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## CORPORATE SOCIAL RESPONSIBILITY IN HOSPITALITY INDUSTRY: A CRITICAL ANALYSIS OF EXISTING LITERATURE

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### ABSTRACT

In the recent years corporate social responsibility concept has secured pivotal place in the academic research. Thus, the main objective of this paper is to identify the related researches in the field of corporate social responsibility in Indian Hospitality industry. It further made an attempt to critically assess the available literature on CSR in tourism and hospitality industry.

**KEYWORDS** :Corporate Social Responsibility , Indian Hospitality industry, global integration .

### INTRODUCTION

Corporate social responsibility has become a burning issue as a result of growth in respect of global integration concerning trade and economic systems which led to various deliberations about multinational corporations and consequences of operations related to these corporations. It might be observed that corporations are focusing on social responsibility practices and trying to answer the expectations of their stakeholders and achieve their sustainability and profitability as a final goal (Akmese et al., 2016).

There has been an extended debate about the legality and value of corporate responses to Corporate Social Responsibility (CSR) concerns (Tsoutsoura, 2004). Firms need to admit the responsibility for the influence of their activities and must authenticate the reach of its voluntary actions. On a substantial variety of issues corporations are fortified to behave socially and responsibly (Welford and Frost, 2006; Engle, 2006). On the other hand, managers continuously encounter demands from multiple stakeholder groups to allocate resources to



CSR (McWilliams and Siegel, 2001). Sustainability of the service industry highlights the significance of Corporate Social Responsibility. Commission of the European Communities (2001) defines CSR as “a concept whereby companies integrate their social and environmental concerns in their business operations and in their interaction with key stakeholders on a voluntary basis”. Firms are supposed to go beyond their profit-making activities and enhance the well being of the community making the world a better place, as emphasized by recent business trend (Robins 2005). It means that the business sector should widen the non-economic purpose in society, thereby developing society-driven dealings instead of only producing goods and making profits. Further, to strengthen this view Freeman (1984) posited that companies

are required to satisfy various stakeholders such as consumers, employees, suppliers, and communities should sacrifice the interests of shareholders. Ranging from an ethically mandated responsibility to be a 'good' contributor to society to the more 'self-interested' or instrumental desire to ensure that business performance improves as a result of greater responsibility (Falck & Heblich, 2007).

The future of CSR appears extremely bright (FICCI, 2013). Many scholars have sanctioned the view that tourism businesses, intermediaries, trade associations, lobby groups and non-governmental organisations have recognized the virtues of CSR (Bohdanowicz & Zientara, 2009; Dodds & Joppe, 2005; Dodds & Kuehnel, 2010; Holcomb et al., 2007; Kalisch, 2002; Mowforth et al., 2008; Tepelus, 2008a; Van de Mosselaer et al., 2012; WTTC 2002, 2003; WTTC et al., 2002).

The level of CSR particularly in tourism companies intended to increase in future (Kang et al., 2010). One of the interesting result is the fact that tourism companies have been adopting sustainable development theory when designing and implementing their CSR policies. For more than a few decades, corporate activities to encourage human welfare and increase constructive impacts on society over and above core business activities have been regarded by academia as a vital part of their corporate social Responsibility as stated by Carroll (1979). In this regard, as tourism contributes to the wellbeing of society, if the companies within this industry augment their performance, their positive effect on society will also increase. According to Tilt (1997), the CSR performance relationship is likely to be deeper in consumer oriented firms, since their social reputation has a greater potential effect on business. Evidently, these issues of social status and image are long-term-related, and Falck with Heblich (2007) state that strategic practice of CSR involves a long-term shareholder value approach, which implies a long term view of profit maximization as well. Indeed, Berens et al., (2005) energetically call for research efforts that directly link CSR to stock market performance, as it has the benefit over any other measure that it hinges on growth prospects and sustainability of profits (Rust, Lemon and Zeithaml 2004). In addition, Lindgreen and Swaen (2010) have identified five major strands (implementation, measurement, and the business case, communications, and stakeholder engagement) that have controlled the creation of knowledge in conventional CSR research, and therefore they offer an important structure through which to scale recent scholarly progress on CSR in travel, tourism and hospitality.

