NATIONAL CULTURE AND CORPORATE SOCIAL RESPONSIBILITY: A CASE OF SAUDI ARAMCO

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LIST OF ABBREVIATIONS

3P	People, Planet and Profit (Approach)
CASOC	California Arabian Standard Oil Company
CEO	Chief Executive Officer
CIA	Central Intelligence Agency
COVID-19	Coronavirus Disease of 2019
CSR	Corporate Social Responsibility
ESG	Environment, Social, and Governance
GCC	Gulf Cooperation Council
GDPPC	Gross Domestic Product per capita
IDV	Individualism versus Collectivism
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IKTVA	In-Kingdom Total Value Add
IPO	Initial Public Offering
ISO	International Organization for Standardization
ITC	Industrial Training Centers
IVR	Indulgence versus restraint
JV	Joint venture
KPI	Key performance indicator
KSA	Kingdom of Saudi Arabia
LIDD	Local Industrial Development Department
LTO	Long-term orientation versus short-term orientation
MAS	Masculinity versus Femininity
MBS	Mohammed bin Salman
MENA	Middle East-North Africa
MNCs	Multinational Corporations
NGLs	Natural Gas Liquids

NGO	Non-Governmental Organization
NTP	National Transformation Program
PDI	Power Distance Index
PIF	Public Investment Fund
PKN	Polski Koncern Naftowy
SABIC	Saudi Arabian Basic Industries Corporation
SAR	Saudi Arabian Riyal
SME	Small-Medium Enterprise
TBL	Triple Bottom Line (Theory)
UAE	United Arab Emirates
UAI	Uncertainty Avoidance Index
USA	United States of America
WEF	World Economic Forum
WTO	World Trade Organization

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BUDAYA KEBANGSAAN DAN TANGGUNGJAWAB SOSIAL KORPORAT: KES SAUDI ARAMCO

ABSTRAK

Kajian ini meneroka bagaimana perubahan budaya kebangsaan mempengaruhi amalan Tanggungjawab Sosial Korporat (CSR) seiring masa di Arab Saudi. Walaupun penyelidikan akademik mengenai CSR telah berkembang pesat, kebanyakan kajian dilakukan di negara maju, manakala topik ini masih kurang dikaji di Timur Tengah, terutamanya di Arab Saudi. Beberapa kajian telah dijalankan di negara ini untuk menyelidik CSR serta hubungannya dengan budaya kebangsaan. Namun, faktor-faktor penyumbang yang menyumbang kepada CSR dan bagaimana amalannya berkait menpegarahui dengan perubahan besar dalam budaya tempatan sering diabaikan, khususnya dalam konteks Arab Saudi, sebuah ekonomi berkuasa yang asalnya bergantung berdasarkan pada sektor minyak, kini bertransformasi pantas pesat menjadi ekonomi lebih pelbagai dan kurang bergantung pada minyaksumber tersebut. Kajian ini menggunakan pendekatan teori berasaskan grounded theory secara kualitatif melalui kes Saudi Aramco untuk mengisi jurang literatur, dan mencadangkan bahawa CSR bukanlah tindak balas reaktif terhadap tekanan luaran, tetapi satu amalan proaktif yang digerakkan secara dalaman selaras dan selari dengan matlamat strategik negara. Konsep baharu Aramco iaitu "CSR Kewarganegaraan" mencabar pandangan konvensional CSR berasaskan pematuhan, dengan menunjukkan bagaimana syarikat dalam ekonomi yang sedang berubah boleh mentakrifkan semula CSR dan amalannya sebagai alat instrumen pembinaan pembangunan negara, bukan sekadar memenuhi keperluan institusi. Repatriasi

pemilikan korporat (kebangsaanisasi) dari entiti asing kepada tempatan telah mengalihkan CSR daripada berorientasikan amal atau digerakkan kerajaan kepada fokus pada pembangunan komuniti. Selain itu, transformasi ekonomi kabangsaan melalui Wawasan 2030 mengukuhkan budaya kabangsaan di Arab Saudi, seterusnya melahirkan bentuk baharu CSR yang berasaskan kepentingan kabangsaan, melebihi mengatasi kepentingan korporat, dan berfokus pada merealisasikan wawasan serta strategi negara. Kajian ini mencadangkan peranan penting organisasi Arab Saudi dalam membentuk dan melaksanakan strategi negara melalui amalan CSR mereka, yang boleh berfungsi sebagai alat strategik untuk pembangunan kebangsaan serta menjadi contoh untuk ekonomi lain yang sedang berubah. Penyelidikan ini diharap dapat membuka ruang perbincangan dalam bidang amalan CSR di ekonomi yang sedang bertransformasi, satu topik yang masih kurang dikaji, dan mencadangkan laluan penyelidikan masa depan mengenai interaksi antara dinamik budaya kebangsaan dan amalan CSR di ekonomi membangun lain yang mengalami perubahan serupa. Kajian ini juga membawa implikasi penting untuk sektor swasta dan pembuat dasar dalam konteks ini.

