Disbanding The Dark Side of Organizations: 
Towards an Understanding of Corporate Social Irresponsibility in the MENA region

Nabil Daoudi
Nabil Daoudi: nabil.elzahari@gmail.com * University of Victoria, Victoria, British Columbia, Canada

Craig P. Dunn
Craig Dunn: wilderprofessor@wwu.edu * Western Washington University, Bellingham, Washington, USA

Abstract: The discussion of corporate social responsibility (CSR) has tended to overlook corporate social irresponsibility (CSI) in global markets. This is particularly the case for discussions of the Arab world in which institutional elements such as wasta (to be defined later) and fatalism play a key role in both the conception and outcomes of CSI.

Keywords: corporate social irresponsibility; climate change; MENA; wasta

INTRODUCTION

According to the report in Science Journal, humans are altering the planet, including long-term global geologic processes, at an increasing rate. Species of flora and fauna are so stressed by human activities and increasing demand for rare earth elements and minerals that more than 75% of species of animals and plants could be gone within a few centuries (Waters et al., 2016).

As awareness of the level of environmental degradation facing the planet increases, and vulnerability associated with lack of ecosystem services perceived, more is being expected of its citizens to take both responsibility and action. The world is changing and businesses ought to recognize the opportunity that arise from corporate initiatives engaging directly with nature. Winn and Pogutz (2013) refer to this mutual relationship of impact and dependence as ‘organization ecosystem embeddedness.’ Global efforts are needed if we are to implement effective solution to save our deteriorating ecosystem.

Unfortunately, the efforts to green our practices are not uniform around the world. There exist environments where sustainable initiatives are not undertaken as Campbell (2007) detects a variance in socially responsible corporate behaviour across countries and asserts that CSR “may mean different things in different places to different people and at different times” (Campbell 2007, p. 950). The fact that “CSR practice develops within a specific social context” (Frynas, 2006, p. 17) highlights the potential of region-specific research to enhance our understanding of the causal elements of the variance aforementioned. This is a crucial undertaking if we are to implement truly global solutions to climate challenge. Therefore, the research conducted herein has the overarching goal to investigate dissimilarities that exist in socially responsible practices of firms around the world.

Background of the Problem

An increasing numbers of MENA countries facing water stress and scarcity, and land degradation (Global Environment Outlook 3, 2002). These are major environmental issues which repercussions can be felt across distant shores. Despite this, such social and environmental concern is not prevalent in MENA. A 2009 CSR survey of 106 leaders in the Middle East regarding attitudes towards and understanding of CSR by the Sustainability Advisory Group in the MENA region showed that a considerable proportion of business leaders surveyed rates poverty alleviation, water conservation, climate change mitigation and waste management and pollution as unimportant issues (20%). Moreover, about half of the participants stated that their companies are not effectively addressing the aforementioned issues. Knowing the importance of managerial values and attitudes towards CSR one can understand the limited participation of Arab
organization in the Arabia CSR network, with only 13 companies and half of these being foreign multinationals (Arabia CSR network, Annual report 2013).

We need firms around the globe to embark in sustainable development - a strategic capability that involves economic, social and environmental gains (Hart and Dowell, 2011). For this to occur, we need to understand what makes managers behave in an unsustainable way. Mere economic explanations are necessary but not sufficient; other normative explanations should be accounted for so that unsustainable minds unfreeze from their current state, reassess their practices, gain new perspectives and set the wheels of change out of the darkness of pollution into the lights of sustainability (Lewin, 1947).

From a humanitarian perspective, the focus on the developing world is entirely appropriate for social harm and environmental damage are more intensely felt in poor underdeveloped countries as they have a weak capacity to adapt to change and are thus more vulnerable to environmental and social threats (Global Environment Outlook 3, 2002). Their vulnerability emerges from the lack of institutions providing social goods (Visser, 2008). Under these adverse conditions, SMEs come under heightened expectation to fill these gaps for their potential to become sustainable enterprises that can harness the opportunities created by market imperfections and socioecological problems (Cohen and Winn, 2007).

