

# The benefits of csr for the hotel organization management essay



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Hotel industries in Mauritius have a long culture and tradition of Corporate Social Responsibility (CSR) especially in terms of voluntary engagements in the regions they operate. They have been making several important contributions over the years to the environmental and social development of the country. Mauritian Hotels in their large majority believes that their role in society extends beyond wealth generation and that of pursuing economics interests, but is also balanced with both the social and environmental responsibility. The Mauritian Hotel industry engages in both internal CSR activities for the benefits of its employees and also external CSR activities for developing or supporting and community related activities. Moreover, the Government of Mauritius has established a policy whereby all profitable firms are required to either spend two percent of their profits on Government-approved activities/programs which contribute to the social and environmental improvement of Mauritius or transfer the funds to the Government to be used for social investment.

## **2. 2 Definition of CSR:**

Corporate Social Responsibility (CSR) is a model whereby businesses consider the interests of the societies within which they are based and operate. Moving beyond philanthropy and compliance, CSR shows how companies manage the impact of their economic, social, and environmental policies, as well as their relationships with customers, employees, suppliers, shareholders, and communities.

CSR has become a very well know public relation subject in the business world, yet there are those who argue that the positive impacts of CSR on businesses are overblown and say companies exist to sell goods, make profit

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and satisfy shareholders – not to save the world. Below are some definitions of Corporate Social Responsibility.

According to the Jones Sustainability Index website, which defines corporate sustainability as follows :

“ Corporate sustainability leaders achieve long-term shareholder value by gearing their strategies and management to harness the market’s potential for sustainability products and services while at the same time successfully reducing and avoiding sustainability costs and risks.”

According to the The World Business Council for Sustainable Development (WBSCD), it defines CSR as “ Corporate Social Responsibility is the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large.” (WBSCD, 2000).

Following an evaluation of the impact of current European CSR Policy, the European Commission has put forward a new definition of CSR: “ To fully meet their corporate social responsibility, enterprises should have in place a process to integrate social, environmental, and ethical and human rights concerns into their business operations and core strategy in close collaboration with their stakeholders.” (EU commission, 2011)

Some other well-known definitions of CSR are as follows:

“ Corporate social responsibility is a commitment to improve community well-being through discretionary business practices and contributions of corporate resources.” (Kotler & Lee, 2005)

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CSR is the “ continuing commitment by business to behaving ethically and contributing to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large.” (R. Sims, 2003)

“ The social responsibility of business encompasses the economic, legal, ethical and discretionary (philanthropic) expectations that society has of organizations at a given point in time.” (Carroll 2003)

Henceforth “ CSR is concerned with treating the stakeholders of the firm ethically or in a socially responsible manner. Stakeholders exist both within a firm and outside. Consequently, behaving socially responsibly will increase the human development of stakeholders both within and outside the corporation.” (Michael Hopkins: A Planetary Bargain: CSR Comes of Age Macmillan, UK, 1998).

## **2. 3 CSR and Stakeholders**

Stakeholders are people who have interest, rights and ownerships in organization and its activities. We have customers, suppliers, employees and shareholders as example of primary stakeholders groups. Each has interest in how an organization performs or interacts with them. Stakeholders groups can gain from a company success and can also be harmed by its mistakes.

Stakeholders are very important as they can take action that can destroy or assist the organization. Stakeholders include government, union nongovernmental action, groups and media.

Nowadays it can be noted that many companies and organization are doing CSR to serve the stakeholders ethically and socially.

### **2. 3. 1 Non-governmental organizations (NGOs)**

Mauritius is one of the first countries in the world to require businesses to offer a portion of their profits to NGOs or government projects in the name of Corporate Social Responsibility (CSR). Non-governmental organizations (NGOs) are every often part of the secondary stakeholder groups, but they can cause an important damage to a corporation (Clarkson, 1995).

Henderson (2001), Knox and Maklan (2004) and Greenfield (2004) go even further saying that companies are being blackmailed by NGOs to behave responsibly.

