

**CORPORATE SOCIAL RESPONSIBILITY AND STAKEHOLDER
ENGAGEMENT: A CASE STUDY OF ARAB ORIENT INSURANCE
COMPANY**

BY

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ABSTRACT (MALAY)

Pada masa kini, tanggungjawab sosial korporat memainkan peranan penting dalam sektor insurans untuk menjamin keadilan sosial dan amalan moral. Kepentingan tanggungjawab sosial korporat dalam sektor insurans telah meningkat disebabkan pentingnya sosial korporat kepada pihak yang berkepentingan. Oleh itu, kajian ini bertujuan untuk menyiasat sifat penglibatan pihak-pihak yang berkepentingan dengan mengambil kira sosial korporat oleh Syarikat Insurans Orient Arab (AOIC). Dalam kajian ini, penyelidik mengkaji tanggungjawab sosial AOIC di tempat kerja, alam sekitar, pasaran, dan masyarakat. AOIC telah dipilih untuk kajian ini kerana penglibatannya yang luas dalam pelbagai jenis aktiviti sosial korporat di Jordan. Pendekatan kualitatif telah digunakan untuk menyiasat sifat penglibatan pihak-pihak yang berkepentingan sosial korporat oleh AOIC dari (17) responden yang telah ditemuramah. Keputusan kajian menunjukkan bahawa majoriti pihak berkepentingan berminat ke atas dimensi masyarakat lebih daripada dimensi alam sekitar. Bagi mereka yang berkepentingan pelanggan, responden berminat dalam pasaran lebih daripada dimensi lain seperti masyarakat, persekitaran dan tempat kerja. Bagi mereka yang berkepentingan pelabur, responden menunjukkan minat yang berbeza daripada responden yang lain iaitu mereka berminat dalam semua dimensi dan bagi pihak berkepentingan pekerja, responden menunjukkan bahawa mereka yang berminat di tempat kerja lebih daripada dimensi lain seperti masyarakat, persekitaran dan tempat kerja.

ABSTRACT

Nowadays, corporate social responsibility (CSR) is playing an important role in insurance sector to ensure social justice and moral practices. The importance of the corporate social responsibility in the insurance sector has been increasing due to the important of CSR to stakeholders. Hence, this study aims to investigate the nature of stakeholders' engagement with regard to CSR by Arab Orient Insurance Company (AOIC). In this study, the researcher studies the AOIC social responsibilities towards workplace, environment, marketplace and community. AOIC was selected as the case company due to its extensive engagement in different types of CSR activities in Jordan. A qualitative approach was used to investigate the nature of stakeholders' engagement with regard to CSR by AOIC from (17) respondents who were interviewed. The results of the study revealed that majority of the community stakeholders' keen interest on the community dimension more than environment dimension. For customer stakeholders, the respondents were interested in the marketplace more than other dimensions such as community, environment and workplace. For investor stakeholders, the respondent shows different interest from other respondents in that they were interested in all dimensions and for the employee stakeholders, the respondents show that they were interested in workplace more than other dimensions such as community, environment and workplace.

CORPORATE SOCIAL RESPONSIBILITY AND STAKEHOLDER ENGAGEMENT: A CASE STUDY OF ARAB ORIENT INSURANCE COMPANY

CHAPTER ONE

1.0 Introduction

Business organizations generally affect the society it is in as it operates within that society. Business organizations have been concerned with shareholder's interests in light of maximization of profits no matter what happens to the other stakeholder's interests until they realized that taking the other stakeholders' interests may have a greater advantage. Although there are some businesses that disregard other aspects of business and concentrate solely on their economic and legal responsibilities, many organizations on a global scale are increasingly adopting Corporate Social Responsibility (CSR).

Currently, many organizations have acknowledged that fact that working in cooperation with society works in their favor because in doing so, they gain customers, trust, improve their brand image and gain the support of governmental, social and environmental activists which may have a positive effect on their overall performance.

Some business investments pollute the environment as they lead to the degradation of resources. As some type of recompense, business organizations should attempt to solve some of society's issues as they have the power in their hands to do so. Jordanian organizations, owing to their country being one of the developing nations, are characterized as late adopters of CSR. However, in this day and age of dynamic global environment, awareness and activities towards responsible practices should be kept in consideration.

