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Creating Shared Value through Strategic CSR in Tourism

Mark Anthony Camilleri

Thesis submitted for the Doctor of Philosophy Degree
The University of Edinburgh
2012

DECLARATION

I declare that I have composed this thesis. The work in this thesis is my own. The work has not been submitted for any other degree or professional qualification except as specified by the University of Edinburgh.

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ABSTRACT

Literature review about corporate social responsibility (CSR) suggests that there are organisational benefits to be gained from unintentional discretionary expenditure in laudable behaviour. With this in mind, the methodology integrates insights from the 'stakeholder theory' and the 'resource-based view theory of the firm' to sharpen the strategic base for CSR investment. Quantitative and qualitative research techniques have been used to discover how business organisations are creating shared value for themselves and for society. The main study was carried out amongst hotel enterprises in Malta. The quantitative analysis tested the relationship between Strategic CSR (in terms of the organisational benefits) against the firms' commitment, behaviour and resources devoted to CSR. Secondly the qualitative phase of this study involved an analysis of interviews with owner-managers across the Maltese hospitality industry and with experts who are responsible for setting policies in the tourism regulatory context. The results have indicated that responsible behaviour led to the firms' financial performance and market standing, effective human resources management and operational efficiencies. Following the empirical findings a model representing the 'creation of shared value' for business and society has been put forward.

Keywords:

Creating shared value, strategic corporate social responsibility,, sustainability, resource based view theory, stakeholder theory, tourism and hospitality SMEs.

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LIST OF ABBREVIATIONS

AA	**Accountability**
ABTA	**Association of British Travel Agents**
AITO	**Association of Independent Tour Operators**
ANOVA	**Analysis of Variance**
BITC	**Business in the Community**
CC	**Corporate Citizenship**
CFP	**Corporate Financial Performance**
CIP	**Corporate Involvement Programme**
CR	**Corporate Responsibility**
CSP	**Corporate Social Performance**
CSR	**Corporate Social Responsibility**
CSV	**Creating Shared Value**
DBIS	**Department of Business, Innovation and Skills (UK)**
EC	**European Community**
EMAS	**Eco-management Audit Scheme**
ESF	**European Strategic Framework**
ETI	**Ethical Trading Initiative**
EU	**European Union**
EUROchrie	**European Council on Hotel, Restaurant and Institutional Education**
EUROSTAT	**European Statistics Office**
FLA	**Fair Labour Association**
FSC	**Forest Stewardship Council**
G8	**Governments of the Eight Largest Economies**
GBC	**Global Business Citizenship**
GCET	**Global Code of Ethics for Tourism**
GDP	**Gross Domestic Product**
GHA	**Green Hotels Association**
GHG	**Greenhouse Gas**
GRI	**Global Reporting Initiative**
HCIMA	**Hotels Catering and International Management Association**
IFC	**International Finance Corporation**
IH	**Institute of Hospitality**
IHEI	**International Hotels Environment Initiative**
IHG	**International Hotel Group**
ILO	**International Labour Organisation**
IPS	**Institute of Personnel Development**
ISEAL	**Code of Good Practice for Setting Social and Environmental Standards**
ISO	**International Standards Organisation**
ITS	**Institute for Tourism Studies (Malta)**
KMO	**Kaiser-Meyer-Olkin's Statistic**
KPI	**Key Performance Indicators**
MAHE	**Malta Association of Hospitality Executives**

MHRA	**Malta Hotels and Restaurants Association**
MNC	**Multi National Corporation**
MTA	**Malta Tourism Authority**
MTEC	**Ministry for Tourism, Environment and Culture**
NGO	**Nongovernmental Organisation**
NMI	**New Management Initiatives**
NSO	**National Statistics Office**
OECD	**Organisation for Economic Cooperation and Development**
OSHA	**Occupational Safety and Health Administration (US)**
PASW	**Predictive Analytics Software**
PCA	**Principal Components Analysis**
RBV	**Resource Based View Theory**
SAI	**Social Accountability International**
SBA	**Small Business Act (EU)**
SME	**Small and Medium Sized Enterprises**
SPSS	**Statistical Package for the Social Sciences**
SRI	**Socially Responsible Investing**
TSC	**Tourism Sustainability Council**
UN	**United Nations**
UNEP	**United Nations Environmental Programme**
UNGL	**United Nations Global Compact**
UNWTO	**United Nations World Tourism Organisation**
WBCSD	**World Business Council for Sustainable Development**
WEF	**World Economic Forum**
WTO	**World Trade Organisation**
WTTC	**World Travel and Tourism Council**
WWF	**World Wildlife Fund**

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This ambitious project gives a picture of the current responsible entrepreneurship practices across the hospitality sector in Malta. Undoubtedly, tourism is one of Malta's largest and most dynamic industries. It would not have been possible to achieve the results reported here without the willing help of a wide range of people. Firstly, I express my gratitude to Prof Jake Ansell for his timely and insightful guidance during this PhD journey. I also thank Dr Galina Andreeva for her assistance.

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Investing in your future

To Adriana and Michela,

Always near, no matter how far!

Chapter 1
AN OVERVIEW OF THE THESIS

1.1 Introduction

This chapter gives an overview of the research project and lays the foundations for the research fieldwork. It establishes the rationale and scope for conducting this study by investigating the business case of corporate social responsibility (CSR) in the hospitality industry.

This research project includes a thorough literature review which comprises relevant theoretical underpinning about the existing research paradigms which surround the notion of CSR. This chapter discusses why the research was carried out. The identification of the research gaps in literature emphasise the significance of this study. The thesis clearly states its underlying aims and objectives as it defines the focused research questions of this project. It provides detail of the tourism industry's hospitality sector as the environmental setting of this research. The reader is introduced to the methods which were chosen for this research fieldwork. This chapter will also present a summary of the outcome of this project. Finally, it concludes by presenting a brief description of the complete structure of this thesis dissertation.

The notion of CSR is receiving considerable academic credibility in social science and humanities, bearing in mind that it is potentially a 'dichotomised' field of study. It may seem that 'corporate' and 'social' are not really compatible terms. Moreover, CSR's popularity is still not well defined as a concept, or in its implementation. There are several undeveloped

theoretical and empirical issues which still need to be resolved (Mc Williams et al., 2006; Baron, 2001). For instance, these may include CSR strategies and conceptual frameworks, as well as the modelling of all the effects of CSR on the firm and its stakeholder groups. This study shows that the hospitality owner-managers are under increased pressure from their stakeholders to step up their CSR commitments.

In addition, the area of CSR seems to lack uniformity in business and regulatory standards. This empirical study which has been carried out in partial fulfilment of this research reveals the effects of leadership and culture on CSR activity. Interestingly, this study assesses the effect of socially and environmentally responsible behaviour among the small and medium sized enterprises (which are also known as SMEs) in hospitality and their relationship with their stakeholder groups.

1.2 CSR Perspectives

CSR is a promising theoretical concept in social science and humanities. Its roots within the academic literature can be traced back to Bowen's book entitled, 'Social responsibility of the businessman' (Bowen, 1953). There have been diverse theoretical perspectives surrounding the notion of CSR. McWilliams et al. (2006) emphasise that CSR research requires a multi-disciplinary approach. They describe it as a '…fertile ground for theory development and empirical analysis'. For instance, businesses' way of thinking has changed dramatically since Levitt, (1958), Friedman (1962, 1970) held that the companies' only responsibility is to maximise their owners' and shareholders' wealth. CSR developed during the latter part of 20th Century as the recognition of all stakeholders, rather than just shareholders being the legitimate concern for the business, see Freeman (1984).

CSR has developed as a rather vague concept of moral good or normative behaviour; see Frederick (1986), Carroll (1979, 1991, 2004). An all embracing definition is given by Moon et al. (2009), 'CSR is about beyond-compliance contributions of companies to social, environmental and ethical concerns'. Whilst retaining the comprehensive aspects, Carroll (1979) suggested a relativistic measure of 'the economic, legal, ethical and discretionary expectations that society has of organisations at a given point of time'. With an entrepreneurial stance, Drucker (1984) characterised it as a way of tackling 'social problem(s)' to engender positive 'economic benefit(s)' to ensure 'well paid jobs, and ... wealth'. Porter and Kramer (2006) recognised that 'CSR can be much more than a cost, a constraint, or a charitable deed'. Apparently they perceived CSR, 'as a source of opportunity, innovation and competitive advantage'.

Undoubtedly, in the recent years we have witnessed extensive research in this area. Crane et al. (2009) indicated some of the avenues for further research in the subject of CSR. In the main, the authors held that there is a need to reveal its effects on individual companies and their stakeholders. Interestingly, some researchers have related CSR to business efficiency; see Russo et al. (1997), Holiday et al. (2002) and Salzmann et al. (2005). Other authors maintained that CSR improves resources and skills (Donaldson and Dunfee, 1999; Argandona, 1998; Phillips, 1997; Freeman and Liedtka, 1991; Evan and Freeman, 1988 and Freeman, 1984). Some academic contributors discovered that CSR can create an opportunity to boost sales (see Lindgreen et al., 2009; Miller, 1997 and Auger et al., 2003), and it may even reduce cost and risk (Salzmann et al., 2005; and Waddock and Graves, 1997).

Without doubt, the clarification of CSR's meaning is a significant strand within the research agenda. This research project has considered the smaller businesses' responsible entrepreneurship practices (see Spence and Perrini, 2011; Morillo and Lozano, 2006; Jenkins, 2006; Grayson, 2004, 2005; Tilley (2000; 2003a, b) and Spence (1999). Moreover, this research explores the link between CSR and tourism.

1.3 CSR for Tourism Enterprises

The tourism and hospitality industry sectors are composed of many different types of businesses systems. Although, there is an extensive list of publications surrounding tourism enterprises and CSR (e.g. Graci, 2009; Dodds and Kuehnel, 2010; Graci and Dodds, 2009; Merwe and Wöcke, 2007; Ayuso, 2006, 2007 and Kasim, 2006) this area of study still remains relatively under-researched; particularly when considering research which links hospitality enterprises and responsible entrepreneurship. There may be a multitude of reasons for this research deficiency. Perhaps, accessibility may be the cause. Alternatively, there may be different opinions and perceptions about what should be the locus of interest in tourism management. Small firms might have failed to capture the collective attention of tourism academics as other fields of study (Thomas et al., 2011; Erkkila, 2004). This means that there is potential for further understanding of such organisations. Evidently, there may be diverse motivations, which are susceptible to appropriate categorisations. This research project will be based on the hospitality sector within the tourism industry. There can be certain business processes in the investigated accommodation establishments which are more likely to yield reward than others. Nonetheless, it is widely recognised that stakeholder networks as in other industries will also play vital roles in the lives of owner-managers of tourism and hospitality enterprises. The impact

of previous research on SME firms in tourism has only been marginal to say the least.

To some extent, the existing research on tourism firms is related to the major research areas in CSR as the concept of sustainable tourism is unravelled in the context of the widespread, small tourism enterprises. Arguably, the political initiatives to increase economic growth, to create jobs, to regenerate destinations may not be realised without the contribution of the smaller enterprises. The worst situation is when there are assumptions which are made about small businesses that appear not to be borne out by evidence. For example, local authorities may not differentiate between SMEs and other businesses when looking at their responsible entrepreneurship practices. To add insult to injury, when the desired benefits are not reported by the SME sector, policy-makers may fail to understand that the smaller entrepreneur may have limited resources. It is not just about a lack of relevant academic studies of SMEs. Perhaps, the tourism industry with its policy makers should appraise the SMEs' efforts which have to do with responsible behavioural practices.

Sometimes, society tends to compare SMEs' actions with their larger counterparts. Many of the larger companies may have more elaborate systems and processes for CSR communication. It transpires that larger businesses' CSR reports may not constitute the validation for real CSR, nor there is proof of superior ethical behaviour. Research suggests that at times the formalisation of sustainability reporting may even be counterproductive (see Fassin, 2008). On the other hand, the absence of social responsibility reporting does not always imply that SMEs are not behaving responsibly (Perrini et al., 2007). Undoubtedly, the social and environmental

responsibility (or sustainability) reporting in SMEs needs to follow specific approaches. It may be adapted to their informal nature, as well as to the entrepreneurial character of the small businesses' owner-manager (Jenkins, 2009). This thesis aims to demonstrate that the real essence of social and/or environmental responsibility lies in the implementation of appropriate business practices. It lies in the right attitudes which are mirrored in organisational commitment and behaviour, not only in policy formalisation.

1.4 Key Concepts

Throughout the course of this research a wide array of notions and concepts have been used, many of which can be subjected to different interpretations. The purpose of this section is to clarify on these concepts which were employed in this thesis's title. The terms, 'Strategic CSR', 'Creating Shared Value and 'Sustainability' are defined hereunder;

1.4.1 Strategic CSR

Businesses are capable of social and environmental engagement as they pursue their profit-making activities. There have been numerous reviews of the business case for CSR (see Husted et al., 2012; Orlitzky et al., 2012; Porter and Kramer 2011; Carroll, 2010) as there were also some distinguished authors who criticised the notion altogether (see Haigh and Jones, 2006; Vogel, 2005). Many academic articles have dedicated their energies on organising and evaluating the evidence to establish a link (usually through regression analysis) between Corporate Social Performance and Corporate Financial Performance (Mc Williams et al., 2006; Orlitzky et al., 2003; Margolis and Walsh, 2001; Waddock and Graves, 1997; Swanson, 1995). Others authors referred to similar concepts as Corporate Citizenship (Moon

et al., 2005; Maaß and Clemens, 2002; Birch, 2001) which evolved following the concept of Stakeholder Engagement (Freeman 1984, 1994; Wheeler et al., 2003; Berman et al., 1999, Jensen, 2002).

Arguably, CSR can enhance a firm's competitive advantage as it helps to build trust and reputation, as it increases sales, reduces the costs and minimises risk (see Chatterji et al., 2006, 2008; Baron and Diermeier, 2007; Waddock et al., 2002; Schmidt Albinger and Freeman, 2000; Riordan et al., 1997). Therefore, CSR may lead to synergistic value creation (Bhattacharya et al., 2012; Wheeler et al., 2005; Stanwick and Stanwick, 1998; Waddock and Graves, 1997; Preston and O'Bannon, 1997; Pava and Krausz, 1996). Drucker (1984) argued that profitability and responsibility are truly compatible. The author went on to suggest that the challenge was to turn social responsibilities into business opportunities. In his own words;

> "…the proper 'social responsibility' of business is to tame the dragon, that is to turn a social problem into economic opportunities and economic benefit into productive capacity, into human competence, into well paid jobs, and into wealth" (Drucker, 1984:62).

Several authors maintained that through strategic CSR engagement businesses may achieve a competitive advantage (Crane et al., 2009; Porter and Kramer, 2006; Porter and Van der Linde, 1995). Empirical studies have shown that there is a correlation between CSR and financial performance (Orlitzky et al., 2003).