## ORIGIN OF CSR

The concept of corporate social responsibility has a long and varied history. It is possible to trace evidences of business community's concern for society for centuries. Formal writing on social responsibility, however, is largely a product of 20th century, especially the past 60 years. Furthermore, although it is possible to see footprints of CSR thought throughout the world mostly in developed countries (Carroll et al., 2004). of corporate social obligation has a long and fluctuated history. It is conceivable to follow proofs of business group's sympathy toward society for quite a long time. Formal written work on social obligation, in any case, is to a great extent a result of twentieth century, particularly the previous 60 years. Besides, despite the fact that it is conceivable to see impressions of CSR thought all through the world generally in created nations (Carroll et al., 2004).

CSR policy operates as a built-in, self-regulating mechanism, whereby a business tracks and assures its active compliance with the spirit of the law, ethical standards, and international standards. CSR is meant to aid an organisation's mission as well as guide what the company stands for and will uphold to its consumers. CSR is a pivotal ethical business practice, which is centralized on concerned values, objectives and decisions supported by sustainable inclusive development of business rather than bare pursuit of profit. CSR is concerned with a business's duty to all stakeholders in its core and

increased network (FICCI, 2013).

Throughout the last three decades, the concept of CSR has been widely promoted (Economist, 2008; Doane, 2005). According to Carroll (1991), the responsibilities of a business can be divided into a pyramid based on four parts: the economic, legal, ethical and philanthropic. He differentiates between ethical and philanthropic responsibilities by saying that the former is a responsibility to do what is expected of societal mores and ethical norms, while philanthropic responsibilities are more icing on the cake and as a result less important (Carroll, 1991). This means that even though a company fulfills some philanthropic responsibilities in a community, it will not be proclaimed as socially responsible if it does not meet the ethical responsibilities set by its stakeholders.

Most of the literature reveal that CSR practices has been existed in the business from long time. As Friedman wrote his famous article in 1970, "The Social Responsibility of Business Is to Increase Its Profits," in which he has emphasized that the only responsibility of a business has been maximization of its profit and the shareholder value (Friedman, 1970). Many scholars are of the view that Friedman had been an opponent of CSR. However, Friedman also states that a firm can dedicate resources to social reasons, if such a decision is fully in its own and thereby the shareholders' long-term interest (Friedman, 1970). This strategic way of using CSR has been further explored by Porter & Kramer (2002; 2006), whose key point is, 'CSR can be used as a competitive advantage'. However, the globalisation of CSR has been criticised, mostly because the debate is subjugated by western countries and Northern perspectives (Blowfield & Frynas, 2005; Kapstein, 2001; Newell et al. 2007; Prieto-Carrón et al., 2006). Against this environment, it may be arguable that the field of CSR has become more culturally homogeneous, but in reality, this is not the case. Carroll (as cited in Garriga & Melé, 2004) explains the heterogeneity in the following way: "an eclectic field with loose boundaries... broadly rather than focused, multidisciplinary; wide breadth; brings in a wider range of literature; and interdisciplinary" (p. 52), while Garriga & Melé (2004) simply write that "the CSR field 34 Presents not only a landscape of theories but also a propagation of approaches, which are contentious, complex and unclear" (p. 51).

## HISTORY OF CSR IN INDIA

Understanding a phenomena or concept needs to pip into its origin. Therefore to understand the concept of CSR, we need to trace its historical background. The divine proclamation that your right is to duty alone and never to fruit thereof and that the performance of duties should never aim at the fruit thereof; nor shall be indulge in inaction, sowed the seed of ethical conduct (The Institute of Company Secretaries of India, 2008). The history of CSR can be drawn back to the explanation of the aim of the state originated in Indian literature. Thought in the Vedas says that peace, order, security and justice are considered as the fundamental aims of the state. Chandogya Upanishad (v.11.5) says that religion is to be promoted, morality is to be encouraged, and education is to be patronized. All-inclusive welfare of the public is clearly considered as the primary aim of the state during the Vedic and Upanishadic ages. These relate to periods as old as c.1000 BC and c.600 BC (Chatterji, 2011).

