Operationalization of Corporate Social Responsibility: the Challenge for Global Organizations

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Abstract

The benefit or otherwise of business activity to society has been much debated. Government requiring that business pay tax achieves this. Business has sought to augment formal contributory requirements and conduct through Corporate Social Responsibility (CSR) initiatives. Large business organizations with global operations normally seek to institutionalize CSR through corporate policy and strategy. This presents challenges for organizations with extensive global operations. Disparate economic, social, political, environmental operating environments are major barriers for coherent global CSR impact by these organizations. Much may be learnt from the tourism sector in developing countries, especially in coastal areas as the operation of hotels in coastal resort areas has significant localized socio-economic and environmental impact. Consequently there is expectation by the community that hotel operators will contribute directly to society for its benefit. Most hotels operators have CSR programs to that effect.

This paper examines the operationalization of CSR policy by hotel properties with a focus on the process of implementation. The case research method is applied with cases drawn from Phuket, Thailand, and Boracay, The Philippines,. The research found that stakeholders other than the hotels played pivotal roles in the implementation of CSR programs. The research concluded that there was a preference for involvement by hotels in local projects, over those situated elsewhere in the country or internationally. The hotels tended to partner with other non-hotel stakeholders to execute their CSR programs and preferred programs directed at social issues rather than environmental.
Overall it may be concluded that there are limits to the extent that corporate headquarters may direct the implementation of their CSR policy.

**Keywords:** corporate social responsibility, policy implementation, operationalization, stakeholder.

**Introduction**

The benefit or otherwise of business activity to society has been much debated. Briefly put, business interest tends to maximize narrowly defined corporate interests, where the over-riding focus has been on the generation of wealth. Traditionally government seeks to moderate business activity and business financial outcomes for the benefit of society, in the broadest sense. Government requiring that business pay tax achieves this. In addition, business is frequently regulated on how it conducts its affairs related to, for example, employment and the environment.

Recently, business has sought to augment formal contributory requirements through Corporate Social Responsibility (CSR) initiatives. CSR has two fundamental dimensions. While recognizing the obligation of business to conduct their affairs such that they add value to society, there is the recognition by business of the responsibility to the economic, legal, ethical, and discretionary expectations of society (Bowen, 1953; Carroll, 1979). While there has been some debate on the business motivation for CSR, it is clearly voluntary though government is taking an increasing interest (Albareda et al, 2008).

CSR is typically integrated into organizations’ mission and vision to cover financial, environmental and social aspects (Holcomb et al, 2007). Increasingly, corporations are now being judged equally on their financial and societal behaviors (Hick, 2000). More so, consumers now tend to factor in CSR when purchasing a service or product (Ipsos MORI, 2009), which suggests customer resistance for the services and products of organizations with unknown or poor social behavior.

CSR is closely associated with sustainability and as having the potential to enhance an organization’s competitiveness. Companies that can demonstrate social responsibility will gain recognition in the long term that has positive benefits for employee recruitment and retention, access to credit, customer recognition of that their services are reliable and customer and supplier loyalty (Hick, 2000).

Large business organizations with global operations normally seek to institutionalize CSR. They do this through development and adoption of corporate policy and strategy. Increasingly, there is the appointment office-president level senior manager in the central headquarters with the role of overall direction of CSR policy and its implementation. The aim is the control and maximization of the global impact of the organization’s CSR programs. This presents challenges for business organizations with diverse and extensive global operations.
Disparate economic, social, political, environmental operating contexts are major barriers for coherent global impact by the organization. Global enterprises span developed to least-developed economies with the associated operating opportunities and constraints, especially as influenced by the affluence or otherwise of the residents. These societies may be open and largely free or rigidly closed and controlled with corresponding commercial settings. Climatic differences often have a major bearing on the form that business operations takes as does the local geographic context, urban or rural.

Conducting business across widely varying and complex situations makes for difficult direction and oversight. This raises questions related to the formulation of policies for CSR programs that will be implemented globally. How can such policies be effectively implemented for the benefit of both the company and those situations that its CSR programs seek to improve? Can those implementing CSR programs be expected to comply fully with corporate policy? How can large organizations with operations in diverse global settings operationalize their CSR mission?