### **2. 3. 2 Employees**

Employees play an important part in supporting the hotel organizations' life and consequently, the working environment should encourage them to work comfortably. This environment includes issues of health and safety, working condition, employees' benefits and trainings, and productivity levels to create job security and satisfaction for them (Cooper, 2004). Companies having bad CSR transactions will have more trouble recruiting compared to their more advanced CSR rivals (Strandberg, 2002).

### **2. 3. 3 Investors**

Investors were found to use social information for their investment decisions (Epstein and Freedman, 1994). Investors may focus on the organizations' abilities to honour the future payments to them, in either short or long term (Cooper, 2004). According to McGuire et al. (1988), CSR is a core corporate

duty which consists of corporate decision making, the relationship of the firm's social and ethical concerns with financial performance.

### **2. 3. 4 Governments**

The government is concerned about the running of the business that is its operations, how far the organization is following the laws of the country and whether it is operating within the legal constraint. For example, the payment of taxes, creation of jobs, whether the company is socially responsible. The government acts as a regulator, facilitator in the business community and intervenes as and when required.

### **2. 3. 5 Environment**

Concerns about the environment particularly climate change and secondarily water quality and supply/access, social exclusion particularly poverty and access to necessities and governance and accountability, including issues of transparency and integrity (Strandberg, 2002). Increased measurement and monitoring will push the standards and norms higher for all CSR issues, with the result that some hotel companies might specialize particular CSR areas relevant to their business.

### **2. 3. 6 Shareholders**

Shareholders normally invest in shares in order to make the most of their returns, and consequently, their hope is that the hotel companies are capable enough to preserve their sustainability. To realize this expectation, their concentration in CSR may relate to dropping operational costs and refining the product quality. In addition, any good information in CSR (for example, receiving awards) as well as reducing operational costs, such as

efficiency in energy consumption, will more likely be perceived as the most important disclosures by shareholders.

### **2. 3. 7 Customers**

The customers' satisfaction is vital to most hotel organizations and therefore, it is important to understand their demands. As customers are the user of "product", it has been found to be important objectives for them. Some information in product safety and quality may be perceived as the most important for them to make sure that they consume the "secure" products (Clarkson, 1995).

### **2. 3. 8 Suppliers**

Suppliers are always interested in gaining fair value in the exchange for goods and money (Post et al., 1996). Suppliers can withhold supplies or refuse to fill orders if hotel companies fail to meet their payments. Based on this understanding, suppliers seem to be concerned with companies' responsibilities and the information disclosed relating to these issues, such as gaining certifications and awards.

### **2. 3. 9 Communities**

Communities cover a wide range of different stakeholders groups. Clarkson (1995) states some community issues that may be useful to identify their demands, such as public health, safety, and protection, environmental assessment, community relations, product safety, and donations. Generally, the issues from communities are closely correlated with the public profile and accordingly, it can be predicted that the important social information for communities associate with the public issues (Campbell et al., 2006).

### **2. 3. 10 Summary**

It is worth noting that, there are several stakeholders involved in the CSR for the hotel industry in Mauritius, therefore it becomes important to identify the social benefits of CSR for the hotel organization as well as for the local community.

### **2. 4 The benefits of CSR for the Hotel Organization**

There are many reasons why it necessary for hotel companies, for both big business and SMEs (small and medium enterprises) to be socially responsible and be aware about the interest of the key stakeholders. “ Companies are now recognizing that dealing with environment and social issues can provide business benefits when reputational risk is high and sustainable competitiveness and development becomes a key strategy.” (Susan Ariel Aaronson, Senior Fellow, National Policy Association.)

To remain competitive, hotels realize that they must take CSR into consideration, thereby meeting the expectations of the investors, employees, consumers, business partners, and communities. The benefits of CSR for hotel companies are as follows:

#### **2. 4. 1 Lower operating cost:**

It might be seeming like a paradox to say that CSR can lead to lower operating costs, however, in the long run, there are many reasons why this can actually be the case. On environmental issues, a company who is determined to reduce its carbon footprint will be looking at ways of reducing fuel consumption. Although this might be involving an initial investment in more energy efficient vehicles and appliances, it will be finally leading to



cost saving. For Instance, if a corporation is consuming less energy, then its energy bills will be lower and if a corporation is minimizing water usage, then its water bills will be lower. The same is true for maximizing the use of recycled materials.