Moreover, SMEs represent a significant portion of businesses worldwide (Jenkins, 2004a) and constitute 80 to 90 percent of total businesses in most MENA countries (Saleem, 2013). Hence, their collective CSI impact could be of great significance at the global scale (Cassells and Kate Lewis 2011) but fortunately, so too is their potential to contribute positively to the communities in which they are embedded.

**Research Question**

Unfortunately, there is still a negligible discussion of the notion of corporate irresponsibility in the CSR literature. The discussion of the antecedents and consequences of CSI behaviour is limited (Greenwood, 2007; Lange & Washburn, 2012) and so is the research pertaining to the relationship between CSI and corporate financial performance (Campbell, 2007). Additionally, the literature on local SMEs is also scarce as most studies have looked at subsidiaries of MNCs in the developing world (Frynas, 2006). Research on SMEs in developing countries fails to adopt a broad theoretical lens to examine the nature of the issues linking SME and CSR (Moore and Spence, 2006) and fails to account for the role of institutional arrangements in the variance of behaviors (Campbell, 2007).

Hence, the research idea here offered intends to fill this gap and explores the conditions under which local SMEs may be more likely to engage in socially irresponsible practices. The research questions to be pursued herein are: What is causing the persistent variance in sustainable behavior among organizations? What are the antecedents of CSI? To what extent is the effect of CSI on corporate image uniform across countries?

The primary explanation pursued will be concerned with SME’s inclination towards CSI; the likelihood of organizations to act in CSI and the factors affecting it. The position hypothesis in that specific institutional arrangements of CSI behavior and that such behavior can be clarified through a multidisciplinary investigation that comprises an assessment of varying levels of analysis (i.e. institutional and organizational level).

This paper is organized as follows. Firstly, a comprehensive exploration of relevant literature pertinent to the definition, antecedents and outcomes of CSI is discussed identifying knowledge gaps based upon under-studied themes. Following this, based on the literature review and the characteristics of the MENA region, and in light of institutional theory, social exchange theory, social capital and attribution theory, theoretical propositions and a conceptual model relevant to the MENA context that highlights CSI drivers at the firm
level and the effect of cultural manifestations on a firm level outcome of CSI (i.e. Corporate image) are presented.

LITERATURE REVIEW

Defining Corporate Social Irresponsibility

The history of CSI could be traced to the article written by Armstrong in the Journal of Business Research (1977) in which social irresponsibility is defined as “A socially irresponsible act is a decision to accept an alternative that is thought by the decision maker to be inferior to another alternative when the effects upon all parties are considered”. Fast forward three decades, the literature on CSI is short and the term is rarely discussed explicitly (Lin-Hi and Muller, 2013). According to a literature review conducted by Lin-Hi and Muller (2013), the discussion of CSI is aimed at its definition, antecedents, outcomes and ways of prevention. There exist different approaches to defining the term according to the lenses and positions of scholars but what all have in common is the highlight of the immoral, illegal and harmful aspect of irresponsible corporate actions.

The best definitions go beyond the mere presentation of examples of CSI (Fox, 1996; Frooman, 1997; Karmen, 1981; Sarre, Doig, and Fiedler 2001; Shwarze 2003; Christensen and Murphy 2004; DeMaCarthy, 2009; Ireland; 2010) to include other dimensions such as the stakeholders’ perception of what is deemed irresponsible behavior (Brammer and Pavelin, 2005; Tench, Bowd, and Jones 2007; Wagner, Bicen, and Hall, 2008; Williams and Zinkin, 2008; Lange and Washburn; 2012) and irresponsibility regardless of legality (Jones, Bowd, and Tench, 2009; Lin-Hi and Muller, 2013) and intention (Lin-Hi and Muller, 2013).

Accordingly, CSI can be divided into legal and illegal dimensions. However, legal actions are not always socially responsible and illegal ones may be tolerable among certain cultures (Lulewicz-Sas, 2013). Also, CSI can be divided into two forms: intentional and unintentional. Intentional CSI implies that corporations deliberately perform actions that disadvantage and/or harm others. Examples of intentional CSI include bribery, favoritism and planned obsolescence. Unintentional CSI is unanticipated harmful behavior that does not aim to achieve a particular goal but it is still condemned as it hints to the neglect and failure of firms to protect its stakeholders (Lulewicz-Sas, 2013).

