# *Islamic Corporate Social Responsibility (ICSR) Concept: The Case of 21st Century Middle East*

# ISLAMIC CORPORATE SOCIAL RESPONSIBILITY (ICSR) CONCEPT: THE CASE OF 21ST CENTURY MIDDLE EAST

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**Abstract**

Markets are the place where buyers and sellers meet. The characteristics of such a place are almost universal, measurable, money is the medium, and the rules are mainly simple and flexible. Customers, partners and suppliers, competitors, and employees are the elements of the market environment. On the other hand, the non-market elements are everything that affects the market indirectly. Non-market strategy recognises that businesses are social and political beings, not just economic agents. A non-market strategy allows a company to shape the environment in which it operates, creating opportunities. Islamic Corporate Social Responsibility (ICSR) derives itself from core principles in the holy *Qur'an*. The three major foundational principles for ICSR are the vicegerency of mankind on earth, divine accountability and the duty on mankind to enjoin good and forbid evil. ICSR concept appears to be in close conformity with the Ten Principles of the UN Global Compact, but in many respects go further than the minimum standards adopted by this framework. MNCs should not underestimate the Middle Eastern region historical events of the Arab League boycott, the Danish cartoons and the 'Arab Spring' revolution. Admitting these, the ICSR concept will offers great opportunities for MNCs to invest and operate in the Middle East.

**Keywords:** Corporate Social Responsibility (CSR); Non-Market Strategy; Islam; The UN Global Compact; Middle East. Arab League; Boycott; the 'Arab Spring' Revolution; Danish Cartoons; MNC

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## 1. Introduction

Globalisation is a main driver of international business and the vast creation of Multi-National Corporations (MNCs) (Czinkota et al 2005, and Odell & Spielman 2009). The importance of having international operations for companies is due to three reasons; the increasing percentage of the foreign market in the whole market; foreign competitors increasing their market share in the world; and the needs of providing sources of cheap products, technology and capital. (Terpstra & Sarathy 2000, Kotler et al. 2008). For example, Australian companies will have to successfully face international competition if they are to survive and grow. Since Australia has a very small population compared to its huge land size, the local market is limited to the local companies' production capability. Even so, Australia does have an abundance of resources, skilled people and excess production capacity (Cooke 1991). For these reasons, Australia's domestic market has become increasingly competitive.

A natural channel for many Australian firms for further development is to seek opportunities overseas. As a result, in a global economy, sustained competitive advantage arises from undertaking social, political and environmental issues as part of a corporate strategy not only undertaking business as normal (Baron 1997). Also the corporation fiduciary role has been extended upon the shareholders to other stakeholders, such as, employees, suppliers and creditors who have an important economic role in the success of the firm, including tangible investments of human and financial resources (Siwar & Hossain 2009). These highlight the importance of having an integrated market and non-market strategy as a comparative advantage element.

A significant example is Hartley's Case Study on Cola Wars (2000:17-19). On the eighth of June 1999 a contamination scare that began with Belgian school children falling ill after drinking a Coca-Cola product turned into a monumental disaster for the Coca-Cola Company.

Through the inability of the Coke Company to initially recognise the European market differences and regulations made the company seem non responsive when they seemed to have not taken the matter seriously enough. The fall-out from this came in the seizure in the Ivory Coast of fifty thousand cans of Coke even though there was no proof of contamination in this area.

Apart from this globalisation phenomenon, the fact that we live in a singular-polar world is due to the hegemony role of the United States of America; this hegemony produced an almost absolute domination of the business and other literature. Strategy and Innovation is not an exception since the American frameworks is considered 'universal' among private corporations around the world. According to Özkazanç-Pan (2008) postcolonial studies stand as non-Western critiques and reformulations of Western approaches to knowledge and offer possibilities for expanding Western research traditions in the social science field. She presented Edward Said's theory of Orientalism, which is a systematic examination of the different sites of Western knowledge production and their links to Western political, economic, and military institutions of domination. This illustrates how colonial discourse represents the East as backward, unable to change, inferior, and feminine, while it represents the West as progressive, advanced, and masculine. These representations produce a fictionalised Orient and are used to suggest there are 'real' cultural differences between West and East. Edward Said attempts to reverse these binary categories but more important he tries to show how Western academia is implicated in the production of Orientalised representations. For example, how did management ideas and practices developed in the West become normalised as universal theories for studying people and business under globalisation? The different analytic lenses available from postcolonial studies demonstrate that the production (e.g. business schools, researchers) and circulation (e.g., academic journals, business education) of international knowledge have material consequences for the non-West.