In considering these questions, much may be learnt from examination of the benefits and dis-benefits of CSR in developing countries. The tourism sector is useful as a vehicle for research in developing countries as the contrast between benefits and dis-benefits, which have well documented (Wall and Mathieson, 2006), is brought into sharp relief. Central to the tourism sector is the necessity for the consumption of services at the place of production. Tourists travel to a destination for a variety of reasons, such as leisure, business, medical treatment and visiting relatives. At the destination they consume lodging, food and local transportation services. They may shop and seek entertainment or recreation. These activities are conducted often in concentrated areas that bring tourists and residents into close contact. Tourists spend in these locations but also contribute to congestion and pollution while impacting local social patterns.

The tourism sector in developing countries, especially in coastal areas, is a useful vehicle for management research. Such contexts are dominated by a mono-economic sector, thus minimizing distortions found in multi-sector contexts. These geographical areas often experience rapid growth resulting in major localized socio-economic and environmental change. Normally governments in developing countries encourage tourism development for export expansion, job creation and poverty alleviation through household income increase. The relatively fast startup of such initiatives, especially in coastal area, is an attraction. Business becomes actively engaged in these coastal destinations (Smith, 1991 and 2010).

Prime business initiators in these locations are hotel developers and hotel operators, typically working together on individual hotel and related projects. While local business has a natural advantage for development of the physical real estate asset – hotel buildings and their site – hotel operators are drawn from a wide range of types and size of organization. These range from very large international hotel management companies, through medium-sized regional companies to small independent hotel management companies.

The operation of hotels in coastal resort areas has significant localized socio-economic and environmental impact. Often hotels in these locations are the largest employers, which increases their prominence. Consequently there is expectation by the community that hotel operators will contribute directly to society for its benefit. Most hotels operators have CSR programs to that effect.
Objective and Method

This paper examines the operationalization of CSR policy by hotel properties with a focus on the process of implementation. The case research method (Yin, 2002) is applied, with cases drawn from Phuket, Thailand, and Boracay, The Philippines. The cases are established hotel operators in these beach resort areas. Primary data were obtained through semi-structured interviews with the senior management of the hotels and other stakeholders in January and September 2011 and January 2012. Secondary data were obtained from published documents, some of which were online.

Discussion

As will be seen, the hotels that are the subject of this discussion are involved in a variety of CSR activities. Unlike their core business activities, few of these fall completely within their organizations and therefore are not fully within their control. The hotels seek to engage in CSR activity yet there are a number of other parties that for a variety of reasons become involved in their execution. Thus there is a CSR space, termed here, the CSR landscape. In this there are a number of stakeholders where each has distinct a role. The hotels by way of their socio-economic prominence, in terms of scale of business and employer, have a dominant role though they have relationships with other stakeholders to implement their CSR programs. Thus the hotels are deemed a stakeholder in the CSR landscape.

Principal Stakeholders

Six principal stakeholder types were identified as playing prominent roles in the CSR landscape. The first is hotel operators. These are the managements of the hotels who operate the lodging and associated services in these properties. Predominantly staffed by nationals of the host country, these businesses have a mixture of international and domestic guests, mostly staying with these hotels as overnight guests. Leisure is the main reason for these gueststays, though there are other reasons such as business travel and attending conferences.

The hotels are all engaged in both internal and external CSR activities where the managements see this as an integral part of their operations. Hotels individually, as well as collectively, have a high profile in coastal destinations. They operate out of large buildings in prominent beachfront locations. These buildings accommodate concentrations of tourists. Hotels are also the largest employer in the locality.

The second stakeholder is the local community. The residents are intimately engaged with the tourism industry by direct employment in hotels or other tourism-related businesses as well as through employment in non-tourism businesses that support the tourism industry. Typically in developing countries, the majority of residents were originally drawn to the destination seeking jobs and the prospect of better and more
reliable income. A significant portion of the community is engaged in informal commerce that targets tourists (Henderson and Smith, 2009).