NATIONAL CULTURE AND CORPORATE SOCIAL RESPONSIBILITY:

A CASE OF SAUDI ARAMCO

ABSTRACT

This research explores how national culture changes influence corporate social responsibility (CSR) practices over time in Saudi Arabia. While academic research on CSR has developed considerably, most of this research has been undertaken in developed countries, and the topic remains under researched in the Middle East, particularly in Saudi Arabia. A few studies were carried out in the country to investigate CSR, and its relationship with national culture. However, the contributing factors to CSR, and how its practices might be related to major changes in local culture are overlooked, especially in the context of Saudi Arabia, an economically powerful, originally oil-based economy, transforming rapidly into one that is more diversified, and less dependent on oil. This study uses a qualitative grounded theory methodology through the case of Saudi Aramco to address this gap in literature, and suggests that CSR is not a reactive response to external pressures, but a proactive, internally-driven practice aligned with national strategic goals. Aramco's new concept of "Citizenship CSR" challenges the conventional compliance-based view, illustrating how firms in transforming economies can redefine CSR and its practices as a tool for nation-building rather than institutional conformity. The company's repatriation of corporate ownership (nationalization) from foreign to local shifted CSR from being charity-oriented or government driven to being focused on community development. Additionally, national economic transformation brought by Vision 2030 strengthened the national culture in Saudi Arabia, which in turn dictates a new CSR of a

national interest-based nature that exceeds the corporate interest, focused around realizing national vision and strategy. The research proposes a major role by Saudi Arabian organizations in shaping and implementing the national strategy through their CSR practices, which could serve as a strategic tool for national development and be a role model for other transforming economies. The research is hoped to open a door for discussion in a widely under-researched area around CSR practices in transforming economies, suggests future research avenues in the interplay between national cultural dynamism and CSR practices in other emerging economies undergoing similar transitions, and brings along further implications for private sector and policy makers in this context.

CHAPTER 1

INTRODUCTION

1.1. Background

From the beginning of the twenty-first century, it has become even more significant for companies to perform and act in a responsible manner according to the guidelines of corporate social responsibility (CSR) (Adams & Zutshi, 2004; Maqbool, 2015). CSR has taken strategic importance in the corporate world, as well as other interest groups today (Maqbool, 2015). Globalization has resulted in companies becoming more and more international, and this fact leads to bigger responsibilities towards the global environment and the communities (Ioannou & Serafeim, 2016). As a matter of fact, recent time is witnessing an increasing interest in understanding corporate social (and environmental) responsibility (CSR) (Tilt, 2016), so that the CSR concept has become one of the standard business practices of our time (Tennant, Financier Worldwide, 2015), and is gaining immense importance for the various stakeholders of the society (Maqbool, 2015). The world view is converging towards pursuing economic goals in line with the social and environmental goals and there is a renewed interest in CSR (Aguinis & Glavas, 2012; Serenko & Bontis, 2009; Carroll & Shabana, 2010; Peloza & Shang, 2011; Carroll, 2008; Khan et al., 2013).

The Middle East-North Africa (MENA) region, including Saudi Arabia, has witnessed rapid economic, political, and demographic changes, making it an increasingly important market for global businesses . Saudi Arabia, the largest economy in the Arab world and the world's leading oil producer, has historically been driven by oil revenues

(Nasri & Collazzo, 2016). The Kingdom of Saudi Arabia, from which the case study of this research has been selected, belongs to the Gulf Cooperation Council (GCC) region, one of the richest and fastest growing world spots. Through the wise taking advantage of its plentiful lubricant and liquid gas reserves, Saudi Arabia has existed smart to rank many of its evolving matches in the past half-centennial concerning financial development (UNDP, 2002), and has enhanced a bigger regional and all-encompassing business-related capacity (Nasri & Collazzo, 2016). Firms in developing countries in general, including the Middle East, are still in the early stage of their awareness and integration of CSR activities within their corporate policies and strategies (Mandurah et al., 2012). Since the early 2000s, there was a significant rise in CSR awareness in the Middle East (Rettab & Mellahi, 2019), and a new perception of CSR started gaining hold. As the largest economy in the Arab world, and the world's largest oil producer, Saudi Arabia has started paying attention to CSR, and has begun to show greater commitment to instituting CSR guidelines and programs (Abro et al., 2016).

Historically, CSR in Saudi Arabia was predominantly philanthropic, often linked to religious obligations such as zakat (charitable giving), and manifested in sporadic donations to local communities, health campaigns, and educational initiatives (Saleh, 2020). These efforts were largely unstructured, voluntary, and lacked integration with corporate strategy. For example, companies such as SABIC and Al Rajhi Bank occasionally sponsored community events or funded mosque construction, but such practices were not tied to long-term development goals or sustainability agendas.