The present study involves the study of a single Jordanian insurance company, considered as one of the top companies in Jordan. The study aims to carry out an

investigation of stakeholder engagement in light of CSR initiative in Arab Orient Insurance Company and to shed a light on the results of adopting such an initiative in Jordan.

1.1 Background of the study

In this globalized world, no business can survive without support from the society as all businesses take place in the society and they impact parts of the society either in a negative or a positive way. In recent years, business organizations have started to realize that increasing their positive impact and decreasing their negative impact upon the society will lead to effective outcomes in the long run. Knowing this, and weighing in both the power of stakeholders and business, some business organizations opt for carrying out activities that are socially responsible and in adopting projects for social improvement even though this may mean a decrease in shareholders' returns in the short run while other organizations still opt for the contrary.

1.2 Research Problems:

Corporate Social Responsibility (CSR) is significant for any organization. Although the fact that there are some organizations who succeed in practicing CSR, some organizations are still debating about its benefits. This study thought about why some organizations succeed in it and how they perform it. Thus, it motivates us to investigate and answer of the main research questions below.

Stakeholder engagement also has a significant influence on firms' practices and operations. It can change firms' business behaviors and operational success (Khade &Wague, 2010). The companies need to concern with stakeholder groups and their survival and success

depending on the capacity to create values for these stakeholders by satisfying their demands and expectations. These stakeholders have demanded integrity, respect, standards, transparency, and accountability from companies

1.3 Research Objectives

The objective of this study is to investigate the nature of stakeholders' engagement with regards to corporate social responsibility initiative by Arab orient insurance company in Jordan.

1.4 Research questions

What is the nature of stakeholders' engagement about AOIC's CSR initiative within the four dimensions: market place, workplace, environment and community?

1.5 Significance of the Research:

The importance of this study emerges from the fact that this is the first attempt to tackle CSR initiatives from a stakeholders' perspective in an insurance sector which is considered a vital sector in Jordan. Also it will be the framework that fosters innovation in the insurance industry, serves national objectives, drives sustainability, increase the trustworthiness of a firm, strengthen relationships with important stakeholders and finally decrease transaction costs thus leading to financial gain.

This study will add value to the Jordanian literature specifically in the field of corporate social responsibility, since there are only a few studies in Jordan concerning this area as far as the researcher is aware. Also this study may be capable of generating further studies in the same

field.

Studying corporate social responsibility is very important especially in developing countries like Jordan because businesses are part of the social system. A local community has a strong impact on the survival of business since business derives some of its inputs like human capital from the community. Likewise, society has the expectation that the business will take active steps to assist it solve some of its social problems. When firms realize the importance of social responsibility to its existence; they will serve communities through adoption of social initiatives, which will provide social benefits to community members.

CHAPTER TWO

INDUSTRY PROFILE AND ANALYSIS

2.1 Insurance Sector in Jordan

Back in the 1940s, Jordan was characterized as a small country owing to its less population of only 400 thousand. However, economic challenges came following the Second World War owing to temporary halt in imports. Back then, insurance was not widespread with the exception of insurance of import credits which called for marine or road transportation insurance and the Ottoman bank took care of the details by insuring the credits with Eagle Star Company located in London for a 20% commission. The insurance market was incepted in 1946, when Mr. Ra'ouf Abu Jaber entered into a joint Egyptian-French Capital to develop an insurance agency which had an affiliation to the Egyptian Orient Insurance Company; a company established in 1921 in Cairo.

After a decade, insurance activity initiated in the field of car's insurance (car accidents) and marine transportation as Jordan was forced to unload goods at Aqaba port creating a need for strong transportation sector. Consequently, to meet the requirements arising at that time, insurance companies were set up. Jordan's Insurance Company was the first Jordanian insurance company in the early 1950s. In order to limit competition existing in the market and to curtail inefficient meeting of demands, the Association of Jordanian Insurance Companies with Mr. Ledger as the president and Messrs. Ra'ouf Abu Jaber and Ilias Habaib as managers.

A decade later, the Jordanian market experienced an unprecedented number of insurance companies after the Middle East Insurance Company was set up with 200 thousand Dinars as capital, followed closely by the establishment of the National Insurance Sharing Company.