1.4.2 Creating Shared Value (CSV)

Porter and Kramer (2011) have recently reiterated their 'shared value' proposition, which they have initially mentioned in their previous article

entitled, 'Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility', (Porter and Kramer, 2006). They held that businesses can create shared value opportunities by reconceiving products and markets, by redefining productivity in the value chain and by enabling local cluster development. They went on to suggest that CSR is not perceived as a cost for the business, as it brings mutual benefits for both the business and society. Porter and Kramer (2011) argued that there is further opportunity for businesses to approach societal and environmental issues from a value perspective. They held that shared value unleashes new business opportunities as it creates new markets and strengthens competitive positioning. Therefore, it improves the businesses' financial performance and market standing (Porter and Kramer 2006, 2011).

A shared value approach requires particular areas of focus within the businesses' context (workplace) as well as looking after society's interests (comprising the environment, marketplace and the community) for the firm's self-interest. Of course, the enterprise's performance must be continuously monitored and evaluated in terms of achieving the desired economic results. The efficient operational processes are aimed at adding value to the firm itself. In a recent communication, the European Union (EU) Commission (2011) encouraged enterprises to adopt a long term, strategic approach to CSR to maximise the creation of shared value;

> "To maximise the creation of shared value, enterprises are encouraged to adopt a long-term, strategic approach to CSR, and to explore the opportunities for developing innovative products, services and business models that contribute to societal wellbeing and lead to higher quality and more productive jobs" (EU, 2011).

In their own words, Porter and Kramer (2011) claimed that, 'as a firm reaps profits and grows, it generates a virtuous circle of positive multiplier effects'. Arguably, when an organisation is doing well, there are more available jobs in the community, addressing unemployment issues which result in more tax contribution to authorities. In a sense, there seems to be Adam Smith's 'invisible hand' in force, as the businesses contribute to society's value creation when pursuing their own interests.

> "It is not from the benevolence of the butcher, the brewer, or the baker, that we can expect our dinner, but from their regard to their own interest" (Smith, 1776).

According to Porter and Kramer (2011), their 'shared value' notion will be one of the most dominating forces in achieving economic performance and competitive advantage, whilst contributing towards sustainability by addressing social and community deficits. The authors (2011) also named the businesses which are embracing this 'new' concept. They mentioned several multi-national companies like; General Electric, Google, IBM, Intel, Johnson and Johnson, Nestlé, Unilever, and Wal-Mart among others which have taken on board the notion of 'creating shared value'. Porter and Kramer alleged that business leaders and governments alike may still need to acquire a greater knowledge and understanding of the concept. Nonetheless, there seems to be willingness from the European Commission to push this notion. The EU Commission (2011) held that the core strategy (referring to CSR) should involve closer collaboration between businesses and their stakeholders, with the aim of;

> "…Maximising the creation of shared value for their owners/shareholders and for their other stakeholders and society at large and identifying, preventing and mitigating their possible adverse impacts", (EU, 2011).

1.4.3 Sustainability

Governments and regulatory bodies have also been drawn into the debate over sustainability and the CSR agenda. Sustainable development is defined 'as development that meets the need of the present without compromising the ability of future generations to meet their own needs' (Bruntland, 1987). Generally, many countries' governments have used the CSR concept as they considered it as an important vehicle for the delivery of some of their own policy goals (EU, 2004). Academic research has also started to look deeply into the potential of CSR as a policy tool (see Albareda et al., 2007; Moon and Vogel, 2008). The beginnings of sustainable development as we know it today, has stemmed from a United Nations Conference of the Human Environment which took place in 1972. The latest summit about sustainable development was held last June 2012 in the Brazilian city of Rio de Janeiro. This summit has yielded a nonbinding declaration, committing the world's politicians to modest goals. The participating countries have committed themselves to pay more attention to climate change and increase aid for development. Table 1.1 outlines a number of milestones which have been achieved globally and regionally, in the subject area of sustainability:

Table 1.1 Historical Milestones in the Sustainability Agenda

1987	"Our Common Future" (The Brundtland Report) published;
1989	Issues raised by our common future are discussed at the UN General Assembly, which led to calls for a UN conference on Environment and Development;
1990	UK's white Paper on the Environment released 'This common Inheritance';
1992	UN conference on Environment and development (earth Summit) in Rio de Janeiro discussed how to achieve sustainable development. Key outcomes from the conference included; The Rio declaration on Environment and Development, The United Nations Framework Convention on climate Change, United Nations convention on biological Diversity, Statement of Forest Principles and Agenda 21;
1993	"Towards Sustainability", the Fifth Environmental Action Programme of the European Union is adopted;
1994	UK produced a sustainable development strategy in response to the call made in Rio;
1997	UN Conference reviewed the implementation of Agenda 21 development. There was a Change to articles 2 to 6 of the EC Treaty to give sustainable development a much greater prominence;
1998	UK consultations released, Opportunities for Change" and "Sustainability Counts" to develop a set of headline indicators of sustainable development;
1999	UK launches a new government strategy for sustainable development for the UK and indicators;
2000	The EU Commisison in Lisbon appealed to companies' sense of social responsibility;
2001	The EU Commissionpublished a Green Paper promoting a European Framework for CSR;
2001	The Gothenburg Sustainability Strategy;
2002	The EU Commission's Communication proposed a Community Strategy promoting CSR;
2002	The European Multi-stakeholder Forum on CSR was set up;
2005	The EU Commission recognised that CSR could contribute to sustainable development while enhancing Europe's innovative potential and competitiveness.
2010	The EU Commission urged the private businesses to take part in its core goal to make the EU, by 2010, the most dynamic and competitive knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion and respect for the environment.

(Compiled by the author)

1.5 CSR Regulatory Guidelines

For the EU, CSR is linked to the Lisbon Strategy (2000) and the Gothenburg Sustainability Strategy (2001). The Lisbon Strategy is part of the most important long-term strategic goals that the European Union has set itself in the past decade (Moon et al. 2009). Its broad EU policy objective is the promotion of economic competitiveness, whilst protecting and improving the quality of work and living standards for its citizens. CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis, as they are increasingly aware that responsible behaviour leads to sustainable business success (see European Commission, 2002; Moon et al. 2009). According to the European Council's Lisbon Summit;

> "CSR can make a contribution towards achieving the strategic goal of becoming, the most competitive and dynamic knowledge-based economy (referring to the European Union, EU) in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion" (EU Council, 2000).

Subsequently, the European Council met in Gothenburg in 2001 and it endorsed the contribution by the World Summit for Sustainable Development; through the ratification of the Commission's proposal on sustainable development. The Sustainability Strategy became the latest strategic goal for the European Union, which supplemented the Lisbon Strategy. The Gothenburg Strategy underlined the importance of sustainable development. The environmental protection has been given its due importance and was added to the previous two pillars of economic growth and social cohesion. On this occasion the unsustainable trends which were emerging were also recognised and addressed (e.g. climate change, public

health, natural resources, sustainable transport, aging population and social exclusion). However, as it was the case for the Lisbon Strategy, there were implementation failures. In order to respond to these implementation deficits, the EU Commission proposed to reaffirm the 'new approach to policy making and policy coherence'; to strengthen ownership and improve co-operation with public and private actors, at all levels.

The European Commission (2011) has recently reiterated the importance of the notion as it put forward a new definition of CSR. The term CSR has now been focused on the businesses themselves. CSR is being described as 'the responsibility of enterprises for their impacts on society'. The European Union is recommending the norms of CSR for consideration as appropriate model bases for applicable legislation and for collective agreements between social partners. This latest European policy has put forward an action agenda for the period 2011-2014 which covers the following 8 areas:

- "Enhancing the visibility of CSR and disseminating good practices: this includes the creation of a European award, and the establishment of sector-based platforms for enterprises and stakeholders to make commitments and jointly monitor progress.
- Improving and tracking levels of trust in business: the Commission will launch a public debate on the role and potential of enterprises, and organise surveys on citizen trust in business.
- Improving self- and co-regulation processes: the Commission proposes to develop a short protocol to guide the development of future self- and co-regulation initiatives.
- Enhancing market reward for CSR: this means leveraging EU policies in the fields of consumption, investment and public procurement in order to promote market reward for responsible business conduct.
- Improving company disclosure of social and environmental information: the new policy confirms the Commission's intention to bring forward a new legislative proposal on this issue.

- Further integrating CSR into education, training and research: the Commission will provide further support for education and training in the field of CSR, and explore opportunities for funding more research.
- Emphasising the importance of national and sub-national CSR policies: the Commission invites EU Member States to present or update their own plans for the promotion of CSR by mid 2012.
- Better aligning European and global approaches to CSR:
    - the Commission highlights the OECD Guidelines for Multinational Enterprises,
    - the 10 principles of the UN Global Compact,
    - the UN Guiding Principles on Business and Human Rights,
    - the ILO Tri-partite Declaration of Principles on Multinational Enterprises and Social Policy,
    - the ISO 26000 Guidance Standard on Social Responsibility".

(Source: EU Commission, 2012)

The Organisation for Economic Cooperation and Development (OECD) Guidelines, the United Nations Global Compact (UNGC) and the International Labour Organisation (ILO) Declaration have also received prominent recognition by the governments of the eight largest economies (G8) countries and other states. Their instruments or initiatives are often referenced in academia, or used by business practitioners (Rasche, 2009). More importantly, the direct links with governments as well as the high level of business and trade union engagement have clearly set these guidelines apart from all other instruments or initiatives.

1.6 The Rationale and Scope of this Research

There are several theoretical and empirical issues relating to the strategic implications of CSR that may still have to be resolved. Currently, there are many definitions surrounding CSR. At the same time, there are significant

institutional and regulatory differences in CSR activity across countries which determine the motivations for and against CSR. Undeniably, the firms are already modelling strategies of CSR behaviour with their distinct stakeholders. Pertinent theoretical and empirical studies have shed light on determining the effects of CSR engagement on the firms and their stakeholder groups. In a nutshell, this study has investigated the responsible behavioural practices among hospitality enterprises as it assessed the current knowledge base about the subject of CSR among the hotel owner-managers.

1.6.1 Theoretical Issues

As it has been previously highlighted; there is still no consensus on a broad definition for CSR. On various occasions the notion of CSR has been used as a synonym for business ethics. It has also been associated to corporate philanthropy and related to environmental policy. CSR has been renamed corporate social performance and corporate citizenship. It seems that there is still a lack of uniformity and consistency in the use of the CSR term. For this reason, at times it has been difficult to compare results across studies. Arguably, an appropriate definition of CSR must encompass a common terminology which facilitates the modelling of organisational culture and values for responsible behaviour. It is vital to understand the role of leadership in strategising CSR activity as there are different demands from many stakeholders. Often, management does not recognise the potential benefits that may be derived from strategic CSR engagement. There is more to CSR than marketing, branding and public relations. This thesis will be uncovering the underlying CSR motivations. There may be several reasons for taking on board CSR's discretionary activities. These may comprise socially, philanthropic, stewardship, ethical and economic motives. Baron (2001) referred to strategic CSR, which is aimed at capturing value. Economic

value is created when consumers are willing to pay more for products and/or services provided by companies than the cost of their inputs (Husted and Allen, 2009; Barney, 2001). Similarly, Godfrey et al., 2009 held that CSR investment aimed at secondary stakeholders, represents a potential method of creating value for shareholders.

In addition to understanding the motivations for social and environmental responsibility, it is imperative to understand how strategic CSR affects society. Curiously, Bagnoli and Watts (2003) found that the propensity of firms that engage themselves in strategic CSR depends on two factors: the intensity of competition in the market and the extent to which consumers are willing to pay a premium for social responsibility. The authors concluded that there was an inverse relationship between intensity of competition and provision of CSR. They implied that in more competitive markets, less of the 'public good' was provided through strategic CSR. Alternatively, where there was less competition, more of the 'public good' was delivered. The authors argued that more competition resulted in lower margins for the business. In such a scenario, the businesses were not capable to provide additional social or environmental activities. The fundamental question whether firms 'do well by doing good' seemed to concern many academics and writers (Falck and Heblich, 2007). This has often been referred to as making the 'business case for CSR' (Carroll and Shabana, 2010). Whilst the CSR phenomenon raised awareness of the firms' stakeholders, the business literature seemed to focus on the relationship between the firms' performance and their social performance (Orlitzky et al., 2011). Fombrun and Shanley (1990) held that investment in CSR attributes and activities may well bring product differentiation and reputation building. Similarly, McWilliams and Siegel (2001) suggested that CSR activities ought to be included in strategy formulation and that the level of resources devoted to

CSR can be determined through cost-benefit analysis. Eventually, McWilliams and Siegel (2011) defined strategic CSR as any responsible activity that allows a firm to achieve a sustainable competitive advantage, regardless of motive. The authors integrated the resource-based theory (RBT) framework with concepts and tools from economics, such as hedonic pricing, contingent valuation, and "the new literature on the economics of industrial organization", where CSR is referred to as "the private provision of public goods", (McWilliams and Siegel, 2011).

Orlitzky et al., (2011) demonstrated how cost/benefit analysis can be used as a strategic tool for optimizing a firm's CSR activities. They referred to the transaction cost economics, which made explicit what was previously unacknowledged (see Macher and Richman, 2008). Afterwards, the authors' admitted that, 'CSR is not cost free as it requires substantial resources'; including time, financial and human resources. Orlitzky et al. 2011 went on to say that the resource-based view of the firm (RBV) 'can significantly advance the understanding' of strategic CSR. If organisational resources and capabilities are valuable, rare, inimitable, and nonsubstitutable, they will form the source of an organisation's competitive advantage (Barney, 1991).

1.6.2 Empirical Issues

One of the main barriers to empirical research about CSR may be attributed to the lack of clarity over the use of its terminology. It may prove difficult to measure what is not clearly defined. As long as there are different CSR definitions, the empirical studies may not be as reliable and accurate as desired. Past empirical studies have devoted their attention on the relationship between CSR and firm performance. Early studies focused on event study or regression analysis methodology (McWilliams et al., 2006). Event studies were typically based on analysing the movements in share

prices (for the publicly quoted firms) as a proxy for their market value. With regards to the regression analysis, a measure of profitability such as the return on investment has often been considered as an important variable representing the corporate financial performance. Such empirical studies were carried out to answer the underlying question: 'do firms do well by doing good?' Curiously, the results have ranged from negative relation between CSR and firm performance, to no relation at all, to showing a positive relation (Aupperle et al., 1985; McWilliams et al., 2006). There seemed to be little or no consistency in the reported findings. Perhaps, the researchers might have adopted an inadequate research design, basing their investigations on limited or biased samples of the population. It transpired that there have been significant changes over times, which have been evidenced in fundamental variances in the samples being analysed.