Firms in developing countries in general, including those in the Middle East, are still in the early stages of awareness and integration of CSR activities within their corporate strategies (Mandurah et al., 2012). Since the early 2000s, there has been a significant rise in CSR awareness in the Middle East (Rettab & Mellahi, 2019), and a new perception of CSR has started gaining traction. As the largest economy in the Arab world and the world's largest oil producer, Saudi Arabia has begun to show greater commitment to formalizing CSR through structured guidelines and programs (Abro et al., 2016).

However, the country is undergoing significant structural transformation driven by the Saudi Vision 2030 initiative, which aims to reduce dependence on oil and diversify the national economy. This national transformation has elevated CSR from its former philanthropic roots to a strategic, proactive component of corporate governance, particularly among major corporations like Saudi Aramco (Blazquez et al., 2017).

This research attempts to shed light specifically on CSR practices as they possibly change with national culture in the specific geographic context of Saudi Arabia. In recent years, the country has experienced considerable economic growth due to increasing oil prices and ongoing reforms. (Al-Emad & Nagapan, 2015; Islam et al., 2016). Rapid changes took place as a result of the major decline in oil prices following the 2008 financial crisis. In April 2016, the Kingdom of Saudi Arabia (KSA) announced its Vision 2030 strategic plan incorporating major changes to the economic structure of the country (Vision 2030, 2016; Blazquez et al., 2017). The Vision's program aimed to modernize Saudi society, and bring it more into line with the rest of the world (Vision 2030, 2016). The research addresses the country's geographic context, its roles as a major Middle

Eastern economy and the world's major oil producer, and the significant changes which the country has encountered since 2016's Vision 2030 which gave way to its strategic transformation into a less-oil dependent economy. The growth of non-oil revenues in the country was confirmed with Saudi Arabia's 2019 budget, coupled with the launching of multiple giga construction projects like Neom, the Red Sea Project, and Qiddiya Entertainment City, transport and mobility schemes such as Riyadh Metro, social infrastructure developments such as the Ministry of Housing's Sakani program; and energy megaprojects, such as Aramco's Berri and Marjan oil fields.

Saudi Arabia has undergone a series of significant changes across industries and issued a chain of decisions that reflect Vision 2030. Saudi Aramco itself, the country's major oil company, has announced a change in its vision and corporate strategy, having changed itself from an oil company into an energy organization. In line with this, the company successfully completed its share acquisition of a 70% stake in Saudi Basic Industries Corporation (SABIC) from the Public Investment Fund (PIF), the sovereign wealth fund of Saudi Arabia, for a total purchase price of SAR 259.125bn (USD 69.1 billion), equating to SAR123 39 price per share, in one of the biggest deals in the global chemical industry (Reuters, 27 March 2019, Reuters, 17 June 2020). Saudi Aramco's healthcare settled a joint venture established in 2014 with John Hopkins Hospital (Johns Hopkins Medicine, 2014), to crown decades of offering top quality healthcare to its employees and the Saudi community. The CSR practices were crowned in 2017 by the launching of the King Abdulaziz Center for World Culture (Ithra'a), built and operated by Saudi Aramco and inaugurated by King Salman bin Abdulaziz on December 1, 2017. The center is currently the company's main CSR initiative, with a focus on culture,

learning and cross-cultural activities, and incorporates a museum, children's museum, library, cinema, theater, and exhibition halls.

Despite these changes, the academic literature continues to lack a focused analysis of how national cultural evolution in Saudi Arabia influences CSR practices. This gap persists due to several factors: (1) most prior studies have employed Western theoretical frameworks without contextual adaptation; (2) research has often focused on CSR in developed economies, overlooking emerging economies with distinct socio-cultural dynamics; and (3) limited access to corporate data and stakeholders in Saudi Arabia has constrained empirical inquiry.

This chapter starts with a brief background about the CSR with highlights on its concept and importance, Saudi Arabia as an interesting geographic context, presents the problem statement represented in what most researchers address in relation to this study, and the major gap in literature. With this background, this chapter outlines the research objective, research question and research scope, and elaborates the significance of the research that justifies its existence. Finally, the chapter concludes with a definition of the key terms being National Culture, Corporate social responsibility (CSR), CSR Practices, and Nationalization.