Literature on politics define the promotion of dharma (moral law), artha (wealth), and kama (pleasure) as the aims of the state (Altekar 1977). The state was to promote dharma by nurturing a feeling of goodness and religiousness, by encouraging virtue and morality, by patronizing social institutions like hospitals, feeding homes for the deprived, as well as promoting literature and sciences. Artha is secured by boosting trade, industry and agriculture. Additional land was brought under cultivation, and dams, wells and canals were built to reduce dependency on rain. Ancient policy creators thus fully dedicated to the ideal perfect growth of the individual, which culminated in the full growth of the society (Chatterji, 2011).



### TRIPLE BOTTOM LINE

The triple bottom line concept emphasizes the fact that companies and organisations give rise to value in manifold dimensions. Acknowledged the essence and accent of modern accounting, the financial bottom line is generally an inept and deceptive expression of total value equation. The term was propounded in 1994 by John Elkington, countering the narrow concentration on the then stylish term “Eco-efficiency” which emphasized on the financial and environmental facets of performance. Triple bottom line celebration, by contrast, spread to social impacts and to the broad economic impact issues that are seldom engaged in the traditional financial bottom line. Triple bottom line approach was conversed in detail in “Cannibals with Forks” (1997) and has been further refined both in hundreds of company reports aligned with the - Global Reporting Initiative (GRI) and in growing number of books. A connected phrase People, Planet, Profit alternatively People, Planet, Prosperity is stemmed from the same notion. This phrase was endorsed by Shell in its early public sustainability reporting (non-financial reporting), following the company’s Brent Spar and Nigerian Crises in 1995. Abbreviated as the 3Ps, it then became vital for the sustainable development debate in countries like India (Elkington, 1994).

### DIMENSIONS OF CSR

As the pioneer to advise the multidimensionality of CSR, Carroll (1979, 1999) distinguished that an organization’s voluntary activities can be divided into two dimensions: ethical and philanthropic responsibilities. Ethical responsibility talk about organization’s activities that are not mandatory by law but that society expects corporate to achieve, while philanthropic responsibility includes its discretionary engagements, exceeding societal expectations (Carroll, 1979, 1999). Further expending the scope of CSR many intellectuals recommend that CSR is made up of multiple dimensions, each of which represent a collection of different voluntary activities (e.g., Clarkson, 1995; Godfrey & Hatch, 2007; Waddock & Graves, 1997). Inoue and Lee (2011) have find out five different dimensions of CSR (i.e. employee relations, product quality, community relations, environmental issues and diversity issues). Further, Berman et al. (1999) differentiated among these dimensions in context of their effect on overall performance of the company. He stated that employee relations and product quality (dimensions of CSR) have significant effect on short term profitability of the company while other dimensions of CSR i.e. community relations, environmental issues and diversity issues have insignificant effect. Although they did not provide appropriate justification of these effects theoretically and attributed these results to the use of multi industry datasets (Berman et al., 1999). Some pragmatic studies have found that each of the five categories is an independent dimension of CSR, and each affect corporate outcomes differently (Backhaus et al., 2002; Berman et al., 1999; Kacperczyk, 2009). Berman et al. (1999) indicated that only employee relation and product categories managed to improve profitability. Backhaus et al. (2002) proved that high business contribution in the areas of environmental issues, diversity, and community relations had greater effects on college students’ perceptions of employer attractiveness than the other two categories. Further, Hillman and Keim (2001) revealed that only the community category has affected shareholder value positively. More recently, experiential work done by Kacperczyk (2009) indicated that corporate attention to the environment, diversity and community have positive effect on long-term shareholder values, however attention to employee relations and product quality did not. Together, these findings advocate that the measurement of each category as a unique dimension of CSR may provide better insight into CSR research. Dahlsrud (2008) stressed misperception in understanding CSR ascends less from definitions