Orlitzky et al. (2003) maintained that the organisational size variable confounds CSR (renamed as Corporate Citizenship, CC) – Corporate Financial Performance (CFP) relationship. The authors argued that as large firms tend to exhibit greater financial performance; they are capable of socially responsible engagement, as they possess the required slack resources. Orlitzky (2003) implied that the CC–CFP relationship may in fact be spurious. When organisational size was added as a mediating variable, it influenced both CC and CFP. Similarly, other findings have indicated that both large and small firms benefited from becoming good corporate citizens (see Perrini et al., 2007).

1.7 The Project's Aims and Objectives

This thesis addresses a knowledge gap in the academic literature as it explored the hotel owner-managers' attitudes and perceptions of responsible behavioural practices. It unfolds their motivations behind their CSR engagement. The goals of this project have been reached through a combination of research activities

1: Literature Review: Exploration and analysis of the practitioner-oriented tools from the relevant tourism and hospitality industry sectors including business reports, trade union publications and international and national regulatory guidelines. The literature review comprised the theoretical underpinning, conceptual frameworks and empirical findings surrounding the CSR paradigm. Such material came from books, journals and web-based information. This thesis considered some of the unresolved theoretical and empirical issues; pertaining to the 'stakeholder theory' (Freeman, 1984), 'the resource-based view of the firm' (Wernerfelt, 1984) and 'Strategic CSR' (Reinhardt, 1998). Moreover, it advances Porter and Kramer's (2011) 'shared value' approach. The literature review has been continuous throughout this research journey in order to remain up to date with the latest academic knowledge. The underlying objective was to identify the key gaps in the literature and to address them successfully.

2: The Research Fieldwork: The methodology has been based on a combination of both the qualitative and quantitative research methods. The empirical study investigated the companies' cultures and values, their commitment and behaviour for (or against) social and environmental practices. In addition, this study sought the regulatory experts' opinions that are responsible for setting policies in the tourism

and hospitality regulatory context. This thesis was principally guided by six focused research questions (presented hereunder). The quantitative research consisted of a survey questionnaire which was essentially based on the formulation of six hypotheses (see chapter 4) derived from gaps in the literature. The qualitative research was carried out using in-depth semi-structured interviews. It has provided a good insight of the current social and environmental practices in the hospitality industry.

3: Analysis and Interpretation of the Findings: It was the intention of this project to advance the contemporary strategic management theory and to put forward an empirical study in the field of 'strategic CSR' and 'shared value' in the tourism industry setting. This study sheds light about the real motivations and constraints for CSR engagement. The constructed variables which were duly used during the quantitative research have unfolded the hotel owner-managers' attitudes and perceptions about the costs and benefits of CSR. Hence, regression analysis investigated the relationship between Strategic CSR (in terms of organisational performance) against the firms' commitment for responsible behaviour. At the same time, this quantitative study considered whether the firms' size and their availability of slack resources affected this correlation. In addition, the qualitative research has reinforced the quantitative results, in a triangulated approach. The in-depth interview questions with the hotel-owner managers provided useful information about their cultures and ethos for responsible behaviour. Whereas, the telephone interviews with the regulatory officials have provided a better picture about the existing relationships between the hospitality businesses and the tourism authorities. The tourism officials guided the hospitality businesses with their regulatory frameworks and instruments in their endeavour to raise

the raise the quality of their workplaces. Following the sound empirical findings a model representing the 'synergistic value creation' for business and society is being put forward.

The over-arching aim of this research project was to identify and to analyse the determinants which explain why hospitality enterprises are (or are not) engaging themselves in strategic corporate social responsibility (CSR) practices. Generally, the analysis of the business case of CSR had mainly focused on large corporations and multi-national companies. In the main, previous academic research may have paid limited attention to the numerous small and medium sized enterprises of the hospitality industry.

1.8 The Focused Research Questions

This research project was built on the foundation of the following research questions. The first two open-ended question were dealt with during the qualitative study, whereas the latter four questions were principally explored through the quantitative study.

- What are the Maltese hoteliers' current insights, perceptions and attitudes of responsible behaviour? What is their ethos for CSR?
- Are the hotel owner managers communicating their laudable behaviour and promoting their adoption of responsible practices among their stakeholders?
- What is their commitment to social and environmental behaviour? Are the hospitality organisations dedicating enough energy (financial and human and time resources) to strategic CSR practices?
- What is their business case? Are the hotel enterprises successful in using CSR as a strategic tool to leverage their internal and external

organisational behaviours? Are they capable of gaining a competitive edge through an optimal organisational performance?

- Does organisational size and the availability of resources matter in their strategic CSR agenda?
- How are the hospitality organisations capable of creating shared value opportunities for their business as well as for society? What are the determinants (temporal antecedents) of shared value?

1.9 Setting the Scene of the Research Environment: The Tourism Industry

Tourism is an economic activity capable of generating growth and employment whilst contributing to economic development and social integration.

> "The EU tourism industry generates more than 4% of the EU's GDP, varying from about 2-12% in some of the new member states. Tourism is 12% of Malta's GDP"; "…When related sectors are taken into account, the estimated contribution of tourism to GDP creation is much higher. Tourism indirectly generates more than 10% of the European Union's GDP and provides about 12% of all jobs" (European Commission, 2010).

In recent years, employment growth within the tourism industry has been significantly higher than other sectors in the economy. Arguably, the tourism industry is particularly important when it comes to offering career opportunities to young people, who represent twice as much of the labour force than in other areas of the economy. There are positive indications that tourism in the EU and in the global economy is more than likely to continue to increase in the coming years. It is envisaged that in the coming years there will be an annual growth of tourism demand above 3% in the EU alone (European Commission, 2010).

The Maltese government's objective in the tourism sector is to have the right environment which leads to the creation of more and better jobs, as specified in the National Action Plan for Employment (see Ministry for Tourism and Culture, 2012). For instance, the Maltese tourism policy (2012-2016) strives to address the contentious issues about middle-aged unemployment and female workforce participation in the labour market. According to this policy, retaining staff is crucial and the female staff in particular, can only be retained if and when the necessary support structures and work patterns are available and accepted. The national action plan (Ministry for Tourism and Culture, 2012) presents the necessary guidelines to encourage such improved work practices, which are to be taken up by the private sector. Evidently, there are still untapped opportunities for employment within the tourism-related service providers. The tourism policy encourages the provision of training, which is highly required for young people and those who are willing to work in the tourism sectors. The tourism studies lead to the delivery of a quality service and hence to the industry's competitiveness. The investment in human resources at all levels is deemed essential towards improving the tourism product. The 'new' tourism policy (covering the period 2012-2016) addresses the shortcomings of appropriate skills and knowledge which are highly demanded and valued by the hospitality sector.

The Tourism Ministry together with other relevant authorities wants to ensure that training is available for all those who want to work in the tourism industry. The training structures must continuously improve the quality of training. They must ensure that such training is in line with the requirements of the industry; in terms of availability and accessibility of courses. Training the future's human resources is the key to delivering a

positive experience to Malta's visitors. In order to encourage lifelong learning, the Institute for Tourism Studies (ITS) has committed itself to provide free or subsidised training opportunities in the travel and hospitality fields of study, which are considered essential for the tourism industry.

Training is already being delivered by specialised personnel capable of meeting the needs of the industry. In addition, the policy does not exclude the possibility of private training enterprises which may deliver recognised qualifications from accredited overseas institutions. Lifelong learning opportunities are being provided for those interested to start or to continue working in the tourism sector. The Malta Tourism Authority (MTA), through its 'Industry Human Resources Development' section, is implementing initiatives aimed at providing such opportunities. Following Malta's EU membership in 2004, the ministry for tourism has made good use of the European Social Funds (ESF), which together with national funds, has successfully co-funded such training initiatives. (Source: Tourism Policy for the Maltese Islands 2008-2011; Ministry of Tourism and Culture)

1.9.1 Malta's Policy for Tourism and Sustainable Development

Malta drew up a strategy for sustainable development in the aftermath of the United Nations Conference on Environment and Development, which was held in 1992. The governments of almost all nations committed themselves to adopt a sustainable strategy so as to build upon and harmonise the various sectors' economic, social and environmental policies (Briguglio, 2003). The basic goal of such a strategy was to ensure socially responsible economic development whilst protecting the resource base and the environment for the benefit of future generations (Agenda 21, Chapter 8, paragraph 8.7). In September 2000, some 150 Heads of States, including the Maltese counterpart

signed the Millennium Declaration. They reaffirmed their support to the principles of sustainable development and Agenda 21. They also agreed on the Millennium Development Goals, including the need to integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources (see Millennium Development Goal 7).

The Tourism Policies (Malta Tourism Policies, 2008-2011; 2012-2016) and the National Environment Policy Draft for Consultation issued through the Office of the Prime Minister (2011) attempt to address the issues of sustainable development in the Maltese tourism sector. The policies cover potential areas of contention such as the construction of the buildings of tourism establishments, environmental protection, environmental stewardship and public participation in the environmental issues. The policy ensures that the construction of tourism development should be sustainable and should not harm sensitive ecological habitats. Similarly, it has been suggested that there should be no degradation of historical-cultural resources. On the other hand, prime sites which were previously designated for tourism purposes should remain so, even if the establishment to which the land was originally dedicated is no longer in operation. The policy sought to encourage the general public to actively participate in environmental management and to take action on environmental issues. There was a growing recognition that the concept of environmental stewardship had to be universal, and not just limited to the public sector or non-governmental organisations. The empowerment of citizens to take responsibility for the environment was the focus of the Aarhus Convention (1998), which Malta has signed and ratified. Malta has also transposed the two EU directives related to the Aarhus Convention on access to information and public participation into its national legislation. Interestingly, Malta is

fully compliant with the EU Directives relating to public participation, although there is the potential to refine its current practices. Malta's environmental policy's strategy rests on the following 5 pillars of sustainability:

- "Providing easily-accessible information about the state of the environment;
- Educating citizens, the private sector, local government and policy- and decision-makers, about the environment;
- Providing information to consumers about the environmental impacts of products, services and activities through eco-labelling;
- Working with stakeholders, encouraging and supporting the role of the voluntary sector, particularly environmental non-governmental organisations, in environmental protection;
- Encouraging local government to take a stronger role in environmental protection". (Malta's National Environment Policy Draft, 2011)

1.9.2 The Hospitality Sector's 'Eco-certification' Scheme

Malta Tourism Authority's 'eco-certification' scheme is succeeding in encouraging the Maltese hotels to deliver a better product to meet the demand of the ever increasing environmentally-aware tourist. Approximately, 15% of the Maltese hotels are 'eco-certified'. This translates to almost 30% of hotel rooms (MTA, 2012). The 'eco-certified' hotels had complied with a number of criteria which were aimed at improving the hotels' environmental performance and which increased their environmental awareness amongst employees. The main areas covered by the criteria comprise; environmental management, waste management, procurement, energy, water, air quality, noise, building and green areas, local culture and the dissemination of information (MTA, 2012).

1.10 Outcome of Results

Following a thorough literature review relevant hypotheses for conceptual theory and empirical testing will be derived. Hence, the research methodology has combined qualitative and quantitative techniques to answer the underlying relationships between strategic CSR outputs (in terms of organisational performance) and the organisational commitment, behaviour and resources.

There has been considerable interest in academic literature about the relationship between corporate social responsibility and financial performance or firm profitability (see Orlitzky et al 2012; McWilliams and Siegel. 2001, Waddock and Graves 1997, Aupperle et al., 1985). Researchers have attempted to establish a definitive causal relationship between social and financial performance. McWilliams et al. (2001) concluded that there is inconsistent evidence regarding the relationship between CSR provision and firm performance. This study's research objectives and the examination of the set hypotheses will lead to the exploration of the relationship between strategic CSR's outputs (in terms of organisational performance) and organisational commitment, behaviour and resources.

1.11 The Structure of this Thesis

This dissertation consists of twelve chapters with the relevant supporting material which are presented in a series of appendices. Following this chapter; chapter two defines the terminology which will be used throughout this research project. It explains the evolution of the notion of CSR, and how it has transformed and adapted itself to reflect societies' realities. Chapter three provides the background of the regulatory guidelines, policies and

instruments which are shaping organisational behaviour. This chapter explains the rationale for corporate governance as it encloses some pertinent international benchmarks and instruments for transparent and accountable business behaviour. Chapter four develops the line of the empirical enquiry of this thesis through conceptual development and formulation of hypotheses, which are duly based on a thorough literature review. This chapter looks at different aspects of strategic CSR, as it makes specific reference to responsible practices which can create shared value for business and society. Chapter five presents relevant literature about the small and medium sized enterprises (SMEs). The hotel enterprises which were investigated in this study meet the criteria as SMEs as per the conditions laid down in the EU recommendations. This chapter draws attention on organisational size and slack resources, as they are significant factors in determining whether there is a business case for the smaller enterprises taking on board CSR. Chapter six sheds light on the research setting. This thesis has investigated responsible behavioural practices within the tourism industry's hospitality sector in Malta. Therefore, it was considered appropriate to describe various aspects of the tourism industry, with a particular emphasis on sustainable tourism.

Chapter seven features the research design of this project. The chosen methodological stance is based on a mixed-method framework. This chapter presents the philosophical approaches which were considered for this research as it explains how the quantitative and qualitative research methods are closely aligned with the research questions, in a triangulation stratagem. This chapter also provides some details about the research setting and it justifies why the study was conducted in Malta. Chapter eight gives a detailed description of the methodological techniques of this research. There

is an explanation of questionnaire's design, layout and content, which had inevitably laid down the quantitative approach for capturing the data from the survey instrument. Then, it also presents the methodology behind the qualitative fieldwork. There is an explanation of the data capture and data management processes which were used during the qualitative enquiry.

Chapter nine presents the findings from the quantitative analysis. At first, this chapter illustrates how the constructed variables have been drawn from the survey questionnaire. This chapter provided a summary of statistics of the socio-demographic profile of respondents and examined the descriptive statistics of the owner-managers' attitudes and perceptions about strategic CSR. Spearman's rank correlation coefficient was used to explore the bivariate relationships. Factor analysis was employed to reduce the data and to detect any underlying structure between the variables. This study investigates the relationship between Strategic CSR (in terms of the organisational performance factors) against the firms' commitment, behavioural practices and their slack resources. Step-wise regression analysis was used to explore the hypotheses detailed in chapter four. Chapter ten presents the findings from the qualitative analysis' face-to-face interviews and the telephone interviews along with observations and documented material. The in-depth face-to-face interviews reveal the hotel owner-managers qualitative responses about their responsible behavioural policies and practices. The telephone interviews shed some light on the existing relationship between the hospitality businesses and the tourism authorities, from a regulatory point of view.