1.2. Problem Statement

During the past two decades, academic research on CSR has developed considerably (Frynas & Yamahaki, 2019). Most of the CSR research; however, have been undertaken in the developed countries, such as Western Europe, the USA and Australia. The MENA region is one of the most interesting world markets, of which the Gulf

Cooperation Council (GCC) region, one of the richest and fastest growing world spots, and Saudi Arabia has become a major regional and global economic power (Nasri & Collazzo, 2016). Literature gives evidence that there are huge differences in the perception of social responsibilities in different countries, which can be traced back to culturally specific models of social responsibilities (Fassin et al., 2015). Saudi Arabia is moving at considerably high speed towards nationalization, after a long period of having employed expats as top executives across various industries. However, how the changes in the nationality of the top management, from foreign to national, and/or the religion from non-Muslin to Muslim, induced changes in CSR practices is not yet clear and largely overlooked.

Saudi Aramco, as the largest integrated Oil and Gas Company globally and a majority state-owned enterprise, presents a unique and critical case for exploring these dynamics. The company has a rich history of CSR engagement dating back to environmental policies in the 1960s, even before CSR became a formal concept. Its CSR activities have evolved from informal philanthropic efforts to a centralized Corporate Citizenship division established in 2009, guided by four strategic pillars: Economy, Environment, Knowledge, and Community.

Academic research on CSR has developed considerably, as shown through reviews by Aguinis and Glavas (2012) and Jamali and Karam (2018), so that considerable knowledge has become available covering the drivers and influences on CSR (Aguinis & Glavas 2012), the business case for CSR or the organizational value of CSR (Carroll & Shabana, 2010), the contextual diversity of CSR, and the psychological underpinnings of

CSR (Glavas, 2016), among others (Frynas & Yamahaki, 2019). Most of the CSR research; however, have been undertaken in the developed countries, such as Western Europe, the USA and Australia, and there is need for more CSR research in the developing countries (Khan et al., 2013), with the Middle East in general, and Saudi Arabia in particular. Literature gives evidence that there are huge differences in the perception of social responsibilities in different countries, which can be traced back to culturally specific mental models of social responsibilities (Fassin et al., 2015) or distinctive political traditions, government policies, or regulations with regard to the social responsibilities of business (Doh & Guay 2006; Frynas & Yamahaki, 2019). While literature is characterized by an abundance of research performed on the relationship between culture and CSR.

National culture is acknowledged as a fundamental parameter defining and explaining differences in organizational value systems (Hofstede et al., 2010). Hofstede's cultural dimensions theory shows the effects of a society's culture on the values of its members, and how these values relate to behavior, using a structure derived from factor analysis. A recent wave of conceptual and empirical studies attempts to assess and highlight national specificity perspectives of CSR, and emphasizes that it represents a global idea influenced and shaped by national cultural, socioeconomic and political dynamics (Roome, 2005; Campbell, 2007; Matten & Moon, 2008; Gugler & Shi, 2009; Jamali & Neville, 2011). Studies indicate a causal relationship between aspects of national culture and socially responsible business conduct (Thanetsunthorn, 2015). The issue of national cultural dynamism, what circumstances could change national cultures, whether and how changes in economic philosophies might have any impact on national cultures, and how these possible changes might shape CSR practices, has been found to be a gap in

literature which this research is attempting to address. Despite the significant economic development, there is a lack of empirical research on how national cultural shifts, especially the nationalization of management and social transformation, influence CSR practices in Saudi Arabia.

The nationalization of top management in Saudi Arabia, which is occurring after a long history of employing expatriates, is an emerging issue that has not been sufficiently addressed in existing CSR literature. The shift in management from foreign to national control combined with changes in the demographic, religious, and cultural landscape has the potential to significantly alter the way CSR is practiced in Saudi organizations. However, the impact of such changes on CSR practices has largely been overlooked, particularly in relation to how national culture, shaped by factors such as religion, governance, and societal norms, influences corporate behavior.

Additionally, there can be differences in the concept of CSR across different industries (Muthuri & Gilbert 2011; Frynas & Yamahaki, 2019). Moreover, as Saudi Arabia transitions from an oil-dependent economy to a more diversified knowledge-based economy under its Vision 2030 strategic plan, there have been profound social and cultural changes. These transformations, especially in areas such as gender empowerment, youth engagement, and national identity are expected to redefine CSR strategies, yet little research has been conducted to explore how these changes contribute to CSR practices. Notably, the gap in research concerning the intersection of national culture, social changes, and CSR in Saudi Arabia has left a void in understanding the role of CSR in countries undergoing significant economic and social transformation.

Despite having a powerful economy, Saudi Arabia has not only been under-researched in terms of its attractive business environment, but more importantly, in terms of its recent major economic changes that followed the drop in oil prices, and which in turn were shown to have been reflected at multiple levels, especially national cultural and social responsibility practices.

Vision 2030, launched in 2016, is Saudi Arabia's national strategic framework aimed at diversifying the economy away from oil dependency towards a knowledge-based economy. This transformation impacts all sectors, including Saudi Aramco, influencing its CSR strategies and priorities to align with the vision's goals for sustainable development, innovation, and social welfare enhancement. Aramco's evolution in CSR practices is therefore a reflection of broader national shifts, including economic diversification, cultural change, and nationalization of management, all of which pose critical questions about the interplay between national culture, corporate strategy, and social responsibility.