Lin-Hi and Muller, (2013) provide the most well rounded definition of CSI which according to the authors causes disadvantages and harm to concerned stakeholders. It can be intentional/unintentional and legal/illegal. The violation of law is to be conceived of as a sufficient, but not a necessary condition for defining CSI.

CSI Outcomes

The research pertaining to CSI reveals that a company's broader social dimensions have a complex and multifaceted impact upon its own corporate image, its relationship with its stakeholders, and in the overall performance of the industry beyond the individual corporation. The overall impact of CSI can thus be subdivided into external and internal outcomes.

External Impact

CSI’s external impact can be understood as far-ranging and multifaceted. D’amato et al. (2009) observe: “Organizations are being called upon to take responsibility for the ways their operations impact society and the natural environment” (p. 1). This statement encapsulates the multiple ways in which instances of CSI can negatively impact an organization's external environment. Briefly, this impact can be understood as potentially
representing a threat to external natural ecology and environment; the function of business within the broader corporate world; and the impression that consumers have of the offending firm. Environmental and ecological destruction represents a key example. This impact not only threatens a company’s capacity for developing a positive public image, it also seriously compromises both popular impressions of the corporate world and the potential sustainability for continued human existence on the planet (Norse & Amos, 2010). While less far-ranging in its impact, CSI can also endanger the broader corporate world. Egregious examples of fraud, such as that carried out by the American energy firm Enron in the early 2000s, produce an environment hostile to corporate practice (Pearce & Doh, 2005) and thereby invite governmental regulation.

Internal Impact

In terms of CSI’s internal impact, factors such as fines and economic sanctions, employee dissatisfaction and broader organizational dysfunction, coupled with difficulties in terms of interfirm partnerships and cooperation all seriously threaten a company’s potential for corporate sustainability (D’Amato et al., 2009). A company involved in examples of CSI can expect to pay a large sum in terms of fines, penalties, and in terms of short-term stock performance (Goss and Roberts, 2007). While this represents a potential for short-term economic outcomes, it also pales in terms of other longer-term negative effects. A negative public image can last for a long time in the collective mind of the general public and often represents one of the hardest effects to mitigate and change (Ramus and Steger, 2000). Closely related to this, employee dissatisfaction and negative impressions of his/her employer often represents a potentially debilitating outcome (Bansal and Kandola, 2003). This effect impacts organizational function, harmony, and the potential for retaining valuable employees over a longer period (Ramus and Steger, 2000).

Gaps in Literature

Current discussions of CSI have effectively examined how instances of corporate irresponsibility impact a given company’s potential for sustainability in the longer-term marketplace (Wood, 2010). More specifically, these studies have analyzed how CSI impacts the organization’s longer-term economic outcomes, its capacity for maintaining optimal internal operating conditions, and in fostering positive relationships with other corporations, shareholders, and the broader public (Strike et al., 2006). The question of culture’s impact on CSI, however, represents an underrepresented area of research.

MODEL CONCEPTUALIZATION IN MENA AND THE MEDIATING EFFECT OF CULTURE

Effect of Institutional Context on the Cultural manifestation wasta

Theoretical Premise

According to institutional theory, organizations are shaped by three important institutional order pillars: regulative, normative, and cultural/cognitive (Scott, 2001). The regulative pillar involves rules and coercive mechanisms of sanctioning. Organizations maintain legitimacy by adhering to the rules and operating in legality. In the normative factors legitimacy is obtained via fulfilling moral obligations and in cultural pillar legitimacy entail demonstrating cultural support and shared lenses via which meaning is ascribed. Institutional theory will be used as a lens via which the important forces of the institutional field in the MENA region are presented and linked to the irresponsible cultural manifestation of wasta and the proliferation of CSI among SMEs. Hence, we focus on the role of the organizational characteristic ownership structure to explain firms’ engagements in CSI and to enable the identification of unique CSI antecedents other than those driven by economic goals. Such understanding would allow progress beyond the usual platitude about the economic argument explaining environmental performance of organizations: that it is poverty that drives firms to
Defining wasta