Chapter eleven reports the outcomes of this research project. There is an interesting discussion about laudable CSR behaviour and how it may be

used as a leveraging strategic tool to enhance the organisational performance. This chapter outlines the implications of creating shared value for business practitioners in the hospitality industry context. Finally, chapter twelve concludes this thesis by considering the implications of this research on academia, as it discloses the limitations of this enquiry. This thesis concludes by giving recommendations and propositions, which are aimed at creating shared value to business and society.

1.12 Summary

This chapter has given a good overview of this research project as it laid down the foundations for this research enquiry. Initially, there was a brief introduction to the key perspectives and concepts. This chapter has illustrated some of the most significant milestones in the areas of CSR and sustainability. The rationale and scope of this enquiry has been provided along with the aims and objectives which led to the research questions. This chapter has given some details of the research backdrop and it concludes by providing an outline of the complete structure of this thesis.

Chapter 2.
THE CSR AGENDA

2.1 Introduction

The inquiry of the notion of corporate social responsibility is still in its 'embryonic stage' (Armstrong, 2006). This chapter discusses numerous definitions of CSR as it may be argued that this phenomenon is being wrought from several distinctive theories. At a first glance, it seems that there are still unclear and unsophisticated empirical methods which measure the implementation of CSR and its effects on society. Moreover, the globalisation may have augmented the complexities surrounding the CSR issues. This chapter will present conceptual and empirical findings from authors hailing from different disciplines in the social sciences, particularly in the field of business administration. They have produced an outline of the CSR agenda for future research. Undoubtedly, there are many well-founded CSR perspectives, for example, the authors who found a positive relationship between 'doing good' and 'doing well' may be genuinely encouraging the additional discretionary spending on CSR by businesses. One of the earliest contributors on the subject of CSR had associated this promising concept with philanthropy and discretionary spending (Carroll, 1979).

Some of the theoretical proposals may seem more significant than others in their contents. However, most of the CSR terminology contains certain similarities. Carroll (1999) reviewed and discussed over 25 different ways which tackle the notion of CSR. On the other hand, there are neo-classical economists who acknowledge that CSR is a rational, economic justification

for 'doing good' (McWilliams and Siegel, 2001). Many academic debates have resulted in additional interdisciplinary research on this topic. Interestingly, the emerging CSR perspectives have brought fruitful discussions among business practitioners. This Chapter attempts to identify and organise the great variety of existing theories and approaches on the CSR paradigm. Table 2.1 features a list of concepts revolving round the subject of CSR.

Table 2.1 A selected list of concepts on business and society

Business Ethics and morality
Stark (1993), Freeman (1994), Bowie (1998), Phillips (1997, 2003), Engels (2005) Valor (2005), Debakker et al. (2005), Dentchev (2009), Schwartz and Carroll (2008), Phillips and Margolis (1999), Ferrell et al. (2009), Trevino and Nelson (2010).

Corporate Accountability
Smith (1990), Own et al. (2000), Waddock (2004), O'Dwyer (2005) Valor (2005).

Corporate citizenship
Carroll (1998), Maignan (1999), Fombrun (2000), Carroll (2004), Matten and Crane (2005), Andriof and Waddock (2002), Wood (2009), Morgan et al. (2009).

Environmental responsibility
Buchholtz (1993), DesJardins (1998), Rugman and Verbeke (1998) Simpson et al (2004), Ayuso (2006), Babiak and Trendafilova (2010).

Responsible buying and supply chain management
Graafland (2002), Roberts (2003), Amaeshi (2004, 2008), Spekman et al. (2005), Maloni and Brown (2006).

Socially responsible investment
Rosen et al. (1991) Friedman and Miles (2001), Sparkes (2002, 2004), Synnestvedt and Aslaksen (2003) Dam and Heijdra (2011).

Stakeholder management
Freeman (1984, 2001), Preston and Sapienza (1990), Berman et al. (1999), Hillman and Keim (2001), Buysse and Verbeke (2002), Carroll (2011).

Sustainability
Korhonen (2002), Van Marrewijk (2003), Amaeshi and Crane (2006), Bansal (2005) Dunphy et al. (2007), Christensen et al (2007).

(Compiled by the author)

2.2 Defining CSR

Indeed, some definitions of CSR may be quite vague and open to interpretation. Generally, the CSR elaborate theory tends to hover around the business and its relationship with society; within a social philosophical framework. Notwithstanding, there are many concepts that are often used interchangeably with CSR. The CSR term is typically used when evaluating the effects of business on society. In practice, businesses engage themselves in internal or external CSR activities beyond the rationale to maximise their profits. The CSR behaviour is usually manifested in their assistance to other organisations and/or individuals in diverse fields including humanitarian, medical and social cases, environmental causes, cultural, heritage protection, philanthropic activities and sport related initiatives

2.2.1 A Non-exhaustive List of CSR definitions

> "Social responsibility in the final analysis implies a public posture toward society's economic and human resources and a willingness to see that those resources are utilised for broad social ends and not simply for the narrowly circumscribed interests of private persons and firms", (Frederick 1960:60).

> "CSR refers to the firm's consideration of, and response to, issues beyond the narrow economic, technical and legal requirements of the firm", (Davis, 1960:70).

> "CSR is related to (i) products, jobs and economic growth, (ii) societal expectations and (iii) activities aimed at improving the social environment of the firm", Committee of Economic Development (1971).

> "The new concept of corporate social responsibility recognises the intimacy of the relationships between the corporation and society and realizes that such relationships must be kept in mind by top managers

as the corporation and the related groups pursue their respective goals", (Walton, 1967:18).

"The social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that society has of organisations at a given point in time", (Caroll, 1979).

"The commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life", (Cramer, 2005:583).

When referring to CSR, Maignan et al. (2005:958) held; "…adopt values and norms along with organizational processes to minimize their negative impacts and maximize their positive impacts on important stakeholder issues".

"Business in the Community defines corporate (social) responsibility as "… the management of a company's positive impact on society and the environment through its operations, products or services and through its interaction with key stakeholders such as employees, customers, investors and suppliers", (Holcomb et al . 2007; Business in the Community, 2005).

"CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families, as well as of the local community and society at large", (The World Business Council for Sustainable Development, URL accessed on 15th January 2012).

2.2.2 Broad CSR Theorisation

Many definitions describe CSR as a driver for business and societal benefits. Apparently, there are significant advantages to be gained for the businesses if they engage in laudable responsible behaviour. Businesses may leverage themselves through social and environmentally responsible practices, as there may be opportunities for operational efficiencies, economies and effective processes. For instance, CSR might reduce the cost of environment

compliance. Of course, when a company is successful in reducing its costs, it may increase its profits.

There is a related concept to CSR, namely, corporate social performance (CSP), which is rooted in sociology. CSP is defined in terms of the observed CSR policies, processes and outcomes. Many researchers used this concept to test the relationship between firms doing good (CSP) and doing well (Corporate Financial Performance, i.e. CFP) see Kurucz et al. (2008). Another term which is also used interchangeably with CSR is corporate citizenship (CC) which has its roots in political science. CC describes the corporations as social institutions. Therefore, the notion of CC is directing the attention of corporations to respond to non-market pressures. CC promotes the social and environmental behaviour, especially in the global context (see Carroll, 1998; Matten and Crane, 2005; Crane and Matten, 2007 and Frederick 2008).

Another similar concept is that of socially responsible investing (SRI) which is rooted in political science, religion, ethics and economics. This concept is also known as sustainable, socially conscious, green or ethical investing. SRI involves any investment strategy which considers the financial return and social good. The firms' stakeholders tend to evaluate the managers' socially responsible behaviour through their SRI initiatives (See Sparkes, 2002; Friedman and Miles, 2001). The literature which has developed around the notion of CSR has often been characterised by endless attempts to classify its numerous theories. For example, Klonoski (1991) came up with three interesting CSR groups. He held that CSR has fundamentalist, moral and social dimensions. Organisations are fundamental as their only social responsibility is to increase their profits, in compliance with the laws. His second group points to the moral issues. Klonoski (1991) argues that

corporations are morally responsible for their actions. In his third group, the internal and external social dimensions of the corporation are also given their due importance. This group refers to the organisations' stakeholders, particularly the employees. The roots of these theories are steeped in the political and ethical theories.

Windsor (2006) also proposed three approaches to CSR. He referred to the economic responsibility theory. This theory goes on to describe the creation of market wealth. This is followed by the ethical responsibility theory. This theory presents strong corporate self restraint, altruistic duties and expansive public policy to strengthen stakeholders' rights. Finally, the author asserts that corporate citizenship is a political metaphor of the CSR concept. Garriga and Mele (2004) distinguish four groups of CSR theories. They focused on four different aspects of the social reality, namely; the economic, political, social integration and the ethics rationale. The economic aspect of CSR is regarded as a mere instrument for the creation of wealth of the firms. The second aspect describes the social authority of the corporation and its responsibilities vis-à-vis the political arena. The third is more conceived on the firm's social integration. These theories consider the integration of the social demands of society. The fourth group of theories is about ethics. The firms' embedded values strengthen the relationship between the business and society. The authors held that in some cases the theories seem to focus on more than one aspect. They suggested that both business and society should rest on these four aspects or dimensions (Garriga and Mele, 2004:64).

2.3 The Evolution of the CSR Perspectives

The origins of CSR can be traced back to the earlier years of the 20th century. Abrams (1951) indicated the concerns which were arising at the time about

management's responsibilities towards their employees, customers and the public at large. This was picked up in academic literature as awareness of business responsibility. Bowen, (1953) published his seminal book, 'Social Responsibilities of the Businessman'. Interestingly, Bowen's enquiry was about the responsibility of businessmen towards society.

2.3.1 Social Responsibility of the Business

Bowen's initial definition of the term 'social responsibility of the business' was enshrined in academic literature. He maintained that, 'businessmen ought to make decisions or to follow lines of action which are desirable in terms of the objectives and values of society'. Bowen goes on to argue that social responsibility is no panacea for all the businesses' social problems, but it contains an important truth that must guide it in the future. Evidently, at the time, Bowen was proposing concrete changes in corporate governance of organisations. He explicitly referred to the composition of the boards of directors, greater representation of the social viewpoint in management, the use of social audit, social education of business managers, and the development of business codes of conduct. Evidently, he indicated the avenues for further research in this promising field of social sciences, among other issues (Bowen, 1953).

Indeed, there was a remarkable yet provocative theory about social responsibility at the time (Eel, 1956; Heald, 1957). Heald (1970) in his book entitled, 'The Social Responsibilities of Business: Company and Community, 1900-1960' reported the extent to which business people were actually adopting and practicing social responsibility. Frederick (1960) went even further, when he maintained that the businessman should oversee the economic system to fulfil the expectations of the public. He suggested to

businessmen to endeavour in socio-economic welfare of the wider public. Frederick developed three core ideas about social responsibility;

i. "The idea of the manager as a public trustee;
ii. The balancing of competing claims to corporate resources;
iii. The acceptance of the corporate philanthropy – as a manifestation of business support of good causes".
(source: Carroll, 1999).

Yet, in the 1960s there was more talk than action. According to McGuire (1963), the society was urging the corporations to assume certain responsibilities which go beyond their traditional economic and legal obligations. Afterwards, social responsibility embraced such topics such as philanthropy, employee improvements (working conditions, industrial relations and personnel policies), customer relations and stockholder relations (see Heald, 1970).

2.3.2 The Agency and the Shareholder Value Theories

The shareholder value theory has been quite common till the mid-twentieth century. In the 1960s and 1970s a big debate took place between Milton Friedman and others who defended the business enterprise as being responsible only for making as much profit as possible, always in compliance with the law (see Carroll and Shabana, 2010).

Theodor Levitt (1958) warned about the 'dangers of social responsibility'. He warned academia that the social concerns and the general welfare were not the responsibility of business, but of government. He argued that the businesses' job was to take care of more material aspects of welfare. Levitt

feared that attention to social responsibilities would possibly reduce the profit motive.

> 'Corporate welfare makes good sense if it makes good economic sense', (Levitt, 1958).

The economic argument was articulated more forcefully by the late Milton Friedman, (1962). Friedman was a major representative of this view. The author held that the emerging trends were undermining the very foundations of free society. He distanced himself from the concept of social responsibility. On the contrary, he urged firms to make as much money as possible for the benefit of their owners and / or shareholders (see Friedman, 1962). In a famous article published by the New York Times Magazine in 1970, Friedman reiterated this approach by saying:

> '…there is only one and only one social responsibility of business – to use resources and engage in activities designed to increase profits so long as it stays within the rules of the game, which is to say, engages in open and free competitions without deception or fraud', (Friedman, 1970).

Generally, the shareholder value approach is compatible with agency theory (see Ross, 1973; Jensen and Meckling, 1976). Agency theory has also been popular in academia. Essentially, this theory describes the owners as the principals and the managers as the agents. The latter bear fiduciary duties towards the former. The managers are usually pressured to align their economic interests with those of the owners, as they are offered incentives to maximise their principals' (shareholder) value.

Since then, in line with Friedman's stance, some economists have argued that the market, not the managers should have control over the allocation of

resources and returns. Apparently, even at that time, there was a belief that the market was superior to organisations in the efficient allocation of resources. It was inherently believed that the managers may choose to satisfy their own interests before looking after their shareholders' interests. This has inevitably led to appraising the managerial performance according to the market valuation of their company. Therefore, the managers' remuneration and bonuses reflected opportunistic behaviours of managers.

Thus, the agency theory encourages the maximisation of shareholder value. Lazonick and O'Sullivan (2000) have referred to Friedman's position, when they raised the subject of the merger and acquisition activities. They noticed that such phenomena were becoming more common practice. Surprisingly, such occurrences may have produced an unexpected effect on managers who failed in their duties to enhance their firms' market value. Porter (1992) recognised the disciplining effects on managers. He rightly argued that such activities might cause economic instability and insecurity. On the other hand, the managers with shareholder interests who enjoyed a high remuneration were happy to be connected with the market valuation of their company.

Obviously, the supporters of Friedman's shareholder theory were considering CSR as a bone of contention for value creation. Evidently, this theory underlined the neoclassical economic theory which is primarily concerned with the shareholder utility maximisation. This theory is very consistent with Friedman's propositions. Garriga and Mele (2004) argued that fiduciary capitalism led to shareholder value-oriented management. In their own words;

> "…shareholder value maximization is not incompatible with satisfying certain interests of people with a stake in the firm (stakeholders)…" (Garriga and Mele, 2004).

> "…enlightened value maximization', specifies long-term value maximization or value-seeking as the firm's objective. At the same time, this objective is employed as the criterion for making the requisite tradeoffs among its stakeholders", Jensen (2000).