Despite Saudi Arabia's powerful economy, there is limited scholarly attention to its evolving CSR landscape. Recent studies, such as those by Nurunnabi (2017), acknowledge that Saudi Arabia's decreasing reliance on oil revenues and its economic diversification are reshaping the corporate environment (Blazquez et al., 2017). However, rare studies have sufficiently examined how this transformation affects CSR practices, particularly in light of the nationalization of management and the ongoing cultural shifts driven by Vision 2030 (Vision 2030, 2016). This research aims to fill this gap by exploring

how the changes in national culture, driven by economic and social transformations, shape CSR practices in Saudi Arabia.

This study employs a qualitative research approach, utilizing case studies of major Saudi corporations, including Saudi Aramco, to explore how these organizations' CSR practices have evolved alongside national cultural changes. Through interviews and analysis, the research investigates the impact of nationalization of management, the role of local social changes, and the influence of Vision 2030 on CSR strategies. By addressing the identified research gap, this study aims to provide a deeper understanding of how CSR practices are evolving in the context of Saudi Arabia's economic transformation and cultural shifts.

1.3 Research Objective

The objective of this research is to investigate changes in CSR practices in Saudi Arabia, and explore whether and how these changes might have been influenced by the national culture. The research objectives are stated below:

- **RO1:** To examine how national culture in Saudi Arabia has been reinforced and evolved over time, and its impact on CSR practices.
- **RO2**: To analyze how CSR is practiced in Saudi Arabia and how these practices have changed across different time periods.
- **RO3:** To investigate the role of nationalization of corporate ownership in influencing changes in CSR practices.

- **RO4:** To explore how the reinforcement of national culture contributes to the evolution of CSR practices over time in Saudi Arabia.

1.4 Research Question and Scope

This research addresses the major question of "*How do national cultural changes contribute to changing the nature of organizational CSR practices in Saudi Arabia?"* This major question is in turn operationalized into the following four sub-questions:

- **RQ1**: How does national culture get reinforced across time in Saudi Arabia? And how does this impact CSR?
- **RQ2**: How is CSR practiced in Saudi Arabia, and how did it change across time?
- **RQ3**: How does nationalization of corporate ownership contribute to changing CSR practices in Saudi Arabia?
- **RQ4**: How does national cultural reinforcement contribute to changing CSR practices across time in Saudi Arabia?

1.5 Significance of Study

The significance of this study stems from its exploration of the changes in Saudi Arabian culture. The study examines the cultural changes related to the nationality of management, as well as those related to the national transformation plan and strategies, and how these changes might contribute to CSR practices in Saudi Arabian large enterprises. Little research addresses CSR in Saudi Arabia, and even less research has

explored any possible contributions and/or relationships thereof to national culture in Saudi Arabia, especially in the context of Saudi organizations.

CSR in Saudi Arabia has not been widely studied and even less has not been explored its relationship to national culture. With the country undergoing significant changes under its national transformational plans, this study aims to fill in this gap by investigating how such cultural shifts impact CSR practices. By providing a deeper understanding of the local context and how national transformations influence CSR, this research could guide policy makers in Saudi-Arabia and similar economies in implementing more relevant and context-specific CSR strategies.

This study contributes to CSR literature by highlighting how Saudi Aramco's proactive, citizenship-based CSR model diverges from traditional institutional theory, which views CSR mainly as a response to external pressures. Unlike typical models, Aramco embeds CSR within its core business strategy, actively supporting national development and Vision 2030. This research addresses a gap by focusing on a large foreign-owned company operating in Saudi Arabia, illustrating how CSR evolves beyond compliance to become a strategic driver of national transformation.

Saudi Arabia's national transformation is aimed at diversifying its economy and moving away from oil dependence. This transformation involves restricting various sectors including business management and CSR strategies. This study highlights how CSR policies in Saudi Arabia might evolve as the country transitions towards a more diversified economy, potentially serving as a model for other similar emerging economies. By analyzing these shifts, the research can offer valuable insights into how CSR

frameworks can align with national development plans in other countries facing similar economic transitions.