In the 1970s-80s, the insurance sector increased to 33 companies, agencies and branches out of which 23 were local companies. All of the companies were working having a market volume of installment not over JD33 million. However, due to the economic downturn in the eighties coupled with both the increasing competition in Jordan's small market and the fall in insurance prices, many insurance companies faced huge losses which led to passing of the Government Issue No. 30, Insurance Practice Monitoring Act 1984. Article 56 of the Act halted the issuance of new licenses for Insurance companies while Article 6/a imposed an increase of the capital of the companies to JD600 thousand and urged companies to rectify their status either through a merger or by capital enhancement. As a consequence, the total number of companies decreased to 17 local companies and 1 foreign company in 1987. Following the episode of downsizing of companies, the situation was stable up until 1995, when law No. 9 was laid down and issued. The law allowed the establishment of new insurance companies and encouraged the increase in the Jordanian insurance companies beginning with JD2 million for direct insurance and JD20 million for those specializing in re-insurance. For foreign companies, the new law required the capital to be at least JD4 million.

Following the passing of the law, 8 new insurance companies were established totaling the number of companies to 25 local ones and 1 foreign one along with one company that was still under establishment. By 2000, the number increased to 27 insurance companies all in all, with the entire companies working in a small market in various levels. The sector now contributes 2.1% of the GDP with each individual's paid insurance not exceeding JD66.8

(US\$94) annually. This is considered as a minimal percentage and does not go in line with the income, culture and the modernity of the Jordanian society. Moreover, life insurances in 2010 account for 9.3% of the insurance market as opposed to 50% in developed countries. This percentage impacts the formation of savings' volume of life insurance (The Insurance Commission of Jordan / 10th).

2.2 Pestle Analysis of Insurance Sector in Jordan

Pester Analysis is an invaluable tool to use in studying a comprehensive picture of the environment in which the operation is taking place and for examining the opportunities and threats in the said environment. Through an understanding of the environment the opportunities can be highlighted and it is easier to tackle the threats.

2.2.1 Political Situation

The Jordanian government expends efforts to improve the country's insurance industry through the development of the private sector to reinforce the industry's institutional and regulatory structure. This leads to the following; economic development, job creation, product development and human resource development. The government supports and encourages the productive and service projects and investment.

2.2.2 Economic Situation

Currently, Jordan is pursuing heavy investments in the insurance sector which is viewed as a crucial sector in the country with a contribution of 2.1% to the GDP. Massive modernization of the financial regulation framework has been undertaken by the country throughout the past decade. In the insurance sector, these modernization efforts resulted in a new insurance law in

1999 which was amended in 2002 and the development of a novel independent Insurance Commission body and finally the various new regulations reinforcing the supervision over the sector.

The newly formed Commission is making progress in leaps and bounds in staff expansion, wide-ranging training program for skills enhancement, and the implementation of a multi-year action plan with the main goal of modernizing the regulatory framework and improving the sector's efficiency. The commission's core objectives include the expansion of the insurance industry's contribution to the economy and the maximization of public awareness concerning the benefits of life and general insurance. The new laws mandate the utilization of real licensing and financial solvency.

2.2.3 Sociological Situation

Jordan is a country having a low crime rate judging by international standards, with only petty crimes reported. The government of Jordan should develop vocational training programs and enhance them in order to meet the needs of the labor market. These programs should incorporate modern living skills like communication, dialogue, negotiation, arbitration and critical, creative and futuristic thinking as Jordan is characterized by a diverse community having various ethnic groups.

2.2.4 Technological Situation

Jordanian businesses are affected by constant technological development. These developments modify business operations whereby all the claims can now be followed up through the internet.

In addition, owing to the continuous development in the form of internet, information and modern communication systems, in Jordan, this provides the companies with a chance to leverage new technology to offer faster, effective and efficient services.

2.2.5 Legal Situation

The law underlying all insurance companies in Jordan offers third party liability coverage and has non-negotiable prices. This is viewed as one of the core long term structural challenges in the Jordanian insurance sector negatively affecting insurance industries. For instance, non-implementation of drug testing is disadvantageous for the car insurance industry and unless stricter laws are implemented to help prevent accidents, like drug testing, further accidents will not be prevented in the future and hence, the number of claims will increase in the future.

2.2.6 Environmental Situation

Insurance is a powerful policy tool to enhance the management of environmental risks. The insurance companies have been carrying out the evaluation of various environmental risks linked to climate change for many years. In most cases, it has been the driving force behind proactive environmental cooperation between insurance companies and the public sector.

2.3 Corporate social responsibility (CSR)

According to Epstein (1987), CSR achieves outcomes from organization decision concerning specific issues or problems which have beneficial rather than adverse effects upon pertinent corporate stakeholders, and the normative correctness has been the main focus of CSR.