Interestingly, Drucker (1954), who has contributed to the early literature about social responsibility of the business, has reintroduced this topic three decades later. He argued that profitability and responsibility were compatible. He went on to say that the challenge was to convert business social responsibilities into business opportunities. He wrote;

> "…the proper social responsibility of business is to tame the dragon that is to turn a social problem into economic opportunities and economic benefits, into productive capacity, into human competence, into well paid jobs and into wealth", (Drucker, 1984).

Subsequently, other authors seemed to realise that social contributions can be profitable. Keim (1978) has even presented CSR as a question of enlightened self-interest. Arguments were being driven in favour of cause-related marketing (Murray and Montanari, 1986; Vardarajan and Menon, 1988; Smith and Higgins, 2000). The corporate philanthropy was being presented in a competitive context (Porter and Kramer, 2002, 2006). Prahalad and Hammond (2003) suggested optimal strategies which were directed to serve the poor and make profits.

Coincidentally, since Friedman's 1970 contribution, many stockholders have in fact decided that they do want corporations to make expenditures on social programmes. Sometimes they have made this decision based on the so called business case for CSR. This approach suggested that CSR is good for

the business. The search for a positive link between CSR and financial performance has produced an abundant literature in this area. The results of which remain somewhat inconclusive. Some authors discovered a positive relationship between social performance and financial performance. Others encountered a negative relationship or no relationship at all (see McWilliams et al., 2006). Still there appears to be a growing consensus in the business community that CSR is good for business (Davis in the Economist, 2005). The business case has re-emerged in the form of strategic CSR (Burke and Logsdon, 1996; Mc Williams et al., 2006) a concept that Friedman himself would have called 'hypocritical window dressing', as this discourse is consistent with the profit maximising behaviour of the firm.

Nowadays, the notion of CSR is more widely acknowledged. The satisfaction of social interests can possibly contribute towards maximising the shareholders' value. Apparently, many large companies pay attention to CSR issues as they are considering the interests of their different stakeholders. Jensen (2000) has likened CSR to enlightened value maximisation. Interestingly, he held that the firm may be required to make some tradeoffs with its stakeholders. Burke and Logsdon (1996) have proposed the concept of Strategic Corporate Social Responsibility (SCSR) which referred to policies, programmes and processes which yield substantial business related benefits to the firm itself. They suggested that the core business activities should be contributing towards achieving the firm's objectives. This business case of CSR proposition presumes an ideal level of CSR. McWilliams and Siegel (2001) tested this hypothesis by using the cost-benefit analysis. They also wanted to identify the confounding factors. It may appear that the strategic CSR perspective is very close to Friedman's vision. Husted and

Salazar (2006) maintained that there is an optimal level of social output and shareholder value maximisation.

In practice, the shareholder value theory may be erroneously linked to short term profits. For example, by reducing human resources or discretionary expenses, a firm may potentially hamper its capabilities and its long term wealth prospects. Sound empirical evidence suggests that long term economic success cannot be achieved unless management takes into account all their stakeholders' interests. Several authors held that it is imperative for the firm to maintain good relationships and enduring cooperation with all stakeholders including shareholders (Hosmer, 1995; Kay, 1993; Kotter and Heskett, 1992). The following table illustrates how different theoretical perspectives have evolved since Friedman (1970) came up with his agency theory:

Table 2.2 Selected Theoretical Papers on CSR

Author	Nature of theoretical Perspective	Key Argument / Result
Friedman (1970)	Agency theory	CSR is indicative of self serving behaviour on the part of managers, and thus reduces shareholder wealth.
Freeman (1984)	Stakeholder Theory	Managers should tailor their policies to satisfy numerous constitutents, not just shareholders. These stakeholders include workers, customers, suppliers and community organisations.
Donaldson and Davis (1991)	Stewardship Theory	There is a moral imperative for managers to do the right thing without regards to how such decisions affect firm performance
Donaldson and Preston (1995)	Stakeholder Theory	Stressed the moral and ethical dimensions of stakeholder theory as well as the business case for engaging in CSR.
Jones (1995)	Stakeholder Theory	Firms involved in repeated transactions with stakeholders on the basis of trust and cooperation have an incentive to be honest and ethical , since such behaviour is beneficial to the firm.
Hart (1995)	Resource Based View of the firm	For certain companies, environmental social responsibility can constitute a resource or capability that leads to a sustained competitive advantage
Jennings and Zandbergen (1995)	Institutional Theory	Institutions play an important role in shaping the consensus within a firm regarding the establishment of an ecologically sustinable organisation.
Baron (2001)	Theory of the firm	The use of CSR to attract socially reponsible consumers is referred to as strategic CSR, in the sense that firms provide a public good in conjunction with their marketing/ business strategy
Feddersen and Gilligan (2001)	Theory of the firm	Activists and NGOs can play an important role in reducing information asymmetry with respect to CSR on the part of comsumers.
McWilliams and Siegel (2001)	Theory of the firm	Presents a supply /demand perspective on CSR, which implies that the firm's ideal level of CSR can be determined by cost benefit analysis
Mc Williams et al. (2002)	Resource Based View of the Firm	CSR strategies when supported by political strategies, can be used to create sustainable competitive advantage
Waldman et al. (2004)	Theory of the Firm / strategic Leadership theory	Certain aspects of CEO leadership can affect the propensity of firms to . engage in CSR. Companies run by intellectually stimulating CEOs do more strategic CSR than comparable firms

(Source: McWilliams et al. 2006)

2.3.3 Corporate Social Responsibility

The discussion about CSR grew in popularity and took shape during the 60s. Davis (1960, 1973), Walton (1967) and Andrews (1971) maintained that as the corporations had considerable bargaining power; their power called for responsibility. It was widely agreed, that the corporations had responsibilities towards society beyond their economic and legal duties. The most important social movements at the time included civil rights, women's rights, consumers' rights as well as the environmental movements. The period was characterised as an issue era, where companies began noticing specific societal problems arising from social, environmental and community issues. There was a focus on philanthropy and a noticeable manifestation in charitable donations (Murphy, 1978; Carroll, 1979). Muirhead (1999) described the period from the mid 1950s to the mid 1980s as a period of growth in terms of corporate contributions. Apparently, the gifts in kind have expanded to the groups representing the health and social services, culture, arts, and the community.

In a book entitled, 'Corporate Social Responsibilities', Walton (1967) addressed many facets of CSR in society, at the time. He came up with a number of models of social responsibility as he underlined that social responsibility involves a degree of voluntarism, as opposed to coercion. Moreover, the corporations were incurring costs for their CSR engagement. In a similar vein, Johnson (1971) presented a variety of definitions or views of CSR in his book entitled, 'Business in Contemporary Society: Framework and Issues'. Johnson may have inadvertently referred to a precursor of the 'stakeholder theory'. He indicated that the corporation has a multiplicity of interests. The author has also identified several interest groups that affect the organisation in different ways.

The Committee of Economic Development (CED, 1971) with its publication entitled, 'Social Responsibilities of Business Corporations' have made a ground breaking contribution to the notion of CSR. Apparently, the CED became aware of the substantial changes which business practitioners were experiencing at the time. The CED's views of CSR were considered quite influential, considering that the committee was composed of business people and educators. The committee had mirrored the latest developments which have occurred in the business and societal contexts. Evidently, the businesses were encouraged to assume their broader responsibilities in society. The business enterprises were being pressured to contribute more to the customers' quality of life, rather than simply producing and delivering quantities of goods and services. Steiner (1972) substantiated the terminology of CSR and has shown how it can be interpreted and applied. In his own words;

> "Business is and must remain fundamentally an economic institution but it does have responsibilities to help society achieve its basic goals and does therefore have social responsibilities", (Steiner, 1972).

Davis (1973) presented the pros and cons of social responsibilities. Davis (1973:312) maintained that managers do not have the necessary expertise (social skills) to make socially-oriented decisions. He went on to say that managers are oriented towards finance and operations. On the other hand, the author remarked that the businesses at the time were exhibiting authoritative 'power'.

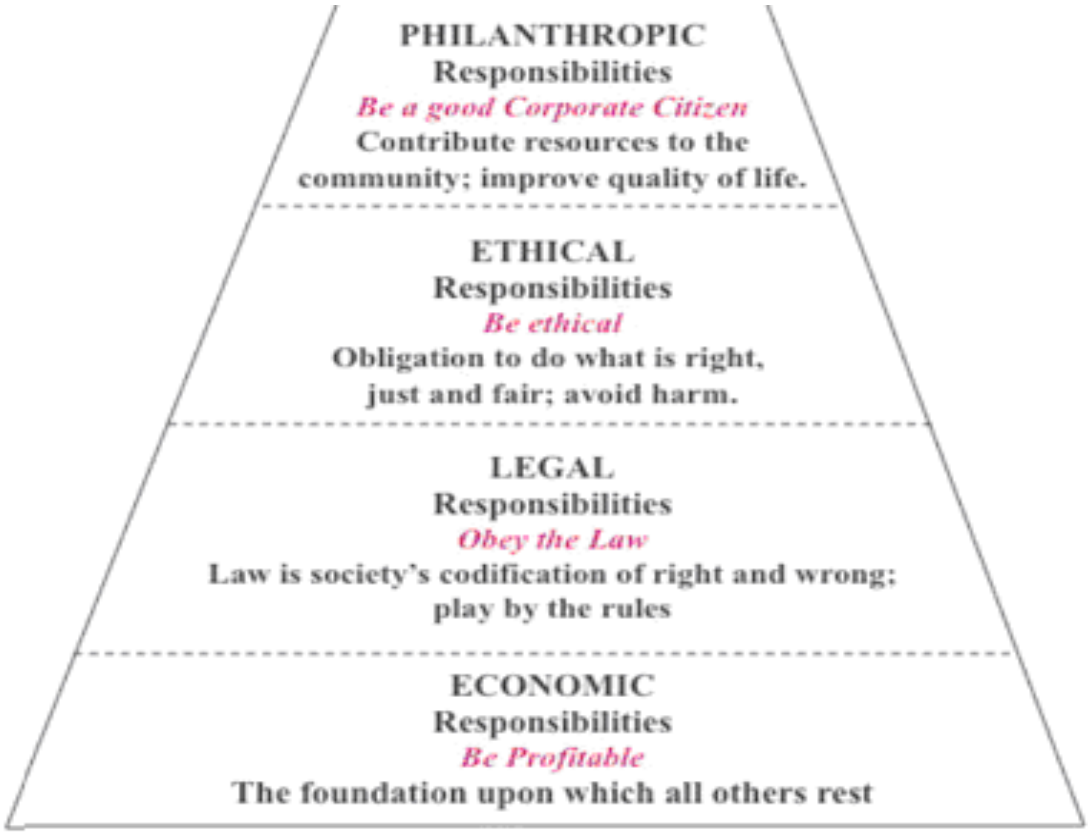
Generally, the early scholars were seriously taking into consideration the ethical requirements, without forgetting their societal expectations. Eells et al. (1961) affirmed that the general public believed that the subject of

corporate social responsibilities arose following the negative behaviour of some corporations. Davis (1975) held that the businesses should be concerned about the ethical consequences of their behaviour. Lewis (2003) noted that the corporate reputation was positively related to the community's acknowledgement of the businesses' operations. Apparently, in the late 1970s, the business ethics movements were raising concern about ethical values and principles. Some academic experts on the subject such as Frederick (1986) sought to explain such normative ethics behind the CSR rationale. Carroll (1979) attempted to synthesise the fundamental principle of social responsibility. He explained the rationale behind social responsibility initiatives and went on to describe the corporate responses to social issues. Carroll implied that businesses had a commitment towards society.

> "They (referring to the businesses) are obliged to engage in economic, legal, ethical and discretionary (philanthropic) activities", (Carroll, 1979).

Carroll (1991) describes these four distinct categories of activity by illustrating a Pyramid of Corporate Social Responsibility. He maintained that his pyramid conceptualisation depicts the obligations of the business. The author suggested that; 'the economic responsibility is the foundation which is required by global capitalism; the legal responsibility has to do with complying with the laws and regulations; the ethical responsibility is about the stakeholders; and the philanthropic responsibility is to do what is desired by global stakeholders' (Carroll, 2004).

Figure 2.1 The Pyramid of Social Responsibility



(source: Carroll, 1991)

Schwartz and Carroll (2003) suggested an alternative approach based on three core domains (economic, legal and ethical responsibilities). The authors produced a Venn diagram with three overlapping domains; which were later transformed to seven CSR categories. This was consistent with the relentless call on the part of the business community for the business case of CSR. Kotler and Lee (2005) demonstrated how a CSR approach had established a new way of doing business that combined the success and the creation of value (Wheeler et al. 2003; Porter and Kramer, 2006) with a respectful and proactive attitude towards stakeholders (Freeman, 1984).

2.3.4 Corporate Social Performance

The notion of corporate social performance (CSP) theory had evolved from previous theoretical approaches. CSP reconciled the importance of both corporate social responsibility and corporate social responsiveness. It also placed an emphasis on achieving better performance out of the socially responsible initiatives (Carroll, 1979, Wartick and Cochran 1985, Wood 1991). The focus on the results and outcomes had moved the field closer to the idea of the business case. Apparently, the arguments in favour of the business case for CSR were more relevant at multiple levels. Freeman and Liedtka (1991:96) pointed out that businesses' self interest (the 'self creation') and the 'community creation' are two sides of the same coin. They went on to argue that they were seeing scope in pursuing the joint ends of individual and collective goods (Freeman and Liedtka, 1991). According to Wood (1991), CSP is manifested through;

> "the principles of social responsibility, the processes of response to social requirements and policies, programmes and by achieving tangible results which reflect the company's relationship with society", (Wood, 1991b:693).

The CSP theory maintained that businesses were responsible for the social problems they caused. The businesses' responsibilities would extend beyond their typical objectives of wealth creation, or the expected compliance to regulation and law. CSP also comprised the ethical, discretionary or philanthropic actions which businesses should undertake for the society's wellbeing.

> "By engaging in acceptable corporate behaviour the business may improve its corporate social performance which eventually results in beneficial outcomes for society", (Wood, 1991).

The 1970s were characterised by protests against capitalism and growing social concerns. These developments led to formal requirements, which were imposed through government legislation and regulation. Academic literature was devoted to corporate behaviour. Ackerman (1973), Ackerman and Bauer (1976) and Sethi (1975) wrote about corporate social responsiveness. Evidently, there were various societal needs and demands at the time. They urged businesses to become proactive in their societal engagement. Sethi (1975) distinguished between corporate behaviours that might be called social obligation, social responsibility or social responsiveness. He held that social responsibility implied bringing corporate behaviour up to a level where it fits with the prevailing norms, values and expectations. Sethi (1975) went on to say that while social obligation is 'proscriptive', social responsibility is 'prescriptive' in nature.