Saudi Arabia has started paying attention and has begun to show greater commitment to instituting CSR guidelines and programs (Mandurah et al., 2012). This research provides an overview of CSR and its influencing factors in the geographic context under study, being one of the biggest economies in the area and the world. Furthermore, Saudi Aramco, the case studied in this research, is the largest company in Saudi Arabia, the world's biggest oil producer that is mostly owned by the Saudi government, with more than 50,000 employees in 2015 (Abro et al., 2016), and reached 79,000 employees by 2019 (www.reuters.com) In 2015, the company had revenues of more than 1 billion US dollars per day (Agnihotri, 2015), which reached 46.9 billion US dollars net income in 2019 (Annual Report Saudi Aramco, 2019), hence, the importance of this study. Culture in Saudi Arabia includes complexities due to Islamic trends and instructions believed in the country (Arafeh, 2017). This study's focus on Saudi Aramco's CSR practices could influence corporate strategies in other large enterprises in the Kingdom and lead to the development of more tailored, localized CSR initiatives. Moreover, the findings might influence future academic research on CSR in large, nationalized companies.

Furthermore, when a company undergoes repatriation of ownership, the firm transitions from one set of cultural norms (those of the foreign owners) to another (those of the new local owners). This change is a form of national cultural change because it involves a shift in how the company is controlled, governed, and operates within its local

and global context (Maignan & Ralston, 2002). This research could provide important insights for businesses in similar economies undergoing ownership repatriation, suggesting how national cultural factors may lead to shifts in CSR practices. Understanding how companies adapt to new ownership structures will help refine CSR models in transitional economies.

This research aims to contribute to the development of CSR strategies within the context of Saudi Arabia's ongoing transformation. By focusing on large Saudi enterprises that have undergone ownership repatriation, the study offers a unique perspective on how national cultural factors may influence CSR practices, which could be pivotal in shaping the future of business practices in Saudi Arabia. The findings of this study could directly inform CSR policymaking, helping businesses and government agencies craft more effective CSR frameworks. Moreover, these insights might be used to tailor future CSR programs to suit the evolving national culture and corporate governance in Saudi Arabia, aligning them with broader economic goals and sustainability targets.

By applying a Grounded Theory approach, this research delves into the lived experiences of organizations in Saudi Arabia, specifically those that have repatriated ownership. The study explores how companies have adjusted their CSR strategies in response to cultural and national changes, providing rich, context-specific data that can contribute to the development of more effective CSR practices in the region. This research is expected to make a theoretical contribution by expanding institutional theory through the analysis of CSR practices influenced by the local culture and national transformation.

This theoretical contribution will help bridge the gap between CSR theory and real-world practices in emerging economies.

1.6 Definition of key terms

- **National Culture:** "Values, beliefs, norms, and behavioral patterns of a national group" (Leung et al., 2005, p. 357). According to Morden (1995), national culture can be defined as "the collective mental programming" of a society. It can be broadly identified "as values, beliefs, norms, and behavioral patterns of a national group" (Leung et al., 2005, p. 357), and is acknowledged as a fundamental parameter defining and explaining differences in organizational value systems (Hofstede et al., 2010). Members of a given culture share common sets of values, which translate into common attitudes, beliefs and identities, and are embedded in the societal norms and practices (Hampden-Turner & Trompenaars, 1993; Adler, 2002; Halkos & Skouloudis, 2016). In the Saudi Arabian context, national culture is heavily shaped by high power distance, and collectivist social structures (House et al., 2022). This study is concerned with national culture in the geographic context of Saudi Arabia, and how the impact of these cultural specificities might have impacted the nature of CSR practices across time.

- **Corporate social responsibility (CSR):** "the reflection and response of a business firm, towards different issues other than their restricted technical, legal, and economic requirements" (Miotto & Rom, 2017). Maqbool (2015) suggests that CSR implies evaluation and taking the responsibility for the organization's impact on the larger environment and eventually the social welfare aspects.

- **CSR Practices:** CSR is a commitment to improve community well-being through discretionary business practices and contributions of corporate resources (Kotler & Lee, 2005). This research explores CSR practices in Saudi Arabia, and the dynamics of these practices across time, considering the environmental factors that relate to national culture, and attempts to find out how these factors change CSR practices.

- **Nationalization**: Nationalization is considered to be a process of replacing foreign workers and creating new employment opportunities for local nationals, fostering the participation of citizens throughout the process in building the economy (Forstenlechner, 2008, 2009, and 2012). Among others, this research tries to answer the sub-question of "*How does nationalization of corporate ownership contribute to changing CSR practices in Saudi Arabia?*". In contrast to corporate culture, national culture is a reflection of the deeply ingrained societal norms and presumptions that influence people's attitudes and actions (Hofstede, & Minkov, 2010; House et al., 2004). Different cultural norms and leadership philosophies are assumed to accompany new ownership from a different country, which could affect strategic choices. The research looks for companies in Saudi Arabia that were subjected to this change in owners' nationality, and studies how this influences respective CSR practices.

1.7 Organization of the Thesis

This thesis is structured into five chapters to systematically address the research objectives.

