maintain implicit social contracts they will receive positive responses from stakeholders.

Peters and Waterman (1982 in Freeman n.d.) have argued that companies have performed well by maintaining good relationships with stakeholders and this has contributed to the success of other stakeholders and stockholders. They further argued that “*Excellent Companies*” organizations have maintained a good reputation in the community and have kept good relationships with their stakeholders. The researcher cites the example of good relationship being maintained by one of the participating universities when it encouraged its students to move their commuting habits from car to the metro to support the sustainable initiatives of the Road Transport Authority (RTA), a government entity. In order to reduce the commuting time the University then worked with the RTA to provide a free shuttle service from the station to the University for its students and employees. As a result, over a one year period 80 % of the students commuting by car shifted their commuting to the metro. “*We received an award from Road Transport Authority (RTA) for introducing sustainable transport. So there was recognition, a lot of public relations so in my view that with RTA gave tangible benefits to the University*”. This practical idea contributed to the success of other stakeholders which was the RTA, and to their students and employees who used the public transport. This explains the broader representation model of the stakeholders in Figure 3 in which participating individuals or groups can enjoy equal benefits.

**f. Proposition 9:** When stakeholder salience is high, managers will respond most to stakeholders that possess the three attributes of power, legitimacy and urgency.

On the basis of combinations of the three features of “*power, legitimacy and urgency*” stakeholders possess, Mitchell et al (1997) have categorized them. His study noted that stakeholders possessing only one attribute received less recognition from the managers. It was observed that the participants listed the revenue generating stakeholders’ first and it could be assumed that these stakeholders possessed power, legitimacy and urgency to the claim attention. One participant claimed the stockholder was their key stakeholder and expressed “*the key stakeholders are the people who own us. It is very important. We are founded and run by the ... and can’t do anything without the board approving it*”. It was obvious that this stakeholder possessed all the three attributes and as per Mitchell et al (1997)

dominant stakeholders despite having the legitimate rights to make claims may not use their power to do so. It is expected that these stakeholders will have some formal role in the firm as that of a corporate director, investor, and representative of owners or community leader. Only one respondent said “*Key stakeholders are our employees*”. Four listed employees second on their list. It was thought provoking as in the pilot study the participants declined to respond to the questions related to the organizations maintaining a balance between employee and the employers. Could this be because employees are dependent stakeholders? According to Mitchell et al (1997) dependent stakeholders rely on other stakeholders or the managers of the firm to gratify their wants and have legitimate claims but lack the power due to the relationship that is administered by protection, patronage of other stakeholders or through the value systems of internal management. It may be assumed that the regional culture or inequitable employment practices play a role here.

**g. Proposition 10:** Environments in which organizations operate often have entities that possess power and urgency. Organizations must be prepared to include such stakeholders in the stakeholder management relationship despite the undesirable effects they may create.

The limited awareness about stakeholder inclusion was observed within Mitchell et al’s (1997) suggestion that the stakeholder framework must include groups or individuals that affect or are affected by the organization was not observed. The question in the pilot study about including “*terrorist groups*” (Crane, Matten, and Spence 2008, p. 112) to the stakeholder list from a strategic point of view received strange responses despite reference to Preble’s (2004) example of the Nike Corporation. Organizations had risk management procedures in place to handle emergencies but were not able to understand the concept of including such emergency inflators to their stakeholder list. It could also be assumed that the stability of the region, the large expatriate population, the stringent employment and immigration regulations could be reasons for organizations not taking radicals into their stakeholder clan.

### **5.3 Benchmarking: Proposition 12**

**h. Proposition 12:** Organizations of diverse sizes, cultures or sectorial differences will from time-to-time encounter similar strategic and operational concerns therefore reducing the

relevance of many of these differences rendering benchmarking CSR practices ‘inter-firm’ and ‘cross-sectoral’ possible and beneficial to all of the benchmarked organizations involved.

Though theory claims benchmarking as being acknowledged as a widely used tool in corporate business practice, it is less often applied as a quality management system in small and medium sized organizations. This was not what the researcher experienced. All the samples in the study claimed to find value for using the tool and recognized that it was a medium for continuous improvement. The extracts from the interviews provide evidence of their belief which provided evidence of ‘inter-firm’ benchmarking.

- *“...is proud to have shared many of its practices with competitors in Dubai.”*
- *“We believe that benchmarking comes from experience, practice, forums and sharing philosophies.”*
- *“Firm believer - adds value to the organization and personal life.”*
- *“Yes. Recognize where you are and what you are doing and then understand the need to change.”*
- *“....along with other organizations we found benchmarking a very useful tool which added value to organizations.”*

It was observed that all the benchmarking was related to individual business and not benchmarking related to CSR. This was confirmed by *“however we do not benchmark specifically in the area of CSR”*. From the statement articulated by interviewee8 *“We say that and we would like to be there so, when we benchmark we look at the Harvard's of the world, the Wharton's of the world and the London Business Schools of the world. The top ones of the category and try to learn what is best from them...Stakeholder benchmarking is built into the DNA of the organization and we have to do.”* It may be implied that this university benchmarked across cultures but there was no proof of ‘cross-sectorial’ learning as in Saunders et al’s (2007) study.

## 5.4 Drivers for CSR: Proposition 18 and 20

**i. Proposition 18:** Corporate Social Entrepreneurs are said to have high human and moral values which demonstrate a high degree of consistency between words and deeds, including in their entrepreneurial businesses. These individuals are likely to make ethical decisions which will positively influence the well-being of others and be compatible with activities serving the Triple Bottom Line.

In their study Hemingway and Maclagan (2004) reminded individuals and organizations that CSR requires them to be responsible to the society and environment in which they operate in addition to being accountable for financial performance. This study witnessed the ten participants' contribution to society and the environment in which they operated.