and more from the social construct of CSR in an explicit environment. Only 8% definitions included all five dimensions of CSR as posited by Dahlsrud (2008). Another perception, demonstrated at the micro level, is that of Burke and Logsdon (1996) who recognized five strategic dimensions of CSR that may reveal the value generated from CSR practices for a company. These dimensions are: centrality, specificity, proactivity, voluntarism, and visibility. Centrality symbolizes the closeness of fit between the CSR practice and the companies' chief mission. Specificity talk about the firms' ability to grasp specific paybacks from CSR. The third dimension of proactivity reveals the companies' initiative rather than responsive behavior. Voluntarism point out whether or not the companies' CSR decisions are autonomous of externally enforced compliance requirements. And finally, visibility talk about to companies' abilities to gain credit from CSR activities among internal and external stakeholders.

Further, Lee et.al, (2013) have identified seven dimensions of CSR and categorized these in two groups i.e. Operation related and non-operation related. Operation related CSR activities embrace three dimensions: employee relations, product quality, and corporate governance, whereas Non-OR CSR activities embrace the other four dimensions: the natural environment, diversity, human rights and community relations. Non-Operation related CSR activities may not possibly increase airlines' operational efficiency, according to the stakeholder theory (Freeman, 1984), rather improve companies' brand recognition and customers' satisfaction (Kang et al., 2010; Lee & Park, 2010),

### **Need of CSR in service industry like hospitality**

One of the largest industries these days are food, beverages and transportation. By 2025 food and beverages will still be the biggest category, although its share will be dropped from 42 percent to 25 percent. Transport and health care will be the second and third biggest markets respectively. Other categories i.e. Transportation, services and recreation will see annual growth rate of 8percent and and these categories will emerge into sizable markets (Mckinsey Global Institute [MGI], 2007).The most important work with which tourism is credited, tourism has the force to promote peace and understanding between peoples (World Tourism Organization (WTO), 1980).Most of the pragmatic studies have found positive impact of CSR practices on the financial performance of the company(Aragón-Correa et.al, 2008; Bird et.al, 2007; Grave & Waddock, 1994; Judge & Douglas, 1998; Nicolau, 2008; Orlitzky et. Al, 2003; Parket & Eilbirt, 1975; Preston & O'Bannon, 1997; Rey & Nguyen, 2005; Russo & Fouts, 1997). The findings of these studies verified that companies those implementing CSR in their operations can meet the interests of shareholders and other stakeholders. Tourism is also applauded for its support in the preservation of cultures at a time when globalization maybe a force for cultural homogenisation (Cohen & Kennedy, 2000). The development interest in ecotourism has proved that tourism can be an important force for the restoration or conservation of environments (Richardson, 1993). Travel and tourism businesses typically have offices in multiple markets where they establish relationships with numerous suppliers, employees, community groups and regulators (Coles & Hall, 2008).

The relationship between society and business has not been built recently rather it had been discussed more than six decades ago, and doubt of implementation of CSR has been existed since 1950s (Carroll & Shabana, 2010). Further, Weber (2008) has observed five benefits of CSR to business. First, positive effects on company image and reputation; second, positive effects on employees' motivation, retention and recruitment; third, cost savings; fourth, customer preferences result in more revenue from higher sales and market shares. Firms have been able to boost their image in the market, it can be considered an indicator of, and their improved CSR practices (Tsai et al. 2010). Some scholars have suggested further, academics should find out the relationship between corporate social responsibility

and corporate financial performance in single industry, thereby applying disaggregate CSR measures, it has been imperative to know the internal competency within single industry and external pressure from other industries (Godfrey & Hatch, 2007; Griffin & Mahon, 1997). Kasim (2004a, b, 2010) supported the view, there have been much more benefits of CSR beyond balance sheet i.e. in the form of cost savings from recycling, energy saving, waste reduction, and other environmental measures.