Suggesting that scholars re-conceptualise others as a legitimate contributors to international knowledge rather than in Western management terms or in need of Western managerial expertise. By doing so, management researchers can co-produce knowledge with 'the rest of the world' rather than about 'the rest of the world' and disrupt the hegemony of Western epistemology in international research.

This paper will use the Islamic lens as an opposition to the traditional literature to explore the importance of an Islamic non-market strategy on corporation in the Middle East. Also propose an Islamic Corporate Social Responsibility (ICSR) Concept that can be useful for Multi-National Corporations (MNCs) operating in the Islamic Middle Easter region that could be extended to other regions.

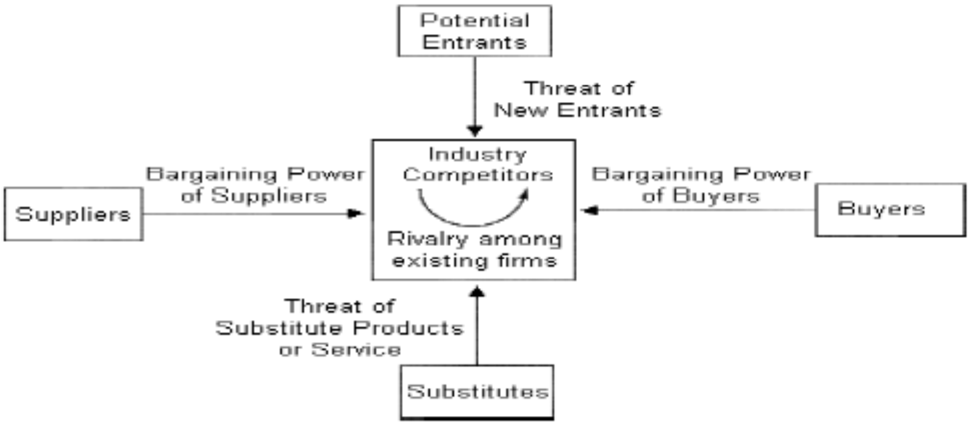
## 2. Corporate Social Responsibility

### *2.1 Market & Non-market Environments*

Markets are the place where buyers and sellers meet. The characteristics of such a place are almost universal, measurable, money is the medium, and the rules are mainly simple and flexible. Customers, partners and suppliers, competitors, and employees are the elements of the market environment (Baron 1995a,b, 1997, Yuanqiong, Zhilong & Yun 2007, Zhilong & Haitao 2006).

One of the most common methods of analysing the market environment, in regard to establishing comparative advantages, is Porter's Five Forces model of competition (see the following Figure 1). This consists of; Threats of new entrants, Threats of substitute products, Rivalry among existing firms, Buyers and supplier bargaining power (Kotler et al. 2008, Baron 1995a). This illustrates the market characteristics mentioned earlier.

**Figure 1.** Porter's Five Forces Model of Competition




On the other hand, the non-market elements are everything that affects the market indirectly. Also unlike the market characteristics, non-market's characteristics (see the following Figure 2) are that they: vary from place to place, are immeasurable, information is the medium, and the rules are mainly complicated and hard to deal with. Here, the Governments, regulators, media, NGOs, citizens, activists are the elements of the non-market environment (Baron 1995a, 1995b, 1997, Yuanqiong, Zhilong & Yun 2007, Zhilong & Haitao 2006, Marc & Patrick 2005).

**Figure 2.** Market and Non-market Environments


### *2.2 Non-market Strategy*

According to David Baron (1995a) the non-market strategy is defines as, "a concerted pattern of actions taken in the non-market environment to create value by improving a firm's overall performance", also as mentioned earlier the main players are; Governments, regulators, media, NGOs, citizens and activists. Here companies face risk in non-market environments from government regulations, social campaigns and political movements.

Non-market strategy recognises that businesses are social and political beings, not just economic agents. Because companies create and distribute value, a plethora of actors seek to influence them, formally, through laws and regulations, and informally, through social pressure, activism and efforts to shape the public perception of business (Andrea 2003, Baron 1995a, 1995b, 1997, Yuanqiong, Zhilong & Yun 2007, Zhilong & Haitao 2006).