The social responsiveness was also associated to 'issues management'. However, this concept highlighted the social and political issues. Heath and Nelson (1986) maintained that the 'issues management' approach was intended to minimise the potential environmental threats, which have been involuntary triggered through social and political change. Preston and Post (1975:112) introduced the unpopular concept of public responsibility. They explained the organisational setting within the context of public life. The term public rather than social was deliberately chosen in order to give due importance to the public processes. The authors affirmed that the notion of public responsibility was suitable for setting organisational goals and criteria. Apparently, this public responsibility approach did not turn out to be popular, as it was not acknowledged properly. Some authors pointed out that social responsibility ought to be considered as participative and responsive processes rather than being of a substantive nature. Jones (1980)

in particular, was very critical of the concept of public responsibility. Subsequently, Preston and Post (1981) responded to Jones, as they had revised their original thesis. Eventually, they came up with a practical application and a set of recommendations.

Eilbirt and Parket (1973) and Holmes (1976) have contributed to the development of the theoretical underpinning which explained the CSR causations. As they identified the executives' perceptions of their firms' social involvement, they investigated the factors which prompted executives to go for specific areas of social involvement. Some of the most popular CSR activities at the time focused on recruitment and training of the personnel, community affairs, charities and the like. Caroll (1977) came up with a managerial approach to CSR, as he suggested that companies should plan and organise themselves for the institutionalisation of corporate social policy. Wartick and Cochran (1985) presented their take on corporate social performance model. Their model integrated three dimensions including responsibility, responsiveness and social issues. The authors based their model on Carroll's approach by suggesting that corporate social involvement rests on the principles of social responsibility, the process of social responsiveness and the policy of issues management. The 1970s and 1980s saw the introduction of legal and regulatory initiatives. Appropriate legislation covering several aspects of businesses' operational practices was being enacted, which meant that companies were being pressured for compliance. For instance, law was being enacted in environmental protection, product safety, employment discrimination and workers' safety. It may appear that society was mandated to give the businesses' their 'license to operate'. Consequently, it may go without saying that businesses were

bound to serve society, not only by creating economic growth, but also by contributing to society's requirements (see Porter and Kramer, 2006, 2011).

2.3.5 Business Ethics

Frederick (2008) noticed that in the 1980s there were discussions about the corporate business ethics. There was an increased focus for ethical corporate cultures. The research at the time was linking CSR with CSP (Lee 2008). There were fewer definitions of the concept, but they were refined in their content. Complimentary concepts and themes such as corporate social responsiveness, corporate social performance, public policy, business ethics and stakeholder theory and stakeholder management had evolved. There was also more empirical research along with the conceptual development of the alternative themes. At this stage, the CSR variants included business ethics, stakeholder theory (Freeman, 1984) as well as further developments in the CSP area. There were other contributors who emphasised on the social control aspect of the business, by paying attention to public responsibility. Freeman and Liedtka (1991) went even further as they implied that CSR had given a human face to capitalism. Nonetheless, they noticed that there was a complete separation between economics and ethics. Carroll (1991) pointed out that the vagueness of the CSR concept might have been considered as a weakness by some contributors. He remarked about the importance of integrating the stakeholder perspectives within the existing traditional approaches.

There seemed to be a lack of integration between the ethical normative aspects and duty aligned perspectives. Swanson (1995) noted that Wood's institutional principle searched for legitimacy, but it did not necessarily advocate the moral motivation of respect. Swanson (1995) had incorporated

the business ethics perspectives. Apparently, the proponents of the CSP model have struggled to reveal how the business is respectful to all stakeholders. For instance, the academic contributions in this area were focusing on better human conditions in the workplace, as they promoted discretionary activities. Surprisingly, the earlier literature on CSR seemed very reluctant to associate CSR with ethics. Apparently, the terms such as societal values, social expectation, performance expectation and so forth, were much preferred than the mention of ethical duties or other expressions. Carroll (1999:284) debated about the ethical responsibilities. He specified the kind of behaviours and norms that society was expecting out of businesses.

Subsequently, the CSP model had re-emerged by becoming more specific in terms of actors, processes and contents. This form of CSP was being directed to the constituent parts of society, as there were more actors which were demanding corporate social performance. The actors comprised both internal and external stakeholders. Therefore, businesses were encouraged to establish processes of communication and dialogue with stakeholder groups, in order to determine an appropriate standard of corporate social behaviour. Notwithstanding, more corporations were becoming adept and proactive in publishing their CSR or sustainability reports on their economic, social and environmental performance. This was consistent with the idea of the triple bottom-line approach, as proposed by Elkington (1997).

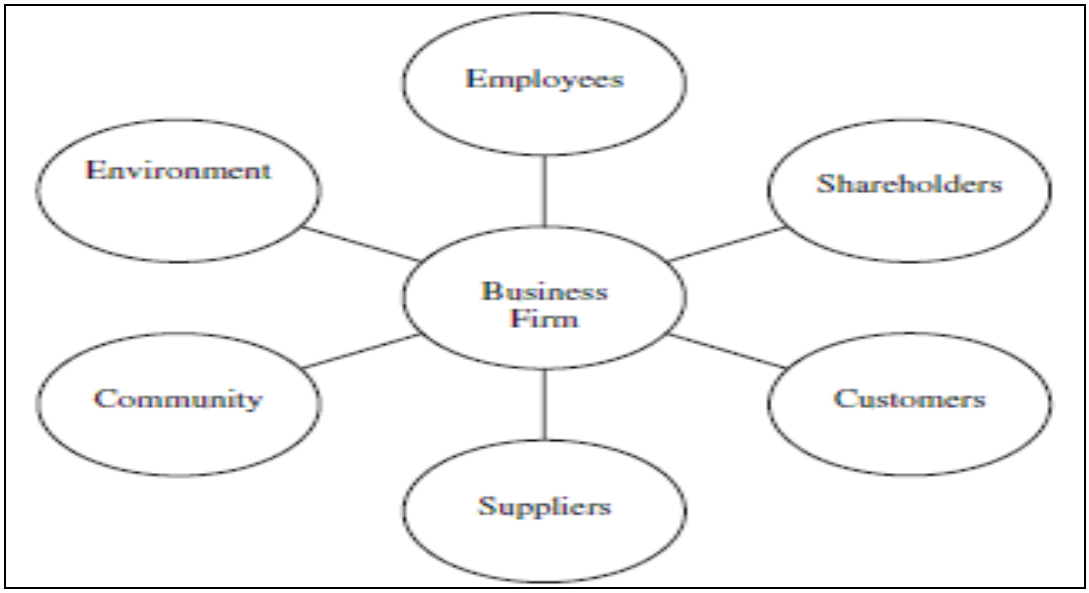
At this time, the Global Report Initiative (GRI) had turned out to be very popular in addition to the wide array of certifications or reports such as the UN Global Compact, AA1000, SA8000 and others. All of these developments may have inevitably resulted in more complexities being introduced in the corporate social performance models. Husted and Allen (2000) presented a

contingency theory of the corporate social performance (CSP) model. They integrated elements of the corporate social responsiveness, issues management, and stakeholder management literatures. Interestingly, Griffin (2000) hinted that the existing research in related disciplines like marketing and human relations can help to accelerate the understanding of CSP.

2.3.6 The Stakeholder Concept

There are different interpretations of the 'stakeholder theory' which may be used to describe the structure and operations of established corporations (Donaldson and Preston, 1995). This is graphically illustrated in Figure 2.2.

Figure 2.2 The Stakeholder Approach to CSR



(source: Jamali et al. 2008; Freeman, 1984)

The first authors who contributed in this field of study have attempted to raise awareness among corporations, to act in a responsible way. They suggested that, if the firms behave responsibly, they will avoid stakeholder

pressures. It became clear that the CSR paradigm became a process in itself, which can be evaluated and measured. Jones (1980) maintained that CSR must be considered in all the decision making processes of the firm. The Stakeholder Theory considered all groups and individuals with an interest in the company. Usually, the stakeholders comprise all those who stand to benefit or lose by the businesses' behaviour. Therefore, this perspective went even further than the previous notion of shareholder value theory. Curiously, this theory held that corporations had obligations towards society and its constituent groups, (Jones, 1980 59-60). It was widely agreed that the firms' obligations should never be triggered by coercive forces of law or union contracts. It was widely agreed that socially or environmentally responsible practices ought to be taken up voluntarily by organisations. The stakeholder theory maintained that the businesses' obligations go beyond the traditional fiduciary duties to shareholders. The organisations' obligation had been extended to other groups including the customers, employees, suppliers and neighbouring communities (Jones, 1980:59-60). Jones (1980) argued that there were reasonable arguments both in favour and against the notion of stakeholder theory. He admitted that it was difficult to reach consensus among stakeholders, of what may constitute socially responsible behaviour.

Unfortunately, there were some controversial issues which have emerged during the 1980s. Some illegal practices involved; employee health and safety issues, the deterioration in the quality of work life, employment discrimination, consumer abuse, environmental pollution, the deterioration of urban life and other questionable practices of multinational corporations. It transpired that the stakeholder theory has developed during this time as a very compelling theme. Many authors agreed that the conceptual framework

behind the development of the stakeholder theory was rooted in strategic management. It was believed that the business organisation can enhance its performance through actors. For instance, Freeman (1984) described the constituent groups as the fulcrum of the stakeholder theory,

> "…the groups who can affect or are affected by the achievement of an organisation's purpose", (Freeman, 1984:49).

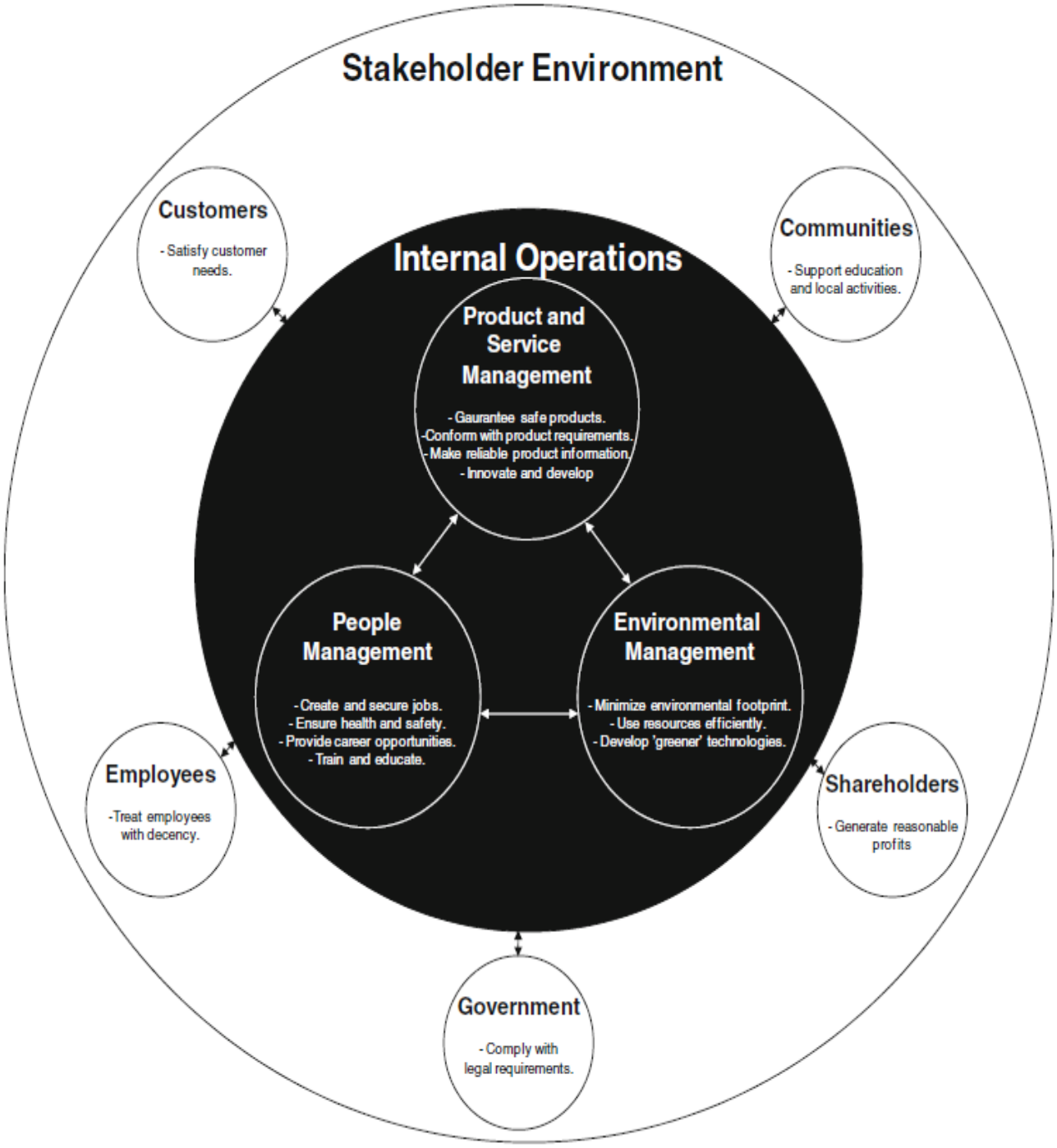
> "The corporation should be managed for the benefit of its stakeholders including its customers, suppliers, owners, employees and the local communities to maintain the survival of the firm"; "…management, especially top management must look after the health of the corporation and this involves balancing the multiple claims of conflicting stakeholders", (Evan and Freeman, 1988).

The stakeholder theory was considered as a normative theory which pushed managers to consider their moral duty towards the legitimate interests of all stakeholders. Evan and Freeman (1988) went on to argue that management's decision-making should incorporate stakeholder representatives. There were a variety of perspectives which were closely related to the stakeholder theory. For example, Clarkson (1995) perceived the firm as a system of stakeholders which operated legally within society, with a market infrastructure. He held that the purpose of the firm was to create wealth or value to its stakeholders. Eventually, Freeman and Velamuri (2006) have revisited the stakeholder theory, by insisting that the main goal of CSR is to create value to stakeholders, including the local community. Consequently, they suggested replacing the notion of corporate social responsibility by company stakeholder responsibility. This was not intended to be a mere semantic change, as it was a completely different interpretation of the CSR meaning. Perhaps, Freeman's (2006) stance may have been influenced by Wheeler et al.'s (2003) article. The authors presented a proposal for the

creation of value (economic, social and ecologic perspectives). Essentially, they have proposed the reconciliation of the stakeholders' approach with CSR and sustainability. They argued that this new approach increases the economic value for shareholders.