- Chapter 1: introduces the research background, problem statement, research questions, objectives, and significance of the study. It sets the foundation and rationale for the study.
- Chapter 2: reviews relevant literature on corporate social responsibility, national culture, economic transformation, and Saudi Arabia's Vision 2030.
- Chapter 3: outlines the research methodology, including the research design, case study approach, data collection methods, and analysis techniques.
- Chapter 4: presents the research findings and analysis with discussion, focusing on the evolution of CSR practices at Saudi Aramco in relation to national cultural changes and economic transformation.
- Chapter 5: discusses contributions, draws conclusions, addresses research limitations, and provides recommendations for future research and practice.

CHAPTER 2

LITERATURE REVIEW

2.1. Introduction

This research studies CSR practices in Saudi Arabia and more specifically, how the nature of these practices might have changed with the national culture. In doing so, the research attempts first to understand whether and how the national culture in Saudi Arabia might have changed across time, and what factors might contribute to this change, and then tries to find out in what way these possible cultural changes contribute to changing CSR practices across time.

This chapter will review the literature relevant to the research question and its sub-questions, with the purpose of identifying the knowledge gaps that this research is trying to mend. The literature review aims to bridge the gap in understanding the intersection of CSR and national culture, specifically in the Saudi Arabian context, which remains underexplored in existing research. This research attempts to address this gap by examining the role of national culture and its transformation in shaping CSR strategies in large Saudi enterprises.

The specific gaps this chapter addresses include the following: Firstly, there is a significant gap in studies on CSR practices in Saudi Arabia, particularly within large enterprises. Although CSR is a globally recognized concept, the practices in Saudi Arabia remain underexplored. Most existing research focuses on the general concept of CSR in other regions, but little has been done to explore how CSR is implemented in Saudi Arabian businesses, particularly in the context of national culture. This gap is addressed

by reviewing CSR literature and focusing on its application within Saudi Arabia's unique cultural context.

Secondly, the relationship between national culture and CSR practices in Saudi Arabia has not been sufficiently explored. The influence of Islamic values, local cultural norms, and the evolving national identity on corporate responsibility practices is not widely discussed in CSR research. This study aims to explore how cultural shifts, driven by national transformation plans, have influenced CSR in the country.

Thirdly, CSR practices within the oil and gas industry have not been adequately researched. The oil and gas sector plays a vital role in the Saudi economy, yet CSR within this industry has not been well-explored, especially in relation to the influence of national culture and ownership changes. This gap will be addressed by focusing on the CSR practices of Saudi Aramco, the largest company in the country, and examining how national culture and ownership dynamics affect its corporate responsibility strategies.

Lastly, the impact of national economic transformation on CSR practices in Saudi Arabia has been largely overlooked. Saudi Arabia’s ongoing efforts to diversify its economy and reduce dependence on oil have led to significant changes in the business environment. However, the relationship between these transformations and CSR practices has not been sufficiently explored. This chapter will investigate how these national economic and cultural shifts are shaping CSR practices, specifically in the context of large enterprises undergoing ownership changes or transitioning to local management.

With the dearth of research relevant to the topic under study, the review of literature starts surfing through the concept of CSR, and previous researchers who studied

its drivers, benefits, and factors that shape CSR practices, in general, reaching to the context of large Saudi Arabian enterprises. In the process, the research proceeds further, trying to identify researchers who address the country's history, its recent cultural changes, especially with those associated with the recent economic transformation, with the purpose of trying to examine ways by which these changes might have contributed to CSR practices in the context under study. Finally, research gaps are identified in relation to CSR's theoretical background, oil and gas industry, and culture, in the specific geographic context of Saudi Arabia. Each section guides the reader from the general concept of CSR to the specific challenges and opportunities it faces in Saudi Arabia, building a roadmap that illustrates how each topic contributes to addressing the identified gaps.

Ultimately, this chapter identifies the key literature gaps that the research aims to fill, laying the groundwork for a deeper exploration of how CSR in Saudi Arabia has evolved in response to cultural changes, particularly in the context of national transformation.

2.2. The Concept of Corporate Social Responsibility (CSR)

2.2.1. Definitions of CSR

There is no uniform definition of corporate social responsibility (CSR) (Bussmann et al., 2021). The term corporate social responsibility is very wide and complex, and has different meanings (Ur Rahman et al., 2020). Basically, CSR describes three key terms "corporate," which covers the large area of business, "social," describes the local

community, and "responsibilities," which harnesses both sides of their relationships (Singh & Misra, 2020).