### **2. 4. 2 More Efficient Operations**

Making use of CSR framework in hotels business strategy can eventually help in attaining a high efficiency rate in operations. For example, in the human resources arena, work-life programs that can be used in reducing the number of absenteeism and increasing the retention of employees, often saves hotel companies in terms of money through increased productivity and by a reduction in hiring and training costs.

### **2. 4. 3 Brand image and Customer Loyalty:**

Probably the most important business benefit of CSR is the positive effect it can have on brand image and customer loyalty. If a company is recognized to be responsible and ethical, and if it markets itself as such, then it will be well located in a competitive market. Consumers, tired of the tales of cruel corporations doing all in their power to maximize profits, are becoming more and more concerned in supporting companies who are seen to be ' doing the right thing'. A study which was issued in the Journal of Business Ethics underlined this link between CSR policy and marketing: it found that while an institutionalized CSR policy is effective in building customer loyalty and public perception of the company, it is crucial to promote this policy in order to increase purchase intent.

### **2. 4. 4 Creating New Business Opportunities**

Open and productive two-way communication with the stakeholders not only increases the hotel company's reputation but also creates up new business opportunities. Close collaboration with key stakeholders and communities and responding to CSR constraints by reviewing business practices and strategies and going by the triple bottom line concepts also provide chances through innovation, creative thinking, better relations with key stakeholders, and introduction of new products and markets.

### **2. 4. 5 Access to Capital: Socially Responsible Investing**

Gradually, investors are becoming more and more concerned in the CSR policies of the companies they invest in, principally in matters concerning to the environment and human rights. A good CSR policy will attract investors who will on principle no longer capitalize in companies who do not have a good reputation for CSR. This means that socially responsible companies will have access to a larger capital base.

### **2. 4. 6 Government Support:**

Many governments provide financial encouragements for sound CSR initiatives, including environmentally friendly innovations. Hotel companies that are proving that are engaging in Csr practices that are satisfying and going ahead with regulatory compliance requirements are being given less inspection and freer control by both national and local government entities.

### **2. 4. 7 Risk Management:**

There is also another important business benefit attached to CSR, and it is one that is based on public perception. A socially responsible corporation

monitors and takes responsibility for its own actions. It attempts to reduce its effect on the environment. It deals with all of its stakeholders properly. It also contributes to the betterment of society through giving and volunteering programs. If the public, the media, the governments and the regulators see that all these things are genuinely happening, then the company will be building itself a reputation that will be enough to carry it through any potential ' stormy weather'. No company, however responsible, is ever completely immune to environmental accidents, scandals or internal corruption. If a company is known to have a good track record in the area of social responsibility, then this will go a long way towards rebuilding a reputation.

If we look at all of these potential business benefits of corporate social responsibility, and take each one into account, the ' big picture' looks good. Although some of the benefits may be intangible and difficult to adhere, they are each significant.

Source: Business & Society, (Vol. 36, No. 3, Sept. 1997)

## **2. 5 The Social benefits to the local community**

When talking about CSR in the context of the tourism industry, the thought of maximizing benefits and the reduction of cost can be readily be recognized in the forms of sustainable tourism. CSR proposes many benefits not only to the organization, but also to the society as a whole. In fact, through the provision of leisure and recreational activities through CSR, hotels contribute largely to the well-being of the local people.

### **2. 5. 1 Improvement of community life**

By providing parks, playgrounds, and community centers through the CSR of hotels, the local community is able to participate and benefit from more leisure activities. The most apparent value of leisure and recreation, according to Kraus (2001), is the opportunity to have fun, relax, and participate actively in social events, games, cultural activities and other leisure involvements. The provision of parks by the hotel industry, for example, provide a good illustration of the hotel social benefits to the local community where during the summer times, people of all ages and backgrounds can use the outdoor living spaces for relaxation. Driver (2000) further elaborates on how communities are proud of their football teams and local spectacular leisure amenities. The provision of parks and open spaces by hotels and the incorporation of leisure activities in the redesign and rehabilitation of poorly developed areas definitely help in enhancing the quality of life and fostering positive attitudes.

