

Abstract

Amr Abdel Aziz

THE RELATIONSHIP BETWEEN CSR and THE ROLE OF BUSINESS SECTOR and GOVERNMENTS IN EGYPT

Purpose Over the last decade, Corporate Social Responsibility (CSR) has been defined first as a concept whereby companies decide voluntarily to contribute to a better society & cleaner environment; then evolved to be a process by which companies manage their relationship with stakeholders. In today's highly competitive market, companies need an extra niche; many have found that CSR activities can make the difference in winning & maintaining customers losing them. Moreover, CSR has become a priority issue on governments' agendas. As within the new opening environment & networked operations of companies, new risks emerged called social risks which focus but not limited to areas of human rights, labor standards, environmental standards & sustainability. This study highlights the main roles of the government & businesses in promoting responsible & sustainable manner. The Egyptian government started to motivate the companies through creating the ESG index as an approach of CSR that has a strategic focus that considers each of reputational risk, operational risk, stakeholder relations, new customers & markets & sustainable competitive advantage.

Design/methodology/approach This study was conducted to explore how do the company & the sector perform on the social & environmental level, is there any CSR strategy policies adopted by the company if they invest in the CSR field? Therefore, this study mainly is to assess the ESG index on two stages using triangulation which utilizes both quantitative factors as well as qualitative ones. Through the process, environmental, social & corporate governing factors will be translated into a series of scores measuring securities in the universe of publicly traded listed Egyptian companies in the Egyptian stock exchange. The data used in the assessment process for both stages are derived from annual reports, financial reports financial statements, newspapers & websites. The analysis has been conducted on a sample of the top 100 companies listed in the Egyptian Stock Exchange (EGX 100) in terms of liquidity & activity the 100 companies have been classified into ten sectors (financials, materials, consumer discretionary, telecom services, information technology, energy, consumer staples, health care, industrials & utilities) based on the company's core activity & these companies reflect diversified sectors including not only private enterprises but also, state owned enterprises. The analysis of the index is based on two years (2009 & 2010) as the time frame of this research.

Findings Findings conclude that CSR as a strategic notion does not exist within the sample of 100 listed companies except in few companies mainly the large corporations most of the CSR activities were concentrated in initiatives on community awareness education that the telecom services sector adopted, while, materials sector was indulged in charitable initiatives. In addition, the study revealed that financial sector was the most figured sector in disclosing their commitment to CSR standards & publishing a CSR report. Finally, findings of this study suggest weak disclosure of environmental & social performance of the companies in all sectors, which encourage the Egyptian government & the business sector to have major role in boosting CSR in Egypt.

Originality/value Limited research addressed the relationship between CSR & the role of both private sector & governments in developing countries. This study analyzes this relationship in order to draw a model of the optimal actions that both private sector & governments should implement in order to strengthen CSR application in Egypt. Results of this research might be of interest to governments, companies, practitioners, & society.