But for Lawrence and her colleagues, (Lawrence et al. 2005), CSR means a corporation should be held accountable for any of its actions that affect people their communities, and their

environment. It implies that harm to people and society should be acknowledged and corrected if at all possible. It may require a company to forgo some profits if its social impact seriously hurt some of its stakeholders or if its funds can be used to have a positive social impact.

2.3.1 Workplace Dimension

The law requires companies to commit to ethical and legal behavior to their employees, to take part in voluntary social activities that improves the social welfare of their employees and to avoid practicing various forms of illegal discrimination against people in the aspect of employment relationship such as discrimination by gender, origin, or family. By law, the companies are also required to provide fair salaries, a healthy and safe workplace, and equal opportunities for rewards, fair employment and promotion, a comprehensive health insurance and respect and compassion during termination and lay- offs (Ebert & Griffin, 2007). Other voluntary activities that the corporations are encouraged and are free to engage in are granting loans on account payments, offering scholarships to employee's children, providing transportation, providing nurseries for working mothers' children, providing extra health insurance, providing residential projects, empowering and encouraging employees when it comes to critical issues, financing employees' marriages, assisting them in maintaining proper job skills through evaluation and training.

2.3.2 Marketplace Dimension

This dimension encapsulates stakeholders such as customers, suppliers, and competitors, marketplace responsibilities in the form of activities meeting social, ethical and legal obligations (European Commission; Accessed October 28, 2011) like honesty in contracts and dealings, and fair competition (Alghaby & Alamery, 2005), guaranteeing consumer rights, carrying out timely

financial obligations, providing quality products with reasonable fair prices, paying attention to customer's and suppliers' complaints, providing future schedules to suppliers, fair negotiation regarding delivery times, providing honest description of products, insuring customer feedback through instructions of product use, provision of contact address and number (Ebert & Griffin, 2007), providing suitable and tasteful advertisements and marketing (European Commission; Accessed October 28, 2009) and finally providing after-sale service (Essa, 2009).

2.3.3 Community Dimension

This dimension covers charitable donations, sponsoring of activities revolving around healthcare, culture or sport, supporting institutions for minorities like women, special needs persons, and youth. Moreover, this dimension also includes providing training to people from the local community, initiating dialogue with the community regarding adverse, controversial or sensitive issues involving the company, purchasing locally made products, encouraging employees' contribution and participation in local community's activities, assisting in finding solutions for social problems such as unemployment or natural disasters, providing funds for infrastructure projects, encouraging and sponsoring R&D in universities and colleges and paying particular attention in employing people in need (European Commission; Accessed October 28, 2009).

2.3.4 Environmental Dimension

This dimension encapsulates activities that help protect nature and the environment like delivery and utility of energy (Ebert & Griffin, 2007), pollution prevention, minimization of waste, and recycling (European Commission; Accessed October 28, 2009), carrying out education sessions regarding environmental issues, acknowledging distinguished workers through awards, participating in local or global environmental conferences, helping to educate people regarding

environmental awareness, working with the government to find solutions to environmental problems and providing support, financial or otherwise to help solve environmental issues (Aburshaid, 2006).

2.4 Corporate Social Responsibility and Stakeholder Engagement

According to Pater and Lierop (2006), Garriga and Mele (2004), stakeholder management tries to integrate groups with a stake in the firm such as: community, activists, nongovernmental groups, media and other institutional groups or stakeholders into managerial decision making, where these groups demand what they consider to be responsible corporate practices, and corporations seek corporate responses to social demands by establishing dialogue with a wide spectrum of stakeholders.

It is to be noted that the stakeholders' perspective which the dissertation adopts in its conceptual and empirical framework is widely acknowledged among concerned scholars and researchers

Business organizations are part of the society. And they are open to and interact with other society parts (Lawrence et al., 2005). Those other parts of society are dynamic parts, they are called stakeholders.

