

ADOPTION OF CORPORATE SOCIAL RESPONSIBILITY PRACTICES- A STUDY OF CONSTRUCT DEVELOPMENT AND SCALE CREATION.

Mohammed Naif Z Alshareef, Kamaljeet Sandhu

University of New England, Armidale, Australia

ABSTRACT *Research issues:* Corporate Social Responsibility (CSR) has been given emphasis by literature, in particular, shows positive affect of organization on their stakeholders. Although CSR has been extensively discussed in the literature, CSR measurement is still problematic issue. A number of limitations are associated with a number of methods provides by literature utilized in measuring adoption level of CSR practices within the organization. This research seeks to provide original construct and scale measurement of adoption CSR practices, while also reflecting the business roles towards different stakeholders with respect to economic performance. **Research Results:** A qualitative interpretive research methodology was adopted, based on in-depth interviews conducted with the board members and executive's managers in two companies operating in Saudi Arabia, with the findings developed the new scale for measuring the adoption of CSR practices. The new construct and scale were developed by six-dimensional structure of CSR, measuring the companies' community, environment, shareholders, employees, customers, and supplier practices. **Theoretical Implications:** This study builds important contribution to CSR literature by developing a new construct and scale of adoption of CSR practices in developing country. This construct was developed based on the finding of qualitative case studies, in order to provide empirical evaluation of the adoption level of CSR practices in the Saudi listed companies. Therefore, this construct is a multidimensional construct that comprised the six CSR practices that communicated and engaged with six company's main stakeholders namely: environment, customer and product, employee, shareholders, community and finally supplier. **Practical Implications:** This study can improve board members and managers' awareness in how to evaluate CSR contributions within their organizations. A newly developed scale for the adoption of CSR practices can be considered as a broad self-constructed index consisting of six main stakeholders that covered 17 CSR practices. The implication of CSR self-constructed index has two practical contributions at organizational and national levels. At the organizational level, it helps directors and executives in Saudi companies listed in industrial sectors that have high sensitivity to CSR issues within their operational activities, in managing and rating the adoption level of CSR practices within their organization. Additionally, the developed self-constructed index generates significant CSR guidelines for those companies to formulate effective corporate practices on CSR issues.

KEYWORDS: Corporate Social Responsibility, Financial Performance and Construct Development and Scale Creation.

Mohammed Naif Z Alshareef, Ph.D. candidate, UNE Business School, University of New England. Email: malshar4@myune.edu.au.

Kamaljeet Sandhu, senior lecturer, UNE Business School, University of New England

INTRODUCTION

Business role within the society was a topic of discussion in the previous research, and has been widely discussed in the literature (Yang and Rivers, 2009, Pomeroy and Dolnicar, 2009, Ramasamy and Yeung, 2009). The growing businesses pressures on natural environment and humanity have raised concerns amongst academics, practitioners and people. The expectation of different stakeholders in international and national communities is to have additional responsible utilization of increased power of the business, which is important to sustain and develop new ways of dealing with stakeholders (Golob and Bartlett, 2007, Nan and Heo, 2007, Arora and Dharwadkar, 2011). CSR is considered as comprehensive framework to regulate and organize arrangements social contribution, participation and use of organization power within the society. Despite the fact that great attention has been paid in the CSR research and its role in protecting the stakeholders, a universally accepted CSR definition, concept is still a problematical issue for these research (Harjoto and Jo, 2011, O'Riordan and Fairbrass, 2008, Babiak and Trendafilova, 2011). Subsequently, different CSR concepts result in measurement and methodological inconsistencies and these inconsistencies are concern to measuring the CSR based on the stakeholder's concept. Therefore; new CSR measurements are required in order to obtain a better understanding in how to measure the engagement of CSR practices with multiple stakeholders. As a result, this paper aim at developing a new scale to measure adoption of CSR practices to meet the expectations of various stakeholders (Arthaud-Day, 2005, Vanhamme and Grobben, 2009). The effect of adoption of CSR practice on improving the financial performance is considered in developing construct and scale.

CSR IN SAUDI CONTEXT

CSR has been given more emphasis by businesses and government in Saudi Arabia (Ahamad Nalband and Al-Amri, 2013, Ali and Al-Aali, 2012, Emtairah et al., 2009, Mandurah et al., 2012). In 2000, Saudi Arabian Government has intended of becoming one of the top-ten competitive nations in the world by the year 2010(SAGIA, 2008d). In order to achieve this objective, Saudi Arabian General Investment Authority (SAGIA) was established to encourage legal and economic reforms by improved responsible business practices in the companies operate in Saudi Arabia. SAGIA believed that CSR mainly as an element of its competitiveness that lead to attaining this major objective of being Saudi Arabia among the top-ten competitive economies, as increased corporate social responsibility will lead to continuous improvements(Foundation, 2008, SAGIA, 2008d).

In July 2008, SAGIA, the King Khalid Foundation, and the international NGO, Accountability started cooperating together to establish the Saudi Arabian Responsible Competitiveness Index (SAGIA, 2008a, SAGIA, 2008d) in order to measure and rank Saudi companies in CSR practices and contributions. SARCI has reiterated the main central objectives of vision 2010 in achieving a society "infused by strong moral and ethical values". SAGIA claimed that partnership and cooperation with private sector is a main motivation to achieve this purpose. It also argued that companies would not just consider their own fiscal welfare but also the interest of stakeholders and society at the large (SAGIA, 2008a). Therefore, it encouraged businesses to embrace CSR to

maintain and increase ethical values and standards in their business decision making. In 2008, SAGIA has issued the Saudi Arabia Responsible Competitiveness Index in order to evaluate Saudi companies in CSR programs and contributions. Due to voluntary jointed and lack of law in complying all Saudi companies to participate in this index, 40 Saudi companies have participated in this index with main findings that many participating companies were intermediate-poor performance in relation to CSR. However, although the Saudi economy has improved its position in the Global Competitiveness Index ranking (GCI) from 41 in 2007 to 21 in 2010 and back to 24 in 2014-2015 (SAGIA, 2008a, Klaus Schwab, 2012). Saudi has not probably achieved its aim to be one of world's top ten competitive nations by 2010. However, it has improved its position in world Competitiveness Index ranking. Therefore, one of the important factors affected on the Saud Arabia's progress is lack of private sectors' contributions in participating with Saudi government in building social and sustainable development in the country. The poor CSR contributions by Saudi companies have recently investigated by researchers (Ahamad Nalband and Al-Amri, 2013, Ali and Al-Aali, 2012, Emtairah et al., 2009, Tamkeen, 2007), who indicated several issues:

- The lack of CSR practices definition and measurements in Saudi context.
- CSR breaches are as a result of the design of CSR policies, structures implementations, practices;
- The absence of CSR from corporate policy;
- The lack of theoretical and practical frameworks for CSR that guide Saudi companies in practicing a good social responsible business.

In addition, despite the fact that protecting the environment is one of the CSR missions, in Saudi Arabia the extent to which this is practiced is disappointing Within Saudi Arabian cities, there exist a number of petrochemical plus other industries that cause extensive damage in the local environment, in spite of the fact that they are from highly regarded firms that most definitely know the consequences of polluting the environment, and no significant CSR activities are fulfilled. For instance, there are several petrochemical and mining companies in Jubal City, with approximately 352 manufacturers which belong to big listed companies in Saudi stock market. This raised a great concern about threats and risks that effect seriously on local people, health and environment. Recently in 2014, the Presidency of Meteorology and Environment (PME) announced a decree in providing all companies five years to apply and implement a new air, water and noise pollution standards to protect Saudi's health and natural resources, and undertake positive CSR activities

As result of new environmental regulation, the industrial companies will face a conflict of interest between profitable interests and environmental issues, and therefore need to understand the implications of CSR activities. This referred to the lack of understanding in practicing CSR in protecting the environment, which may lead to less profit and high operating cost for industrial companies, therefore, even corporate directors and managers in "sustainability" might choose that profitable interests are more important than adoption of environmental protection practices. This leads to the call for research in Saudi listed companies that have high sensitivity to CSR issues from their operational activities during next five years until the new environmental regulation being fully complied by companies. This is due to several reasons:

- The lack of awareness of the developing CSR practices particularly environmental practices that improve the company's compliance with new regulation.
- The lack of awareness that adopting environmental practices with the other CSR practices may lead to improvement of financial performance as proven in many research in developed countries.
- The lack of awareness in considering social and environmental practices performance in measuring the financial performance.