The third type of stakeholder is the tourist. This stakeholder is important, as tourists are the consumers of hotel services. Increasingly tourists are factoring CSR-related concerns into their travel and accommodation planning and decisions. While this is clearly not the sole deciding criterion, it is part of the mix. Guests prefer that the hotels in which they stay to be environmentally and socially acceptable. The evidence is that they will pay more for this (Adlwarth, 2010).

The fourth stakeholder is the local government. This comprises the three constituent districts of the Phuket provincial government; Mueang Phuket, Kathu and Thalang. The range of responsibilities of the local government is generally similar to those found in most communities globally. Nevertheless, given the dominant scale of tourism in beach resort destinations much of the local government’s activity is within the context of a dominant tourism sector.

The fifth stakeholder encompasses the non-government organizations (NGO). These organizations, which are typically non-profit, are frequently focused on narrowly defined areas of activity in the community or the environment. As with the local government, they are not necessarily or specifically tied to the tourism sector. Normally their operations are funded by donations, grants and other gifted resources.

The sixth stakeholder is advocates who are often individuals. They are people who initiate causes for which they have a special interest and commitment. Typically they operate with no or almost no resources and rely heavily on other organizations and individuals for these.

**Stakeholder Roles**

Central to CSR is the relationship between an organization and its stakeholders (O’Brien, 2001). Stakeholders influence an organization’s CSR activities in a variety of ways where their involvement in these is often pivotal to outcomes. Central to this is the roles they have in the execution of the programs.

The primary stakeholder, the hotels, has a leading role as an initiator. CSR has increasingly become an integral component of their mission that has to be met. Not only does the hotel management have to anticipate and meet the expectations of their guests but also those of the local community. Management has to have to have a program, and typically several programs, for its CSR activity and to report on this to the corporate office. The hotels work with and through other stakeholders who have roles as motivators or facilitators.

There are two motivator stakeholders, the local community and tourists. There is a strong two-way relationship between the hotels and the residents. The hotels employ many from the local community and in return the community benefits from the income these residents earn as hotel employees. A cooperative relationship is in the interest of both parties. The hotels seek to manage this relationship by directing CSR activity that will benefit the community and be perceived as a benefit by the residents.
Tourists are also a motivator for hotel CSR programs. They are fundamentally different from the local community in several ways but importantly in that they do not share the same geographic space with the hotel on a permanent basis. Tourists, especially leisure tourists, are generally free to choose the destination for their travels. They are not compelled to engage with any particular hotel or destination. They are therefore motivators for the hotels to been viewed by their potential guests as behaving responsibly towards the community and the environment.

The local government has a day-to-day responsibility for the community as a whole, which gives it strong community links though its resources are somewhat limited as is common in developing countries. The local government actively solicits support from business for community events, which are often not organized by them. Being a large business in the locality, hotels are frequently targeted. The hotel managements have demonstrated willingness to work with the local government as a facilitator for its CSR activity. The hotels provide a variety of resources – grants, facilities or manpower – for community projects that are proposed by the local government. This helps the execution of the hotel CSR programs and allows the local government to be involved with limited or no resource contribution.

NGOs commonly initiate, develop and conduct their own events and projects. With limited resources, they turn to business to major support. As with the local government, hotels are prime targets where they are often willing to partner with the NGOs who then become facilitators for hotel CSR programs. This is despite some negative perceptions of NGOs in general (Arenas et al, 2009). In this way, the NGOs facilitate the hotel CSR program in a cooperative relationship. In a similar way, hotels will partner with advocates to support their CSR programs. The facilitation role of the NGOs and the advocates is a positive support for the hotel's CSR programs where all parties expect to benefit.

The lead stakeholders are the hotels, NGOs, local government and advocates. While the motivators are part of the CSR landscape, their role is subordinate to the choice, planning and execution of CSR programs.

**Lead Stakeholder Dynamics**

The relationships between the lead stakeholders are central to the effective delivery of CSR programs. This is illustrated with the case of Friends of the Flying Foxes, an NGO in the Philippines, which sought to conserve colonies of fruit bats that inhabited Boracay.

