Abstract

The tourism industry has often been regarded as highly distinctive as its success is inextricably tied to, reliant upon and/or largely derives from the varied environments and societies where it operates. In fact, the industry has been said to impact the very social & cultural fabric of societies worldwide besides the natural environment. Hence, as a key partner to this industry, the hotel sector is seen to have a significant impact on the environment and also local resources, especially since they consume vast amounts of energy, water and discharge huge amount of waste. Indeed, the focus of past academic research was mainly about the degree of “friendliness” of hotels’ operations on their respective surrounding environments. In contrast, the profound social impacts of hotels have been ignored thus far. This study aims to make a contribution by exploring stakeholder-centered corporate social responsibility (CSR) initiatives by hotels in a developing economy. We attempt to develop a conceptual model of key factors influencing the implementation of CSR practices in the Malaysian hotel industry. More specifically, the study focuses on the identification of motivating factors influencing the adoption of CSR practices.

Keywords: Corporate social responsibility (CSR), Hotel management, Social impact, Environmental Impact.

JEL Codes: M14; Q56.

1. Introduction

Tourism is one of the world’s largest industries which contribute significantly to the global economy. Being an industry that offers predominantly resource-based activities, its success is inextricably tied to, reliant upon and/or largely derives from the varied environments and societies where it operates. Indeed, Pigram and Wahab (1997) argued that tourism has the capacity to affect significant changes in the physical environment. For instance, tourists, in their desire to escape from the concerns and responsibilities of their everyday life (Khairat and Maher, 2012), have created great demand for activities and accommodations that are based in areas of astounding natural beauty. Consequently, it has led to increased clearance of often remote, natural areas for the purpose of hotels...
and resorts development. In this regard, it has been widely acknowledged that besides the obvious economic benefits of tourism, there are also considerable negative effects both environmentally and socially. These include the increased burden on water and energy supplies and increased burden on solid waste management (Kirk, 1995). As for adverse social impact, researchers have identified a host of issues such as the deterioration of local identity and value systems, loss of authenticity of local arts and crafts to commodification, increased crimes and low paying jobs (Pigram and Wahab, 1997; Kasim, 2006).

Considering the arguments above, it is unsurprising that the tourism industry has often been pressed to play a leading role in making the transition towards more sustainable forms of development (Hawkins and Bohdanowicz, 2012). By natural extension, the hospitality sub-sector has also been subjected to such calls especially since it is the largest subset of the tourism industry. More specifically, the World Travel and Tourism Council, Earth Council and UN World Tourism Organization (1996) share the view that the tourism as well as hospitality industries are well-placed to create significant economic value using less resources; provide the incentive and means for environmental enhancement; adopt environmentally-sound technologies and techniques; and to lead other industries in embracing environmentally- and economically-sustainable business practices.

Thus far, it is clear that the hospitality sub-sector (i.e. hotel businesses) is compelled to be more proactive in tackling environmental, social responsibility and sustainability issues. Although hotels have often been regarded as ‘clean’ and ‘smokeless’ in the past as compared to more traditional targets of environmental groups such as mining companies and chemical manufacturers, they are now seen as big consumers of natural resources (Kasim, 2007). Indeed, a hotel usually requires air-conditioning/heating systems, energy for lighting and hot water on a 24-hour basis regardless of seasonality, location or the number of guests. This is compounded by other factors such as (i) the lack of recycling facilities, (ii) the constant need for huge piles of fresh towels and linens in order to maintain hospitality standards, etc.; as they all contribute to significant overall environmental inefficiency. Put simply, hotels are akin to a small community that purchases goods and services, creates and disposes waste, uses electricity and water, and just like any individual, leaves a distinct environmental footprint and pressure on local resources (Kasim, 2009).

In the last decade, many hospitality businesses around the world are responding to the growing calls from the responsible business movement to move on to a more environmentally-friendly and also socially responsible approach to their respective operations. This is partly due to the realization that the sustainability and long-term survival of the sector hinges upon clean natural surroundings, vibrant and culturally-distinctive communities, and stable societies.