### **2. 5. 2 Contribution to personal development**

While the local community make use of the parks, playground and community centers that have been built through the CSR of the neighborhood hotel, these leisure activities contributes mainly to a person's healthy physical, social, emotional, intellectual and spiritual development as well as to a family's well-being. According to Driver (2000), regular exercises, helps the cardiovascular system by reducing serum cholesterol and triglycerides as well as increasing high density lipids in the blood stream and by helping to prevent and to control hypertension. It is further supported by Leitner (2004: 260) who point out those leisure activities provides the

greatest opportunity for positive social interaction whereby the positive social interaction leads to desirable psychological and physiological states as shown in table 1.

## **Table 2. 1: Loneliness versus social interaction**

### **Loneliness -Physical/ psychological states**

### **States during positive social interaction**

Feeling sad, depressed

Happy

Lethargic

Energized

Stress

Relaxed

Low self-esteem

High self-esteem

Confused

Alert

Unmotivated

Motivated

Vulnerable

Confident

Detachment

Feelings of warmth, closeness with others

Source: Leitner and Leitner (2004: 260)

### **2. 5. 3 Prevention of antisocial activities**

The absence of the provision of parks, playgrounds and other recreational facilities may lead a participation in offensive behavior such as violence and crimes, as supported by Mukerjee and dagger (1990) who states that leisure boredom may correlate with a rise in youth involvement in crime.

Recreational activities offer adolescents with good opportunities to explore and form their autonomy and identity (Iso-Ahola and Crowly, 1991). Socially accepted activities, therefore, have been largely supported as preventions to antisocial activities since they fill free time alleviate boredom, and help individuals, particularly adolescents, feel good about themselves (Iso-Ahola and Crowly, 1991). Hence the provision of recreational facilities largely aids in preventing or reducing antisocial or destructive activities, such as delinquency or substance abuse.

### **2. 5. 4 Strengthening neighborhood and community ties**

The contribution of CSR towards the local community, assist in strengthening neighborhood and community life. The local community gets involved in volunteer projects that enhance civic pride and morale. Kraus (2001) claims that shared leisure experiences indeed give people of all backgrounds a sense of belonging and common purpose that helps them to maintain social

traditions and cultural ties. The provision of recreational and leisure facilities helps in overcoming hostility and tension between communities. In many cases, these recreational and leisure activities programs provided by hotels through CSR have been used to focus on problems of intergroup hostility and prejudice, and have indeed succeeded in promoting intercultural friendship and understanding.

### **2. 5. 5 Poverty Reduction**

Contributing to the fight against poverty does not mean that business organizations need to endlessly contribute to charity and always adopt a philanthropic stand. As such, there is a need to use other means to fight this social evil. Mauritius is regarded worldwide as an economic success story, and this is more pronounced in the African continent. Business in Mauritius is booming, with a combined turnover of £4. 64billion (+18 per cent) and combined profits of close to £800 million (Business Magazine, 2008). The tourism sector is on a record-breaking track year after year, both in terms of tourist arrivals and of earnings. The hotel industry, through its national body, has contributed some £800, 000 for community projects, and the association has recommended that its members increase their CSR budget to 2 per cent of net profit by 2009 (MEF, 2007).

### **2. 5. 6 Summary**

It is worth noting that there are a lot of benefits from the CSR of the hotel industry in Mauritius. It becomes therefore important to identify the social factors that impend on Mauritians in participating in certain CSR activities organized by hotels.

## **Chapter 3**

### **CSR in Mauritius**

#### **3. 1 History of CSR in Mauritius**

CSR across the modern world traces its origin back to governmental regulation shaping personnel and environmental issues back in the 1970s. In those times, CSR activities were mostly restricted to compliance with prevailing laws and regulations. Since then, CSR became implanted into an organizational culture, strategy and operations across frontiers.