A non-market strategy allows a company to shape the environment in which it operates, creating opportunities (Andrea 2003, Baron 1995a, 1995b, 1997, Yuanqiong, Zhilong & Yun 2007, Zhilong & Haitao 2006). So Companies must participate actively in non-market environment, as a popular saying in

Washington goes, "In politics, if you are not at the table, you are on the menu!" This is why leading corporations are beginning to stretch the competitive playing field beyond the market, and in the process they are turning social and political issues from mere nuisance to strategic opportunity.

### *2.3 Non-market Strategy Frameworks*

Most of the non-market frameworks in the previous literature are found to be case studies mainly made on western MNCs, and each MNC's non-market strategic framework attempts vary from one to another, however, most of them are designed in co-operation with the MNC's market objectives (Andrea 2003, Baron 1995a, 1995b, 1997, Yuanqiong, Zhilong & Yun 2007, Zhilong & Haitao 2006, Marc & Patrick 2005). David Baron (1997) as a pioneer in the field of non-market strategy acknowledge the importance of having integrated strategy system combines both market and nonmarket strategies in one system.

For the purpose of this paper the literature on Corporate Social Responsibility (CSR) is reviewed, since CSR can be considered as a part of the non-market strategy. Also the theoretical side of CSR is intensively discussed, unlike the non-market strategy literature in general.

CSR is 'the ongoing commitment by organization to behave ethically and add to economic development while civilizing the quality of life of the workforce and their families as well as of the local community and society at large' (Siwar & Hossain 2009). There are a number of theories that underline the concept of CSR; firstly, the classical Friedman views that the role of social responsibility is to increase profits. He argues that socially responsible activities are only for generating profit not for voluntarily activities (Siwar & Hossain 2009).

Secondly, the Nexus-of-Contracts theory is defined as "each constituency or stakeholder group bargains with the firm over a set of rights that will protect the firm specific assets that it makes available for production" (Boatright 1996). One of the mysteries facing the Nexusof-Contracts Theory is whether business ethics is terribly stalled in cultural relativism or whether there are, at least some, "hypernorms" that form the basis for universal human rights (Abbasi 2009; Davis 2005; Hansmann & Kraakman 2001; Phillips 1996; Saint 2005). The theory states that much of the difference between "legality" and "morality" centre on the use of the coercive power of the state, so drawback of this theory is the avoidance of state interference, which is, pictured negatively ignoring the positive states interference during crisis (Abbasi 2009; Phillips 1996).

Thirdly, the social contract theory, business must act in a responsible manner, not only because it is in its commercial interest to do so, but also because it is a part of how society implicitly expects business to operate. Business should be regulated as a social institution and should join with other social structures like the family (Siwar & Hossain 2009). Similarly, is the 'Legitimacy theory' is the response to the environmental pressures involving social, political and economic forces. The perceptions of society towards the organisations are essential, and they may affect the endurance of the business (Siwar & Hossain 2009).

Fourthly, the stakeholder theory looks at the corporation as a whole interaction between all stakeholders (workers, managers, owners, customers, suppliers, competitors, interest groups, media, communities, government) and the goal is to achieve healthy balanced corporation (Abbasi 2009; Bonazzi & Islam 2007; Velamuri & Venkataraman 2005). This theory holds a similar Islamic principle that is the *Tawhid* principle since all stakeholders should be equal under Islam and other laws and religions share the same principle of equality. This aim might produce complexities among stakeholders because of lobbying and other bargaining techniques disturbing balanced relationships (Abbasi 2009; Bonazzi & Islam 2007; Velamuri & Venkataraman 2005). In addition, CSR refers to the responsibility taken by organisations and the impact of their activities on customers, employees, shareholders, communities and the environment in all aspects of their operations. This obligation is extended beyond the statutory obligation to fulfil with legislation and sees organisations voluntarily taking further steps to improve the quality of life for employees and their families as well as to the local community and society at large (Siwar & Hossain 2009, Abul & Abdul 2009, Choudhury & Hoque 2006, Williams & Zinkin 2010).

Fifthly, According to the instrumental theory, business may choose to support some social programs for reasons of good image and for competitive advantage (Siwar & Hossain 2009).