Historically, Oliver Sheldon (1924) was the first who used the concept of (CSR) in 1924. The concept was raised as a response to the call of some ethically social good in the business environment and as a response to the impacts of businesses on society (Sheldon, 2004; Habbash, 2017). Bowen (1953), who is regarded by multiple researchers as the father of CSR (Singh & Misra, 2021) stressed that large organizations ought to fulfil responsibility toward society in consideration of the impact of their business operations. He defines CSR as "the liability of businessmen in following the line of action through already designed policies that are helpful in making important decisions, while satisfying the desired values and objectives of the society" (Bowen, 1953). Keith Davis (1960) further explained the concept of CSR as "the reflection and response of a business firm, towards different issues other than their restricted technical, legal, and economic requirements (Miotto & Rom, 2017). In its purest, widest and commonest sense, CSR includes all the constituent elements and stakeholders in an organization's operations, together with the society in which it operates (Carroll, 1979).

Recently, Rehman (2020) suggested that CSR generally means those activities taken by corporations with the aim of societal welfare. CSR is generally understood as being the way a company achieves a balance of economic, environmental, and social imperatives. In 2011, the European Union updated their definition of CSR into "the responsibility of enterprises for their impacts on society and to consider CSR as a formidable route to sustainable development." (European Commission, 2011). A well-

detailed and all-encompassing definition of CSR was provided by The International Organization for Standardization (ISO) (2010) as "the responsibility of an organization for the impacts of its decisions and activities on society and the environment, resulting in ethical behavior and transparency which contributes to sustainable development, including the health and wellbeing of society; takes into account the expectations of stakeholders; complies with current laws and is consistent with international standards of behavior and is integrated throughout the organization and implemented in its relations" (Hemphill, 2013; Singh & Misra, 2021).

While the concept of business as only for profit and competition was prevalent for centuries, recent calls emerged for being ethical and socially good (Teehankee, 2008; Habbash, 2017). Since the awareness about these impacts has increased globally, firms found themselves under pressure from their respective societies, governments, and stakeholders to be socially responsible. In addition to making a return for stakeholders, companies must also have moral responsibilities towards their environment, employees, and local society (Chan et al., 2014). Consuming the already scarce environmental resources to gain more profits by the firms causes several social and environmental disasters, resulting in the pressure mentioned (Habbash, 2017). Consumers across markets expect firms to meet high health and safety standards for workers, human rights, consumer protection, and the environment, regardless of where their operations are located (Smith, 2002). Recently, companies are becoming more and more international, and this fact leads to bigger responsibilities towards the global environment and the communities (Ioannou & Serafeim, 2016).

Contemporary definitions of CSR include ‘the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families, as well as of the community and society at large (Henry et al., 2016). While these definitions, including the detailed ones, do help uncover the meaning of Corporate Social Responsibility, it is essential to understand how these definitions have evolved in the context of CSR practices in large organizations like Saudi Aramco, where national culture, economic factors, and the evolving global landscape have a significant impact on its CSR initiatives.

The evolution of CSR definitions from a narrow focus on profit and legal obligations to a broader, more inclusive understanding emphasizes a company's responsibility toward society and the environment. In the context of Saudi Aramco, this evolution is particularly important due to the company’s unique position as both a key national asset and a global energy giant. Saudi Aramco's CSR practices are shaped not only by international standards and global expectations but also by its responsibilities toward the Saudi community, culture, and the country's vision for economic diversification under its national transformation plans. This dual responsibility influences how the company engages in CSR activities, balancing national and international imperatives. By synthesizing these definitions and understanding their application to Saudi Aramco, it becomes clear how CSR has adapted to meet the cultural, economic, and environmental needs of both Saudi Arabia and the broader global community.

2.2.2. Theoretical Explanation of CSR

The importance of exploring the context-dependence of CSR has been accentuated in recent years with calls for closer attention to the peculiar institution constellations (Jamali & Karam, 2016). In the mid-2000s, a literature emerged which broadened the array of conceptual tools used in CSR research (Aguilera et al., 2007; Campbell, 2007; Matten & Moon, 2008). However, CSR is a rapidly evolving field, and more recent frameworks have emerged that incorporate global sustainability goals, technological advancements, and changing societal expectations. However, according to Deegan (2002), no 'accepted' theory for social and environmental accounting exists, and there is much variation in the theoretical perspectives being adopted" (p. 288). The development of the concept of CSR as not only a charitable deed, but a competitive advantage has been evolving since the early 1950s. Corporations are exploring and adapting a strategy that is more corporately responsible. Over time, organizations and the private sector have grown an awareness that they should have an active role towards their society, as well as make profits and guarantee high returns to their shareholders (Alsafty & Tahon, 2021).

Thomson (2007) suggests that some of the frequently employed CSR theories used as theoretical frameworks in CSR studies are: legitimacy, stakeholder, information usefulness, market, political economy, accountability, institutional, critical, contingency, and ethics. Garriga & Mele (2004) classified CSR theories they identified into four groups being instrumental theories, in which the corporation is seen as only an instrument for wealth creation, and its social activities are only a means to achieve economic results; political theories, which concern themselves with the power of corporations in society and a responsible use of this power in the political arena; integrative theories, in which the