LITERATURE REVIEW

THE EVOLUTION OF CSR DEFINITION

Non-existence and complexity of CSR concept consensual definitions is among the factors that are accountable for CSR scarce conceptual understanding (Lim and Phillips, 2008, Baden et al., 2009, Rodrigo and Arenas, 2008). CSR commonly accepted definition is yet to come in spite of the fact that practice and theory widely discusses CSR concept. Conceptualization of CSR may be viewed differently by individuals (Lee and Kim, 2009, Berens et al., 2007, Lamberti and Lettieri, 2009). Authors argue that there are many authors who have investigated this topic, which lead to numerous CSR definitions. Given that it has not been successful for practitioners and academics efforts to get to a consensus definition to CSR (Outtes Wanderley et al., 2008, Morsing and Perrini, 2009, Palazzo and Richter, 2005), there is no commonly accepted definition to CSR. It is impossible to have "one solution fits all" CSR definitions given that CSR takes 22 different meaning for every corporate depending on organization's ambition level, awareness and development. CSR remains to be a wide, complex, and constantly concept that comprises of different practices and ideas, regardless of sufficient literature on the subject. CSR has been described as vague, an ambiguous, subjective, unclear, amorphous and fuzzy concept that has unclear datable legacy and boundaries (Palazzo and Richter, 2005, Lattemann et al., 2009, Morsing and Perrini, 2009). Therefore, according to researchers, as such there is no solid definition to CSR to form the firm's action basis. With unclear boundaries and debatable legitimacy regarding CSR, there being an absence of consensus regarding its definition, and often becomes difficult to implement in developing countries, due to ambiguous

EARLY DEFINITIONS OF CSR

Over time, there has been variation in the attitudes and beliefs concerning CSR, as increasingly consumers and companies have started adopting and accepting it (Russo and Perrini, 2010, Seitanidi and Crane, 2009, Russo and Tencati, 2009). Current academic discussion on CSR commenced in the 1950s, with the first main work on the topic, *Bowen's Social Responsibilities of the Businessman*, appearing in 1953. CSR has been defined by Bowen as the obligation of businessmen to make those decisions, undertake those policies of following action lines which in terms of the society's values and objectives are desired (Vilanova et al., 2009, Lim and Phillips, 2008, Baden et al., 2009). Howard Bowen was credited a number of academics the title the "Father of Corporate Social Responsibility" because of his first influential work (Carroll and Shabana, 2010).

Research indicates that CSR does not necessarily mean the same thing to all individuals in spite of the fact that it “means something”, and therefore this remains particularly problematic (Aupperle et al., 1985, McGuire et al., 1988, Burke and Logsdon, 1996). Others have indicated that the concept of CSR was defined by the first scholar as the obligation of a businessman to make decisions, undertake those policies of follow action lines which in terms of the society’s values and objectives, are desired (McWilliams and Siegel, 2000, Baron, 2001, McWilliams and Siegel, 2001). Contradictory definitions of the concept of CSR have been provided by the literature ever since this first definition.

Legality and social responsibility refer to the same thing, as specified by the literature (Mohr et al., 2001, Sen and Bhattacharya, 2001, Maignan and Ralston, 2002). On the other hand, literature views CSR as an act that go beyond what is set by the law. Business social responsibilities were distinguished by definitions from its legal, technical and economic obligations (Mohr et al., 2001, Sen and Bhattacharya, 2001, Maignan and Ralston, 2002). A difference amid CSR non-economic and economic elements was made by Carroll and Shabana (2010), in spite of the fact that she described Davis definition as a CSR restricted version. Carroll’ study indicate that non-economic components refer to those thing that business does for others, whereas economic components refer to what that business do for itself to attain the major of objective of making profit. Economic viability according to Carroll also refer to what business does to the society at large), and an obligation to produce and sell products and services at a profit to the society is what Carroll described as economic component regardless of his attractive distinction mid the two factors. Nevertheless, key business role in the society might be seen from this particular definition of the economic components. Often, there is need to balance the economic and social responsibilities of the companies in order to be highly successful (Carroll and Shabana, 2010).

An economic unit is an entity which engages in the production of goods and services within a society with the intention of generating profit in return of business role (Arenas et al., 2009, Jamali and Keshishian, 2009, Lattemann et al., 2009). The existence of a business therefore is dependent on economic concerns as well as profit which is the major objective for the business owners, and therefore often CSR activities need to be balanced with these needs. Economic component instead of the non-economic component in this case are considered to be that major reason for a business to exist. Various definitions offers a similar understanding, by defining CSR as “...businessmen’s decisions and actions taken for reasons at least partially beyond the firm’s direct economic or technical interest” (Jamali et al., 2009, Morsing and Perrini, 2009, Pedersen, 2009). A concern with society goals and needs that exceeds the merely economic is represented by CSR in its extensive sense. In this study, CSR refers to the behaviors of the business which positively affect the stakeholders that lead to improved economic interest. It is clear from this definition that there is an inclusion of the economic component is necessary (McWilliams and Siegel, 2000, Baron, 2001, McWilliams and Siegel, 2001).

Stakeholders’ concept and the current CSR definition are closely related. Research reveals that a natural fit amid a firm’s stakeholders and CSR idea is often needed (McWilliams and Siegel, 2000, Baron, 2001, McWilliams and Siegel, 2001).S(McWilliams and Siegel, 2001, Sen and Bhattacharya, 2001, Maignan and Ralston, 2002)stakeholders can be defined concisely as additional individuals with whom a business organization interacts in the course of trying to attain

their objectives, even though in the literature there is lack of consensus about stakeholders' scope and definition. However, stakeholders refer to those actors who are either directly or indirectly interested in that company, or those persons affected by or affect organization's goal attainment (McWilliams and Siegel, 2001, Sen and Bhattacharya, 2001, Maignan and Ralston, 2002).

Different categorizations have been provided by scholars to clarify the stakeholders' concept scope (Outtes Wanderley et al., 2008, Lamberti and Lettieri, 2009, Lee and Kim, 2009). These individuals or groups have been classified as internal and external stakeholders; internal, external and societal stakeholders; secondary non-social and primary non-social stakeholders; primary social and secondary social; primary and secondary stakeholders; voluntary and involuntary stakeholders; and finally public and contracting stakeholders, by some of the most useful of these scholars (Garriga and Mele, 2004, Lichtenstein et al., 2004, Maignan and Ferrell, 2004). Often relationships are directly influenced by primary social stakeholders who are considered the human entities involved in a business. However, secondary social stakeholders, which represent different groups' interest, business at the large and civil society, have less direct impact, but still need to be taken into account. Secondary social stakeholders can in some occasion be very influential on the business (Garriga and Mele, 2004, Lichtenstein et al., 2004, Maignan and Ferrell, 2004). Moreover, human relationships are not included in the non-social stakeholders; and primary stakeholders and secondary stakeholders are further categories of non-social stakeholders. Primary and secondary stakeholders comprises of non-human species, natural environment future generation as well as their protectors in pressure groups (Arthaud-Day, 2005, Becker-Olsen et al., 2006, McWilliams et al., 2006).

CURRENT DEFINITIONS OF CSR

Much attention in the current definitions has been based on a responsibility of firm towards its diverse stakeholders. One of the key research question concerning CSR is as follows: 'To what theory must general knowledge be developed?' the stakeholder theory is the direct answer to this question. CSR was defined in the Green Paper that was presented by the European Union in July 2001 to promote a European Framework for CSR, as 'a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis'. This definition is in line with the current academic literature and it is one of the most common CSR definitions, and presents a wider view of the current academic thinking (Arthaud-Day, 2005, Becker-Olsen et al., 2006, McWilliams et al., 2006).

Being ready to respond to stakeholders legitimate anticipations is a key CSR initiative component (Sacconi, 2006, Siltaoja, 2006, Aguilera et al., 2007). A natural fit amid organization's stakeholders and CSR idea is based on arguments in the literature (Barnett, 2007, Berens et al., 2007, Campbell, 2007). A suggestion, that social responsibilities to particular groups is personalized by the concept of stakeholders, having argued that the term "social" is view by some individuals unclear and that there is absence of specificity in as to whom the corporation is responsible to (Golob and Bartlett, 2007, Nan and Heo, 2007, Sacconi, 2007). Therefore this makes it clear that faces and names are put on societal groups or members to whom the business is receptive and are most essential to the business, by the stakeholder theory, which has to be taken into account. Stakeholder cooperation concept is a more sensible option as proposed by Spence et

al. (2001). Both stakeholder theory and CSR (CSR) reinforce one another as indicated in the study by Valor (2005). The consideration of the different stakeholders also needs to be assessed in order to ensure that the different attributes of the research are taken into account, which can lead to a long term competitive advantage for the organization (Jamali and Keshishian, 2009, Siltaoja, 2006). This is also important to consider, as companies need to ensure that they can invest greatly in the CSR activities in order to gain positive public relations for companies, and can have a long term impact on the output of the firm (Jamali and Keshishian, 2009, Siltaoja, 2006).

Research indicates that there is a wide approval of the idea that the theory of stakeholder is imbedded into CSR concept (O'Riordan and Fairbrass, 2008, Arenas et al., 2009, Yang and Rivers, 2009). Researchers argues from the perspective that, practically, CSR transforms into incorporation of stakeholders' environmental, social and other concerns into the business operations of a company(Barnett, 2007, Russo and Perrini, 2010). Conclusively, it is evident that CSR is all about how a company oversees its relations with different stakeholders, in spite of the fact that there is a lack of a commonly accepted definition to Corporate Social Responsibility (Barnett, 2007, Russo and Perrini, 2010).