Apparently, this latter stakeholder value-oriented approach (Wheeler et al., 2003) was considerably different from the original stakeholder theory (Freeman, 1984). This revised perspective highlighted the benefits of inter-stakeholder relationships which bring 'synergistic value'. Phillips (2003) asserted that certain stakeholders were particularly important and 'legitimate' to the organisation. This legitimacy relied on the organisations' moral obligation towards their stakeholders. Pedersen (2009) and Dunham et al., (2006) argued that there are different stakeholders who have different relationships to the organisation. The stakeholder theory seemed ethically superior to the previous versions of corporate social responsibility. Apparently, this theory took into consideration the stakeholders' rights and their legitimate interests including the shareholders' interest. According to this stakeholder theory; management's duties' extended beyond the fiduciary duties they owed to shareholders. Undoubtedly, this theory recognised the importance of human resources to the organisation. This reasoning was in line with Handy's (2002) statement that a good business is a community with a purpose. Pedersen (2009) explained the stakeholder environment and illustrated it as shown in Figure 2.3.

Figure 2.3 The Stakeholder Environment



(source: Pedersen, 2009)

Berman et al. (1999) maintained that there was a need for further research to establish a clear relationship between stakeholder theory and financial performance. The concept of stakeholder management was becoming very

popular among business practitioners. Apparently, this theory seemed to provide a guideline which led towards achieving business success in the long term (Pedersen, 2009; Collins and Porras, 1994).

Interestingly, Phillips (2003) has noted that there was also pertinent criticism to this theory. There were different views including distortions and / or misinterpretations of the theory. Some saw the stakeholder theory as a comprehensive moral doctrine derived from socialism. There was also the fake perception that stakeholder theory was not only applicable to business corporations. Some critics including Jensen (2000) as well as Sundaram and Inkpen (2004) argued that when the businesses attempted to balance their stakeholder interests, they were distancing themselves from their primary objective of maximising economic value. On the other hand, the stakeholder theory did not necessarily work against the shareholders' interests (Freeman et al., 2004). Clearly, the value creating opportunities for the stakeholders were also pro-shareholders. Several authors like Jensen (2000), Marcoux (2000) and Sternberg (2000) noted that the managers resorted to the stakeholder theory for their own good. The managers seemed to justify their managerial opportunism by appealing to the stakeholders who were benefiting from their behaviour. Phillips (2003) believed that managerial opportunism was a problem. Managers often referred to some stakeholder group to justify their self-serving behaviour. Sternberg (2000) asserted that the stakeholder theory destroys business accountability. He argued that a business cannot satisfy all its stakeholders at once, as he remarked;

> '…a business that is accountable to all stakeholders is actually accountable to none', (Sternberg, 2000).

Marcoux (2000) argued that the stakeholder theory was concerned with the distribution of final outputs. He suggested that the stakeholder theory is concerned with who is involved in decision making and who benefits from the outcomes of such decisions. Phillips (2003) held that the procedure for the stakeholder theory was as crucial as its final distribution. Several criticisms were derived from the idea that managers owed their fiduciary duties as agents to their principals. In this case, the principals were the stakeholders. In this light, Marcoux (2000, 2003) and Sternberg (2000) underlined the importance of balancing the stakeholders' interests and treating them alike. Marcoux (2003) made a clear distinction between the stakeholders and the shareholder-manager relations. The managers owed fiduciary duties to the shareholders. According to Marcoux, the stakeholder theory lacked in morality as it failed to account for the fiduciary duties towards the shareholders. The stakeholder theory treated all stakeholders' interests equally; despite the shareholders have their legitimate claim. Interestingly, Phillips (2003) pointed out that there were some misunderstandings regarding legitimacy. He held that only the legitimate interests should be considered within the stakeholder theory context.

On the other hand, managers may not always understand what their stakeholders expect them to do. Gioia (1999) believed that stakeholders do not adequately represent the social, economic and organisational realities which managers face. Another potential weakness to the stakeholder theory was the lack of suitable representation of the diverse stakeholder groups in corporate decision making. Etzioni (1998) argued about this point. He recognised that there were reasonable difficulties in both implementation and justification, in having stakeholders' involvement in corporate governance issues. In addition, Mahoney (2006) noted that the term

stakeholder seemed to include many interesting groups who exhibited conflicting demands on the company. For instance, the creditors may ask for better terms; the employees may desire better working conditions including higher salaries and wages. These demands may be met at the expense of shareholders. Arguably, the better terms for suppliers and / or distributors may mean higher prices for customers.

Evidently, the normative stakeholder theory or the company stakeholder responsibility needed some refinement. Nonetheless, this theory is still widely acknowledged in shaping the business-societal relationship. From a practitioner perspective, stakeholder theory has taught good managerial and instrumental practices to firms. Similar themes included the regurgitated notion of corporate social performance and the discourses around business ethics, and sustainability. Surprisingly, the notion of corporate citizenship was gaining ground in academic publications, in the later 1990s.

2.3.7 Corporate Citizenship

Corporate citizenship is a recent concept which has its roots in political science. It has been used interchangeably with CSR. The term considers the corporations as social institutions which respond to societal pressures (Crane et al., 2009). Frequently, this notion overlaps with the previous theoretical perspectives. Moon et al. (2005) suggested that corporate citizenship is a metaphor for business participation in society. Many academic contributions about corporate citizenship maintain that it reinforces the social and ethical dimensions of the business.

> "…the businesses should be responsible to their workers, communities and other stakeholders even if making things better for them requires companies to sacrifice some profits", Frederick (2008).

Arguably, corporate citizenship activities can create competitive advantages by reducing risks and enhancing corporate reputation. Many authors have found a positive link between corporate citizenship and a long term financial performance (see Vidal, 1999, Gardberg and Fombrun, 2006; Fombrun and Pan, 2006; Windsor, 2006). In the main, these authors asserted that citizenship programmes and strategic investments in intellectual capital, research and development, innovations and advertising may also help the companies in their endeavour to improve their stakeholder relationships. During the late 80s and into the 90s, practitioners seemed to engage themselves in building a relationship with society (Altman and Vidaver-Cohen, 2000; Windsor, 2001). Several pioneers in the CSR field, including McGuire (1963), Davis (1973) and Carroll, (1979) have floated the idea of looking at the firm as being a citizen. Davis (1973) claimed that a firm was not socially responsible enough if it just complied with the law (Davis, 1973:313). Eilbirt and Parket (1973) portrayed the concept of social responsibility by using the expression 'good neighbourliness', which sounded as very close to being a good citizen. According to the authors, the concept 'good neighbourliness' translated into two meanings;

> "First, not doing things that spoil the neighbourhood", and secondly, "the commitment of business, or business in general to an active role in the solution of board social problems, such as racial discrimination, pollution, transportation or urban decay", (Eilbirt and Parket, 1973:7).

Epstein (1989:586) noted that good corporate citizenship was simply evidenced in socially responsible organisational behaviour. Apparently, the businesses' assistance (through financial and / or non-monetary contributions) to the community demonstrated the organisations' credentials in corporate citizenship. Significant empirical and conceptual work on

corporate citizenship was also being carried out in the late 1990s (see Tichy et al., 1997; McIntosh et al., 1998; Andriof and McIntosh, 2001; Wood and Logsdon, 2001). Alperson (1995) pointed out that the concept of corporate citizenship attracted significant attention. The increasing popularity of the concept can be attributed in part to certain factors that may have had an impact on the business and society relationship, such as globalisation, the crisis of the welfare state and the power of large multinational companies. Muirhead (1999) noted that there was a considerable diversification of strategies as a result of globalisation. Many multinational companies were establishing their presence in the global economy. Some companies gave prominence to the social agenda.

For the first time, there were management positions which were dedicated to corporate giving. Management roles, particularly within the marketing and public relations were including the tasks of corporate social responsibility and public affairs. Corporate citizenship gave way to new concepts such as global social investment, corporate reputation, community partnerships, corporate social policy and other notions were becoming popular across large companies. By the 2000s, there was an emphasis for the conceptual development of corporate citizenship. With regards to management philosophy or policy there was more concern for strategic giving, cause-related marketing, international donations, employee volunteerism, sustainability and global corporate citizenship (Windsor, 2001a).

Moreover, empirical research has been carried out into the related topics of stakeholder theory, business ethics, sustainability and corporate citizenship. Some authors argued that there was potential for further theoretical development. Perhaps, there was scope in drawing several practices under

the umbrella of corporate citizenship. Kotler and Lee (2005) presented several practices which were aimed at business practitioners in their CSR engagement. They categorised the best practices into six types of social initiatives which included; cause-promotion, cause-related marketing, corporate social marketing, corporate philanthropy, community volunteering and socially responsible business practices. The authors suggested that cause-promotion increased awareness and concern for social causes. The cause-related marketing effectively sought increased sales. The corporate social marketing involved initiatives which triggered the required behavioural change. They genuinely believed that corporate philanthropy contributed directly to causes. The community volunteering encouraged the organisations' human resources to dedicate their time and talents in the community.

For decades, businesses were taking part in philanthropic activities. Sometimes they contributed through their donations in cash or in kind to the community. This was widely perceived as a clear expression of appropriate corporate citizenship. Apparently, this was the way how corporate citizenship has been conceived and accepted by the general public. The businesses were voluntarily engaging themselves in social and environmental activities. Such practices were not necessarily mandated by law. Carroll (2004) noted that the businesses were never expected to engage themselves in such activities, yet it was their responsibility to be a good citizen.

> "…being a good global citizen is related to philanthropic responsibility which reflects global society's expectations", Carroll (2004:119).

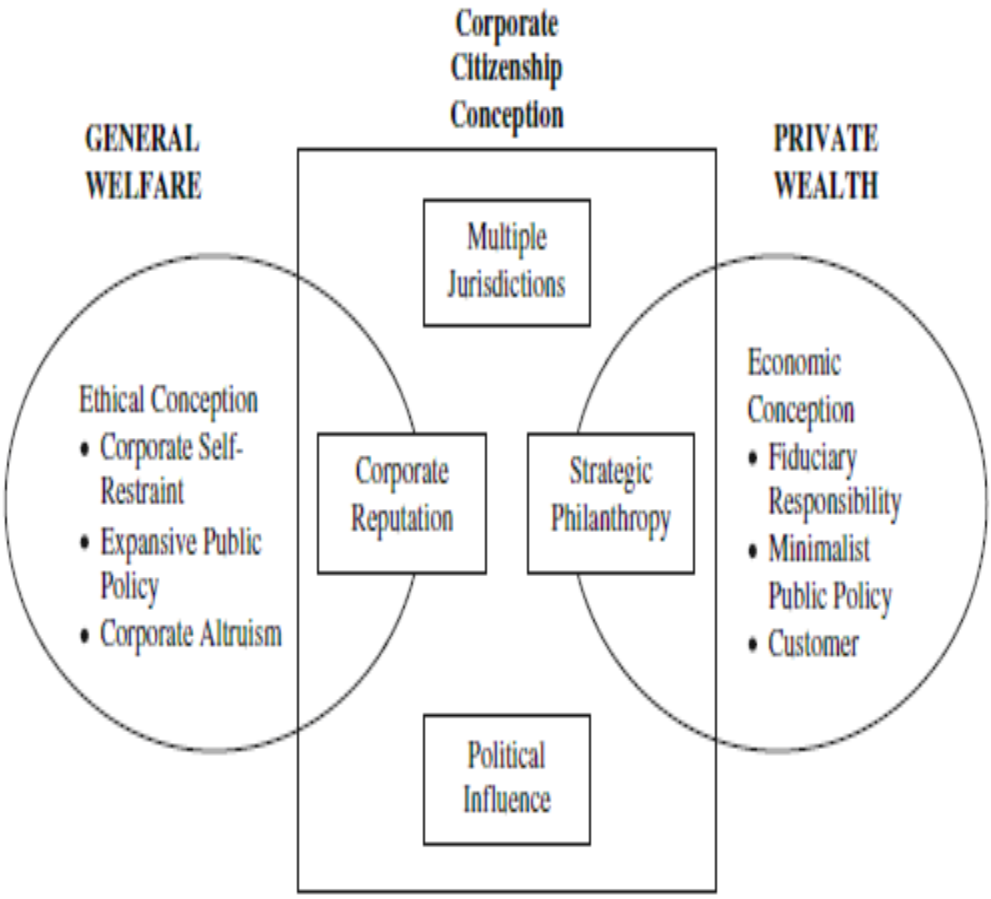
Towards the end of the 1990s, the businesses in general, seemed to have genuine concern towards the communities around them. Perhaps, this may have been attributed to a backdrop of intense protests against globalisation. Undoubtedly, it appeared that the businesses in general were facing difficult times ahead. In 2002, thirty-four chief executives of the world's largest multinational corporations signed a document during the World Economic Forum (WEF) entitled, 'Global Corporate Citizenship: The Leadership Challenge for CEOs and Boards'. Evidently, the WEF had recognised that corporate citizenship was a business response towards society. The WEF urged the businesses to engage themselves in social investment, philanthropic programmes and public policy (WEF, 2002).

Wood et al. (2006) and Matten et al. (2003) among others, have noted that the language of corporate citizenship was frequently been used instead of CSR. Other scholars went even further as they suggested that the notion of corporate citizenship was actually a different approach of understanding the role of business in society. There were some renowned authors including, Logsdon and Wood (2002) who believed that this linguistic change (from CSR to corporate citizenship) has resulted in changes in the firms' normative behaviour. Windsor (2001) stressed that corporate citizenship was a completely different conceptualisation than corporate social responsibility. Birch (2001) described the notion of corporate citizenship as innovation. It seemed that there was more to corporate citizenship and global business citizenship concepts than the name itself. While some business practitioners were using notions such as social responsibilities and business ethics, the concept of corporate citizenship was gaining ground. The corporations were recapturing their rightful place in society, next to other citizens with whom the corporation forms a community (Matten et al., 2003:111). Eventually,

Moon et al. (2005) have developed a related concept to corporate citizenship, which they entitled 'Global Business Citizenship' (GBC). Curiously, this notion was effectively an extended view of corporate citizenship. The authors suggested that in some places the large corporations were noticing that there was a lack of government intervention, as there was a lack of regulation in some sensitive and ethical issues. Conspicuously, this approach described how businesses were adopting a similar role to that of the government in tackling the societal problems.

Van Oosterhout (2005) seemed to recognise Matten and Crane's (2005) academic contribution in conceptualising 'corporate citizenship'. Yet at the same time, he alleged that there was little empirical support of the subject. The author criticised Matten and Crane's approach to corporate citizenship, claiming that they were not clear enough about the corporate rights and responsibilities. Consequently, Crane and Matten (2005) have responded to these criticisms by elaborating their previous conceptual work. Windsor (2001a, 2001b) argued that corporate citizenship is dependent on managerial discretion and the firms' philanthropic ideology. Goddard (2006) affirmed that corporations can create value in the long term through undertaking corporate citizenship activities. Windsor (2006) came up with three competing approaches to corporate citizenship as evidenced here in Figure 2.4.