According to Dusuki (2008) most of the theories underpinning the construct of CSR in the West, as discussed earlier, confine themselves to physical reality and human rational argument. These theoretical constructs have their roots in the Western secularist worldview that is based on rational enquiry and philosophical argument. Consequently, the Western worldview is relative and ever changing, as it is rooted in empirical observation and theoretical constructs based on it. Following this approach, the Western view on CSR is in general more aligned with the materialistic philosophy than ethical concerns.

## 3. Islamic Corporate Social Responsibility (ICSR) Concept

### *3.1 Islam*

According to Siwar and Hossain (2009) Islamic worldview starts with the concept of 'Oneness of God', who dominates the heaven, earth and inside the earth. Islam represents itself not only as a religion but also a complete code of life. The oneness of God that is *Tawhid* which means that all matters are under the superiority of God himself and everything is under his great good will, for example people are users of God's creation, therefore complying with Islamic *Shari'ah* is a must (Abbasi 2009; Choudhury & Harahap 2007; Choudhury & Hoque 2006; El-Sheikh 2008; Ghayad 2008; Pamuk 2009; Walsh 2007; Williams & Zinkin).

### *3.2 ICSR Concept*

Within the area of CSR it is frequently claimed that religion has played an important role in the development of personal values and behaviour, which influences many areas of business (Williams & Zinkin 2010).

According to Farook (2007) ICSR derives itself from core principles in the holy *Qur'an*. The three major foundational principles for ICSR are the vicegerency of mankind on earth, divine accountability and the duty on mankind to enjoin good and forbid evil.

#### *3.2.1 Vicegerency*

The principle of vicegerency denotes that mankind is the representative of Allah on earth and as such Allah has entrusted mankind with stewardship of Allah's possession. Allah states this principle in the holy *Qur'an*: 'I will create a vicegerent on earth'[89]; and Allah further states: 'It is he who hath made you the inheritors of the earth',[90]

#### *3.2.2 Divine Accountability*

The principle of divine accountability flows from the vicegerency principle and denotes that individuals will be accountable to Allah for all of their actions on the Day of Judgment. This principle is expounded in several verses of the holy *Qur'an*, two of which are: 'Allah takes careful account of everything',[91] and 'Then shall anyone who has done an atom's weight of good shall see it and anyone who has done an atom's weight of evil, shall see it'.[92] This divine accountability is the basis for all actions of a Muslim[93] , and in turn the representative organizations of Muslims.

#### *3.2.3 Enjoining Good and Forbidding Evil*

The principle of enjoining good and forbidding evil encapsulates the responsibilities that Allah places on Muslims as trustees and vicegerents. Allah says: 'The Believers, men and women, are protectors one of another; they enjoin what is just (accepted), and forbid what is unjust (rejected)…'[94] and in another verse, Allah states: 'You are the best of peoples, evolved for mankind, enjoining what is just (accepted),

[89] Surat *Al Baqarah* (The Heifer) verse 30.
[90] Surat *Al Ana'm* (Cattle) verse 165.
[91] Surat Al *Nisa* (Women) verse 86.
[92] Surat *Al Zalzala* (The Earthquake) verse 7-8.
[93] One who submits to the will of Allah.
[94] Surat *Tawba* (The Repentance), verse 71.

forbidding what is unjust (rejected), and believing in Allah'.[95] This responsibility is overwhelming and encompasses all aspects of a Muslim's life. It comprises a prescription towards positive (permissible and recommended) actions and a prescription against negative (impermissible and not recommended) actions.

The combination of these principles denotes a divine accountability for each Muslim to enjoin good and justice and forbid evil and injustice. These core principles therefore constitute the basis of individual social responsibility.

The Islamic socio-economic theory derived mainly from the Islamic teachings from the *Qur'an* (Islamic holly book) and *Sunnah* (prophet Mohammed teachings) (Choudhury 2000, Walsh 2007). *Qur'an* discusses about literature, law, economics, socialisation, politics as well as *Jihad*. *Qur'an* provides the theoretical framework while the Prophet is the practical example of *Qur'an* (Siwar & Hossain 2009). The principles and nature of this theory relies on ethics and social responsibility more than financial efficiency (Obaidullah n.d.).