Moreover, focus is directed to the financial paybacks acquired via CSR by a number of current definitions. For instance, the concept of CSR is defined as an approach to business that takes into account respect for environment, communities, people and ethics as an essential strategy that improves firm's competitive position (Barnett, 2007, Russo and Perrini, 2010). Conversely, CSR is stakeholder concern management for irresponsible and responsible acts associated to social, ethical and environmental phenomena in a way that generate corporate payback. Much focus is drawn to motivation for CSR by the idea that bottom line benefits can be contained in CSR. (Barnett, 2007, Russo and Perrini, 2010) The major questions here are based on whether the ultimate goals did enhance profitability or whether to undertake CSR managers are guided by moral conscience which are increasingly important concerns for management in order to improve a company's competitiveness (Barnett, 2007, Russo and Perrini, 2010).

CONTEMPORARY ISSUES IN MEASURING CSR

The need to uncover CSR and how it is related to financial performance has been questioned by researchers (McWilliams and Siegel, 2000, Barnett, 2007) If CSR is to be given out as a result of recognition in business, and this is then an important research area. Similarly, others argue that the process of decision making together with the managers would support CSR/CSP, only in case where companies are seen to "do well and do good" or do better than they can "do good through doing better" (McWilliams and Siegel, 2000, Barnett, 2007). Majorly, as a result of absence of a common accepted CSR definition, it is evident that measuring CSR is extremely difficult, as the confusing definitions and standards make it difficult for managers to implement change (McGuire et al., 1988, McWilliams and Siegel, 2000).

Research indicate that it is oblivious impossibility in creating any form of CSR real objective measurement that people having desire to quantify and report the exact performance in CSR (McGuire et al., 1988, McWilliams and Siegel, 2000). There has been significant criticism over the CSR measurement that researchers have employed (McGuire et al., 1988, Baron, 2001,

McWilliams and Siegel, 2001). Businesses and academic researchers that need to evaluate the corporate social impacts need to have a universal set of CSR measures. Even though a number of problems associated with empirical CSR research by a bigger part of the literature, a few valuable remedies have been provided and therefore it is easier to find fault with an existing model as compared to generating and supporting an alternative (McGuire et al., 1988, Baron, 2001, McWilliams and Siegel, 2001).

Absence of consistency in CSR concept literature can cause variations in findings as proposed by researchers (Sen and Bhattacharya, 2001, Maignan and Ralston, 2002, Garriga and Mele, 2004). This is due to fact that there is no a universally accepted definition of CSR as different things are measured by such studies in very different manner (Sen and Bhattacharya, 2001, Maignan and Ralston, 2002, Garriga and Mele, 2004). Equally, responsibility is left open to interpretations by lack of precise definition to CSR. This is based on the argument that Absence of consistent measure utilized in the earlier research studies is an additional negative issues plaguing CSR research (Sen and Bhattacharya, 2001, Maignan and Ralston, 2002, Garriga and Mele, 2004). This conflicting findings of the research result from CSR questionable and inconsistent measure based on research studies by researchers indicates in his study that there is no overall agreement on CSR measurement (Sen and Bhattacharya, 2001, Maignan and Ralston, 2002, Garriga and Mele, 2004).

Reputation index, which is involves firms rating by knowledgeable observers on the basis of a number of CSR dimensions, is the most prevalent CSR measuring method (Sen and Bhattacharya, 2001, Maignan and Ralston, 2002, Garriga and Mele, 2004). The major limitation of reputation index method is subjectivity degree inherent in the ranking (Lichtenstein et al., 2004, Maignan and Ferrell, 2004, Palazzo and Richter, 2005). Independent expert's rating validity rests on the assessors' expertise and formation accuracy accessible to them (Lichtenstein et al., 2004, Maignan and Ferrell, 2004, Palazzo and Richter, 2005). It is uncertain what shapes reputations formation. However, research suggest that argument, fortune and KLD reputation rankings are unrepresentative of true CSR (Lichtenstein et al., 2004, Maignan and Ferrell, 2004, Palazzo and Richter, 2005). Fortune ratings have long been known to be highly multicollinear with the profitability of the firm. High positive correlations amid financial performance and Fortune ratings have been reported (Vogel, 2005, Becker-Olsen et al., 2006, McWilliams et al., 2006).

Content Analysis, which examines the extent of CSR reporting in different firm annual report, is an additional CSR measuring method has also been undertaken in the research. The fact that the provided data in the report is not quantitative but rather qualitative is challenging. Disclosure volume indicating disclosure's relative importance is the major assumption in such studies. In order to know that words and actions are habitually highly divergent one does need to be a specialist (Runhaar, 2009; Dahlsrud, 2008; Becker-Olsen). Much emphasis has been directed to a single CSR dimension by other research studies. CSR measures for instance illegal activity such as air pollution and product recall, which have been utilized in creating generalizations concerning the relations amid financial performance and CSR. CSR measurement of key limitation is that it is only one CSR element that is represented; the breath of construct is inadequately revealed by such measures, thereby lacking suitable validity level for research purpose. Making general assumptions concerning CSR benefits and costs from such research studies in general, is misleading.

The survey approach, which involves asking the manager's questions about CSR activities amount carried out by, is still another method of measuring CSR. This method was particularly taken by researchers (Runhaar and Lafferty, 2009, Dahlsrud, 2008, Becker-Olsen et al., 2006). Social desirability bias possibility is a disadvantage of the survey approach. Though, to limit the impacts of such bias, there are remedies that have been provided. One-dimensional nature of the above described approaches is its major issue. According to researchers there is a general acceptance amongst of the idea that CSR is multi-dimensional in nature. Nevertheless, different dimensions utilized to quantify the construct have been combined by the researchers into a single aggregate measure. In their study, indicated that individual dimensions that are similar relevant and important may be masked by collapsing multiple dimensions of KLD into unidimensional index, researchers supported this point by arguing that it is in appropriate to combine all dimensions of CSR into a single construct. Moreover it is indicated that there was significant and positive relationship amid financial performance and CSR people dimension, however not to the quality of a product. In the end, future researchers in the field of CSR were advised by researchers (Runhaar and Lafferty, 2009, Dahlsrud, 2008, Becker-Olsen et al., 2006), to shun away from regarding it as a unitary construct which must expand understanding and knowledge in the field. The major goal intended to be achieved by the current research is grained ideas concerning each stakeholders (Runhaar and Lafferty, 2009, Dahlsrud, 2008, Becker-Olsen et al., 2006).

At the organizational level, sufficient number of scales measuring CSR has not been provided by the literature in spite of the scales proliferation to measure CSR individual perception. Based on corporate citizenship concept, researchers developed the most important literature scale in this category (Runhaar and Lafferty, 2009, Dahlsrud, 2008, Becker-Olsen et al., 2006). Corporate citizenship based on this study, refers to the extent to which discretionary, ethical, legal and economic responsibilities imposed by the stakeholders on businesses is meet by businesses, which remains a critically important issues in the literature (Rodrigo and Arenas, 2008, Baden et al., 2009, Lim and Phillips, 2008).

Conclusively, several methods to measure corporate social activities shown by literature review can be considered. Nearly all of these methods have some demerits even though they have made significant contribution to the literature of Corporate Social Responsibility. More importantly, from current study perspective, the issue of CSR practices adoption has not been addresses by any of these methods. CSR is conceptualized by this study based on financial component inclusion and linked with the concept of the stakeholders. As a result of this, based on two case studies findings in Saudi Arabia, it essential to develop a new scale which articulates CSR practices adoption level.

RESEARCH METHODOLOGY

The nature of research method undertaken in this research is interpretive. In-depth interviews conducted with board members and executive managers within the case study context of two Saudi companies listed in stock exchange. The designing of case study applied as research method seek:

- To explore the nature of nature of the interrelationship and effect between adoption CSR practices and financial components (Yin, 2013).
- It is more suitable for constructing a framework of adoption of CSR practices(Yin, 2013).

Qualitative research signifies that seeking opinions from executive managers and board members involved in organizations structure is important, in order in obtaining a clear understanding of companies CSR conurbations and practices, and to understand the context of the situation. In capturing and detecting variations in practices and perceptions, this particular diversified sample structure was considered essential. One of the main advantage of the use of qualitative research is that it allows the stakeholder to gain significant understanding of the context and perspectives which need to be considered in order to improve the ability of the researcher to understand these issues (Silverman, 2010, Silverman, 2011). The methodological issues also needs to be addressed, which can lead to new ways of developing the different perspectives, and carry out in-depth research on the different areas in an objective manner, which can triangulate data from a number of sources in order to increase the validity of the research (Silverman, 2010, Silverman, 2011).

In the case study protocol of two companies, initial sophistication and scope idea of both CSR was obtained from company's website. Taking into account both personal contacts availability and proximity, the interviewees were called and invited to take part in research using telephone. An appointment programmed in four weeks over which the interview were conducted, interview guide copy, and a cover letter giving a clear explanation of the research scope and nature was forwarded to the participants after getting preliminary consent from the two firms. The primary language utilized during the interviews, that took two hours on average, was Arabic. The interviews were tape-recorded and then transcribed and translated to English so that they can be used in a case study form talking about CSR with their interfaces for every company. There was on average 8 to 10 script pages in each case study.