Malaysia, widely recognized as a major tourism destination, has successfully marketed itself as an ecologically- and culturally-rich country. Undoubtedly, the natural and unpolluted environment is a major asset for the country’s tourism industry. Even so, anecdotal evidence have shown that only certain hotel chains in Malaysia have adopted some environmentally- and socially-responsible practices. Some have seemingly done so proactively while others have simply adopted selected practices without clear indications of the kinds of motivations that have actually compelled them to do so. Academically, despite the increasing significance of CSR, relevant research investigating the areas of focus (environmental initiatives such as towel/linen re-use programs or community involvement projects such as sponsoring schools/events, etc.) as well as the underlying motivation influencing the adoption of such practices by hotels in developing countries are lacking. Therefore, we attempt to develop a conceptual model of key antecedents of the integration of CSR practices in the Malaysian hotel industry. Identification of these motivations could shed light on the importance of hotels’ decision-making processes and their level of commitment towards the environmental and social fabric of the society.

2. Literature Review

Over the past few decades, the on-going debate regarding the proper relationship between business and society has largely revolved around the concept of corporate social responsibility (Schwartz and Carroll, 2003). Both in the academic and also corporate world, there is an abundance of often-conflicting definitions as to how CSR should be defined. In this regard, some researchers such as Van Marrewijk (2003) and Dahlsrud (2008) have attempted to provide more well-rounded definitions.
For instance, after analyzing 37 definitions, Dahlsrud (2008) identified five distinctive dimensions for the concept of CSR that often mentioned. The dimensions are social, voluntariness, stakeholders, economics, and environmental. Based on his finding, the two most popular and commonly used definitions are provided by Commission of the European Communities (2001) who defines CSR as “a concept by which companies integrate social and environmental concerns in their operations and in their interaction with stakeholders on a voluntary basis. Second is the definition provided by the World Business Council for Sustainable Development (WBCSD) (1999) who interprets CSR as the business commitment for contributing to sustainable economic development, employees, their families, the local community and society to improve their quality of life.

Based on the definitions above, the stakeholder theory (Freeman 1984) seems to be the most fitting theory for the concept of CSR. One of the key arguments of stakeholder theory is that managers should work for the benefits of numerous constituents rather than just their shareholders (McWilliams et al., 2006). According to Freeman (1984), a stakeholder is “any group or individual who can affect or is affected by the achievement of an organization’s objectives (p. 55). Accordingly, stakeholders, include shareholders, management, employees, customers, the natural environment, the community, and suppliers. Therefore, the essence of CSR is that a company should consider the interests of different parties when making business decisions.

In terms of CSR-related initiatives, Levy and Park (2011) classify CSR practices into five categories; community relations, diversity issues, employee relations, environmental issues, and product quality. Separately, Gu et al. (2013) classify CSR into eight categories - philanthropic initiatives, customer rights, environmental awareness, employee rights, health concerns, benchmarking, ethics, and wider community. Kucukusta et al. (2013) categorize CSR activities into five groups; vision and values, marketplace, community, workforce, and environment. The results of Tsai et al. (2012) shows six areas of CSR performance in hotels in Hong Kong which are state of affairs, internal and external consumers, business ethics, community interest, novelty and financial. Table 1 summarizes the CSR domains and provides examples for each category of practices. Apart from generic categories of initiatives, researchers have found that different sectors have different CSR practices (Kucukusta et al., 2013). Similarly, the hotel industry has a host of distinctive CSR activities; for instance, offsetting carbon emissions through guest donations and incorporating sustainability into guest experience such as towel/linen re-use programmes.

2.2. Corporate Social Responsibility: Motivations

Friedman (1970) strongly opposed the notion of integrating CSR into core business. He believes that the commitment to CSR activities serves as an unnecessary distraction for business executives and is also a form of misuse of the funds of the company. However, Burke and Logsdon (1996) adopted a less critical stance by claiming that CSR can be strategic if it yields substantial business-related benefits to the firm, in particular by supporting core business activities and thus contributing to the firm’s effectiveness in accomplishing its mission (p.496). Based on their argument, therefore, any organizational behaviour which leads to tangible benefits, valuable for society, stakeholders and especially to the business organization itself, should not be overlooked. Benefits of incorporating CSR practices that could motivate managers to engage in CSR are explained in details in the following sections.