According to Williams and Zinkin (2010), Siwar and Hossain (2009), Islam introduces humans as the representative of God. The emphasis on individual choice and the balance between responsible behaviour and piety come from recognising that man has two missions to accomplish: first the mission as a servant of *Allah*, and second the mission as vicegerent or steward of *Allah*. In the first relationship man is responsible to God as his servant, while in the second, he is accountable for his relationship with creation. Both of these relationships co-exist and have equal weight in determining virtuous behaviour. Islam requires a balance and equilibrium *('adl*), which means doing things in a proportionate manner and avoiding extremes.

In addition, Islam by nature is designed to be compatible with all times and places and the most explicit principle is the framework of *Masaleh Mursalah* or "unrestricted" public interest, since undefined issues by the traditional rules of *Shari'ah* can be discussed and dealt with under this unique framework. *Maslahah* includes considerations that meant to promote gains or avoid damages working in-line with *Shari'ah* traditional rules as avoiding forbidden usury (*Riba*), misleading (*Gharar*), and ignorance (*Jahal*). Any other unrestricted issues the regulator is free to achieve *Masaleh* by applying the framework of *Masaleh Mursalah* (Abbasi 2009; Choudhury & Harahap 2007; Choudhury & Hoque 2006; El-Sheikh 2008; Ghayad 2008; Pamuk 2009; Walsh 2007; Williams & Zinkin).

Moreover, Islamic *Shu'ra* principle is another version of democracy means that everyone have the right to delegate his voice through voting for someone trusted (Almoharby 2010).

Finally, Islamic principles are used to ensure sustainable standards of way of life and the Islamic ethics are similar to many current available and used non-Islamic ethics from this point it many claim the validation of using it in the international arena (Abbasi 2009; Choudhury & Harahap 2007; Choudhury & Hoque 2006; El-Sheikh 2008; Ghayad 2008; Pamuk 2009; Walsh 2007; Williams & Zinkin).

### 3.3 Universality of ICSR

The UN Global Compact was first outlined at the World Economic Forum on 31 January 1999. Its aim is to bring together companies, UN agencies, labour organisations and civil society to support a set of minimum universal environmental and social principles. The Global Compact's operational phases were launched on 26 July 2000, and by 23 October 2012 more than 10,000 participants were involved, including over 7,000 businesses in 145 countries around the world.

The Global Compact is a voluntary process with two main objectives: (1) to bring a set of universal principles of responsible business into mainstream activities of companies around the world and; (2) to act as a catalyst for initiatives in support of wider UN goals in the area of social and environmental development. It is not a regulatory instrument and offers no form of measurement or enforcement on participants. Instead, it relies on public accountability, transparency and the enlightened self-interest of those involved to initiate and cooperate in pursuing the principles on which it is based. It also helps to facilitate projects and enhance engagement through policy dialogue, education, support for country and regional networks and funding for specific projects. The compact uses a framework of ten universal

[95] Surat *Al-i-Imran* (The Family of Imran) verse 110.

principles in the areas of human rights, labour, the natural environment and anti-corruption, which are summarised in Table I.

**Table 1**. The ten principles of the UN Global Compact

| | |
|---|---|
| Human rights | |
| Principle 1 | The support and respect of the protection of international human rights |
| Principle 2 | The refusal to participate or condone human rights abuses |
| Labour | |
| Principle 3 | The support of freedom of association and the recognition of the right to collective bargaining |
| Principle 4 | The abolition of compulsory labour |
| Principle 5 | The abolition of child labour |
| Principle 6 | The elimination of discrimination in employment and occupation |
| Environment | |
| Principle 7 | The implementation of a precautionary and effective program to environmental issues |
| Principle 8 | Initiatives that demonstrate environmental responsibility |
| Principle 9 | The promotion of the diffusion of environmentally friendly technologies |
| Anti-corruption | |
| Principle 10 | The promotion and adoption of initiatives to counter all forms of corruption, including extortion and bribery |

Source: http://www.unglobalcompact.org, viewed on 14 April 2013.

Williams and Zinkin (2010) found that the teachings of Islam not only appear to be in close conformity with the Ten Principles of the UN Global Compact, but in many respects go further than the minimum standards adopted by this framework. In particular, Islam exceeds the requirements of the Global Compact in a number of important ways. First, it appears to be wider in scope, for example, in the development of human capital and in the transparency requirements in business transactions. Second, it has a clear codification defining what is permissible or *halal* and what is forbidden or *haram*. Third, Islam has an explicit enforcement mechanism in the *Shari'ah* as well as in community enforcement and the final sanction of the accountability of the individual for unethical behaviour on the Day of Judgement: 'Everyman's fate we have fastened to his neck: On the Day of Judgement we shall bring out for him a scroll, which he will see spread open' (*Qur'an*, 17, p. 13).