Semi-structured interviews which involved development of a guide for the interview, containing three sections, based on the previously presented literature review were utilized in the research. Seeking the opinions from 19 participants among board and management levels was deemed important in achieving a clear understanding of CSR practices. Table 1 below summarizes the participants' positions, educational qualifications and experience levels. The demographic data was collected very briefly as the respondents focused on their capacity of representatives of particular organisations. Two particular companies have agreed to take part in the research project: a petrochemical company listed in Saudi stock exchange (coded as case study A) and agricultural company listed in Saudi stock exchange (coded as case study B). The underlying rationale for the use of this coding system can be found in the need for ensuring confidentiality and anonymity of the company.

Table 1: Profile of Participants

No	Position	Experience (years)	Educational Level	Functional Background
Case study A: Petrochemical company' Participants				
1	Management level	13	Bac	Chemical Engineering
2	Management level	16	MA	Chemical Engineering
3	Board Level	25	PhD	MBA (Business)
4	Management level	26	Bac	Chemical Engineering
5	Board Level	25	MA	Law
6	Management level	15	PhD	Chemical Engineering
7	Management level	16	Bac	Manufacturing Engineering
8	Board Level	22	PhD	Business administration
9	Management level	10	Bac	Environmental Engineering
Case study B: Food and Agricultural company' Participants				
1	Board Level	13	PhD	Engineering
2	Board Level	15	MA	Management
3	Management level	20	PhD	Management
4	Management level	20	Bac	Engineering
5	Board Level	15	Bac	Accounting Risk management
6	Management level	10	Bac	Law
7	Management level	20	PhD	Management
8	Board Level	15	MA	Accounting and Finance
9	Board Level	10	PhD	Management
10	Management level	26	PhD	Engineering

Semi-structured nature of interviews allowed interviewers to consider decision on the questions wording /sequence during the interview as interview guide coaxed discussions around common themes. Therefore, a common stimulus was offered by the illustrated themes, around which there could be creation of interpretive comparison, with the present options to search significance areas in more depth, to specifically interview. Some questions allowed important opportunity for interpretation, as others produced factual information. More devotion was given to the discussion of varying probable interrelationship mid CSR and FP, capturing managerial interpretation linked to CSR-FP interface to the fullest by leaving the questions open-ended.

Analytical effort concerning two researchers who concentrated on identifying convergence pattern or commonalities in the provided statement associated with Table 2 basic dimensions was subsequent to interview transcription and case studies compilation, using the method adopted by (Yin, 2013). Finally, after the divergence areas had been noted, they were discussed and highlighted according to the main themes which had been identified.

Table 2: Topics Addressed in Interviews

I. Corporate Social Responsibility (CSR)	II. Financial Performance
<ul style="list-style-type: none"> • CSR Conception • CSR practices • Strategic CSR, values, mission • Most important stakeholders • Measurement of CSR 	<ul style="list-style-type: none"> • How CSR practices effect on the FP • Which FP were affected after CSR practices adopted.

RESEARCH FINDINGS OF ADOPTION OF CSR PRACTICES

Case Study of Petrochemical Company

This case study concerns a petrochemical company listed on the Saudi stock exchange. The company has radically changed its business strategy by integrating CSR into its operational activities, which is an important issue for most companies today, as highlighted in the literature (Vilanova et al., 2009, Russo and Tencati, 2009, Runhaar and Lafferty, 2009). This change led to the establishment of a separate CSR governance structure in 2009. The company is a market leader in products such as ethylene, ethylene glycol, methanol, polyethylene, engineering plastics and derivatives. The company operates in over 40 countries with a global workforce of over 40,000. In early 2009, the company drastically altered its operational activities and management structure to become a more socially responsible business. This was achieved by establishing a separate internal CSR governance structure, which is often needed by the firms in order to improve CSR activities (Vilanova et al., 2009, Russo and Tencati, 2009, Runhaar and Lafferty, 2009). This result in the foundation of new executives committees and departments specialized in overseeing company's CSR in accordance with its operational activities. The company founded this structure in order to have various managerial authorities among its NED, executive, senior managers and employees. Nine NEDs are at the top of CSR governance structure supervisory and strategy-related duties. Other executive directors sit on relevant committees and head up departments. There are 15 executive directors, 6 of which head the various operational sectors of SBUs, while the rest head the various company functions. According to the company's strategic objective was set in 2007, highlights the integration of CSR within the operational activities is main objective. Therefore, the majority of the committees within this structure include executive members from SBUs.

Adoption of Environmental Performance Management

It is mentioned earlier that this company's strategies in CSR activities are integrated into its operational activities, which has often been highlighted in the literature as being highly significant (Seitanidi and Crane, 2009, Russo and Perrini, 2010, Jonker and Nijhof, 2006). The sustainability report 2012, revealed that company focuses on decreasing the concentration of its operating footprint, specifically its GHG emissions, energy consumption, use of water, and material losses per product unit in sales volume. One of Participants provided an example in three affiliated companies of adopted environmental practices in order to reduce the emission of gasses which influence global warming by recycling the use of those gasses in operational activities. As a result for adopting these practicing, it improved control over the use of energy and the distribution of

environmentally harmful vapors and hence the overall reduction of emitted gases to 125,000 tonnes annually. This, in turn, reduced energy consumptions by 784,000 gallons of energy annually. Reducing GHG emissions is important in addressing climate change but has the added benefit of lowering operational expenses through efficient use of hydrocarbon resources. Reducing negative impact on the environment mitigates risks and leads to more sustainable and attractive products and competitive advantage that ultimately yields better financial results.

In 2010, the company established environmental management systems that allowed the company to determine goals for short- and long-term density reductions in material loss, water use, energy use and GHG emissions. This company (meaning the CSR council and BOD) regularly (a) reviews the progress of each industrial factory location and SBUs against Key Performance Indicators (KPIs), assesses the company-wide suite of possible environmental influence decreasing projects, and promotes best environmental practices that control direct and indirect GHG emissions and energy usage for industrial facilities international using the GHG procedure established by the World Resources Institute (WRI), which has allowed improved CSR activities. Thus, participants revealed that company uses financial control for GHG Protocol guidance as the standards for involvement in the density's goals and for reporting exact emissions. He indicated that total GHG emissions in 2011 were 58.8 MT CO₂, using the financial monitoring boundary, compared to the base year emissions of 59.0 million MT CO₂, while its total use of energy in 2011 was 776 million GJ compared to base year usage of 767 million GJ. Analysis of company documents and participants' interview data reveal that the environmental management system helps:

- In developing specific goals and strategies within EMS
- In ensuring review and control of progress in all the SBUs and;
- In gathering information regarding (GHG), energy use, water use and material loss
- In reducing the risks associated with its operational activities

The document analysis determined that the company uses KPIs to evaluate its environmental practice in its operational activities in SBUs. Use of sophisticated tools to measure environmental performance indicates that the directors are aware of the importance of adopting best practices in environmental management which enhanced the company's ability to adopt best environmental protection practices, and also to allow the company to have a sustainable policy for innovation. Environmental management offered important information on the company's environmental performance through measurement and assessment as well the specification of goals and clear strategies to limit risks associated with operational activity. In this context, Participants revealed that they had adopted advanced tools to measure waste during operations. This waste material measurement provides the company with information about:

- Providing information about wasted and unused resources during operational resources;
 - Areas of deficit in operational activities (which can be remedied by developing strategies that limit loss of material);
 - The company's operational performance in exploiting its resources over time; and
 - SBUs' performance in raw material loss and waste management reductions in waste.
- Therefore, Adoption of EMS motivates this company in
- Reductions in waste

- Reducing Employee efforts wastage
- Reduction of operating cost that would otherwise be incurred without the execution of adopting this practice.

Adopting Separation Process of Polluted Materials from the Main Products

Participants also revealed that a subsidiary company started to separate polluted material ‘‘oligomers – a mixture of heavy hydrocarbons produced during polymerization and usually disposed of as waste’’ during production and sell it to interested consumers as a byproduct. This eliminated the costs of disposing of those materials and generated new revenue, which can often lead to a better and improved CSR initiative. Therefore, the innovations in reduction of operational waste help to:

- Improve environmental management;
- Enhancing competitive advantage by reorganizing operational activities to reduce the environmental impact;
- Develop new products for new markets;
- Reduce costs associated with waste disposal; and
- Increase in revenue.

Adopting Measurement Tools to Produce Environment-Friendly Products

The company’s 2013 sustainability report revealed that it has built sustainability into its products wherever possible, which is one of the objectives of CSR activities. Each of the SBUs is developing new products that in turn help the company's customers design and manufacture more environmentally responsible products. However, the SBUs have faced challenges in providing environmentally-sound products, including:

- Understanding where in the products’ lifecycles the biggest environmental impacts occur, and identifying the impacts that can be controlled or influenced;
- Complying with the growing number of international restrictions concerning the use and disposal of harmful substances;
- Reducing the effects of agricultural over-fertilization on climate change and water quality;
- Increasing the use of renewable feedstock in agricultural processes; and
- Designing original product solutions for equipment manufacturers and consumer goods companies, focusing on energy efficiency, recyclability, and product stewardship.