Stakeholders are defined as an individual or a group that has one or more of various kinds of stakes in business and those individuals or groups that can be affected by the actions, decision, policies, practices, or goals of the organization (Morsing and Schultz2006)

According to Lawrence et al. (2005), there are two types of stakeholders: 1. Market stakeholders who are those that engage in economic transactions with the company as it carries out its primary purpose of providing society with goods and services, and 2. Non-market stakeholders who are affected or can affect the company's actions, although they don't engage in direct

economic exchange with the firm. These two type of stakeholders are also called primary stakeholders, and secondary stakeholders (Davis and Frederick, 1985)

Figures (2-1) and (2-2) next page provided an explanation of the relationship between business organization and their stakeholders:

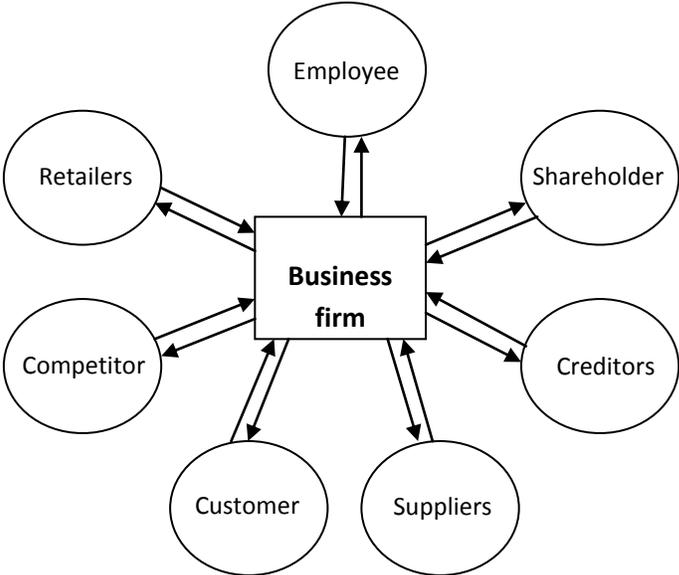


Figure (2-1): Business firm market (primary) stakeholders. Business and society: Davis and Fredrick, 1985, p.8, Mc Graw-Hill, New York (Davis and Fredrick1985)

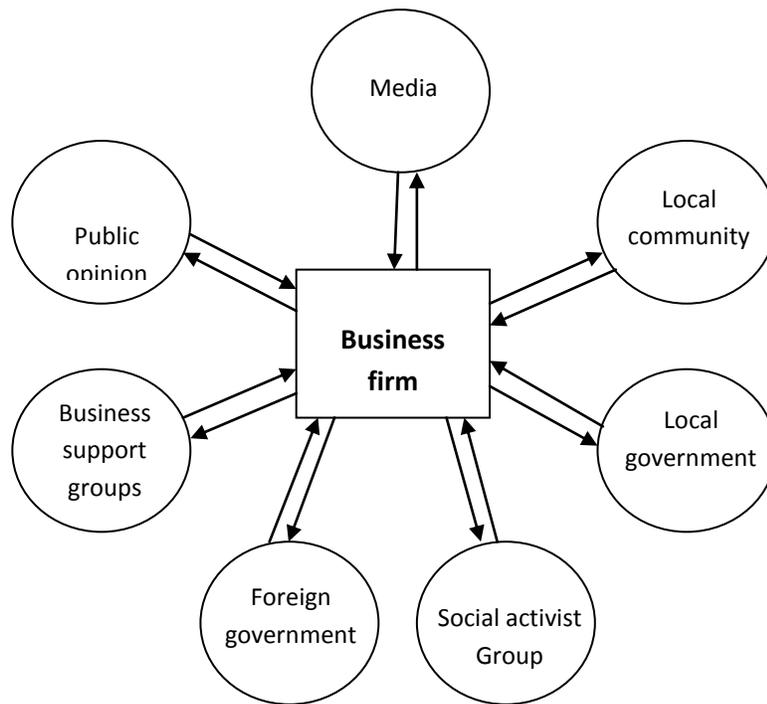


Figure (2-2): Business firm nonmarket (secondary) stakeholders. Business and society: Davis and Fredrick, 1985, p.9, Mc Graw-Hill, New York Davis and Fredrick (1985)

There is a natural fit between the idea of CSR and an organization’s stakeholders. The word ‘social’ in CSR has always been unintelligible and lacking in specific direction as to whom the corporation is responsible. The concept of stakeholder personalizes social or societal responsibilities by delineating the specific groups or persons who it should consider in its CSR orientation (Carroll 1991).