Intervieww1 echoed the Chairmen's commitment to society and the environment by saying "*Business exists to serve society*". The organization demonstrated this in the various initiatives undertaken and is on-going. A whole department headed by the Chairmen's daughter manages these initiatives which again indicate the extent of the commitment and also the resources required to meet the commitment. Some extracts from the interview dialogue provide further evidence of the organizations commitment to society and the environment along with conducting their businesses.

- "*to design green buildings*".
- "*Be a leader in trying to generate awareness on sustainability among other design and consultancy firm , in government especially to understand issues and theories regarding sustainability, to act as an agent and work towards making the planet a low carbon society. Promote a positive impact on the community*".
- "*Service and knowledge are very important for an organizationand very important for the community.... It makes Dubai a multi-educational programme destination, one of Dubai's building blocks is to become a knowledge based economy and believes it is contributing to Dubai's strategic plan by developing the Human Resources within the country. About 3% to 5% of its students are Emirati. Postgraduate students are employed within the UAE so by developing the professional quality, we are contributing to enhancing organizational excellence... add value to building the economy*".

- *“As a University the key goals are related to Higher Education which is really delivering professional development in education and research which is about capacity building within the UAE. - to deliver high quality teaching, to build the human capital in the area, to deliver high quality research in the region”.*

These statements fulfill Hemingway and MacLagan's (2004) views that principles and motives of individuals within the organization are important elements to practice CSR. In addition, the organizations demonstrated Laffs's (2009) idea that CSR starts with developing and engaging your own people and integrating it into your business model" which was noted and is verified by *“To pick some highlights out one of the faculty members in the Faculty of Business and Management has a level and ethics background, and because of her personal values and ethics was appointed last year as the Chair of the University's Business Running Committee. She is excellent in striving for transparency, fairness and equity. So that is a good example because of her ethical framework took on additional responsibility”.*

According to Pless and Maak (2006) responsible leadership is based on values and ethics, and is driven by interactions with stakeholders and they suggest that corporate responsibility leadership is a challenge and requires leaders who are empathetic, feel, are open and morally mindful within and outside the organization. We have an expectation of high moral values from everyone in the organization and this was verified by interviewee7 saying *“the culture has to be set by top management and I think it is absolutely critical to be set by top management because in turn it will affect the values, ethics and principles of the organization. It is extremely critical”.* This evidences the vital role of management in setting and administering culture in individual organizations.

**j. Proposition 20:** It is inferred that organizations, including SMEs, have also realized that venture capital may not be the sole determinant to obtain competitive advantage. As agents in global markets it may be inferred that all organizations, regardless of size are acknowledging and accepting the importance of ‘doing the right things’, to incorporate multiple stakeholder approach and other sustainable business practices.

Juran (1988 in Zwetsloot 2003) explains CSR gives importance to ‘doing the right things’ which involves value based decision making. Common values which are essential for

corporate identity are to be initiated from the top down to the shop floor. Socialization in the values, awareness raising and appropriate role behaviours from top management will all help to achieve mutual understanding. Most of the participants confirmed top management participation. Interviewee2 proved this by expressing *“It is from the top, the director.”* Interview 3 said *“CEO and filtered down into the organization”*. Interviewee1 said *“Largely, CSR is driven from the top, the philosophy influences and excellences are injected”*. Zwetsloot (2001) claims organizations that integrate values into the corporate culture apply a value based approach. Zwetsloot (2003) states that a value based approach is a better management approach and agrees that self-assessment and communication are the best ways to uphold this business philosophy which is supported with the response from interviewee5 *“Every management has a shared responsibility, show commitment. Driving CSR is a key responsibility and fundamental requirement of being driven from the top and can’t be driven from the bottom.”*

Porter and Van Der Linde (2000) are of the opinion that CSR may be used as a vehicle to attain competitive advantage and those organizations that want to be involved in practicing CSR will need resources with values (in Haigh and Jones n.d.). The desire to do the right things was evident in the interview dialogues and there were many examples but one that was particularly noticeable was the concern about the waste generation in the UAE *“one must be aware of this dirty secret that UAE has the largest per capita garbage production that each one of us produces more garbage that the whole world can take in. It is a rubbish statistics which is so disheartening. We are all contributing to it. I am conscious about it and practice about it”*. He further added that in his concern for the environment he refuses to accept a carry bag from a grocery or a medical store if what he purchases can be contained in his hand. All other organizations demonstrated concerns in one way or the other in order to do the correct things. 90% of the participating organizations confirmed their belief *“CSR is the competitive advantage to organizations”* and they believed that CSR will contribute in getting ahead of competitors and having a motivated workforce will add to competitive advantage which is ‘part and parcel’ of CSR.

## **5.5 Summary of Main Findings for the Selected Propositions**

This section presents the reader with a summary of the findings from the selected propositions.

### **5.5.1 Stakeholders: Summary for Propositions: 1, 2, 3, 4, 7, 9 and 10**

The study noted the participating organizations as having maintained a mutual and involved relationship with their stakeholders and it has demonstrated their commitment in being responsible to their individual stakeholders. However it was also shown a persistent approach was not instituted towards their stakeholders. The organizations—local and expatriate—particularly demonstrated their commitment to the community and regional initiatives.

There was evidence that organizations selected their stakeholders using the stakeholder synthesis method in which ‘Synthesis’, ‘Choice’, ‘Action’ and ‘Learning’ were used and applied special criteria based on individual businesses to identify the philosophy, ethics and codes of stakeholders. In addition, it was verified that religious values, keeping in mind the Islamic traditions of the region, were predominant in selecting stakeholders for the local groups. The investigation also provided evidence of disengagement with unprincipled stakeholders which established the importance of transparency, ethics and credibility as vital elements in stakeholder management practices.