The company sought to assess the benefits of its environmental products using recognized third party standards and applying a sustainability scorecard, including a Green Chemistry Screen (GCS) and Lifestyle Assessment (LCA). The adoption of two kinds of measurement of the benefits produce environment-friendly products, which helped the company to integrate issues such as energy usage, carbon concentration, material loss and water use into the key SBUs’ operations. Taking environmental issues into account during production also helped the company

- Reduce its consumption of water and energy and production of GHG emissions and;
- Utilise raw material with higher efficiency.
-

Meeting Client's Expectations of Environmentally-Friendly Products

Participants confirmed that it was important to meet client aspirations and ambitions with respect to environmentally-friendly products by reducing footprint, and supplying chemical products that assist clients attain their own environmental goals. This is vital company's mission, and ensures that CSR activities can be undertaken in an environmentally friendly manner. He provided the example of current and planned sustainability products – which includes, lightweight ‘plastics for oil-efficient vehicles’, ‘advanced flame retardants for eco-label requirements’, and ‘recycled materials’ – each helps clients address environmental issues, while gaining revenue for company, and therefore balances CSR and business needs.

Environmentally responsible practices are usually innovative and are less imitable which strengthen the company's relationship with environmentally-minded clients by meeting their expectations of the company production, and simultaneously reduce the prices of products as the cost of waste disposal is lowered (Baden et al., 2009, Jamali and Keshishian, 2009, Jamali et al., 2009). As a result, social responsibility helps in altering the behaviour of consumers by incorporating environmental concerns into production. Participants provide example of the adoption of socially and environmentally friendly practices that decrease oil consumption and emissions, while providing high performance to enhance flexibility of product' design. This leads to improved company customer satisfaction. He explained that products can reduce the weight of a typical car by more than 24 kilograms, which could result in an approximately 20–45% dropping in the carbon emission of a fender, window, door module, or a similar component during the lifecycle of a car part compared to incumbent technologies. If 5% of the world's fleet (approximately 50 million cars) switched from conventional fenders to ours, customers can save more than a billion liters of oil over the vehicles lifetime. This participant provided a clear example of benefits associated with environmental process improvements, including increased efficiency, reduced pollution and cost savings. Improving environmental influences throughout production process by innovating and developing new processes, controlling 'waste' as a possibly profitable byproduct, and making current operational products more attractive to interested clients. This can result in improving customer satisfaction (Baden et al., 2009, Jamali and Keshishian, 2009, Jamali et al., 2009) while also providing a sustainable business and competitive advantage for the business processes. Overall, implementing CSR practices into the design of products delivers important business advantages, including cost savings from reduced waste, emissions material usage and energy, improved customer satisfaction, which can be sources for improving company's competitive advantage (Lamberti and Lettieri, 2009, Lee and Kim, 2009, Morsing and Perrini, 2009).

Adopting Employee Reward Systems and Strategies

The company's 2102 board report revealed that its workforce comprised 33,500 employees worldwide in 2011. The BOD reported that the company faced challenges in implementing good employee relationships, including:

- Various cultural anticipations of diversity in the many countries in which it operates;
- Founding an international policy for training and education programs;
- Making a work environment that enhance new thoughts and ideas; and

- incorporating separate human resources (HR) data systems so that they accurately account for contractor numbers by region.

To realize these challenges, the company has established an active recruiting strategy called ‘Total Rewards’ strategy, and an inspirational diversity program. Participants confirmed the need for an incentive and reward system which enhances employee productivity and accomplishment. Responsible HR practices increase loyalty and capacity for high-quality production, and increase the sustainability of CSR practices. Such practices also reduce evasion and loss of talent and that, in turn, adds to the competitive advantage and financial position of the company (Lamberti and Lettieri, 2009, Lee and Kim, 2009, Morsing and Perrini, 2009).

Adopting Training and Education System

Participants also highlighted that the company is partnering with leading educational institutions to provide opportunities for cutting-edge education and to ensure a strong stream of educated employees. Such training opportunities ultimately benefit the company, particularly when augmented with incentive and loyalty programs in order to deliver innovative CSR. Additionally, responsible employee policies help the company create competitive advantage through the development of employee capabilities, aiding the fulfilment of corporate strategic goals and improving financial returns.

Community-Based Educational and Technology Initiatives

According to the company’s CSR Report for 2011, the company donated more than 40 million Saudi Riyals in 2011 to support healthcare initiatives and science and technology initiatives in Saudi Arabia. Participants confirmed the importance of investing in the society in which the company is based, and company’s responsibility toward society stems from awareness of the essential and important issues within a particular area. This participant revealed that health issues are the oldest and most important issues in Saudi, therefore, the company conducted a scientific and field study to identify health-related issues in Saudi Arabia and how best to direct its investments. Then, the company decided to focus on mental illness, ADHD, etc.

Responsibility toward society is a key component of CSR. A company that exploits societal resources without any return will build a poor relationship between the company and its environment and stakeholders. A socially responsible company strives to establish a strong relationship and conversation with the society in which it operates through investment in matters of importance such as health issues that represent obstacles for many countries, which is part of the CSR strategy for any organizations. Supporting such investments helps the company gain social acceptance. Participants stated also that social investments enhance the social image of the company, thereby boosting the company’s competitive advantage and attracting capital and future investors. Participants noted that social investment in due to scientific innovation can increase revenues. He provided example of company support to science through research centers, the company benefits from innovations related to its industry by adopting them into its operations. He confirmed that scientific results and modern methods helped this company to increase its productivity and revenues, and therefore CSR goes hand in hand with increased innovation and profitability of the business

Adopting Cg Policies and Procedures

Since the evolution of the concept of social responsibility during the last two decades, the company has widened its attention to stakeholders such as the environment, society, clients, products and suppliers, instead of just focusing on protecting shareholders. The company aimed to strengthen its relationship with shareholders and investors through adoption of practices that safeguarded shareholders' investments. Two of participants confirmed that the company had adopted policies and corporate governance laws since 2001 to secure more supervision, operational control and transparency of result for shareholders and stakeholders. They continued to explain the additional benefits from adopting strong policies including CG practices which establish strong channels of communication between the company and its shareholders. This allows the shareholder to be informed about everything and become involved in decision-making.

Accurate and Transparent Information about Company Operating Activities

One participant stated that the company adopted the best international standards in publication and transparency to promote informed shareholder decision-making in directing their investments, which influence on trading of company share at stock market, as these are influenced by the public standing of the company. The importance of shareholders and investors is they are considered as an economic resource flowing into the company. As more effective practices adopted in protecting those kinds of stakeholders (Shareholders), they will be more confident to invest their capital in the company. Such investment is trading on company market share. Enhancing business transparency on social and environmental disclosures is also important for most firms. Most companies that attempt to adopt CSR practices publish additional non-mandatory reports, such as CSR and sustainability reports, and other operating reports that provide investors with credible and transparent information, as well as improving accountability to stakeholders, in order to highlight their CSR activities and credentials.

He also confirmed that social transparency led to improved access to capital. Many investors seek to invest in a company that is socially and environmentally responsible; such decisions are based on transparent company reports. This social transparency enhances the company's reputation through improving its social image which is considered as a factor influencing investor perception. Investors, accordingly, make decisions about investing their capital in a company. Branco and Rodrigues (2006) confirmed that the social image of the company increases its economic value. They also stated that it is difficult for a company to sustain its social responsibility and reputation without transparent social and environmental reports.

Ethical Codes and Policies for Supplier

This company has established ethical codes and policies to ensure fair and equitable transactions with its suppliers. Its code of ethics includes compliance to laws and ethics, respecting human rights, labour, safety, and health, as well as environmental protection (such as biodiversity preservation) and information security. Three of participants confirmed that as far back in 2006 the BOD was aware of the company's need to those sources and suppliers and the importance of developing long-term relationships with its suppliers. This obstacle can be overcome by establishing ethical principles which guarantee the rights and fulfillment of the commitments among the company and its suppliers from environmental and social aspects of the supplied material. Suppliers are considered an important factor in social responsibility and serve as

company stakeholders. All companies try to develop long-term relationships with their suppliers to cover their needs during their operations. Establishing a relationship based on environmental and social basis boosts the company's reputation and strengthens its competitive advantage, as CSR activities can be highlighted throughout the supply chain.

Establishing Long-Term Relationships with Suppliers

Previous participants also commented on the importance of making suppliers aware of social and environmental concerns in order to ensure environmentally safe materials suitable for operational activities are used. This allows the company to establish sound long-term relationships with the suppliers and reduces company operational expenses as far as disposing of environmentally unsafe material, which cost company financially in previous years. Integrating environmental issues in the process of establishing relationships with suppliers allowed the company to reduce operational expenses incurred when non-environmentally safe material are used. This participant's comment demonstrates the perceived importance within the company of developing environmentally based relationships with that guarantee reduced production expenses and hence improve overall financial performance, while also developing a high quality PR campaign.

CASE STUDY (B)

The group is one of the most successful multinational food groups in the Arabic Gulf and Middle East regions. It has a wide portfolio of businesses including foods, retail, and plastics. The group is listed on the Saudi stock exchange. Its total workforce in Saudi Arabia and overseas is about 13,000.