2.2.1. Benefits for the Company

A) Cost Saving & Financial Performance

One of the most influential benefits of incorporating environmental commitment in tourism accommodations is cost saving (Brown, 1996). For many hotels, economic benefits provide the incentive to implement and carry on environmental initiatives. Regardless of the start-up costs and the probable lengthy return on investment related to several initiatives, the economic benefits usually outweigh the cost of implementation. Graci and Dodds (2008) mention that in the Canadian context, the cost savings associated with implementing environmental friendly initiatives helps the efficiency of the hotels compared to their competitors. The authors believe that generally a hotel can reduce its energy consumption by 20-40% without adversely affecting performance. Kasim (2007) states that, in hotels, waste management activities, such as recycling, have been relatively successful because they can bring profit and other activities, such as water saving, can reduce operating costs. Similarly, Lee and Park (2009) and Kang et al. (2010) supported the existence of a significant relationship between
CSR and firm performance in hospitality industry. Findings of Lee and Park (2009) suggest that hotel companies can confidently and strategically increase CSR investment to enhance both short-term (profitability) and long-term performance (firm value).

### Table 1. CSR Domains & Practices

<table>
<thead>
<tr>
<th>Authors (Year)</th>
<th>CSR Domains</th>
<th>Examples of CSR Practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gu et al. (2013)</td>
<td>Environment</td>
<td>Evaluate the environmental impact of the business</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Collaborate with participants in local community activities (e.g., Clean-up)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Conserve water, reuse waste water in landscaping, gardening</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Implement linen and towel re-use programs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Implement waste management programs to recycle/Reuse</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Reduce construction waste when building or renovating hotels</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Reduce energy consumption by installing energy-efficient appliances</td>
</tr>
<tr>
<td>Levy and Park (2011)</td>
<td>Business Practice</td>
<td>Do business with green companies</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Be fair, honest &amp; ethical</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Offset carbon emissions through guest donations</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Incorporate sustainability into guest experience</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bring social responsibility into supply chain</td>
</tr>
<tr>
<td>Sheldon and Park (2011)</td>
<td>Community</td>
<td>Assesses &amp; manages social impacts in the community</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Makes donations (money or products) to the local community</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Organizes and/or sponsors local community cultural and sporting events</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Provides opportunities &amp; reward employees to volunteer in the community</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Provides opportunities for guests to donate to / volunteer with community</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Encourages customers to consume/use local products</td>
</tr>
<tr>
<td>Kucukusta et al. (2013)</td>
<td>Policy &amp; Reporting</td>
<td>Implements supplier codes of conduct guidelines</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Have a section of CSR under its annual report</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Write down the CSR practices explicitly in the handbook of employees</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Include CSR practices in how it's guiding principles</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Have a CSR-related vision statement</td>
</tr>
<tr>
<td>Chersi et al. and Maru (2012)</td>
<td>Education &amp; Awareness</td>
<td>Conducts workforce development programs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Provides employees with sufficient in-house training and education</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Educate employees on environmental issues via newsletters and/or awards programs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Encourage employees to implement and promote sustainability-oriented local businesses</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Encourage organic product consumption</td>
</tr>
<tr>
<td>Chersi et al. (2012)</td>
<td>Workforce &amp; Diversity</td>
<td>Complies with labour legislation and employee contracts</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Implements employee-friendly policies for safe, healthy, and/or fair work conditions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Provides employees with pension and insurance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pays wages that are competitive in the local environment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Provides opportunities for employees to share in decision-making</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Conducts diversity programs by encouraging people of all abilities &amp; ethnic minorities to apply for jobs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Promotes gender equality in the employment practices</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Seeks to balance work and family life for employees</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Provides equal treatment based on merit with no form of discrimination</td>
</tr>
</tbody>
</table>

### B) Risk Management

Risk minimization is now viewed as increasingly inseparable from good corporate social responsibility and governance. From corporate perspective, social risk arises when its own behaviour or the action of others in its operating environment creates vulnerabilities. Stakeholders may identify those vulnerabilities and apply pressure on the corporation for behavioural changes. Managing risk is as much about minimizing the potential damage that could result from decisions and actions taken from within a company as it is about managing external hazards and CSR programs represent an excellent mechanism for addressing these challenges across the business enterprise (Kytle and Ruggie, 2005).