CSR initiatives go quite a long way back in Corporate Mauritius as well, up to 20 years back. CSR got into Mauritian enterprises for various reasons.

However, some organizations integrate CSR just to enhance their image vis-à-vis (i) the internal community and (ii) the external community.

Multinationals engaged in CSR not only to enhance their image but also because they have to abide by their global policy.

There is, thus, vast evidence that private sector firms across Mauritius are aware that they have to balance, if not reconcile, their obligations to shareholders with explicit contributions to the external community.

#### **3. 2 Role Of The Ministry Of Social Security, National Solidarity And Senior Citizens Welfare And Reform Institutions.**

The Ministry of Social Security, National Solidarity and Senior Citizens Welfare and Reform Institutions envisions to support national and social development and to enhance social welfare and national solidarity in the country. It aims to protect and promote social welfare and national



solidarity, rehabilitate and integrate young offenders and empower disabled persons and elderly.

The main operational units of the Ministry are Social Aid and National Pensions, Social Welfare and Reform Institutions which have been ascribed specific functions, namely payment of Social Aid and Benefits; implementation of social/community development policies for various stakeholders; rehabilitation of young offenders in the community through the Rehabilitation Youth Centers, towards a normal social life.

The activities of the Elderly Sector are organized by different departments and specialized organizations, namely the Medical Unit, the Recreation Centre for Senior Citizens, the Welfare and Elderly Persons' Protection Unit and the Senior Citizens Council.

### **3. 3 CSR at Le Meridien, Mauritius**

Starwood is the world's leading hospitality company with over 1000 properties in 93 countries represented by nine innovative brands and over 145, 000 associates. In Mauritius, the group currently owns three hotels, The St Regis Mauritian Resort-Opening on 1st November 2012, Le Meridien and The Grand Mauritian Resort and Spa. This study focuses mainly upon Le Meridien Hotel and its Csr activities.

### **3. 4 CSR defined By Le Meridien**

“ It is our sense of responsibility and duty to support, contribute and help create a better quality of life for our people and do our part to ensure that our local community is continuously progressing.” Le Meridien.

### **3. 5 Le Meridien Corporate Partners:**

#### **SOS Children's Village**

SOS Children's Village-a village consisting of fifteen houses for neglected, abandoned and destitute children to protect their rights and prepare them for an independent life in the future. The Village Manager acts as the Father Figure with the one SOS mother in each house. There are 98 children from 3 to 20 years. Annual contributions: holiday programme, Christmas star Campaign, Sports Day, End of Year program.

#### **Foundation Georges Charles**

Foundation Georges Charles- a non-profitable and non-governmental organization for 80 children who are mentally retarded or physically handicapped. It is also a Day Care Centre and a specialized school. Aged between 8 and 22 years the children come from very poor family background. Annual Contributions: holiday program, support to vocational and Day Care Centre, Support to Concept " Maurice Ile Durable", Sports Day.

#### **Pointe Aux Piments Government School**

Pointe Aux Piments Government School- Built in 1948. Currently having 397 pupils including pre-primary section. The school is a ZEP (Zone Education Prioritaire) school. One of the reasons for the poor performance of the pupils academically is that they come from families with low status on account of poor socio-economic background. Annual contributions: Bridging the gap programme for new entrants, National Day Celebration, Easter celebration, Holiday Programme, Provision of books, Stationery and educational games.