The group is one of multinational food groups in Saudi Arabia. It has a wide portfolio of businesses including foods, retail, and plastics. The group has a market capitalization of Saudi Riyal, 5,000,000,000 and is listed on the Saudi stock exchange. Its total workforce in Saudi Arabia and overseas is about 15,000.

In 2002, the board was not satisfied by the group's formerly unsystematic CSR activities, and in 2004 adopted a strategic concept of CSR which made group contributions more organised and sustainable. This led to the integration of CSR into governance by establishing a CSR committee. Management perceived that this committee activated the board members' in implementing and adopting CSR practice within the group. The BOD consists of 11 NEDs and eight executive directors, including the Group's managing director. This complies with Article 12 of the CG regulation issued by Capital Market Authority. The Board is appointed by the general shareholders assembly for three years. The BOD's specializations are diverse includes administrative strategic planning, accounting, law, marketing, CG, HR, risk management, and mergers & acquisitions (Lamberti and Lettieri, 2009, Lee and Kim, 2009, Morsing and Perrini, 2009). The Group's CG structure includes six governance committees, with the membership of board directors includes; NEDs' specialists and executives. Group Board approved special charter for these committees in order to govern their responsibility and duties

Implementation of Environmental Performance Management

The group's environmental strategy is based on the concept that business's responsibility conducts its operational activities in a socially and environmentally conscious manner. The group is currently focusing on updating its environmental performance as part of its CSR strategy. This focus requires identification and implementation of effective ways to measure and reduce the impact of the group's operating activities on the environment, and is applicable for all its companies. Four of participants stated that their CSR strategy is based on the following key areas in order to safeguard the environment by reducing any deleterious impacts on materials, energy, water, biodiversity, greenhouse gas (GHG) emissions, products and services, and transport. The strategy complies with local environmental laws, regulations, and investments. This participant noted the importance of adopting a dedicated environmental management system (EMS) which can specify measure and mitigate risks associated with operational activities. An EMS is an organisation's approach to comprehensively and systematically managing its environmental impacts. Through data collection, documentation, planning, and implementation of programs and policies, the objective is to continuously measure and work towards minimising environmental impact (Vanhamme and Grobbsen, 2009, Vilanova et al., 2009, Yang and Rivers, 2009). In this context, the analysis of group document, one of the subsidiary companies of this highlighted the following:

- Campaigns to source the message that "hygiene", a "clean environment", and "safety" are everyone's duty
- Enhancing consciousness about creating the company "Clean, Green and Safe";
- Making and adopting the performance measures to monitor hygiene, environmental issues and safety necessities to guarantee compliance and improvement;
- Guaranteeing that "hygiene, environmental and safety" criteria fulfill with the Group's ethics & values as well as local and global standards.

Other two participant who is one of subsidiary company' executive (SCE) highlighted the contribution of one of the group's retail companies to environmental protection by recycling. This participant mentioned that company signed contracts with suppliers [that stipulate use of recyclable materials]. This helps us decrease operating costs in disposal of these materials and generate more revenue from such contracts, and also ensure the business sustainability of these actions. The retail company now recycles used vegetable oil into soap, sells expired or broken products for use as animal fodder, and sells used packaging materials for recycling into new products (Company Sustainability Report 2011–2012). Adopting these initiatives reduces environmental risks and consequences. Recycling plays a key role in reducing carbon emissions and efficient use of energy and raw materials. Recycling reduces resource disposal cost and operating costs; increase the revenue from such contracts with whose need these materials, therefore improving financial performance

Adopted Product Safety Standards

This group has adopted food protection and environmental rule to make sure that continuous improvement and effectiveness of its quality management system, which is obligated to produce high quality goods and services. This is in turn to satisfy both interior, outside clients and meeting

the environmental and legal rules. Two of participants revealed that company comply with relevant requirements, and the highest standards of food safety, manufactured under stringent conditions of hygiene and control through the implementation of ISO 9001:2008, ISO 22000:2005, ISO 14001:2004 and BRC systems. The following certifications are also applied ISO 14001 Environmental Management Systems; ISO 22000; OHSAS 18001-2007; SASO (Saudi Standards, Metrology & Quality Organization) and BRC (British Retailers Consortium). Applying the best CSR practices in production and in managing customer relationships requires adherence to many standards, including those of the ISO (Ramasamy and Yeung, 2009, Russo and Tencati, 2009, Seitanidi and Crane, 2009). The ISO promulgates technical standards which undertake development, manufacturing and product and service distribution more efficient and safe. This helps factories produce environmentally friendly products of high quality, which can ensure the satisfaction of customers and businesses alike. The group's interest in adopting such standards is indicative of its commitment to increasing the quality of its products and satisfying its customers. As the participant quoted above indicated, regarding increasing consumer perception of product quality, customers motivate the company to improve its image and products, and customer perception often includes social responsibility.

Implementation of Management Trainee Programs

The group's employee practices include a training management system that targets male and female employees in engineering, IT, management, marketing, legal services, financial services and sales. Company employees are qualified to join appropriate training courses relating to their work tasks, occupational and administrative development needs or planned job evolution (Ramasamy and Yeung, 2009, Russo and Tencati, 2009, Seitanidi and Crane, 2009).

Three of participant asserted that the group's management was concerned with employee development through key workshops and training opportunities in areas to improve employee capability, which thereby realising the group's strategy and ultimately improving financial performance as well as meeting the CSR needs of the company. This participant confirmed that company's management trainees program has produced several business leaders. Company purpose is to help new Saudi graduates to improve their managerial skills and become part of the group management team by rotation among different functions/departments, which has to be considered in order to improve the sustainability of the CSR activities. This participant believes that the management trainee program of training will enable employees to create business strategies, objectives and plans, which definitely lead to improved profit's group. Employees' value is in their skills and capabilities. If the company does not leverage and improve employees' capacities, it risks losing this vital resource. A company's investment in employee development and training is a recognized CSR practice (Vanhamme and Grobben, 2009, Vilanova et al., 2009, Yang and Rivers, 2009), helping to creating a competitive advantage through employee development. This development is reflected through employee performance in achieving the company's' goals, which yields better overall group' profit growth. They also revealed that this concentration on two social activities was the result of the group shifting from its original charity concept of CSR towards a sustainable and strategic concept. They also described how the group planned its social projects based on market research into existing social problems. He also revealed that the group's social legitimacy was its primary objective and not financial return. Nevertheless,

increased social legitimacy enhances company reputation which is a source of competitive advantage, and hence ultimately improves financial performance.

Another area of social responsibility relating to employees is support for people with disabilities through training and employment. According to the CSR report for 2010, the group established a center that provides program to train and employ persons with disabilities, and therefore ensures long term sustainability of the CSR initiatives which are undertaken by the firm. The group sent a select group of HR and production managers to Amsterdam to take part in a ‘train-the-trainer’ program facilitated by leading international consultants specialized in training persons with disabilities, a leading international consultant in the same field. Upon completion of the training program the trainees acquire the basic knowledge to become certified trainers for the program. Integrating disabled employee affairs into the corporate human resources strategy is also considered as a CSR practice toward a segment of the society which is in need for development and employment opportunities.

Supporting Community-Based Education and Health Initiatives

According to the CSR Report for 2013, the Group has implemented two main community-based CSR programs. One is an integrated project focusing on visual, hearing, and physical disabilities. The strategy aims to provide job opportunities for 500 people with disabilities. Another of the group’s initiatives in community responsibility is an educational program. The group has been a long-term supporter of the world's largest non-profit organization dedicated to educating students and preparing them for the real world. It has been operating in 127 countries and reaching over 10 million students annually on entrepreneurship, financial literacy and workforce readiness programs. It aims to make basic, middle school, high school and university students to deal with life's demands through improving their individual and practical skills.

Adopted Cg Codes and Processes

Participants in this group considered the group’s adoption of CG was evidence of its commitment to its shareholders, as only one participant highlighted the importance of adopting a CG system which aims to protect the rights of shareholders and investors. This compliance allowed shareholders to be aware of the company’s progress. This CFE emphasized that adopting CG increased the share prices during the 2006-2008 financial crises. They mentioned the “transparency screen”, a website which lists stakes of the top shareholders, investment funds, government, Board of Directors and executive management in one of the group’s major companies. This information is updated on a monthly basis, and ensures that all vested interests are well known. Innovative methods such as these improve communication with company shareholders and those interested in investing in the company. This is because it provides shareholders by transparent financial events which allow them to assess their investment in this group. The participant highlighted how this transparency screen increased shareholder trust and satisfaction. Increased transparency means greater shareholder confidence and hence more capital flow from investors.

DISCUSSION OF THE FINDINGS

Overall research results indicated that company engagement with various stakeholders via its CSR practices led to improved financial performance as CSR led to an increase in the popularity and public relations of the firm. Specifically, there were six important CSR practices emerged namely: community, environmental; customer and product; shareholders, employee and supplier practices have positively influenced in improving five financial indicators: reduction of operating cost; profit growth; improved cash flow; improved access to capital and sales growth.