According to Carroll (1991), CSR is a combination of economic, legal, ethical, and philanthropic or discretionary responsibility. He portrayed the four components of CSR in a pyramid called the pyramid of CSR



Figure (2-3): the pyramid of corporate social responsibility: Carroll and Buchholtz (2006), p.39, Thomson/ Skouth- Westren Mason, Ohio (**Carroll** and Buchholtz 2006)

In the economic perspective, profit motive is the primary incentive. Business organization is the basic economic unit in society, and its role is to produce goods and services that consumers need and want to make an acceptable profit in the process.

In the legal perspective, business is expected to comply with the laws and regulations promulgated by governments as the ground rules under which business must operate, as a partial fulfillment of the "social contract" between business and society, firms are expected to pursue their economic missions within the framework of the law. Legal responsibilities reflect a view of "codified ethics" in the sense that they embody basic notions of fair operations as established by lawmakers.

Although economic and legal responsibilities embody ethical norms about fairness and justice, ethical responsibilities embrace those activities and practices that are expected or prohibited by societal members even though they are not codified into law. Ethical

responsibilities embody those standards, norms, or expectations that reflect a concern for what consumers, employees, shareholders, and community regard as fair, just, or in keeping with the respect or protection of stakeholders' moral rights.

In the philanthropic perspective, philanthropic responsibilities encompass those corporate actions that are in response to society's expectations that businesses must be good corporate citizens. This includes actively engaging in acts or programs to promote human welfare or goodwill; examples of philanthropy include business contributions to the arts, education, or the community.

Those components or kinds of responsibilities of business have always existed to some extent, but ethical and philanthropic responsibilities have just recently taken significant place, while the economic responsibility was the most powerful responsibility during the 1960's. Milton Friedman expresses this view stating that "The only responsibility of business is to make as much money as possible, within the bounds of Law (Frey 2007)".

Pater and Lierop (2006) took two perspectives towards the engagement of stakeholders in social responsibility, analyzed them and explained the advantage of third perspective that take a middle position between them. Taking IKEA the Swedish furniture company as a case study, the researcher concluded that the business organization needs to develop a genuine interest in its stakeholder's frames of references rather than exclusively relying on their own assumptions and beliefs, and the organization must undertake a joint action with its stakeholders to address the issue at hand.

Similarly, Morsing and Schultz (2006) outline stakeholder's theory with a focus on communication, linking stakeholders in relation to three CSR communication strategies:

informing, responding, and involving, and demonstration of several survey studies illustrating the communication challenge for managers and implication for managerial practice. The paper concluded by suggesting that communication CSR introduce a new complexity to the relationship between sender and receiver of corporate CSR messages, which entails a managerial commitment to involving stakeholders in the ongoing sense giving and sense making processes.

In a related study, Greenwood (2007) transcends the assumption that stakeholder's engagement is traditionally seen as corporate responsibility in action. This study argues that stakeholder's engagement must be seen as separate from but related to corporate responsibility. The logic of this argument is based on an analysis of the moral status of stakeholder engagement which showed that, although stakeholder engagement has moral element, it is primarily a neutral activity. Stakeholder engagement may be coherent with the moral treatment of stakeholders but it also may run counter to moral behavior.

Finally, Bird et al (2007) examine the extent to which a conflict actually exists between focusing solely in the interests of stakeholders and taking into account the interests of a wide spectrum of stakeholders by examining the relationship between a company's positive (strengths) and negative (concerns) corporate social responsibility (CSR) activities and equity performance. This paper suggested that the market is not only influenced by the independent CSR activities, but also the totality of this activities and that the facets that they do vary over time.

2.5 CSR in Jordan

Shashaa's (1991) study is an exploratory study whose objective was to highlight the subject of accounting of social responsibility in the industrial shareholding companies through three perspectives of related parties; the management of industrial shareholding. companies,

governmental and nongovernmental senior officials of interest of the study and Jordanian public accountants. The study sample consisted of 98 individuals from the three parties. The study concluded that there was a weak understanding of accounting system for social responsibility activities. All respondents agreed that there is a need for the recommended accounting system to contain the listed areas:

- a. Consumer protection activities.
- b. Human resources development activities.
- c. Community involvement.
- d. Environment and natural resources protection activities

Accordingly, E'lian's (1994) study attempted to realize the reality of social responsibility of Jordanian shareholding companies listed in Amman financial market and its affect on financial performance and to rate the companies depending on the level of social responsibility and social responsibility practices. He distributed questionnaire to all shareholding companies of Amman financial market which consisted of 112 companies. He concluded that the surveyed companies participated in social responsibility activities without clear philosophy toward social responsibility concept, and that there was a positive relationship between company performance and company adopting of social responsibility activities.