Arshad et al. (2012) study examines the effect of ICSR disclosure on corporate reputations as well as firm performance. Their results revealed significant positive relationships between the extent of ICSR disclosure and corporate reputations and ICSR disclosure and firm performance. In addition, these results also highlight that management are proactively implementing and disclosing ICSR activities that meet the needs of multiple stakeholders.

These results provided new evidence that CSR activities and disclosure from Islamic perspectives are equally important business strategies in creating continuous superior performance for organisations. This is in line with the view that organisations need to develop a stakeholder orientation particularly in an environment of increasing pressure from jurisdictions dominated by Islamic stakeholders on organisations engaging in Islamic products to increase their social responsibilities from the Islamic perspectives. The stakeholder orientation recognises the importance of addressing the demands of multiple stakeholder groups (Freeman 1984). Disclosure of companies' ICSR initiatives in annual reports have increasingly been used in communicating CSR initiatives to the relevant stakeholders. This in turn strengthened stakeholder relations and support for the organisations which consequently enhance firm reputation and performance (Brammer & Pavelin 2004, Brammer & Millington 2005) Arshad et al. (2012) study suggests that ICSR is an important business strategy that can drive performance related behaviours in organisations in creating continuous superior performance.

Their findings have practical implications to organisations in developing and integrating their ICSR activities into their overall business strategies as a tool to enhance firm performance, regulatory bodies in promoting and improving ICSR and corporate transparency, other policy makers in strengthening Islamic capital market environment, to investment community and other stakeholders who rely on corporate disclosures in making their Islamic ethical decisions.

## 4. Middle East

Muslim countries especial in the Middle East and mainly members of the Arab League are considered as transition economies, and many are intent to cope with the western standards (Ali 2008; Davis 2005; Ghayad 2008; Siwar & Hossain 2009).

The Arab League was founded in Cairo in 1945 and consists of 22 members. The Arab League is an organisation that consists of independent Arab States on the territory of Northern and North-Eastern part of Africa and Southwest Asia. These member states are: Algeria, Bahrain, Comoros, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Somalia, Sudan, Tunisia, United Arab Emirates and Yemen.

These counties represent a huge market for MNCs. However, many Western MNCs experienced severe hardship doing business in the region. For example, the Arab League boycott, the Danish cartoons and the 'Arab Spring' revolution.

### *4.1 The Arab League boycott of Israel*

The Arab League boycott of Israel is a systematic effort by Arab League member states to isolate Israel economically to prevent Arab states and discourage non-Arabs from providing support to Israel and adding to Israel's economic and military strength (Feiler 2013). This boycott covers three areas:

1 Products and services that originate in Israel (referred to as the primary boycott and still enforced in many Arab states),
2 Businesses in non-Arab countries that do business with Israel, and
3 Businesses shipped or flown to Israeli ports (the tertiary boycott)

At one point the boycott was observed by the entire Arab League. Today, only Lebanon and Syria adhere to it stringently. The boycott list was maintained by a special office within the Arab League called the 'Central Boycott Office'. Each participating Arab League state had its own national office. The Central Boycott Office has always been headquartered in Damascus, although there was no meeting of the coordinating committee from 1993 to 2002 due to the fact there was no quorum.

The boycott threatened companies outside the Arab world from investing in Israel, building plants, granting franchises, or any cooperation beyond trade. Companies that violated the instructions of the boycott offices were blacklisted. The products of foreign artists, filmmakers, and musicians are also boycotted if they are considered to be too close to Israel (Feiler 2013).

The Arab League boycott Coke from 1967 until 1991 as a response to Coke making business in Israel, which led to Pepsi's 75 per cent leadership market share in the Middle East. Also this boycott gave the perception that Coke is for Jews and Pepsi is for Arabs.

In 2002 Arabian Muslims boycotted American products, such as Coke and Pepsi, as they fell victim to American's political policies in the region, costing them an estimate of forty million in profits in the Gulf area (AME Info 2004).