wasta refers to a process of mediation involving a middleman and two conflicting parties. Traditionally, Bedouin tribes practiced wasta to arrange peaceful solutions when conflicts arise. Despite its informality as an institutional practice, wasta is both salient and idiosyncratic, and is also regarded by most Arab nations as an influential force in most significant decisions and a foundation of most social organizations (Cunningham & Sarayrah, 1993). Over time, wasta evolved from its ancient tribal roots to become a national and organizational norm (Al-Rayis & Al-Fadli, 2004). Nowadays, it is not strictly limited to family and tribal networks but may also be practiced among friends, social clubs, religious groups, political parties, and other forms of acquaintances (Al-Rahami, 2008). Cunningham and Sarayrah (1993) distinguished two types of wasta, identifying one as mediation wasta and the other as intercessory wasta.

Mediation wasta. Mediation wasta encompasses traditional functions of mediation. As a result, it is frequently used in tribal settings to promote peacefulness and integration among individuals and groups in the community. In these contexts, wasta is beneficial and useful as a form of dispute resolution and governance because it promulgates trust-building and economizes transaction costs. Conversely, an alternate form of wasta exists but users employ it for significantly different reasons. Instead of utilizing wasta as a problem-solving methodology, some individuals use intercessory wasta as a type of rent-seeking behavior, where the wielder attempts to leverage their connections to achieve various objectives. Although the type of mediation used determines which wasta alternative is most appropriate, the boundaries between wasta typologies are sometimes blurred.

Intercessory wasta. The intercessory form of wasta is linked to social impact CSI because of structural power emanating from the gatekeeper position in the triad relationship, which makes wasta increasingly prone to cronyism, corruption, and/or rent-seeking behaviors (Loewe, Blume, Schönleber, Seibert, Speer and Voss, 2007). To illustrate, consider how favoritism often encompasses the granting of special privileges to friends, colleagues, or acquaintances. For example, if a manager favors a friend for a job position over other more qualified candidates because the friend has wasta, the manager accepts responsibility for the risks that accompany that decision. Loewe et al. (2007) explained that favoritism is not necessarily an issue when it involves a dyadic relationship, however, wasta is a triadic relationship. That being said, returning to the example of a manager who hires an unqualified employee on the basis of wasta, in this scenario the middleman is failing the principal and bears no risks. In fact, the middleman has everything to lose if not accommodating the request of wasta. The recipient of the favor does not have to reciprocate to the middleman, although the recipient is expected to grant similar favors to others in need when requested to do so. This is a form of generalized reciprocity and it can lead to a vicious circle of favoritism. (Khatri, Tsang & Begley 2006; Loewe et al., 2007).

Consequently, wasta significantly influences organizational decision-making and intercessory wasta permits individuals with influential family or financial power to benefit disproportionately. For example, job security, promotions, and university admissions are generally governed by personal and tribal relationships instead of professional competence or academic performance (Cunningham & Sarayrah 1994; Anwar & Chaker 2003; Rice, 2004; Hutchings & Weir, 2006) all of which makes for an unqualified and unproductive workforce (Al-Saggaf & Williamson, 2006).

Current State of wasta In The MENA Region

Sixty-five percent of employees in the second largest mobile telecommunications provider in Lebanon were hired through wasta (Ezzedeen & Sweircz, 2001). Also, in Jordan the mediocre quality of the business
climate, combined with its bureaucratic and unfair administrative characteristics, are all linked to wasta as well (Loewe et al., 2006). Despite the over-arching influence and social impact of wasta little research exists from a social science or business perspective (Cunningham & Sarayrah, 1993; Barnett, Yandle, & Naufal, 2013).

Traditional Arab values were modified in the 20th century and, although wasta remains a very common practice in most Arab countries, it functions significantly differently than it did originally. As a practice, wasta is not necessarily the problem, but its overuse can be very problematic as is its propensity to become a social impact CSI. The following sections explore why the institutional environment of Arab nations in MENA provide the motives, means, and opportunities necessary for participation in and benefiting from intercessory wasta.

Application of Means, Motive and Opportunity Model to wasta in MENA

According to the MMO model, organizational members weigh the benefit of irresponsible behavior against the consequences. If the benefits outweigh the costs, organizational members will more than likely engage in irresponsible behavior (Finney & Lesieur, 1982).