60 % of the participating organizations operate as subsidiaries in UAE as the host country and each demonstrated commitment to the community by engaging in community and regional development initiatives. The learning topic showed that organizations as having maintained the regulatory authorities as their key stakeholders and with an understanding to abide by the laws of the region. The organizations were flexible in accepting the regulations of the region, were accommodating and isomorphic to the requirements of the stakeholders in the region where they are conducting their businesses.

Examples in the study showed these organizations as having maintained good standing with stakeholders and this has contributed to the success or betterment of other stakeholders including the regulatory authorities who are also viewed as stakeholders. This further



substantiates the commitment to the community and the regional initiatives which indicates those individuals or groups that are involved obtain equal benefits.

The probing questions found that stakeholders who possessed power, legitimacy and urgency were able to claim attention from managers and this was apparent in what was expressed in the interview dialogues. It was noted that as dependent stakeholders', employees received less attention. Though listed as stakeholders, questions related to employee relationships had to be removed from the main study. This may be due to the poorly managed employment laws and practices of the region.

The participants demonstrated limited awareness about stakeholders possessing power and urgency and were not able to comprehend the inclusion of them as stakeholders that may affect the organization. Organizations believed that risk management procedures were adequate to deal with emergencies from such emergency events. It could also be assumed that the pursuit of harmony for the region, the large expatriate population that have less legitimate rights to make urgent claims, the stringent employment and immigration regulations could be reasons for organizations not taking dangerous stakeholders into their relationship considerations.

### **5.5.2 Benchmarking: Summary for Proposition 12**

The participants in the study claimed they found value in using benchmarking and management systems and it was recognized as a medium for continuous improvement. Interviewees demonstrated that they are in the habit of sharing practices also with competitors which is a healthy and transparent practice. The study did not provide evidence of businesses particularly benchmarking in the area of CSR but there was an implication that benchmarking was performed across cultures. There was no clear theme of cross-sectoral and cross-cultural learning and this may be due to the multicultural environment of the UAE.

### **5.5.3 Drivers for CSR: Summary for Proposition 18 and 20**

In addition to being accountable for financial performance this study identified individuals and organizations responsible to the society and environment. Some organizations had a

whole department and others had individuals or small teams to plan and take these CSR projects forward. One-off and on-going initiatives for service to the society and environment along with conduct of their business prevailed. Those interviewees from the Construction industries sector particularly talked about sustainability initiatives which encourage positive impact on the community and generate awareness on these aspects. In the Education sector it was more about building the resources for the regions with the intention to enhance organizational excellence which adds value to building the economy. The research demonstrates that principles and motives of individuals within the organization are important elements in the practice of CSR. It also showed that CSR in these organizations progressed by engaging employees from within the organization and there was an expectation of maintaining high moral values for all the employees. It was also noted that there was a common understanding on the critical significance of the culture and practice of CSR which is required to be established and cascaded down from senior management.

It was apparent that all the organizations felt that it is important that any organization must have common values which must be passed on from the top to the shop floor in order to achieve mutual understanding to do the right things. The philosophy and responsibility of senior management influence and integration of values into the culture of the organization thereby create a value based approach. This approach assists organizations in selecting the right things to do which includes the integration of a multiple stakeholder approach. In addition 90% of the participating organizations believed that CSR is the catalyst to achieving competitive advantage and demonstrated an eagerness to practice CSR.

## **5.6 Propositions: Future Research and not Addressed in this Study**

The results of the propositions considered most relevant to the study were discussed in detail above. Some of the propositions that covered relationships between employee-organization and religious values were not dealt with due to the small sample size of the study in relation to sensitivity of the issue in the region or in other cases its irrelevance to the region. A few of the propositions generated from the literature review therefore were not addressed due to lack of relevance to the region or to the study, and sometimes due to participants' insufficient comprehension of the concepts raised during interview. Some remaining propositions not considered in the empirical research study for this dissertation should be considered for other studies in the future. An overview of the propositions is presented in Table no. 13

**Table No. 13:** Summary of the Propositions

| SI No | Rationale                               | Proposition Numbers              |
|-------|---|----------------------------------|
| 1     | Addressed in the current study          | 1, 2, 3, 4, 7, 9, 10, 12, 18, 20 |
| 2     | Suggested for Future Research           | 6 ,14, 15, 16, 17,               |
| 3     | Sensitivity / irrelevance to the Region | 5 , 8 , 11, 13, 19,              |

## Chapter 6

### Conclusion and Recommendations

#### 6.1 Introduction

The study examined the point of view that businesses have obligations to their stakeholders other than the philanthropic acts which were initiated by wealthy business families of the 15<sup>th</sup> century. CSR is beyond mere philanthropy and it contracts with the broader responsibilities of commercial businesses to their employees, customers and the public at large over and above the consideration of making profits. Additionally CSR is society's expectations of businesses and their representatives to act as trustees in the interest of societal claims made by the wider community in which these businesses operate. Extant research conducted on the community's claims on businesses has been completely focused in the western region and there is very limited research on CSR in emerging economies (Rettab et al 2008). This exploratory study examined the management and relevance of the perception, policies and practices of CSR in the UAE concentrating on two industry sectors: Construction and Education. This final section will explore the verification of the propositions which were formulated from the consultation of academic journals based on stakeholder management, benchmarking the motivations to practice CSR in SMEs. The study is based on perceptual data and may undergo fixed ideas. The results of the study are practically straight forward. Even though the results may not be original within the argument addressed in the dissertation it extends deep observations made on some of the current perceptions and practices in the UAE based on the themes undertaken for study.