Theoretically, the results of qualitative research support stakeholder theory and resource based view theory. Firm's capability to meet or even exceed the expectations of the stakeholders concerning social issues is what is termed as CSR practices according to stakeholder theorists are of considerable interest (Ziek, 2009, Carroll and Shabana, 2010, Russo and Perrini, 2010). Financial performance of a firm can be affected by how it communicates CSR to its stakeholders and satisfies them. Corporate financial performance can be influenced by different stakeholder groups' satisfaction (Orlitzky et al., 2003, Orlitzky et al., 2011). Stakeholders can be regarded to have three roles that are as follows: assess firms behaviors outcomes in terms of the way in which they met the expectations and influenced organizations and groups in their environment; experience corporate behavior effects (Ziek, 2009, Carroll and Shabana, 2010, Russo and Perrini, 2010). Finally, they are the origin of expectations regarding what creates undesirable and desirable firm performance, describing the norms for corporate behavior and to initiate innovation in CSR activities. Researchers are of the view that taking part in activities of social responsibility when these are anticipated to profit an organization is a behavior that may be scrutinized via the RBP lens (Ziek, 2009, Carroll and Shabana, 2010, Russo and Perrini, 2010). This is with regard to resource based view. For an organization to create sustainable competitive advantage it is necessary to effectively control and manipulate its resources and capabilities that are rare, valuable, which has no perfect substitute nor easily imitable. Some of these capabilities and resources can be created by a firm by engaging in CSR. The stakeholders of a firm therefore are viewed as individuals who have adequate power to affect its performance, place something of value at risk, and supply critical resources.

❖ ENVIRONMENTAL PRACTICES

Regarding these stakeholders, the environmental practices improved the financial performance by adoption of environmental management performance system, which can decrease the operating cost (reduced) in both case studies. The strong evidence was provided by participants in case study (A) that found that environmental management system helps the company to have a proper system for managing the CSR activities: In ensuring review and control of progress in all the SBUs and; in reducing the associated risks with its operational activities, greenhouse gas (GHG) emissions, energy use, water use, and material loss energy consumptions, in SBUs. In the line with literature, a number of authors clarified that that material loss, water use, energy use and Greenhouse gas emissions generate chances for an organization to tactically adjust production. These factors transform innovation into competitive advantage (Ziek, 2009, Carroll and Shabana, 2010, Russo

and Perrini, 2010). The sources which contribute to environmental performance and may concurrently improve industrial performance were identified. These sources included approaches to minimizing product system environmental impacts and for pollution prevention. Therefore, environmental management systems for pollution prevention (minimization of emissions, effluents and waste resulted in cost reduction and savings in resources due to technological developments (Nan and Heo, 2007, Harjoto and Jo, 2011, McWilliams and Siegel, 2000).

❖ PRODUCT AND CUSTOMER PRACTICES

The two case studies found that adoption of different products and customer practices based on each operational activities, lead to their customer's satisfactions. For example, in case study (A), they adopted process to separate the harmful materials during manufacture the main products. As result of these parties, this company improved two financial indicators, which are, reduction of disposal operating cost savings, and generating revenues through selling this harmful products to interested customers. In this regards, firms undertaking a proactive environmental management system redesign their delivery or production processes as well as physical resources to promote internal methods for operational efficiency and waste reduction. As long as firm provides an opportunity to outperform competitors and the new processes is exceptional, it may enjoy competitive advantage (Nan and Heo, 2007, Harjoto and Jo, 2011, McWilliams and Siegel, 2000).

Additionally, this case found that adopting two kinds of measurement to produce environment-friendly products and adopting practices of meeting client aspirations and ambitions in acquiring environmentally-friendly products, can lead to financial success by reducing the operating cost via reduce the consumption of water, energy and GHG emissions and enhance its effective use of utilizing raw material with high efficiency, increased revenues through meeting the customer's product speciation and requirements. Research indicates that the initiatives of CSR are less-imitable and innovative ways of strengthening the relationships of customers have to be considered. Some of the findings revealed that a positive relationship amid purchase behavior and CSR only when product itself of high quality exists, when there is a high firm to cause/ issue fit, and when the issue central to social responsibility efforts of the firm is supported by customers (Nan and Heo, 2007, Harjoto and Jo, 2011, McWilliams and Siegel, 2000).

One important aspect of their findings is that customers are more sensitive to "irresponsible" than to "responsible" corporate behavior. Since customers are more sensitive to negative information than to positive information, managers need to be aware of the risks of being perceived as socially irresponsible, and this can often be used as an excuse for CSR initiatives expenses (Ziek, 2009, Pedersen, 2009, Gjolberg, 2009, Luo and Bhattacharya, 2006, McWilliams et al., 2006, Cochran and Wood, 1984). An essential incentive, for an organization to undertake a social responsibility image is the pressure of customers. Habitually, an organization that has good reputation in the issues of social responsibility attracts customers (Luo and Bhattacharya, 2006, McWilliams et al., 2006, Cochran and Wood, 1984). For instance, if an organization recognizes and meets the demands for products' conducive environment, either through publicizing production process-related environmental improvements or introducing brand new products, it is likely to benefit. On the other hand, case study (B) found that adopted an environmental and food safety policy such as ISO 9001:2008, ISO 22000:2005, ISO 14001:2004 cannot influence the financial performance.

❖ EMPLOYEE PRACTICES

An employee practice is one of CSR practices have been highlighted by interviewees participating in the two case studies. The interviewees perceived that employees are one of main stakeholders that should be engaged by company via its CSR practices. In this context, most of interviewees participated in the case studies pointed out that adopting the training and education system or management trainee program concept led to profit growth through to main resources that are valuable: development of employee capabilities and; fulfilment and achievement of corporate strategic goals. Interviewees in case study added to knowledge that adopting rewards strategy system also enhanced profit growth through enhances employee productivity.

Competitive advantage can be generated by employee responsible practices, including those that improve capability on the quality of workforce, by developing skilled workforce that undertakes the business strategy effectively resulting to improved financial performance (Luo and Bhattacharya, 2006, McWilliams et al., 2006, Cochran and Wood, 1984). Moreover, socially responsible employment practices such as flexible work hours, education and health benefits for employees and respective families, training opportunities, a conducive working environment, fair salaries and wages, can directly benefit a firm through increased productivity and morale while reducing employee absenteeism and staff turnover (Groza et al., 2011, Arenas et al., 2009, Fassin, 2008). This cuts down on cost for recruitment and offering training to newly recruited employees. Therefore these benefits considered as a source of competitive advantage that leads to a valuable intangible asset which contributes to the enhancement of financial (Luo and Bhattacharya, 2006, McWilliams et al., 2006, Cochran and Wood, 1984).

❖ SHAREHOLDER PRACTICES

The finding of qualitative case studies also found that shareholder are one of the important stakeholders engaged by these companies' CSR practices. Interviewees involved within two case studies agreed that adoption of CG codes enhanced the financial performance by attracting capitals to be invested into operating activities, improved the stability of shares price during the collapse and increased cash flow. Findings indicated in this study that concepts of other shareholders practices outlined in the two case studies by the participants are same. Nevertheless these concepts are different in the way they are being implemented and as result of this, the initiatives of CSR are less imitable and an innovative way of strengthening the relationships of stakeholders of an organization (McGuire et al., 1988, Babiak and Trendafilova, 2011, Palazzo and Richter, 2005). For example, both case studies have emphasized on the importance of adopting transparency practices in providing the accurate information about the company position.

Participants pointed out that these transparency practices have benefited investor to undertake the rational decision, which in turn to improving share prices and flow capitals into operating activities. The strong example was provided by participants in case study (B), who indicated that their group has adopted the transparency screen to communicate any financial changes happened such owner equity changes, immediately to investors. This innovations methods establishes an

effective communication channel with company shareholders, which lead to increasing their confidence by reducing skepticism regarding the company's future and increasing share price (McGuire et al., 1988, Babiak and Trendafilova, 2011, Palazzo and Richter, 2005).

The case study (A) distinguished to the case (B), by adopting practices that enhance business transparency on social and environmental disclosures. This had attracted new investors to invest their capitals into company operation activities and to accentuate this with CSR activities (Groza et al., 2011, Arenas et al., 2009, Fassin, 2008). Besides financial performance, another major objective for a number of investors examining the portfolio of a corporation is to value the ways in which corporations meet their social responsibilities. This is with regard to the research studies by researchers respectively (McGuire et al., 1988, Babiak and Trendafilova, 2011, Palazzo and Richter, 2005). Investors' attention is shifted to include disclosure importance from merely financial orientation. The reputations of a company can be enhanced by social transparency through improvement of its social image that is often is regarded as a factor influencing the perception of investors (McGuire et al., 1988, Babiak and Trendafilova, 2011, Palazzo and Richter, 2005).