Motives. Put simply, a motive is a reason for doing something. Having a reason to support or contribute to wasta is a complex issue that involves many factors. Managers in MENA face a competitive global business environment riddled with challenges. Foreign competition, trade liberalization, the privatization of public services, and the increasing size, role, and responsibilities of the private sector represent only a handful of examples (Al-Shamali & Denton 2000; Abed & Davoodi, 2003). Moreover, wasta increases as competition becomes more intense (Cunningham & Sarayrah, 1993). In recent years, the use of wasta as intercession has become more prominent. This is particularly true when wasta is used to seek benefits from the government or when attempting to bypass the cultures of inefficient and corrupt civil service agencies (Farouson, 1970). Moreover, the social and economic difficulties countries face provide incentives for individuals to seek fortune by doing favors (Al-Rahami, 2008) and more likely to engage in intercessory wasta.

Means. Contributing to social impact CSI requires a motive, but individuals must also possess the means necessary for acting on that motive. Values can influence how individuals perceive and interpret various situations, which can subsequently affect their attitudes regarding the means of influence (Schwartz, 1996). The cultural groups from North Africa and the Middle East are especially high in conservatism and self-enhancement which help diffuse informal influence resulting in a greater commitment to wasta (Pines & Zaidman, 2003).

Opportunity. A multitude of opportunities exist in the MENA region. Personal and professional networks often serve as a conduit that can lead to wasta. Underdeveloped legal systems and weak democratic institutions are also prevalent which reduce barriers for those interested in practicing wasta (Jamali & Walburn, 2012).

In Conclusion, the combination of the aforementioned motives, means, and opportunities embody a setting prone to wasta practices that resemble nepotism, cronyism, and rentseeking. Hence:

Proposition 1: wasta is positively related to social impact CSI in MENA nations where conservation and self-enhancement values are most strongly endorsed, where competition and corruption are highest and where institutional legal frameworks are the weakest.
Organizational Characteristics as Antecedents of CSI in MENA

There is an interesting literature on organizational characteristics as potential determinants of CSR. The tendency is that large firms engage in more CSR (Stanwick and Stanwick 1998). Similarly, the maturity of an organization has also been linked to higher levels of CSR (Navarro, 1988). The argument is that contrary to small firms that are poor in resources and management capabilities (Gonzalez-Benito & Gonzalez-Benito, 2005), larger firms are motivated to engage in CSR because of their visibility and greater exposure to public pressure (Buehler, & Shetty, 1976). Also, the older firms are the more charitable they become as they accumulate resources (Chen, Patten and Roberts, 2007). Ownership too has been linked to increasing levels of CSR. Family firms engage in more CSR initiatives than non-family (Dyer & Whetten, 2006).

Although the SME sector has been described as hard to reach (Rutherford, Blackburn and Spence, 2000) few studies have investigated the link between SMEs organizational characteristics and CSR in the context of the developing world. Moreover, no study has investigated the link between ownership structure and CSI in the MENA region. The following argues that because of the institutional arrangement in MENA, the very organizational characteristics that are linked with higher levels of CSR in the literature are forces of CSI in MENA.

Ownership Structure

Ownership is highly concentrated in the MENA region with the majority controlled by families and the government (Omran, Bolbol and Fatheldin, 2008). Individuals in a position of power are more likely to be asked to grant wasa requests and even more so for owners of family businesses since family is the primary wasa channel. The legitimacy-seeking logic of managers will entail responding to claims of external stakeholders as the success of SMEs is related to the degree of legitimacy they enjoy in the communities where they are embedded. As such, managers of SMEs and public officials will be considered as potential mediators. In these settings, because of the salient ingroup identification norm in informal sectors within which SMEs are embedded, the refusal of granting or seeking wasa will have consequences on the reputation of managers because they will be perceived as failing to deliver on duties for which the group is seem to be entitled, and consequently risk losing face (Ronsin, 2010) and legitimacy.

Proposition 2: Ownership concentration is positively related to the use of wasa among SMEs in the Middle East and North Africa.