### *4.2 The Danish cartoons*

Another famous case is the Danish cartoons; according to Tariq Modood (2006:1-3) when the Danish cartoons were published it heavily impacted on the Danish firms operating in Saudi. Branches suffered the criticism from the Saudi locals and their own employees. The Saudi workers believed that the Danish firms should be responsible for and should be treated with humility as a reaction toward what the cartoon represented toward the prophet Mohamed (Islamic messenger). Through understanding the collective role of Islamic culture in Saudi Arabia, recognition should be made in regards to the emotional wave toward the Danish cartoons, which is totally justified by the Saudis. The Saudis did not understand the concept that as individuals the Danish firms are not responsible for the actions of others.

Similarly, in 2012 the prophet Mohammed movie that triggered massive riots in the street of Middle East and all Islamic nations in the world. This incident resulted on the assassination of the American ambassador in Libya and three of his staff.

### 4.3 The Arab Spring

Recently the Middle East is in transition toward more conservative Islamic political leadership resulted from the what so called the 'Arab Spring' revolution. For example the Islamic Brotherhood party *Ekhwan Almuslimin* won the elections in Egypt and dominated the political representations in Libya and Tunisia.

As a result, Corporations must react accordingly with this strong Islamic movement from both the main stream and leadership in the new form of Middle East. Specially, Western MNCs, which has been severely affected by international politics. Applying an Islamic CSR' model might establish an affective shield toward unwanted events and build up consumer awareness and loyalty in the Islamic Middle East.

## 5. Conclusion

Globalisation is a main driver of international business and the vast creation of Multi-National Corporations (MNCs). The importance of having international operations for companies is due to three reasons; the increasing percentage of the foreign market in the whole market; foreign competitors increasing their market share in the world; and the needs of providing sources of cheap products, technology and capital.

Apart from this globalisation phenomenon, the fact that we live in a singular-polar world is due to the hegemony role of the United States of America; this hegemony produced an almost absolute domination of the business and other literature. Strategy and Innovation is not an exception since the American frameworks is considered 'universal' among private corporations around the world. Postcolonial studies stand as non-Western critiques and reformulations of Western approaches to knowledge and offer possibilities for expanding Western research traditions in the social science field.

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Most of the theories underpinning the construct of CSR in the West, confine themselves to physical reality and human rational argument. These theoretical constructs have their roots in the Western secularist worldview that is based on rational enquiry and philosophical argument. Consequently, the Western worldview is relative and ever changing, as it is rooted in empirical observation and theoretical constructs based on it. Following this approach, the Western view on CSR is in general more aligned with the materialistic philosophy than ethical concerns.

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In addition, Islam by nature is designed to be compatible with all times and places and the most explicit principle is the framework of *Masaleh Mursalah* or “unrestricted” public interest, since undefined issues by the traditional rules of *Shari’ah* can be discussed and dealt with under this unique framework. *Maslahah* includes considerations that meant to promote gains or avoid damages working in-line with *Shari’ah* traditional rules as avoiding forbidden usury (*Riba*), misleading (*Gharar*), and ignorance (*Jahal*). Any other unrestricted issues the regulator is free to achieve *Masaleh* by applying the framework of *Masaleh Mursalah*.

Moreover, Islamic *Shu’ra* principle is another version of democracy means that everyone have the right to delegate his voice through voting for someone trusted. Therefore, Islamic principles are used to ensure sustainable standards of way of life and the Islamic ethics are similar to many current available and used non-Islamic ethics from this point it many claim the validation of using it in the international arena Furthermore, the Islamic socio-economic theory derived mainly from the Islamic teachings from the Qur’an (Islamic holly book) and *Sunnah* (prophet Mohammed teachings).

Islamic Corporate Social Responsibility (ICSR) derives itself from core principles in the holy *Qur’an*. The three major foundational principles for ICSR are the vicegerency of mankind on earth, divine accountability and the duty on mankind to enjoin good and forbid evil. The combination of these principles denotes a divine accountability for each Muslim to enjoin good and justice and forbid evil and injustice. These core principles therefore constitute the basis of individual social responsibility.

The UN Global Compact was first outlined at the World Economic Forum on 31 January 1999. Its aim is to bring together companies, UN agencies, labour organisations and civil society to support a set of minimum universal environmental and social principles. The Global Compact’s operational phases were launched on 26 July 2000, and by 23 October 2012 more than 10,000 participants were involved, including over 7,000 businesses in 145 countries around the world.