Resilience to negative information about the company refers to consumers’ willingness to overlook or even forgive a company when an occasional lapse happens. This is a key reason why investing in CSR is akin to “building a reservoir of goodwill” (Bhattacharya and Sen, 2004). Consumers feel a sense of attachment or connection with companies engaging in CSR activities they care about which is a phenomenon called “consumer-company identification” (Bhattacharya and Sen,
2004). Such identification is known to be a powerful state driven by individuals’ needs for self-definition and social identity that prompts them to develop a sense of attachment or overlap with select organizations. In turn, identification prompts consumers to engage in a variety of behaviours favourable to the company (e.g., loyalty, word of mouth)—and in this sense, it is a pivotal driver of CSR’s positive effects on consumers’ company patronage behaviours.

C) Employee Commitment & Performance

Employees are one of the primary internal stakeholders for each company whose productivity can also be improved as a result of CSR practices in hotels (Kucukusta et al., 2013). A company’s decision to implement CSR could be rewarded by the existing workforce. Employees, just like guests, are increasingly sophisticated to current thinking of going green in society and far more likely to identify with an employer whose principles and practices are in tune with current trends (Graci and Dodds, 2008). Therefore, their perceptions of how well the organization is performing on the CSR practices are highly important. For instance, Tsai et al. (2012) examine the perceived importance of CSR attributes of Hong Kong hotel employees and their hotel’s performance on those attributes and determine underlying performance factors. They find that out of 30 CSR attributes, 17 attributes are well performed by the hotel and among six performance factors; hotels perform best in the area of finance. Further, Tsai et al. (2012) conclude that almost 70% of the respondents agreed that Hong Kong hotels had been effective in carrying out their CSR.

Studies show that CSR activities have positive effect on the employees’ job satisfaction, morale, commitment and retention (Bevan et al., 2004; Bhattacharya et al., 2008; Bauman and Skitka, 2012; Aminudin, 2013; Lee et al., 2013). Raub and Blunschi (2014) suggest that employees’ awareness of CSR activities is positively related to job satisfaction, engagement in helping and voice behaviour, and personal initiative, and CSR awareness is negatively related to emotional exhaustion. Similarly, Bevan et al. (2004) believe that stronger commitment and a more positive attitude from employees could bring higher profitability and work productivity, and enhance capacity for innovation. According to Lee et al. (2013) perceived cultural fit and CSR capability significantly affect CSR perception and, consequently, employee attachment and performance. So far, many hotel companies use environmental programs as staff incentive—the financial savings earned are translated into cash or other rewards such as in house staff events or trips (Graci and Dodds, 2008).

D) Innovation

CSR practices can lead to the development of new products and markets (Kucukusta et al., 2013). For instance, Hilton Hotel in Tanzania, through local village tours, engage their guests with the locals to see their fishing tradition and learn about boat building (Hilton Worldwide, 2014). By doing so, for instance, this hotel has raised their guests’ awareness towards their local community and enhances their local economy. Earlier in 2013, The Robens at the Palace Hotel, on the doorstep of Buckingham Palace, created their own and London’s largest living wall. Reaching over 21 meters high and packed with over 20 seasonal plant species, the wall can capture rainwater from the roof of the building. Taken from the serious issue of sustainable tourism, the wall will minimise the hotel’s impact on the environment, improve air quality, enhance attractiveness and aesthetic, and boost local economy (O’Neill, 2013).

2.2.2. Benefits for the Workforce & Community

A) Increased Awareness & Engagement

Annual reports and media coverage can be used to present the CSR efforts to the general public, interested parties as well as shareholders. Besides acting as a good citizen, hotels’ CSR practices will increase their employee awareness towards protecting environment. Hotels can conduct workforce development programs; provide employees with sufficient in-house training and education and educate employees on environmental issues via newsletters and/or awards programs. Furthermore, providing information and awareness for guests on environmental issues and/or promoting sustainability-oriented local businesses and encouraging organic products consumption would benefit hotels to engage more guests in their CSR activities. Lee and Shin (2010) find out that awareness about corporate social contribution and local community contribution would affect consumers’ purchase intention.
B) Enhanced Quality of Life

As it is mentioned in the introduction of this paper, the development of tourism-related industries have numerous positive and negative effects on local communities. The quality of life highlights the importance of CSR for communities. Analysing the website content of 13 hotel corporations, Bohdanowicz and Zientara (2009) emphasize the considerable effect of CSR-driven initiatives undertaken by companies in the tourism and hospitality industry on a host community’s socioeconomic situation. Since CSR is about the firm’s attitude towards their stakeholders, it can act as a vehicle for the hotels to contribute to the community with whom they share resources as well and enhance their quality of life.