**6.2 Proposition 1:** Stakeholder capitalism according to Freeman (2000 in Wheeler et al 2003) is understood as the commonsense of practical business and requires managers to work on the obligation of creating value for all stakeholders. The study found the participating organizations integrating stakeholder interests with a vision of what may be achievable to individual stakeholders. Thereby the participating organizations were realizing their success by maintaining an instrumental approach in which the relationships were built on a foundation of consultation and participation as well as maintaining a good standing with stakeholders which added to the success or betterment of other stakeholders. The regulatory

establishments and the community were also viewed as stakeholders and it was evident that a good-will and a well balanced relationship were maintained as the participating organizations demonstrated commitment to the regional initiatives. This provided evidence that stakeholders were not primarily considered as a means to achieve organizational goals and so a strong relationship was being maintained.

**6.3 Proposition 2: and Proposition 3:** The participating organizations used different criteria to identify their stakeholders based on their respective business operations. The local organizations stressed on the importance of the identifying stakeholders based on the religious values of the region. However it was evident that all gave importance to finding and interacting with stakeholders that demonstrated principles, values and substance. It was evident that these organizations considered ethical values as significant elements in the conduct and performance of business. The study also confirmed that some of the participating organizations were even agreeable to forego financially viable partnership arrangements in order to maintain their values and principles. The interview discussion provided some empirical verification that in conducting analysis of stakes, relationship and transactions achieved organizations identified the ethics, values and practices of stakeholders which therefore contributed to successful management of stakeholders.

**6.4 Proposition 4:** Six of the organizations that participated in the case study are operating in the UAE as the host country and each demonstrated commitment and involvement with the community. The Educational institutions particularly and felt the need to contribute in the strategic development of the community. The study supports Yang and Rivers's (2009) theory that organizations operating in host countries abide by the regulation of their parent company or their own local regulation but are also flexible, cooperative and isomorphic to meet the needs of the stakeholders in the regions they conduct their businesses. These organizations viewed regulatory authorities as their stakeholders and upheld the good relationships. It provided evidence that they did not encounter greater demands from the host country but it was evident that these subsidiaries or expatriate organizations were flexible to accept the practices of the hosting country in this case the UAE.

**6.5 Proposition 7:** "Excellent Companies" (Peters and Waterman 1982 in Freeman n.d.) are those that have thrived in achieving the requirements of the stakeholders and stockholders along with maintaining good relationships. It was predominantly noticed that all the

participating organizations as having excellent understanding with the regulatory authorities in addition to other stakeholders. Each participating organizations mentioned numerous examples of them treating their stakeholders in the way they expect to be treated and maintaining mutual respect. The interview dialogues confirmed these organizations as having received positive responses which establishes the dictum that those organizations that maintain implicit social contracts they will receive positive responses from stakeholders

**6.6 Proposition 9:** Stakeholders use different types of strategies to influence businesses. The game theory literature (Lawler 1992 in Frooman 1999) has provided arguments and proofs that there is high interdependence in relationships and research studies have provided evidence that in such bargaining the stakeholder with limited voice or share lesser share compromises towards those the higher shares.

This dissertation study observed that the revenue generating stakeholders' have the three attributes to claim the attention of managers. Studies have provided evidence that organisations practicing CSR normally have fairer HR practices (Aruilera et al 2007 in Rettab et al 2008). The large expatriate populations were under the protection of their employers as safety, social and economic provisions are not part of the environmental institution ( Budhwar and Mellahi 2007 in Rettab et al 2008) . The researcher found that employees were viewed as dependant stakeholders lacking power. This provided evidence that managers will act in response to stakeholders possessing high salience as they possess the three attributes of power, legitimacy and urgency.

**6.7 Proposition 10:** The political and economic stability of the region and the lack of awareness did not prompt the participating organizations to include into their stakeholder networks stakeholders possessing power and urgency. The general trend was to have risk management procedures to handle emergencies rather than including for such urgent situation creators to their stakeholder list. The study did not provide evidence of such entities as being included formally or informally in the stakeholder management relationship

**6.8 Proposition 12:** The samples in the study claimed to have found value in using benchmarking as a tool for continuous improvement. The Interviewees confirmed that they were in the habit of sharing good practices with their stakeholders, industry partners and competitors which they agreed was a healthy and transparent practice. There was a

suggestion that benchmarking was performed across cultures but there was no clear evidence of cross-sectoral benchmarking. However the participants did not demonstrate their encountering similar strategic and operational concerns in relation to practicing CSR and they did routinely or even commonly conduct benchmarking in the area of CSR.

**6.9 Proposition 18:** This study identified individuals making ethical decisions for the benefit of others. It was noted that such individuals were either from senior management, a formally appointed department or small teams and these demonstrated a high degree of consistency by delivering what they valued. Based on the sectors studied the constructions sector mainly talked about generating awareness and practice of sustainability initiatives which encourage positive impact on the community. The educations sector talked about resource building for the region to develop regional excellence. The study showed that Corporate Social Entrepreneurs in these organizations made ethical decisions or choices in the interest of other stakeholders.

**6.10 Proposition 20:** It was significant to note that the participating organizations felt that it is important for any organization to have common values. They unanimously believed that the culture must be filtered from senior management to the shop-floor in order to achieve mutual understanding to do the right things. In addition 90% of the participating organizations understood that CSR is the means to achieve competitive advantage and good will. They have realized that CSR will contribute in getting ahead of their opponents. Further the study gathered that having a motivated workforce will add to competitive advantage which is ‘part and parcel’ of CSR. The study observed that these organizations demonstrated an eagerness to practice CSR. They agreed that doing the right things, incorporating a value based stakeholder approach and practicing sustainability will generate competitive advantage and that the sole determinant for competitive advantage is not venture capital and that a sustainable value based approach was required.