### **CSR implementation in hospitality industry**

CSR has become “an inescapable priority for business leaders” (Porter and Kramer, 2006). Although CSR in tourism sector has been at infant stage, yet recent research work done in “CSR and tourism” comparable with other high impact sectors i.e. construction (Holton et al., 2008), mining (Kemp, 2010) and forestry (Mikkila & Toppine, 2008). Further Van de Mosselaer et al. opine that there has been restricted thoughtful of CSR in tour operating industry but this is rather astonishing as the crucial role they play in producing tourism both at domestic and outbound destination.

One key feature has been revealed by search that two groups of academic studies on CSR in travel, tourism and hospitality have emerged. First group has been remain consistent while defining CSR and its multiple components. Second group has covered CSR related studies i.e. studies belong to CSR in tourism sector where CSR has been given indirect or secondary focus, and studies have restricted reporting of the key components of CSR (Dahlsrud, 2008). Most of the research has been conducted in tourism CSR, based on secondary sources, as these are consistent sources of information, no reputed company can pay for providing fabricated data to the public (Bohdanowicz & Zientara, 2012).



Corporate Social Responsibility Practices adopted by Travel Agencies/Tour Operators		
Company Name	Domain Area	CSR Practices
Cox and King	Health & welfare	<ul style="list-style-type: none"> <li>● Donation to trusts that works with families infected/affected by or at risk of HIV/AIDS.</li> <li>● Contribution towards mother &amp; child care projects at villages.</li> <li>● Theater workshops for visually impaired children.</li> <li>● Works with leading hospitals on various projects.</li> </ul>
	Education	<ul style="list-style-type: none"> <li>● Working towards providing primary education to underprivileged girl children.</li> <li>● Donation towards School Academic Support.</li> <li>● Contribution towards upkeep of the school as well as catering to the nutritional requirements</li> <li>● Support schools for children who diagnosed with Autistic spectrum disorder, developmental delays and cognitive disabilities.</li> <li>● Donations to various institutions for promoting education.</li> </ul>
	Animal Welfare	<ul style="list-style-type: none"> <li>● Purchase of animal ambulance</li> <li>● Donations to Animal's trusts</li> </ul>
	Sports welfare	<ul style="list-style-type: none"> <li>● Contribution towards nationally recognised sports, including sponsorship</li> <li>● Raised funds for the NGO to promote sports</li> </ul>
	Social welfare	<ul style="list-style-type: none"> <li>● Work towards rights of marginalised communities and vulnerable people to make them self reliant</li> <li>● Support for project on climbing Sherpas and their families in Darjeeling</li> </ul>
	Contribution to Cox and King Foundation	<ul style="list-style-type: none"> <li>● Support the trusts engaged in socio-economic Foundation development and relief work</li> <li>● Contribution towards providing livelihood in a locally appropriate and environmentally sustainable manner through formation of 'Self Help'.</li> </ul>
Thomas Cook	Education	<ul style="list-style-type: none"> <li>● Sponsorship of 10 candidates from Economically backward families for Post graduate diploma in Tourism Management conducted by Centre of Learning</li> <li>● Supported educational expenses of 20 girls through NGO Masoom which provides education to underprivileged students through night schools</li> <li>● Sponsored education of 20 girls through NGO Mukhtangan</li> <li>● Sponsored distribution of 2000 copies of book titled 'Walk on the Wild Side' which focuses on biodiversity in urban areas to students of Municipal Schools and NGOs</li> </ul>
	Health and Sanitation	<ul style="list-style-type: none"> <li>● Sponsorship of 5 units of St. Jude India Child care Centre at Hyderabad which provides holistic care to children who are undergoing cancer treatment, and their families.</li> <li>● Setting up two toilet blocks at Udhagamandalam, (Ooty), Tamil Nadu – near the bus stand and on Coonoor Road</li> <li>● Other sites for the same project pan India are being considered as part of the Government's 'Swachh Bharat Abhiyan' initiative.</li> </ul>
	Internal Policies	<ul style="list-style-type: none"> <li>● The Policy on Prevention of Insider Trading</li> <li>● The Whistle-Blower Policy</li> <li>● The Fraud and Theft Policy</li> <li>● The Information Systems Security Policy</li> <li>● The Anti Money Laundering Policy</li> <li>● Policy on Prevention of Sexual Harassment at Workplace</li> </ul>