2.2.3. Benefits for the Society

A) Customer Engagement & Retention

Bhattacharya and Sen (2004) present a detailed framework of the effects of CSR activities to companies, consumers as well as social issues/cause. Their research on various facets of consumer reactions to CSR supports what they call a contingent, consumer-centric conceptualization of CSR. They explain that by understanding consumer reactions to CSR, firms can improve CSR strategies that are optimal from not only a normative perspective, but also a business one. Such an understanding depends on thinking about CSR activities from a consumer perspective, “one size does not fit all.” Moreover, companies need to consider not only external outcomes such as purchase and loyalty, but internal ones such as consumers’ awareness, attitudes, and attributions about why companies are engaging in CSR activities. This is particularly important given that in the face of decreasing product differentiation and heightened competition, CSR activities are an innovative and less-imitable means of strengthening customer relationships.

There are few studies which reveal guests preferences among hotels’ CSR activities. Among green practices that hotels provide, guests mostly value guest-experience related activities rather than those focusing on minimizing ecological impacts. For instance, Andereck (2009) revealed that the most valuable environmental effort that hospitality businesses can implement is landscaping with native plants to enhance visitor ‘sense of place’. Supporting the guest-centred theme is the study conducted by Kasim (2004). This study reports that responsible hotel attributes most valued by foreign and domestic visitors to Penang, Malaysia were guests’ experience-related such as friendliness of hotel staff and promotion of local culture and cuisine. The environmental image, employment of local people, and promotion of local conservation efforts were less valued by respondents. Therefore, by understanding the areas of customers’ preferences, hotel managers can focus their marketing efforts on promoting those practices and engage customers in their CSR efforts.

B) Competitive Advantage

Company image and hotel reputation are one of the most intangible, yet priceless assets a business can have which leads to competitive advantage in the market (Graci and Dodds, 2008). Green and Peloza (2011) state that CSR gives consumer a chance to feel he/she is making a right decision by choosing particular product. Miles and Covin (2000) also believe that CSR programs including environmental stewardship could also help create reputation advantage in the marketing and financial aspects.

3. The Conceptual Model

Error! Not a valid bookmark self-reference.. is the conceptual model as a summary of the literature review discussed in the previous section.
4. Conclusion

To sum up, this paper reviews the domains as well as the antecedents of being environmentally and socially committed in the hotel industry. It shows that incorporating CSR practices would provide hotels with several benefits internally and externally. In the scarcity of empirical knowledge in developing countries such as Malaysia, this study is significant to shed light on the areas as well as the underlying motivation of CSR adoption. As the hotel industry is varied in its size and consists of a number of small and medium sized establishments of various star ratings, it seems that the business case for CSR is not readily evident or shared amongst the industry.

Increasingly, managers would realize the competitive pressure to examine the nature and extent of their organization’s CSR activities. Few major directions that ought to be pursued are recommended. First, environmentally friendly initiatives, accompanied by the demonstration of cost savings solutions, need to be incorporated in to the hotel industry. Practitioners and academics should cooperate in developing new and less expensive technologies, sharing best practices and disseminating the findings on cost-benefit analyses. Furthermore, Malaysian government, Business Council for Sustainability and Responsibility as well as Malaysian Associations of Hotels need to collaborate and intensify their efforts by providing information to hoteliers of the benefits of incorporating CSR, facilitate legal and economic incentives and tax deductions. Special trainings to educate and raise awareness should be developed and participations of all staff from different departments need to be encouraged. In addition, creation and enhancement guests’ awareness about green practices would initiate their demand & support for green practices. Evidence exists that some guests are even willing to pay higher prices to enjoy staying in a green facility (Bohdanowicz and Martinac, 2003). It is hoped that this paper will generate insights to the industry as well as policy makers to enable better CSR planning in the future.
References