In a similar study, Al-Mershed (1999) attempted to determine the level of understanding of managers of social and ethical concepts and philosophy in the Jordanian industrial shareholding companies when practicing social and ethical responsibility. The study followed the analytical model where 156 questionnaires were distributed to high level managers in the industrial companies. The main result of the study revealed that the sample individuals were highly agreeable on the positive effect of CSR on their firm's performance. It also revealed the

existence of a negative relationship between practicing social and ethical responsibility and management financial obstacles.

In a related study, Abu Irshaid (2006) examined the effect of adopting social responsibility on the social, environment, and financial performance of private hospitals in Amman, and measured what extent private hospitals in Amman adopt CSR. This study followed the analytical descriptive model, referring to annual financial reports of (21) hospital of the years (2004, 2003, 2002). The study revealed that: private hospitals in Amman adopt CSR concept with a medium rate, and that there was a positive relationship between social responsibility and the financial, environmental, and social performance of hospitals. What can be questioned in this study is how we can consider social and environment performance as both subject to social responsibility when they are means of practicing social responsibility (Carroll and Buchholtz, 2006).

Finally, Hindiyeh's (2007) conducted an assessment of the current environment situation in the private sector in Jordan relating to three global compact principles: principle - businesses should support a precautionary approach to environment challenges, businesses should undertake initiatives to promote greater environment responsibility and businesses should encourage the development and diffusion of environment friendly technologies. The study concluded that there is no clear understanding regarding the global compact (GC), corporate social responsibility (CSR), corporate environmental responsibility (CER), environmentally friendly technology and clean production programs by Jordanian companies of different sectors

2.6 key terms

2.6.1 Corporate Social Responsibility: CSR refers to the accountability of the corporation for the actions it has taken that impact people in communities and the environment. It indicates that harm caused to people and society should be accepted and rectified if possible and this requires the company to let go of some of its profits if the social impact negatively affected the stakeholders or if the company's funds can be contributed to create a positive impact (Lawrence, et al., 2005).

2.6.2 CSR and workplace dimension: This refers to the commitment of the firm and its ethical and legal behavior towards its workers and its participation in voluntary social activities that improve its worker's social welfare. According to law, businesses are prevented from practicing illegal forms of discrimination against people in any level of employment relationship like gender, origin and family discrimination. Included in this are also salaries, health and safety conditions, equal opportunities for rewards, employment and promotion, health insurance, terminations and layoffs (Ebert & Griffin, 2007). All these activities are involved in the company's legal, ethical and social responsibilities.

2.6.3 CSR and marketplace dimension: This include activities meeting social, ethical and legal obligations (European Commission, 2009) including honesty in contracts, fair competition (Alghaby & Alamery, 2005), ensuring consumer rights, committing timely financial obligations, providing quality products with fair prices, taking customers and suppliers complaints into consideration, keeping suppliers informed of future schedules, negotiating with suppliers regarding times of delivery and fair prices, providing honest description of products, product labeling and providing address or telephone number to guarantee customer feedback (Ebert &

Griffin, 2007), taking societal habits and norms into consideration when marketing (European Commission, 2009) and providing after-sale services (Essa, 2009).

2.6.4 CSR and community dimension: This encompasses activities including charitable donations, sponsoring activities concerning health, culture or sports, supporting institutions regarding minorities like women, special needs, and youth. Providing training to local communities, facilitating open dialogue with locally community, dealing with controversial or sensitive issues involving the company, purchasing local, encouraging employees to take part in local community activities, contributing to the solution of social problems like unemployment or disasters, contributing to the building of infrastructure projects, supporting R&D in universities and colleges, prioritizing particular groups when employing such as needy people (European Commission, 2009).

2.6.5 CSR and environment dimension: This includes activities carried out to protect the natural environment like the delivery and use of energy (Ebert & Griffin, 2007), prevention of pollution, waste minimization, and recycling (European Commission, 2009), conducting educational sessions highlighting environmental issues, awarding distinguished workers in the area, participating in both local and global environmental meetings and conferences, educating people regarding environmental issues, cooperating with the government to solve issues pertaining to the environment and donating support to environmental issues (Aburshaid, 2006).

2.6.6 Stakeholders: Stakeholders are individuals or groups that have various types of stakes in the company's business or those individuals or groups who can be affected by the action and the decision of the company, its policies, practices or goals (Morsing and Schultz, 2006).