Mahindra Holidays & Resorts India Ltd	Education, development and Livelihood Skill and	<ul style="list-style-type: none"> <li>● The Company sponsored the education of 5,009 girls through the “Nanhi Kali” project.</li> <li>● Conducted need assessment and adopted rural schools and anganwadis, renovated their infrastructure and strengthened basic amenities at several of its resort locations.</li> <li>● It provided education material and amenities to underprivileged students and schools on regular basis.</li> <li>● It provided education material and amenities to underprivileged students and schools.</li> <li>● It donated school stationary to six Govt. Schools and also provided funds to opportunity section of Kodago valley school for differently abled students.</li> <li>● In its Skill Development and Generating Livelihood program, supported 8 <b>Self Help Groups</b> of women across six resorts locations in diverse areas like handloom, sewing, tailoring and goat farming.</li> </ul>
Mahindra Holidays & Resorts India Ltd	Environment	<ul style="list-style-type: none"> <li>● The company has planted 2,18,525 trees as a part of its ‘Mahindra Hariyali’ initiative since 2010-11.</li> <li>● It has carried out cleanliness drives at almost all resort locations in response to ‘Swachh Bharat’ campaign.</li> <li>● It has distributed dustbins in nearby villages to address the problem of waste management.</li> <li>● Conduct regularly awareness programmes to sensitise local communities on environmental issues and promoting green practices.</li> <li>● The company has carried out blood donation and medical check-up camps.</li> </ul>
Mahindra Holidays & Resorts India Ltd	Health & Community Welfare	<ul style="list-style-type: none"> <li>● It has organised awareness sessions in the areas of health, natural remedies, and HIV/AIDS to benefit the local community in which it operates.</li> <li>● In Gangtok, water filters were installed in a village to provide access to safe drinking water.</li> <li>● It has been engaged with several children homes &amp; and old age homes, and provided basic amenities and infrastructural support such as water heaters, refrigerators, blankets, and bedsheets.</li> <li>● It has provided relief in natural calamities and created awareness for social issues such as human rights and women empowerment.</li> </ul>

### CSR and CFP relationship in tourism industry

In the face of rising interest in CSR and enthusiastic involvement in CSR activities in the service industry, only a few studies have been conducted on the impacts of these activities on financial performance (for example, Lee and Park, 2009; Garcia and Armas, 2007). Whether Corporate Financial Performance (CFP) is a success or failure is being refereed by stakeholders - primarily investors, consumers, employees and the communities in which they operate. Thus, firms entitled to do better in non-fiscal areas such as human rights, environment, corporate contributions, community development and workroom issues. Increased competitive pressures for firms over the last few decades have caused practitioners to examine the quality and magnitude of their CSR actions (Ali et.al,2010).

Many scholars have posited a positive relationship between CSR and CFP in the lodging and restaurant industries (Garcia &Armas, 2007; Kang et al., 2010; Lee & Park, 2009; Nicolau, 2008; Rodriguez & Cruz, 2007; Tse & Ng, 2003). In support of this view McGehee et.al, (2009) demonstrated that Many tourism-related companies have attempted to boost their public images through CSR activities, such as recycling, assisting local communities, encouraging diversity in the workplace, producing more products naturally, and donating to charities. Lee and Park (2010) in their study found that there is no significant impact of CSR on accounting-based performance in the airline industry. On the other hand, they also establish a positive and direct impact of CSR on market-based performance. Finding of these studies establish that the impact of CSR practices cannot be ignored in general as well as tourism industry.

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