## **Empirical evidence**

There is indication (kasim, 2004) that the amalgamation of environmental and social measures as part of the corporate strategy was originally more common among large hotel corporations. An study of the websites, annual reports and CSR reports of the top 10 hotel groups was conducted in 2005 indicated that six of the companies had a diversity policy, with further four providing some statement on social responsibility in their vision or mission statements ( Holcomb et al, 2007). Most of the companies investigated stated their participation in charitable donations. The level of participation varied with some companies being highly focused on providing a balanced approach to social responsibility, where others were less focused in their efforts. The pause programme carried through by Hotel Villa Magna-Park (Hyatt) is a case in point. In 2007, when 14 month redecoration works began, the hotel, instead of lying off most of their staff, the hotel retained all the employees engaging them in all sort of human capital- enhancing activities. But the major idea was to strength the worker's unity and company commitment by showing that Villa Magna-Park really cared for its employees. It follows that CSR-driven projects can enable hotel companies to assist local communities as well as to cope with HRM-related problems. Thanks to such activity, a firm is seen as taking responsibility for a host community's residents and its employees. This, in turn, results in a win-win situation whereby the two parties involved gain from a tourism-driven interaction.

## **Summary**

This chapter has provided an explanation of the social aspect of CSR.

Discussion was concentrated on both the benefits of CSR for the local

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community and the hotel industry. It has been observed that healthy socialization was an significant area in which CSR activities promotes favorable personal development and helps in breaking present social barriers.

## **Chapter 4**

### **Methodology**

#### **4. 1 Introduction**

The literature review in the previous chapter gives us an indication that there have been several studies carried out in the field of CSR development. This new chapter deals with the concept of methodology which can be categorized as a way to solve problems or even show us techniques to conduct and collect new knowledge and as well as giving us an overview of the data collection methods used in the course of this research work. The chapter covers the development of the questionnaire and the pilot testing and finally gives us an indication of the limitations of the methodology.

#### **4. 2 Data collection Method**

##### **4. 2. 1 Secondary Data Research**

Secondary data refers to the information that already exists and has been collected for another purpose. Secondary data research is a necessary first step in any research design and forms an important part of the literature review stage. Secondary sources should always be consulted first as we can find may find the information needed already available, thus time and effort are saved, so secondary data research should always come before primary

data research. In the secondary data analysis in this research, data was collected from various sources. These are listed below:

- i. Data search in resource center of University of Technology, Mauritius
- ii. Data search on the Internet.
- iii. Visiting research sites.
- iv. Journals
- v. Reports

#### **4. 2. 2 Primary Data Research**

The main objective of primary data research is to obtain data. Primary data refers to data which is being used for the first time. The main tool is an interview schedule, checklists for face-to-face interviews and a series of printed questions in the form of a questionnaire. In this research, an interview with management of Hotel was used and questionnaires for local people were designed to address the research issues. Interview with hotel management was conducted in English. In some cases, the researcher had to interpret and explain the meaning of the questions in the questionnaire as some villagers speak only their own native language.

#### **4. 3 Hotel Management Interview**

The core importance of this section is providing an overall view about the importance of CSR of the hotel industry from a point of view of the management of the associations that are benefitting from the CSR of the hotel industry. In this context, a structured interview was carried out with the

Headmaster of Point aux Piment Government School on the 25th of October 2012. The main objective of this structured interview was to be able to gather as much as information possible on the benefits of CSR that they receive from the Hotel industry.

#### **4. 4 Questionnaire Design**

While designing the questionnaire, a general rule was implemented so as to make ensure that the questions framed were actually relevant and is in line with the purpose of the survey. But as most of the questionnaires are largely concerned about collecting information of a quantative nature, and so they did not provide qualitative depth needed and now with the current questionnaire which includes some open ended questions which will enable respondents to freely express themselves and provide information relating to their personal experiences.

The Section A contains the profile of the respondents such as their age group, their gender, their educational background and profession. This part has been introduced to help better understand the inhabitants that are benefitting from the CSR of the hotel industry.

The Section B consists of questions that are used to be able to obtain information about whether people are aware about the support given to them by the hotel industry. Furthermore, it also gathers information about the social benefits of CSR provided by the hotel industry. Some open- ended questions as well as close questions and also like scale were used to gather the information needed.

## **4. 5 Pilot testing**

For this research, a pretest was conducted as it was important to know what are the problems with the initial questionnaire. The sample questionnaire was tested among 10 individuals of different gender, educational background and age. After the pilot testing, shortcomings found were corrected. For