### **6.11 Association to Themes: Interview Dialogue**

Reflecting on the research problem which is on the broader responsibilities of businesses to society and on the propositions which were constructed from the literature review the results that emerged have been concluded in detail above. Slight variations were observed in propositions 10 and 12. Qualitative content analysis does not produce statistical results. It

uncovers patterns or themes that are significant to social reality (Zhang and Wilemuth 1966). According to Bradely (1993 in Zhang and Wilemuth 1966) credibility is achieved by providing ample representation of the construction of the concepts under study. In order to research the issues thoroughly and with credibility, the themes generated out of interview dialogues were coded using content analysis. These themes were analysed on the basis of meaningful associations throughout the interview dialogues. These are presented and discussed in chapter 4 and are listed below which, it is concluded, confirms the credibility of the results and their interpretation against the propositions. All with the exception of training/awareness on responsible behaviors (number 3) have been applied in the propositions in one context or the other showing the rich evidence of CSR concepts and practices arising from the study.

1. Service to society/community
2. Capacity building within the UAE
3. Training /awareness on responsible behaviours
4. Environmental stewardship
5. Inculcating CSR values
6. Trusting ethical collaboration with stakeholders
7. Disengagement with unethical stakeholders
8. Multiple stakeholder approach
9. CSR as a business model
10. CSR as brand value

## **6.12 Recommendations**

The UAE is a melting pot of organizations from various cultures operating and interacting with local organizations which has contributed to the challenges in context of CSR policy and practice in the UAE. Ethical responsible business practices, protection and development of the environments have to be the order of the day yet according to Qasim et al (2011) in their study argue that the UAE remains underdeveloped in CSR. The claim made by Qasim et al may be accurate as this dissertation study was limited to only ten organizations in sectors of construction and education of which 60% were expatriate, 20% joint ventures with international organizations. Taking into account the limitation of the study and literature reviewed for the dissertation the researcher recommends the following recommendations.



1. Organizations and stakeholders wanting to formulate CSR standards must first begin with an assessment on the urgency of the situation and the involvement of special interest groups or consultants to assist in taking these initiatives forward.
2. To formulate a CSR strategy businesses must understand the benefits of CSR and how norms, concepts and policies can be transformed into practice. This can be achieved by providing extensive training at all levels within and outside the organizations which requires resources, management support and commitment. In the short term training may be sought from external consultants, conducting train the trainer programmes to accommodate the cost that is expected to be incurred. Organizations can encourage initiatives being taken forward by the formation of special groups to raise awareness through networking, social media, newsletters and notice boards within organizations. To gain commitment and motivation of employees' management must be involved. It could consider reward schemes for best initiatives or ideas.
3. In the long term universities may be in a position to take a leadership role by offering compulsory modules on business ethics, CSR and sustainability. A system can be created by the management whereby students support industry to provide awareness and advice on the benefits of CSR. More technical support can be sought from academic staff who have technical knowledge of the subject. It can further be promoted through the delivery of public lectures and development of case studies to provide evidence that CSR initiatives produce direct links to performance. Further, it can and support initiatives of the region which mostly rely on the Center for Responsible Businesses which is managed by the Dubai Chamber of Commerce in accordance with the norms and practices of the region.
4. For CSR to be effective stockholders and senior management must inculcate the culture to respect, abide and accurately report their sustainable initiatives and commitment which will contribute to achieving greater efficiency. Reporting CSR initiatives will contribute towards facilitating the emergence of UAE business in the international arena, it could improve relationship with foreign firms and it may attract more foreign operators to the UAE which will contribute to the economic growth of the region.

5. It will be useful if stockholders and senior management network with like minded partners so that ideas, practices are shared at senior level which is then easier to be filtered throughout the organization. This can be encouraged by the Chamber and implemented by sector in order to encourage inter-sectoral learning. The fee established for admission must be nominal in order to encourage organizations with fewer resources to attend so that they come to understand the benefits of implementing CSR into their operations. Attention must be paid to linking CSR to responsible competitiveness which will stimulate thoughts in the mind of those new to CSR to include it into their business practice.
6. Stockholders and senior management must have commitment to maintaining a certain level of trust with their stakeholders and in doing so generate the feeling that they are concerned and requirements matter.
7. Organizations must encourage employee participation and should provide paid time off to employees who are involved in CSR initiatives which should be communicated across the organization and business community to spread the awareness.
8. The design to deliver sustainable products or services which are economically, socially and environmentally viable must be incorporated in more formalized manner. Currently, for example, it is standard procedure for business processes and practices to be reviewed internally. Though it is more expensive it would be better if these practices can be assessed by external independent auditors or consultant in terms of sustainable practices. The views of these external consultants may offer different rational thoughts and concepts which may be contradictory to common held opinion or plans of the internal managers who initially designed the business process. According to Stormer (2003) an independent consultant are viewed as more objectives critics than insiders who observe the business from outside the system and is able to advise what he/she views as most important for the business.
9. Employee issues on governance and transparency, well-being, recruitment and retention and ethical practices are critical issues to CSR. In this region employee welfare is dependent on their employers and this must be addressed at the UAE government level.

- 10.** In consideration to the sensitivities of the moral and social teaching of the religion practiced in the region special care and attention must be given to distinguish CSR from religion.

Albareda et al (2007) claim that CSR is no longer considered just a relationship between business and society. The social, cultural and political contexts of a country influence CSR policies and the present day CSR models can be compared to the welfare states in Europe. Accordingly, CSR must not be kept separate from the social, political and economic challenges of the UAE. Government when evaluating and developing state and national government regulations must take into account policy being created alongside CSR and implemented to meet sustainable requirements of the region. The UAE government may also want to take into consideration adopting a wider approach to interactive relationship between themselves, business and community stakeholders and work alongside businesses in relation to the core values of governance and sustainable initiatives that are mandated by international bodies.