The Global Compact is a voluntary process with two main objectives: (1) to bring a set of universal principles of responsible business into mainstream activities of companies around the world and; (2) to act as a catalyst for initiatives in support of wider UN goals in the area of social and environmental development. The compact uses a framework of ten universal principles in the areas of human rights, labour, the natural environment and anti-corruption.

the teachings of Islam not only appear to be in close conformity with the Ten Principles of the UN Global Compact, but in many respects go further than the minimum standards adopted by this framework. In particular, Islam exceeds the requirements of the Global Compact in a number of important ways. First, it appears to be wider in scope, for example, in the development of human capital and in the transparency requirements in business transactions. Second, it has a clear codification defining what is permissible or *halal* and what is forbidden or *haram*. Third, Islam has an explicit enforcement mechanism in the *Shari’ah* as well as in community enforcement and the final sanction of the accountability of the individual for unethical behaviour on the Day of Judgement: ‘Everyman’s fate we have fastened to his neck: On the Day of Judgement we shall bring out for him a scroll, which he will see spread open’ (*Qur’an*, 17, p. 13).

Muslim countries mainly members of the Arab League are considered as transition economies and many are intent to cope with the western standards. These counties represent a huge market for MNCs.

However, many Western MNCs experienced severe hardship doing business in the region. For example, the Arab League boycott, the Danish cartoons and the ‘Arab Spring’ revolution.

The Arab League boycott of Israel is a systematic effort by Arab League member states to isolate Israel economically to prevent Arab states and discourage non-Arabs from providing support to Israel and adding to Israel's economic and military strength. This boycott covers three areas: 1 Products and services that originate in Israel (referred to as the primary boycott and still enforced in many Arab states), 2 Businesses in non-Arab countries that do business with Israel, and 3 Businesses shipped or flown to Israeli ports (the tertiary boycott) Another famous case is the Danish cartoons when the Danish cartoons were published it heavily impacted on the Danish firms operating in Saudi. Branches suffered the criticism from the Saudi locals and their own employees. The Saudi workers believed that the Danish firms should be responsible for and should be treated with humility as a reaction toward what the cartoon represented toward the prophet Mohamed (Islamic messenger). Through understanding the collective role of Islamic culture in Saudi Arabia, recognition should be made in regards to the emotional wave toward the Danish cartoons, which is totally justified by the Saudis. The Saudis did not understand the concept that as individuals the Danish firms are not responsible for the actions of others.

Similarly, in 2012 the prophet Mohammed movie that triggered massive riots in the street of Middle East and all Islamic nations in the world. This incident resulted on the assassination of the American ambassador in Libya and three of his staff.
Recently the Middle East is in transition toward more conservative Islamic political leadership resulted from the what so called the ‘Arab Spring’ revolution. For example the Islamic Brotherhood party *Ekhwan Almuslimin* won the elections in Egypt and dominated the political representations in Libya and Tunisia.

As a result, Corporations must react accordingly with this strong Islamic movement from both the main stream and leadership in the new form of Middle East. Specially, Western MNCs, which has been severely affected by international politics. Applying an Islamic CSR model might establish an affective shield toward unwanted events and build up consumer awareness and loyalty in the Islamic Middle East. There is a significant positive relationship between the extent of ICSR disclosure and corporate reputations and ICSR disclosure and firm performance. In addition, these results also highlight that management are proactively implementing and disclosing ICSR activities that meet the needs of multiple stakeholders.

These results provided new evidence that CSR activities and disclosure from Islamic perspectives are equally important business strategies in creating continuous superior performance for organisations. This is in line with the view that organisations need to develop a stakeholder orientation particularly in an environment of increasing pressure from jurisdictions dominated by Islamic stakeholders on organisations engaging in Islamic products to increase their social responsibilities from the Islamic perspectives. The stakeholder orientation recognises the importance of addressing the demands of multiple stakeholder groups. Disclosure of companies’ ICSR initiatives in annual reports have increasingly been used in communicating CSR initiatives to the relevant stakeholders. This in turn strengthened stakeholder relations and support for the organisations which consequently enhance firm reputation and performance. ICSR is an important business strategy that can drive performance related behaviours in organisations in creating continuous superior performance.

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