The population of Boracay’s flying foxes was recorded as having declined by 86 percent, from 15,000 bats in 1988 to 2,000 bats in 2005. This dramatic decline had been linked primarily to the loss of the bats’ natural habitat due to human disturbance, caused specifically by the commercialization on Boracay through loss of forest where the bat colonies live. Flying foxes were important to the island’s ecology, as they played a critical part in the regeneration of trees and in the preservation of the fast-dwindling forest-cover, by dispersing seeds while in flight. (Boracay Press, 2011)

Alarmed by the major decline in the number of bats and the concern of the major impact that this would have on the health of the natural forests, a start-up NGO, Friends of the
Flying Foxes (FFF), sought to conserve the bats. Starting in 2001 with no resources, they set for themselves a sharply narrowly-focused mission for bat conservation.

As the issue of the bats was very urgent when we started, we have funded our ngo (sic) from our own pockets. We focused to save the bats and the area, and did not have allot (sic) of time to organize the ngo in recieving (sic) financial help from the community.

(Lervik, 2012)

Funding for FFF has remained a constant concern, as has been the difficulty of relying heavily on and managing voluntary resources.

Funding is something we need help with. And many say they want to help, but we have to make sure its done right. As we where preverving (sic) the bats- we also could not advertise about them to much as that would be conflight (sic) of interest if we didnt (sic) have the whole set up on how to protect them and the area and not disturb them.

(Lervik, 2012)

Despite its small size, extremely limited budget and its generally ad hoc institutional structure, FFF has had success in convincing a major hotel, Shangri-La, to work with it in meeting its objectives.

Friends of the Flying Foxes (FFF) is a small ngo that have (sic) been fighting the cause to preserve the bats since 2001, and have (sic) had positive response (sic) from many resorts, but it was only when we meet with Shangri la (sic) that we meet a serious approach to it. Shangri la really took the issue seriously, and invested time and money and even removed 8 of their planned villas in order to preserve the bats. They have also continually being communicating with us on what they can do more to help, and teach their staff and guests about the bats.

(Lervik, 2012)

To meet its objectives, FFF brought pressure on the developer of the Shangri-La hotel by enlisting the authority and regulatory power of government. The Department of Environment and Natural Resources (DENR) conducted an investigation into the development of the hotel and required the developer to submit a development program addressing flying foxes (The News Today, 2006).

In the afternoon, a technical conference was immediately conducted by the Environmental Management Bureau presided by Engr. Yvonne Faldas and also attended by a representative from the Friends of Flying Foxes, an NGO who is conducting a study about flying foxes and bats in the island.

(The News Today, 2006)

FFF was also successful in gaining important publicity for its cause through the local media. In time, the efforts by FFF produced positive results with an increase in bat numbers in Boracay.
Although no count on the bat population was made recently, (Ms. Julia) Lervik said the FFF observed an increase. “Their population has not returned to the 1988 count but we believe their numbers have stabilized. This is an encouraging indication,” she said. (Burgos, 2011)

This case demonstrates how a small, amateur NGO, with no resources can quickly and effectively become a lead partner in a successful CSR program that a leading hotel is willing to promote publicly and with its guests. This raises questions as to how a common corporate CSR policy could anticipate these circumstances and provide useful procedures for managing them. While it is normal for the corporate office of large hotel companies to dictate and often in some detail the policy and its implementation for operational financial accounting, human resource training and brand management, to mention a few, it is not possible to do the same with CSR.

**Strategic Value**

A fuller understanding of the relationships between the lead stakeholders is gained through systematic analyses. For the present research, this was undertaken through the application of a framework that identified the five strategic dimensions of CSR (Bourke and Logsdon, 1996): centrality concerns closeness of fit to the organization’s mission and objectives; specificity relates to the ability of to capture private benefits; proactivity is the degree to which the CSR is planned in anticipation of emerging social or environmental trends; voluntarism defines the scope for discretionary decision-making and the lack of externally imposed compliance requirements; and, visibility is the observable and recognizable credit gained by internal and external stakeholders. These are all directed at value creation for the organization.