## References

- Ali, A. J. and Camp, R. C. (1995). Teaching management in the Arab world: Confronting illusions, *International Journal of Education Management*, Vol. 9, No. 2, pp. 10-17.
- Al-Shaikh, F. N. (2001). Strategic Planning Process in Developing Countries: The Case of United Arab Emirates Business Firms, *Management Research News*, Vol. 24, No.1 2, pp. 7-16.
- Abrams, E. K. (1951). Managements's responsibility in as complex world. *Harvard Business Review*, XXXIX, pp.29-34.
- Ahmed, P.A., and Rafiq, M. (1998). Integrated benchmarking: a holistic examination of select techniques for benchmarking analysis. *Benchmarking for Quality Management &Technology*, Vol.5, No.3, pp.225-242.
- Albareda, L., Lozano, M. J., Tencati, A., Midttun, A. and Perrini, F. (2008). The changing role of governments in corporate social responsibility: drivers and responses, *Business Ethics: A European Review*, Vol. 17, No.4. pp. 347-363.
- Albareda, L., Lozano, M.J. and Ysa, T. (2007). Public Policies on Corporate Social Responsibility: The Role of Governments in Europe, *Journal of Business Ethics*, Vol. 74, pp. 391-407.
- Arenas, D., Lozano, J. M. and Albareda, L. (2009). The Role of NGOs in CSR: Mutual Perceptions Among Stakeholders, *Journal of Business Ethics*, Vol. 88, pp. 175 – 197.
- Anon, (n.d.) A guide to Corporate Social Responsibility.
- Baxter, P. and Jack, S. (2008): Qualitative Case Study Methodology: Study Design and Implementation for Novice Researchers, *The Qualitative Report*, Vol. 13, No. 4, pp. 544-549.

- Billgren, C. and Holmen. (2008). Approaching reality: Comparing stakeholder analysis and cultural theory in the context of natural resource management. *Elsevier Science Direct*, pp. 550-562.
- Bjorklund, M. (2010). Benchmarking tool for improved corporate social responsibility in purchasing. *Benchmarking: An International Journal*, Vol.17, No.3, pp. 340-262.
- Bhutta, K. S. and Huq, F. (1999). Benchmarking – best practice an integrated approach. *Benchmarking: An international Journal*, Vol.6, No.3, pp. 254-268
- Creswell, J.W. (2007). *Qualitative Inquiry and Design – Choosing Among Five Approache*. 2<sup>nd</sup> Ed. California: Sage.
- Carroll, A.B. (1991). The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders. *Business Horizons*, July-August 1991.
- Carroll, A.B. (1979). A Three Dimensional Conceptual Model of Corporate Performance, *Academy Management Review*, Vol.4, No.4, pp. 497-505.
- Carroll, A. B. (1999). Corporate Social Responsibility: Evolution of Definitional Construct. *Business Society*. Vol.38, pp. 268-295.
- Carroll, A. B. and Shabana, K. M. (2010). The Business Case for Corporate Social Responsibility : A Review of Concepts Research and Practice. *International Journal of Management Reviews* pp. 85-104.
- Crane, A., Matten, D. & Spence J. L. (2008). *Corporate Social Responsibility – Reading and cases in a global context*. 1st ed. US & Canada: Routledge:.
- Collett, N. (2004). Shareholder and employees the impact of redundancies on key stakeholders. *Blackwell Publishing Limited, Business Ethics: a European Review*, Vol. 12, No.2/3, pp. 117-126.

Denzin (1994). Definition of qualitative research. [online] Accessed 2 April 2011]  
Available at : [http://www.mrc-  
bsu.cam.ac.uk/cochrane/handbook500/chapter\\_20/20\\_2\\_1\\_definition\\_of\\_qualitative\\_rese  
arch.htm](http://www.mrc-bsu.cam.ac.uk/cochrane/handbook500/chapter_20/20_2_1_definition_of_qualitative_research.htm) .

Damyanova, B. and Singer, T. (2004). The Role of Multinational Companies in Dubai: Balancing Tradition and Modernization, *NIMEP Insights*, pp.100-114.

Donaldson, T. and Preston, L.E. (1995). The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications. *The Academy of Management Review*, Vol. 20, No.1, pp. 63-91.

Dill, W. R. (1995). Public Participation in Corporate Planning – Strategic Management in Kibitzer's World. *Long Range Planning* pp.57-63.

Elias, A. A. and Cavana, R. Y. Stakeholder Analysis for Systems Thinking and Modeling, [Online] Accessed 15 October 2010. Available at:  
<http://portals.wi.wur.nl/files/docs/ppme/BobCavana.pdf>.

Freeman, R. E. (1984).The Politics of Stakeholder Theory: Some Future Directions. *Business Ethics Quarterly*, Vol.4, pp. 0409-0421.

Freeman, R.E. (n.d.). Stakeholder Theory of the Modern Corporation.

Frooman, J. (1999). Stakeholder Influence Strategies. *The Academy of Management Reviews*, Vol. 24, No.2, pp.191-205.

Friedman,M. (1962). Stockholder theory. [Online] [Accessed 16 October 2010] Available at : [http://en.wikipedia.org/wiki/Stockholder\\_theory](http://en.wikipedia.org/wiki/Stockholder_theory).

Friedman, M. (1970). The Social Responsibility of Business is to Increase its Profits, *The New York Times Magazine*. September 13, 970.

Friedman, M (1962). Corporate Social Responsibility. [Online] [Accessed 22 August 2010]. Available at: [http://en.wikipedia.org/wiki/Corporate\\_social\\_responsibility](http://en.wikipedia.org/wiki/Corporate_social_responsibility).

Glesne.C. (2006). *Becoming Qualitative Researchers- An Introduction*. 3<sup>rd</sup> Ed.Pearson Education,Inc: United States of America.