2.6.7 Community stakeholder: A group of people living near the location of the company is referred to as the community stakeholder. A community usually refers to a social unit that is bigger than a household and the individuals within share common values and practise social cohesion.

2.6.8 Customer stakeholder: This represents the group related to the company through its products and services. This includes clients, purchasers, consumers and end users.

2.6.9 Investor stakeholder: An investor is an individual who purchases assets to receive financial returns and who has an influential decision within the company. These assets include stocks, bonds, real estate, commodities and collectibles.

2.6.10 Employee stakeholder: This includes a group of people working in the company and who have a relationship with the company and is hired to perform specific duties.

2.6.11 Stakeholder engagement: This is a formal process of relationship management through which the company interacts with a group of stakeholders in an attempt to align their mutual interests, to minimize risks and to create balance between the companies financial, social and environmental performance.

2.6.12 CSR relational matrix: is analytical map which included vertical and horizontal axis to illustrate the CSR initiatives within the various stakeholders (Fernandez, et.al., 2009).

CHAPTER THREE

METHOD

3.1 Introduction

The present chapter explains the research methodology as well as the techniques utilized in the study. It specifies the justification for the method utilized and describes the factors affecting the development of research methods and procedures. Moreover, it also explains the methodological framework developed in the present study's data collection and analysis.

3.2 Research Design

Research design is considered as the study plan that provides the complete framework describing data collection, study steps and guidelines for systematic data gathering (Strauss & Corbin, 1997). A methodology on the other hand is a set of methods and procedures used by the researcher in an attempt to develop a systematic plan to achieve the defined research objectives (Glatthor, 1998).

The present research has its basis on a single method design consisting of qualitative approaches to examine the nature of stakeholders' engagement with CSR initiatives of AOIC. There are basically various differences between qualitative and quantitative methods. According to Creswell (2009), a quantitative method provides the opportunity to gather data from many people and it provides generalized results. On the other hand, the qualitative method allows the in-depth exploration of a only few people. Similarly, Richardson et al. (2005) stated that a quantitative research involves the analysis of numbers while a qualitative one involves the exploration of intangible variables resulting in a verbal description or an explanation of the

phenomenon being studied. The reason behind utilizing the combination of both methods in researchers is to support the research design and to get a complete overall view of the study being investigated.

The usual instrument used in the qualitative method is the interview while the in the quantitative method, it is the questionnaire. According to Cresswell (2009), in the qualitative method, the researcher depends on the views of the participants to the interview and it requires a considerable time in the study context enabling a detailed process of dialogue and reflection with the stakeholders. This represents a critical way of producing a valid representation of the engagement of stakeholders. The primary aim behind the present study is the investigation of the nature of stakeholders' engagement with regards to the AOIC's CSR initiatives.

The qualitative designs are shown in Figure (3.1,) this diagram shows the data collection procedures on qualitative methods. It shows that the researcher will be use the interview under the qualitative method to answer the research question.

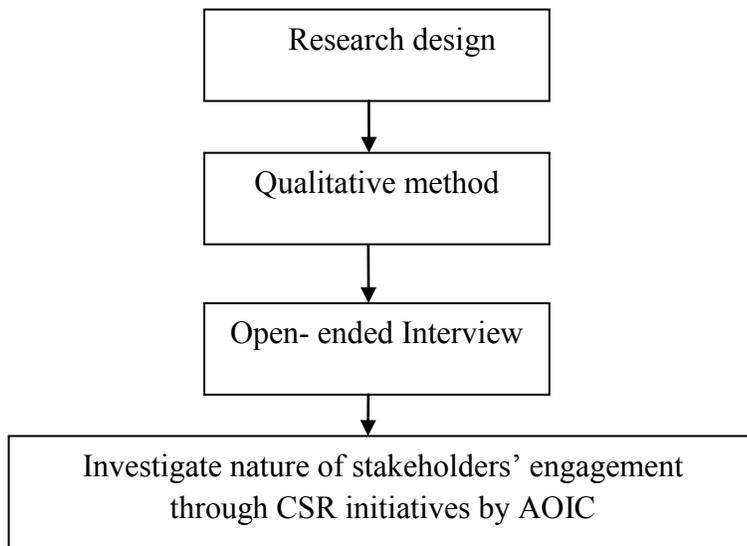


Figure 3.1 Research design