In Figure 1, we examine the strategic dimensions of the lead stakeholders in the CSR landscape. The voluntary nature of CSR drives much of this. All stakeholders, except local government, which is constrained by its normal role, direct resources at their own discretion. All stakeholders have a high fit between CSR and their institutional mission and objectives. There is a natural affinity for local government and the NGOs and advocates define their mission around a chosen focus for their CSR endeavors. Hotels give considerable attention to integration of CSR policy with overall corporate mission so ensure compatibility and an absence of conflict.

Visibility is important for all stakeholders who derive much value from this. Publicity is critical for NGOs and advocates so as to drive resources to their projects. They have limited resources and frequently rely heavily on donations of money, labor and other resources to operate. Considerable effort is therefore necessary to maintain the flow of these resources to the organization. Hotels and local government have established internal corporate communication offices are part of their normal day-to-day operations. They maintain strong links with print, broadcast and online media journalists and leverage this to ensure high returns on their CSR involvements.

Most CSR undertakings are on a cooperative basis so that one party alone may reasonably claim all credit. This dilutes benefit capture by individual organizations, as this
must be shared amongst all contributing parties. Publicity by these organizations seeks to maximize their own contribution with little or no acknowledgement of other contributors.

There is uniform weakness in identifying future social or environmental challenges. All stakeholders are reactive and focus on clearly identifiable projects that would likely gain approval from society in general. They choose CSR social or environmental projects that are both desirable and acceptable. There is little interest in pursuing issues that have no immediate positive resonance with society so no effort is devoted to identifying future challenges for which benefit to the organization is not immediate, unclear and assured. The overall approach for all stakeholders is decidedly conservative.

Program Dimensions

A survey of a cluster of 11 hotels along the beach at Bang Tao, Phuket, was undertaken to identify the type and number of external CSR programs being undertaken by these hotels. Senior managers of these properties were interviewed when 23 CSR programs were reported. The classification of the CSR programs is recorded in Figure 2. From these analyses several clear patterns of engagement with the CSR landscape emerge.

First, there is an overwhelming trend for hotels to partner with other organizations for their CSR programs. Only one program was developed and managed solely by a hotel. Typically hotels had two or more partners, where 87 percent of the programs were of this type. The clear benefit to the hotels with partnering is that it allows them to focus on their core business of lodging management and not become involved in non-core activity. Another advantage is that the hotel may engage with high-profile programs that require special expertise that the hotel does not possess; for example, littoral ecology or education of sheltered children. The distractions and uncertainties of planning for and ensuring the success of non-core activities are removed though this introduces other forms of risk. Control of the program is lost as other partners are involved and in most cases it is multiple partners. The risk is that a program may not apply resources efficiently or may drift from its original mission.

In the unfortunate instance that there is a crisis of one form or another with the program, resultant negative publicity may damage the hotel even though the hotel management has limited or no power to avoid or manage the crisis. Any problems with a particular program will attract considerable negative media scrutiny if, as is likely, it relates to a sensitive social or environmental issue such as handicapped children support or endangered species conservation. Thus there is a risk trade-off for hotels between taking on unfamiliar managerial responsibilities and letting others do this. Most hotels opt for the latter and deal with any problems as they arise.

Second, hotels have the complete discretion to direct their CSR efforts to programs anywhere in the world. While there are no limitations on the geographical targeting of programs the overwhelming majority of hotels had programs (96 percent) that benefitted their immediate locality, Phuket. Only one hotel reported a program that did not. That was for the benefit of children in Nepal. Another program supported an international NGO that performed corrective surgery on children with facial deformities, such as cleft lips and palates. But this was specifically targeted for surgery conducted in Phuket on children from Phuket.
It is evident that the programs aim to bring the benefit to the local community. While pressure would be brought to bear on the managers of the hotels by promoters of local programs to provide support, something less achievable by more geographically distant program, the benefit of being seen to support local causes would be a strong attraction.