Graafland, J. J., and Eijffinger, S. C. W. (2004). Social Responsibility of Dutch Companies: Benchmarking, Transparency and Robustness. *De Economist*, Vol. 152, No. 3, pp. 403-426.

Guay, T., Doh. J. P. and Sinclair, G. (2004). Non-governmental Organizations, Shareholder Activism, and Socially Responsible Investments: Ethical, Strategic, and Governance Implications, *Journal of Business Ethics*, Vol. 52, pp. 125 – 139.

Goodpaster, K.E. (1991). Business Ethics and Stakeholder Analysis, *Business Ethics Quarterly*, Vol.1, No.1, pp. 53-73.

Hassan, O. A. B. (2006). An Integrated Management Approach to Designing Sustainable Buildings. *Journal of Environmental Assessment Policy and Management*. Vol.8, No.2, pp. 223-251.

Haigh, M.(2006). Social investment: Subjectivism, sublation and the moral elevation of success, *Critical Perspectives on Accounting*, Vol. 17, pp. 989-1005.

Haigh, M., and Jones, M. T. (n.d.). The Drivers of Corporate Social Responsibility: A Critical Review. Ashridge Business School, UK. [Online] [Accessed 12 September 2010].Available at <http://www.ashridge.org.uk>,

Hemingway, C. A. and MacLagan, P.W. (2004). Managers' Personal Values as Drivers of Corporate social Responsibility, *Journal of Business Ethics*, Vol. 50, No. 1, pp. 33.

Hemingway, C. A. (2005). Personal Values as A Catalyst for Corporate social Entrepreneurship, *Journal of Business Ethics*, Vol. 60, pp. 233-249.

Heath, A. W. (1997). The Proposal in Qualitative Research, *The Qualitative Report*, Vol. 3, No. 1. [Accessed 2 April 2011] Available at <http://www.nova.edu/ssss/QR/QR3-1/heath.html> .

Hsieh, H. F. and Shannon, S.E. (2005), Three Approaches to Qualitative Content Analysis, *Qualitative Health Research*, Vol. 15, No. 9, pp. 1277-1288.

Hill, C.W.L. (1995). National Institutional Structures, Transaction Cost Economizing and Competitive Advantage: The Case of Japan, *Organization Science*, Vol. 6, No.1, pp. 119-131.

Islam, A. M. and Deegan, C. (2010). Media pressure and corporate disclosure of social responsibility performance information: a study of two global clothing and sports retail companies. *Accounting and Business Research*, Vol. 40, No. 2, pp. 138 – 148.

Jones, T.M. (1995). Instrumental Stakeholder Theory: A Synthesis of Ethics and economics. *The Academy of Management Review*. Vol. 20, No. 2, pp. 404-437.

Kvale, S. & Brinkmann, S. (2009). *Interviews- Learning the Craft of Qualitative Interviewing*. 2<sup>nd</sup> ed. California: Sage.

Katsioloudes, M. I. (2007). Corporate Social Responsibility: An Exploratory Study in the United Arab Emirates. *Society for Advancement of Management Journal*. pp. 9-20.

Kourula, A. and Laasonen, S. (2010). Nongovernment Organizations in Business and Society, Management, and International Business Research: Review and Implications From 1998 to 2007, *International Association for Business and Society*, Vol. 49, No. 35, pp. 35 – 66.

Laff, M. (2009). Triple Bottom Line Creating Corporate Social Responsibility That Makes Sense. [ online] [Accessed 14 September 2010] Available at [www.astd.org/TD/TDpodcasts.htm](http://www.astd.org/TD/TDpodcasts.htm) .



- Lee, M. and Kohler, J. (2010). Benchmarking and Transparency: Incentives for the Pharmaceutical Industry's Corporate Social Responsibility. *Journal of Business Ethics*, Vol.95, pp. 641-658.
- Metaxas, T. and Tsavdaridou, M. (2010). Corporate Social Responsibility in Europe: Denmark, Hungary and Greece. *Journal of Contemporary European Studies*, Vol.18, No. 1, pp. 25-46.
- Maak, T. and Pless, N. M. (2006). Responsible Leadership in a Stakeholder Society – A Relational Perspective, *Journal of Business Ethics*, Vol. 66, pp. 99-115.
- Mudrack, P. (2007). Individual Personality Factors That Affect Normative Beliefs About the Rightness of Corporate Social Responsibility, *International Association of Business and Society*, Vol. 46, No. 33, pp. 33-66.
- Moon, J. (2004). Government as a Driver of Corporate Social Responsibility. [online] [Accessed 11 October 2010] Available at <http://www.nottingham.ac.uk/business/ICCSR>.
- McNabb, D. E., King, G. J. and Petersons, A., Policy, Responsibility, and the Crisis of Trust: Implementing CSR Policies and Procedures in Latvia. pp. 22, [online][Accessed 31 March 2010] Available at <http://abwic.org/Proceedings/2007/ABW07-189.doc>.
- Main, J. (1992). How To Steal The Best Ideas Around Benchmarking. *Fortune*, Vol.126, Issue 8, pp.102.
- Mitchell, R.K. Agle, B.R. and Wood, D.J. (1997). Toward a Theory of Stakeholder Identification and Salience: Defining the Principle of Who and What Really Counts, *The Academy of Management Review*. Vol. 22, No.4, pp. 853-886.
- Mctavish, D. G. and Pirro, E. B. (1990). Contextual Content Analysis. *Quality & Quantity*, Vol. 15, No.24, pp. 245-265.

OECD. (2005). The Inclusive Workplace Agreement: Past Effects and Future Directions [online] [Accessed 2 January 2010] Available at <http://www.oecd.org/dataoecd/4/12/36892986.pdf>.