The mediating role of wasa: After discussing the relationships between wasa and CSI, and wasa and ownership concentration, it is argued that according to social capital, the privileges of wasa as a form of favoritism, and the effects of trust, social status and relationships on the preference of business behavior displayed by managers of SMEs, ownership concentration promotes wasa which in turn promotes CSI under the idiosyncratic institutional arrangements on MENA aforementioned. Therefore, ownership concentration as an organizational characteristic becomes an antecedent of social impact CSI in the MENA region. Hence:

Proposition 3: Wasa mediates the relationship between ownership structure and CSI; managers of highly concentrated SMEs in the Middle East and North Africa are more likely to engage in social impact CSI.

The following section intends to address the gap identified in the literature review of CSI outcomes by focusing on the inter-relationship between culture, CSI, and corporate outcomes. More specifically, the paper focuses on social impact of product harm crisis resulting in civil death in the MENA region.
THE MODERATING EFFECT OF CULTURE

The Effect of Fatalism on the Outcome of CSI

Climate change has made the weather unpredictable and thereof companies have to take responsible precautions to avoid continued environmental degradation. Companies that are involved in environmentally-related CSI, in our case a product harm crisis caused by devastating wind, should suffer negative outcomes in terms of corporate image and consequently suffer economic setbacks. However, the link between CSI and corporate image could be moderated by fatalism in the sense that people will attribute the cause of death linked to weather events to divine intervention and therefore not blame the company or the managers. Theoretically, based on a combination of attribution and stakeholder theory, sociocultural determinants unique to the Arab world can mitigate CSI’s potential impact.

Product Harm Crises

Product harm crises can be understood as instances of CSI in which a defective product harms consumers or results in an impact that can range in its dimensions and severity (Siomkos & Kurzbard, 1994). These instances can result in harm to the general public, negative consumer attitudes towards the firm, a loss of short and long term revenue, and the potential for lawsuits (Reilly, 1993). At times, however, these events can be construed as ambiguous if product harm can be understood as resulting from natural events or extenuating circumstances (Laufer & Gillespie, 2004).

Attribution Theory

Attribution theory examines public perceptions of negative outcomes, and the ways in which the populace may attribute a given event to circumstances beyond a company's control. Weiner (1986) defines the principle categories of attribution theory as relating to the location or source of the cause, the stability of a product or service prior to the event, and the capability the firm had in controlling or mitigating the outcome. Studies of consumer behavior suggest that public reactions can be influenced by a variety of sociological and psychological factors (Durrheim & Foster, 1997). Studies of consumers in the Arab world also suggest that this population has a higher tendency to ascribe causes for outcome to outside or mitigating factors than Western nations like the United States (Geerthofstede.com, 2015). For this reason, Arab consumers are more likely to attribute negative outcomes to extenuating factors, such as God’s will or influence, especially when factors like the weather have a role in events. As a result, fatalism, the belief that a higher power has an influence in the outcome of events, plays a significantly more important role than in Western cultures. Fatalism, according to Weathon (1990) attributes negative outcomes almost entirely to outside cosmic influences. For this reason, it can be posited that Arab consumer reactions to CSI-related events, such as instances of product harm crises, will be profoundly mitigated by fatalism (McPherson, 1983). Public reactions to the recent crane collapse in Mecca that resulted in 111 deaths and 394 injured can be regarded as a case in point. According to the official Saudi Press Agency of the government, the report of the accident investigation committee “concluded the absence of criminal suspicion and that the main reason for the accident is the strong winds while the crane was in a wrong position”. In other words, the construction company that owned and operated the crane is not liable for the disaster caused by its employees who have ignored safety protocols. Hence:

Proposition 4: The relationship between Social Impact CSI and corporate image is moderated by fatalism. The effect of social impact CSI on corporate image is weaker in countries high in fatalism and self-enhancement value.
CONCLUSION

In order to make the MENA region more sustainable, a consideration of the factors that influence CSI in general is essential. It is clear that organization managers do not take irresponsible actions in isolation. We have attempted to look at some of the organizational and institutional antecedents of corporate social irresponsibility among SMEs in MENA so that further research may propose ways to eradicate irresponsible behavior.

REFERENCES


Christensen, J. & Murphy, R. (2004). The social irresponsibility of corporate tax avoidance: Taking CSR to the bottom line. Development, 47, 37-44