Third, there is a clear preference for programs that are socially oriented (74 percent) as opposed to those related to the environment. Hotels are very concerned with environmental issues but this is largely directly at internal programs, along with their internal social programs. Considerable effort is channeled into energy and water conservation and waste processing and recycling. These programs are managed internally and increasingly independently audited and reported.

Externally, the preferred focus is social. One reason for this is the desire by the hotels to help society where it most needed support as with disadvantaged children and the elderly. That there would be potential positive publicity from these programs would also have been an attraction, which would have encouraged participation in more broad-based social programs such as related to general education for children.

Conclusion

The research found that stakeholders other than the hotels played pivotal roles in the implementation of CSR programs. The local community and tourists separately played roles as motivators for the hotels to undertake CSR programs in their respective locations. Government, non-government organizations (NGO) and advocates (individuals acting in their own capacity) were together or separately the facilitators that provided platforms for hotels to mount their CSR efforts.

The research concluded that there was a strong preference for involvement by hotels in CSR projects in their own locality, over those situated elsewhere in the country or internationally. There was also a preference for external CSR programs that addressed social over environmental issues. The hotels themselves frequently did not initiate their CSR projects. Rather, they tended to partner with other non-hotel stakeholders to execute their CSR programs; suggesting benefit to hotels in doing so or an unwillingness to take on responsibilities that fell outside of their core business expertise; relying on other stakeholder for this support. Despite the presence of multiple parties in the execution of CSR project, publicity by hotels related to the CSR projects tended to neglect mention of the part played by other organizations.

Given the highly varied global contexts that hotels operate within, it may be concluded that there are limits to the extent that corporate headquarters may direct the implementation of their CSR policy. Rather broad policy frameworks that conceptually outline CSR strategy for implementation would be the ideal method for setting out corporate CSR policy, allowing considerable freedom to those who manage implementation to fit this with local economic, social and environmental conditions.
Acknowledgements

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References


### Figure 1. Relative strategic strengths in the CSR landscape.

<table>
<thead>
<tr>
<th></th>
<th><strong>Centrality:</strong> Close fit to institutional mission &amp; objectives</th>
<th><strong>Specificity:</strong> Benefit capture by institution</th>
<th><strong>Pro-activity:</strong> Social &amp; environmental trend anticipation</th>
<th><strong>Volunteerism:</strong> Discretionary decision-making</th>
<th><strong>Visibility:</strong> Recognizable credit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NGOs</strong></td>
<td>Full control of alignment of projects with institutional objectives: high.</td>
<td>Limited resources require partners with benefits shared by others: moderate.</td>
<td>Constrained by existing commitments and mission: low.</td>
<td>Select focus &amp; define mission and objectives to fit: high.</td>
<td>Institutional longevity related to publicity-driven resource-raising: high.</td>
</tr>
<tr>
<td><strong>Advocates</strong></td>
<td>Self-determined project-specific mission: high.</td>
<td>Limited resources require partners with benefits shared by others: moderate.</td>
<td>Focus on existing social or environmental problems: low.</td>
<td>Select focus &amp; define mission and objectives to fit: high.</td>
<td>Institutional longevity related to publicity-driven resource-raising: high.</td>
</tr>
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Figure 2. Current external CSR programs reported by hotels in Bang Tao Beach, Phuket.

<table>
<thead>
<tr>
<th>Number of Organizations</th>
<th>Number of Programs</th>
<th>Phuket Beneficiaries</th>
<th>Other Beneficiaries</th>
<th>Environmental Programs</th>
<th>Social Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel alone</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Hotel and one partner</td>
<td>2</td>
<td>2</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Hotel and two or more partners</td>
<td>20</td>
<td>19</td>
<td>1</td>
<td>4</td>
<td>16</td>
</tr>
<tr>
<td>Sub-total</td>
<td></td>
<td>22</td>
<td>1</td>
<td>6</td>
<td>17</td>
</tr>
<tr>
<td>Total</td>
<td>23</td>
<td></td>
<td></td>
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