Pope and Mays (1995), Qualitative Research Design. [online] [Accessed 30 March 2011]. Available at <http://www.health.herts.ac.uk/immunology/Web%20programme%20-%20Researchhealthprofessionals/qualitative%20research%20design.htm> .

Pless, N. M. (2007). Understanding Responsible Leadership: Role Identify and Motivational Drivers, *Journal of Business Ethics*, Vol. 74, pp. 437- 456.

Philips, R. Freeman, R. E. and Wicks, A. C. (2003). What Stake Theory Is Not: *Business Ethics Quarterly*, Vol. 13, No.4, pp. 479-502.

Preble, J.F. (2005). Towards a Comprehensive Model of Stakeholder Management. *Business and Society Review*, Vol. 110, No.4, pp. 407-431.

Pfeffer, J. (2003). Interorganizationl Influence and Managerial Attitudes. *Academy of Management*, Vol. 15, No.3, pp. 317-330.

Preuss, L. (2001). In Dirty Chains? Purchasing and Greener Manufacturing. *Journal of Business Ethics*, Vol.34, No.3/4, pp.345-359.

Papaioannou, T. (2007). Policy benchmarking: a tool of democracy or a tool of authoritarianism. *Benchmarking: An International Journal*, Vol.12, No.4, pp. 497-516.

Presley, A. and Meade, M. L. (2010). Benchmarking for sustainability: an application to the construction industry. *Benchmarking: An International Journal*, Vol.17, No.3, pp. 435-451.

Palmquist, M. (n.d.) Content Analysis, [online] [Accessed 21 April 2011] Available at. <http://ischool.utexas.edu/~palmquis/courses/content.html>.

Qasim, Z., Muralidharan, P. and Ramaswamy, G. (2011). Corporate Social Responsibility and Impact of CSR Practices in the United Arab Emirates, *International Conference on Technology and Business Management*, pp. 28-20.

Rahman, S. (2009). [online] [Accessed 3 April 2011] Available at.  
<http://gulfnews.com/business/economy/uae-increasingly-competitive-among-global-players-1.538743>.

Rohlfers, S. (2004). Benchmarking concepts in the UK and Germany A shared understanding among key players. *Benchmarking: An International Journal*, Vol.11, No.5, pp. 521-539.

Rothenberg, S., Schenck, B. and Maxwell, J. (2005). Lesson from benchmarking environmental performance at automobile assembly plants. *Benchmarking: An International Journal*, Vol.12, No.1, pp. 5-15.

Saunders, M., Mann, R. and Smith, R. (2007). Benchmarking strategy deployment practices.  
*Benchmarking: An International Journal*, Vol.14, No.5, pp. 609-623.

Salama, S. (2011). Influx of foreigners spikes UAE population to 8.3m. [online] [Accessed 5 April 2011] Available at <http://gulfnews.com/news/gulf/uae/general/influx-of-foreigners-spikes-uae-population-to-8-3m-1.787518>

Smith, K., Gregory, S. R. and Cannon, D. (1996). Becoming an employer of choice: assessing commitment in the hospitality workplace. *International Journal of Contemporary Management*, pp.3-9.

Schuth, S. (2004). Socially Responsible Investing in the United States, *Journal of Business Ethics*, Vol. 43, pp. 189-194.

Scholtens, B. (2006). Finance as a Driver of Corporate Social Responsibility, *Journal of Business Ethics*, Vol.86, pp. 19-33.

Silverman ,D. (2001). Interpreting Qualitative Data- Methods for Analysing Talk, Texts and Interaction. 2<sup>nd</sup> Ed. Sage: London.

Stormer, F. (2003). Making the Shift: Moving from “Ethics Pays to an Inter-Systems Model of Business. *Journal of Business Ethics*, Vol.44, pp. 279-289.

UNDP. (2005). Human Development Report, United Arab Emirates. *Bertelsmann Transformation Index 2006*, pp. 1-20.

Wheeler, D., Colbert, B. and Freeman, R. E. (2003). Focus on Value: Reconciling Corporate Social Responsibility, Sustainability and a Stakeholder Approach in a Network World, *Journal of General Management*, Vol.28,No.3,pp.1-28.

Wilkins, S. (2001). Management development in the Arab Gulf states – the influence of language and culture, *Industrial and Commercial Training*, Vol. 33, No. 7, pp. 260-265.

[www.english.alroya.com](http://www.english.alroya.com) (15 June 2010). DIAC highlights Dubai as Education hub. [online] [Accessed 3 April 2011] Available at <http://english.alroya.com/content/diac-highlights-dubai-education-hub>.

[www.khaleejtimes.com](http://www.khaleejtimes.com) (26 August 2006). UAE increasingly competitive among global players. [online] [Accessed 30 March 2011] Available at [http://www.khaleejtimes.com/DisplayArticleNew.asp?section=theuae&xfile=data/theuae/2006/august/theuae\\_august735.xml](http://www.khaleejtimes.com/DisplayArticleNew.asp?section=theuae&xfile=data/theuae/2006/august/theuae_august735.xml).

[www.ameinfo.com](http://www.ameinfo.com) (September 2007). CST at Cisco target human capital [online] [Accessed 1 January 2011] Available at <http://www.ameinfo.com/132189.html>.

Yang, R. and Rivers, C. (2009). Antecedents of CSR Practices in MNCs Subsidiaries: A Stakeholder and Institutional Perspective, *Journal of Business Ethics*, Vol. 86, pp. 155-169.

Zwetsloot, G. I. J.M. (2003). From Management Systems to Corporate Social Responsibility. *Journal of Business Ethics*, Vol. 44, pp. 201-207.

Zwetsloot, G. (2001). The management of innovation by frontrunner companies in environmental management and health and safety. *Environmental Management and Health*, Vol.12, No. 2, pp. 207-214.