❖ Community Practices

The qualitative finding emphasized that supporting educational, technology and health initiatives towards the community led to improving company's social image, legitimacy and reputation which can be resources of enhancing competitive advantage that lead to financial success. More specifically, the strong evidence was proven by participants in case study (A), which indicated that their company has adopted one of innovative technology related to its operational activities from research center that it supported in their community investment initiatives. This adopted innovative technology has led to improve operation revenues. In obtaining essential resources or stakeholders support like community, CSR efforts can be instrumental, as highlighted in the literature (Sacconi, 2006, Vanhamme and Grobbsen, 2009, Arthaud-Day, 2005). This is in accordance with the literature instrumental stakeholder theory. With regard to the firm's resource-based view, for organizations to enhance their social image and build legitimacy social license to operate, they may invest in community. Social license enhance organization trust, brand, and reputation, which can be essential for an organization's continued operation, securing regulatory support, increased sales and expansion (Lattemann et al., 2009, Outtes Wanderley et al., 2008, Lamberti and Lettieri, 2009). Moreover, whenever organizations always communicate with the community, they will be capable of capitalizing on innovative opportunities and new market trend. Brand new business idea, partnering opportunities and sales leads which may be competitive advantage sources that improve business profitability and performance can be generated through investment of these companies (Lattemann et al., 2009, Outtes Wanderley et al., 2008, Lamberti and Lettieri, 2009).

❖ SUPPLIERS PRACTICES

The supplier was only detriment in qualitative findings of case study (A). The case of company (A) revalued that its relationship with its supplier was based on two types of practices:

- Adopting ethical codes and policies for supplier and;
- Establishing long term relationship with supplier.

Participants only indicated that a key financial benefit is associated with establishing long term relationship with supplier through reduction of disposing of environmentally unsafe material which in turn to affect positively on reducing operational cost at large. Research indicated that opportunities for business organizations to strategically alter production are generated by the long relationships of suppliers (Berens et al., 2007, Roberts, 1992, Mohr et al., 2001). Through capital and/or labor higher productivity suppliers transform innovation into competitive advantage, for instance, the need for machines and labor that handle waste can be reduced through waste reduction.

DEVELOPMENT OF NEW SCALE FOR MEASURING THE ADOPTION OF CSR PRACTICES

As it mentioned earlier, adoption of CSR practices is considered as company intention of meeting its stakeholder's expectations. To operationalize this construct, the scale developed through the support of theory and previous research on the topic, along with the findings of the qualitative stage of research. Table 3 illustrates the main findings of CSR practices adopted in this examination and its supported source. Therefore, according to findings of qualitative interview in case studies and literatures review, the new definition of CSR practices is referred to a company practices that involves participating in initiatives that benefit its stakeholder : environment, customer and product, shareholder, employee, community and supplier (Berens et al., 2007, Roberts, 1992, Mohr et al., 2001). Therefore, this research developed the well-established and multidimensional construct for the adoption of CSR practices. Table 4 proposed a new scale for measuring the adoption of CSR construct, which was based on a finding of best practices adopted in two case studies. This scale can be used as a useful tool for assessing organisational effectiveness Vis-a`-Vis practices related to environment and community-based, socially-oriented practices. The framework is also a useful tool for drawing together action plans for improvement and can provide significant assistance in steering organisations towards world class status as far as social responsibility and environmental practices are concerned. It is essential for companies to keep scale as their own checklists of important social issues, which they can regularly update in order to improve CSR initiatives. It could help the senior managers to gauge how far their company has to go to achieve the status CSR.

Table 3 illustrates: CSR practices adopted in this examination and its supported source

CSR sub-constructs	Source		
	Case study (A)	Case study (B)	Literature Review
Providing money to institutional charitable centres in the communities	Non	Strongly Supported	Supported
Improving quality of life in the communities where we operate.	Strongly Supported	Non	Supported
Support community initiatives (health, and education).	Non	Non	Supported
Incorporate environmental performance objectives in organizational strategies	Strongly Supported	Non	Supported
Financially support environmental initiatives.	Strongly Supported	Strongly Supported	Supported
Measure the organization's environmental performance.	Strongly Supported	Strongly Supported	Supported
Treat all employees fairly and respectfully	Strongly Supported	Non	Supported
Provide all employees with salaries and fairly reward them	Strongly Supported	Non	Supported
Support all employees for further education	Strongly Supported	Strongly Supported	Supported
Help all employees coordinate professional lives.	Non	Strongly Supported	Supported
Incorporate employees' interests into business decisions.			Supported
adopting a practices to enhance business transparency on social and environmental disclosures	Strongly Supported	Non	Supported
adopting policies and procedures that serve the shareholder right such as CG codes	Strongly Supported	Strongly Supported	Supported
Provide the shareholders with accurate and transparent information about company operating activities	Strongly Supported	Strongly Supported	Supported
Provide all customers with very high quality service.	Strongly Supported	Strongly Supported	Supported
Adopted highest safety and environmental regulations in the development of products	Strongly Supported	Strongly Supported	Supported
Complaints of all customers about the products or services.	None	Strongly Supported	Supported
Adapt products or services to enhance the level of customer satisfaction.	Strongly Supported	Strongly Supported	Supported
Provide all suppliers of products and services with a commitment to a future relationship.	Strongly Supported	Non	Supported
Adopted Ethical codes and Policies for supplier	Strongly Supported	Non	Non
Incorporate the interests of all suppliers of products and services into business decisions.	Strongly Supported	Non	Supported

CONCLUSIONS

There is a tendency to depend on performance assessment or opinions of stakeholders, given that it is challenging to gather actual measures, which has also been highlighted in the literature (Rodrigo and Arenas, 2008, Sen and Bhattacharya, 2001, Baden et al., 2009). Nevertheless, it is difficult to develop comprehensive measures of corporate social practices that actually address adoption performance. This is due to the fact that, in case we do less than this, we should not refer to it as social level for the company. Depending on the views of stakeholders may be a more dependable way of measuring the CSR practices as compared to other alternative methods, regardless of this apparent risk. A new scale for measuring the adoption of CSR practices was obtained in the current study based on board and management level views in two qualitative case studies. Subsequent to an elaborate emerging CSR practices was the development of the scale based CSR practices. A total of 21-item scale that reviewed six key stakeholders that included: suppliers, community, shareholders, employees, customer and product and environment, see table (4) need to be considered (Rodrigo and Arenas, 2008, Sen and Bhattacharya, 2001, Baden et al., 2009).

Current study contains some limitations that should be regarded in the course of generalizing the scale validity. To start with, not every stakeholder of any given business is covered by the scale (Lichtenstein et al., 2004, Lim and Phillips, 2008, Vilanova et al., 2009). Only a part of representative stakeholders were emerged from the findings of the case studies as earlier discussed. Nevertheless, a combination of the key stakeholders is contained in the scale in a balanced way. The scale also offers a beneficial tool to quantify CSR adoption. Methodologically, the study is limited to a short period of time, and a future study could undertake a long term ethnographic research to consider these issues in more detail (Lichtenstein et al., 2004, Lim and Phillips, 2008, Vilanova et al., 2009).

Given that the collected data was from two companies that were both based in one country, the generalization of the results may be based only on this particular country. Nevertheless, by considering the economic value in developing this construct, an insight into having a clear understanding of CSR in the current societies can be provided by the developed scale in Saudi Arabia utilized in measuring the adoption of CSR practices in order to improve the financial performance (Runhaar and Lafferty, 2009, Dahlsrud, 2008, Becker-Olsen et al., 2006). In order to verify scale reliability and validity, it is necessary to test more results quantitatively, despite the fact that current study results presented a plausible structure for the scale.

Table (4) Adoption of CSR practice

CSR Practice		Level of adoption				
		low	←————→			High
		1	2	3	4	5
		%	%	%	%	%
Community Practises	• Providing money to institutional charitable centres in the communities	.	.	.	.	.
	• Adopting policies to enhance quality of life in the communities where we operate.	.	.	.	.	.
	• Support community initiatives (health, and education).	.	.	.	.	.
Environmental Practises	• Incorporate environmental performance objectives in organizational strategies	.	.	.	.	.
	• Financially support environmental initiatives.	.	.	.	.	.
	• Adopting a practice to measure the organization's environmental performance.	.	.	.	.	.
Employee Practises	• Adopting a practice to treat all employees fairly and respectfully	.	.	.	.	.
	• Adopting a practice to provide all employees with salaries and fairly reward them	.	.	.	.	.
	• Adopting a practice to support all employees for further education	.	.	.	.	.
	• Adopting practice to help all employees coordinate professional lives.	.	.	.	.	.
	• Incorporate employees' interests into business decisions.	.	.	.	.	.
Shareholder Practises	• Adopting practice to enhance business transparency on social and environmental disclosures	.	.	.	.	.
	• Adopting policies and procedures that serve the shareholder right such as CG codes	.	.	.	.	.
	• Adopting policies to provide the shareholders with accurate and transparent information about company operating activities	.	.	.	.	.
Customer and product Practises	• Provide all customers with very high quality service.	.	.	.	.	.
	• Adopting highest safety and environmental regulations in the development of products	.	.	.	.	.
	• Adopting policies to satisfy the complaints of all customers about the products or services.	.	.	.	.	.
Supplier Practises	• Adapt products or services to enhance the level of customer satisfaction.	.	.	.	.	.
	• Adopting practice to provide all suppliers of products and services with a commitment to a future relationship.

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