Figure 2.4 Three Competing Approaches to Corporate Citizenship



(adapted from Windsor, 2006)

Of course, this philanthropic ideology was considering the business entity as a member of the society. Moreover, the related definition; global business citizenship was being associated to moral duties and human rights. There were beneficial effects for the companies themselves, as they resorted to philanthropy and corporate citizenship practices. Nonetheless, it was widely agreed that there was a need for further conceptual development and empirical studies in this area. Munshi (2004) noted there was also a lack of clarity among practitioners with regards to who is responsible for setting the standards for global citizenship. Corporate citizenship is a rhetorically superior synonym to the concept of corporate social performance (Orlitzky,

2009). Apparently, many authors have preferred using the term corporate citizenship (see Gunther, 2004; Matten and Crane, 2005).

Orlitzky et al. (2003) investigated the relationship between corporate and corporate financial performance relationship. Clearly, the financial performance underlines the financial viability of an organisation (Price and Mueller, 1986:128). Corporate financial performance is clear cut in its measurement, as it indicates the degree to which a firm achieves its financial or economic objectives (Venkatraman and Ramanujam, 1986). The corporate financial performance is assessed either by using the market and/or the accounting standards. On the other hand, the construct of corporate citizenship may possibly raise dubious measurement properties. Empirical studies have suggested that the construct validity of both variables is far from perfect. Nonetheless, their measurement is still useful for research syntheses (Orlitzky, 1999). Hunter and Schmidt. (2004) asserted that there was a lack of construct validity in corporate citizenship, as they identified random and systematic errors which can possibly produce a flawed research literature.

2.4 Strategic CSR

As the CSR concept has gained momentum among businesses, the notion progressed from its apparent shallow considerations of 'window dressing' to a strategic orientation. Arguably, CSR can be considered as strategic in its intent and purposes. Businesses are capable of implementing responsible behaviours as they pursue their profit-making activities. Carroll (1979) affirmed that business has economic responsibilities as providing a decent return on investment to owners and shareholders; creating jobs and fair pay for workers; discovering new resources; promoting technological

advancement, innovation, and the creation of new products and services along with its other objectives.

Interestingly, Reinhardt (1998) found that firms which engage in CSR strategy can generate significant returns when they prevent competitors from imitating their strategies. Expenditures on strategic CSR activities are typically intended as long-term investments that are likely to yield financial returns (Vaughn, 1999). This is a type of philanthropy that is aligned with profit motives (Quester and Thompson, 2001). Strategic CSR or "strategic philanthropy" (Carroll, 2001:200) is done to accomplish strategic business goals. In a sense, the good deeds are believed to be good for business as well as for society. With strategic CSR, corporations "give back" to their constituencies because they believe it to be in their best financial interests to do so. Many authors including Baron (2001), Fedderson and Gilligan (2001) and Johnson (2003) claimed that strategic CSR is a driver for innovation and economic growth. They believed that it will help the company to achieve a competitive advantage. Lantos (2001) went even further as he suggested that CSR can derive positive benefits for both the societal stakeholders and the firm itself. Lantos (2001) was very clear and straightforward about strategic responsibility, as he described it as the fulfillment of philanthropic responsibilities that will simultaneously benefit the bottom line. The author held that companies should undertake CSR strategies which add value to the business and disregard others activities which are fruitless. In this context, Porter and Kramer (2002) have raised the issue about CSR as they held that the corporate philanthropy should be deeply rooted in a firm's competences and linked to its business environment. Snider et al. (2003) held that strategic CSR optimises the organisational performance. Zadek (2004) also suggested looking at the socially responsible practices, in a strategic way. He argued

that the full realisation of CSR can be achieved after the concentration of civic concerns. Soon, the relationship has developed into a kind of necessary integration of 'business in the society', where the society interacts with the business at large. Garriga and Mele´ (2004) suggested that in the long term the business creates value in society. Jamali (2007) reiterated the idea of strategic CSR. The author explained how the effective alignment of philanthropic contributions with business goals and strategies brings social and economic benefits. Mc Williams and Siegel (2011) affirmed that Strategic CSR is defined as any "responsible" activity that allows a firm to achieve a sustainable competitive advantage, regardless of motive. In a recent article entitled, "The case against CSR" which was published in the Wall Street Journal, Karnani (2012) held that executives are unlikely to act voluntarily in the public interest and against shareholder interests. Yet, he has reinforced the argument for Strategic CSR as he stated that, "these companies (who engage in CSR) are benefiting society while acting in their own interests.

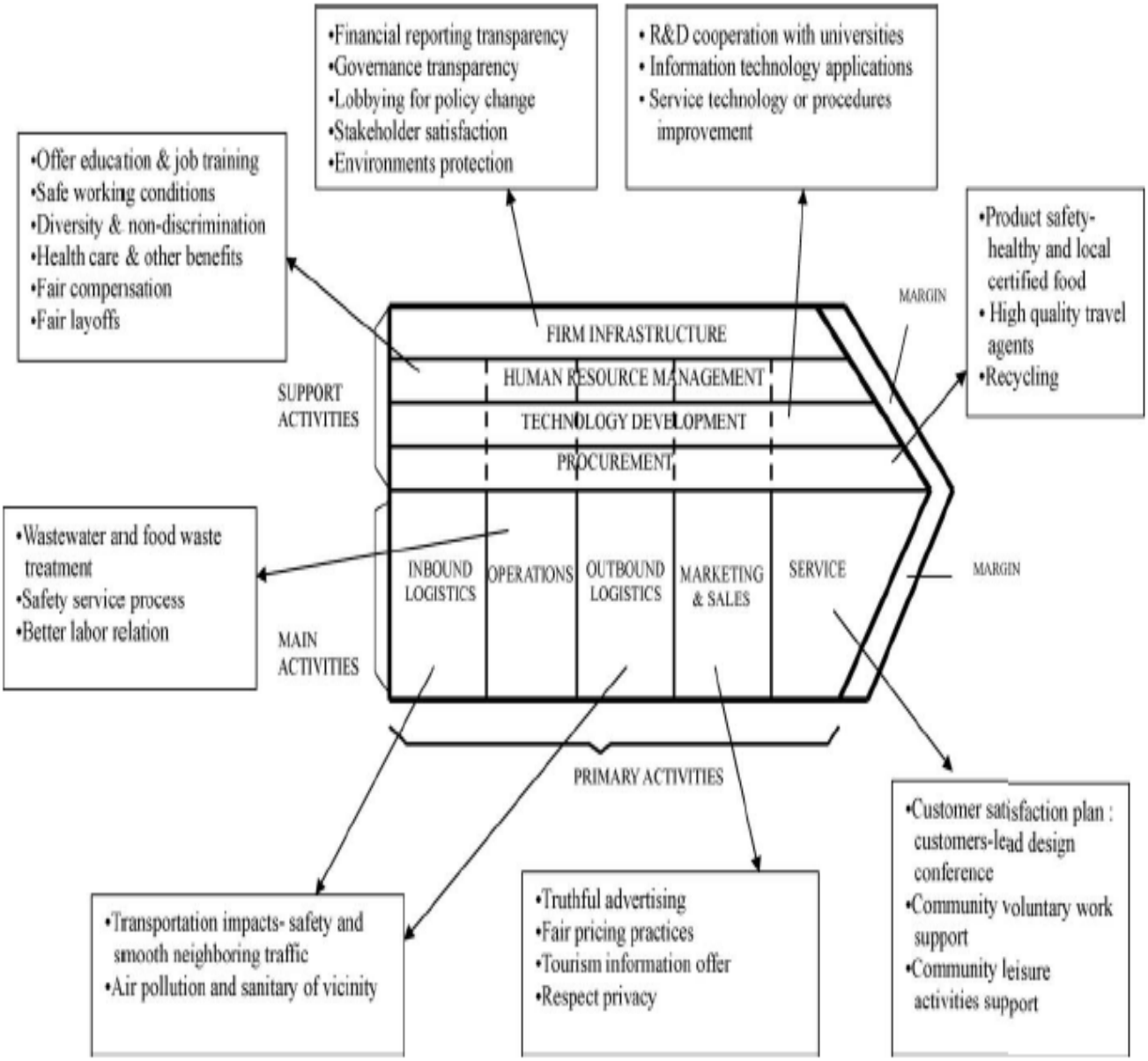
Some cynical commentators maintain that strategic CSR impoverishes the notion of citizenship. The strategic philanthropy is often misunderstood as it is considered as self-serving and insincere (Brenkerrt, 1996; Jones, 1997). Perhaps, this is one of the reasons why many companies are not communicating their CSR initiatives and are not undertaking CSR initiatives which are related to their core business activities. Moon (2001) held that the motivation for engaging in CSR is always driven by some kind of self-interest. In a similar vein, Rollinson (2002) argued that, "it is always difficult to tell whether ethical behaviour is triggered by altruism or self-preservation. Hemingway and Maclagan (2004) suggested that strategic CSR contributions are disguised profit-motivated expenditures (regardless of whether the activity is strategically-driven, or altruistic).

Generally, it is difficult to quantify the returns of responsible behaviours, Past empirical studies have yielded inconclusive findings. Some of the pertinent research shows that companies that practice social and environmental responsibility will prosper in the long run (McWilliams and Siegel, 2001; Orlitzky, 2003). However, it is also possible to overspend on strategic CSR—as is true of all marketing expenditures (Lantos, 2001). Apparently, there is an optimal level of spending on strategic CSR (Orlitzky et al., 2010). The factors contributing towards creating value are often qualitative and very difficult to measure and quantify, such as the employee morale, corporate image, reputation, public relations, goodwill and popular opinion (Miller and Ahrens, 1993). Lantos (2001) suggested that we need to learn which types of CSR activities yield the highest payback. Of course, every stakeholder group has its own needs and wants, It is important to strike a balance between conflicting stakeholder interests and returns from strategic CSR (McWilliams and Siegel, 2011; Freeman, 1984),

2.4.1 Mapping social opportunities in the value chain

Porter and Kramer (2006) maintained that organisations can set an affirmative CSR agenda that produces maximum social benefits and gains for the business itself, rather than merely acting on well intentioned impulses or by reacting on outside pressures. They referred to the value chain (Porter, 1986) as an appropriate tool to chart all the social consequences of business activities. These inside-out linkages may range from hiring and layoff policies to green house gas emissions as illustrated in Figure 2.5.

Figure 2.5 Porter's Value Chain

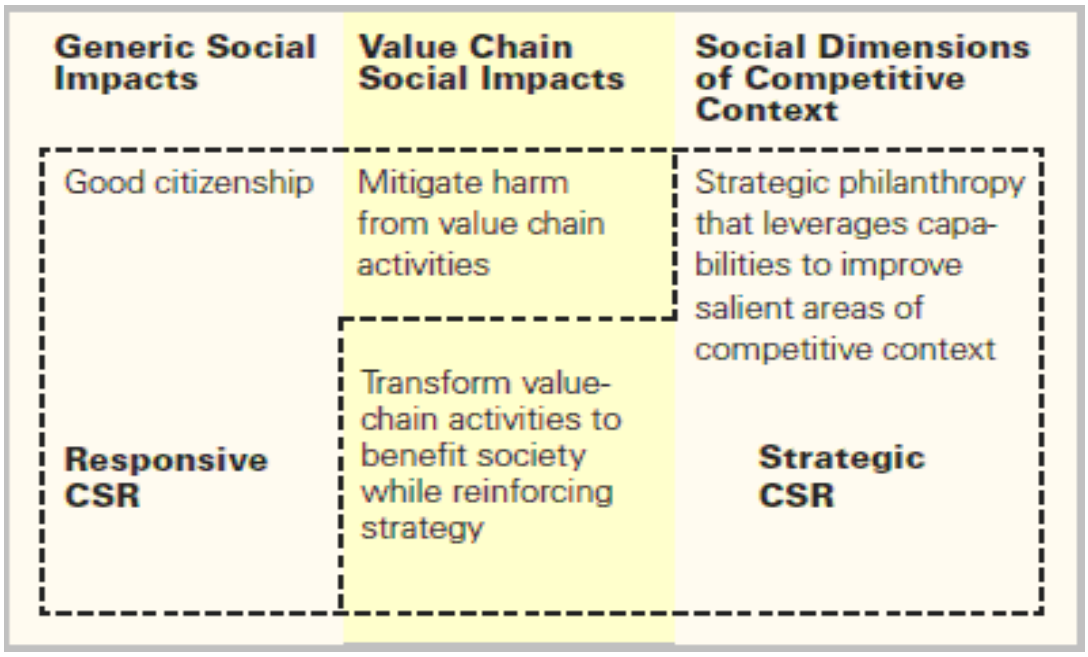


(Source: Porter, 1985, reproduced in Tsai et al. 2010)

This value chain model presents the operational issues which have an effect on the companies' performance. It depicts all the activities a company engages in while doing business. It can be used as a framework to identify the positive and negative social impacts of those activities. Porter and Kramer (2006) advocated that through strategic CSR the company will make a significant impact in the community and will also reap the greatest

business benefits. They suggested that strategic CSR goes beyond best practice. The company may be triggered to doing things differently from competitors, in a way that lowers its costs. The authors went on to say that strategic CSR involves both inside-out and outside-in dimensions, working in tandem. Interestingly, the authors indicate that there are opportunities for 'shared value' through strategic CSR (Porter and Kramer, 2006, 2011). The companies' are urged to strengthen their competitiveness by investing in social and environmental aspects, as featured in Figure 2.6.

Figure 2.6 Corporate Involvement: A Strategic Approach



(Source: Porter and Kramer, 2006)

Porter and Kramer (2006) held that the success of the company and of the community may become mutually reinforcing. They maintained that the more closely tied a social issue is to the companies' business, the greater the opportunity to leverage the firms' resources and capabilities and benefit society. Falck and Heblich (2007) related the notion of strategic CSR to the shareholder value theory. This approach which was mentioned earlier, implied a long term view of wealth maximisation. As it was the case in the

agency theory, the authors suggested that proper incentives may encourage managers 'to do well by doing good'.

> "…as the company's goal was to survive and prosper, it can do nothing better than to take a long term view and understand that if it treats society well, society will return the favour", (Falck and Heblich, 2007).

Perrini and Minoja (2008) have also noticed that that the integration of CSR into corporate business strategy has not been explored enough. They held that as many firms were giving more credit to CSR issues, few of them were consciously integrating policies and programmes into their business strategies. The authors believed that there was insufficient empirical evidence to support theory building in this area. They indicated that it will be a challenging task for future researchers to identify firms which are successful in embedding CSR in their corporate strategy.

2.4.2 Creating Shared Value

The concept of creating business value is not new to academia. Wheeler et al. (2003) came up with a simple framework for the creation of value. They reconciled the concepts of corporate social responsibility and sustainable development (or sustainability) with a stakeholder approach. They held that the reputational and brand value were good examples of intangible value. However, they failed to relate them to economic value over the long term. Nonetheless they came up with a business model in their value creation approach which embraced the concepts of CSR, sustainability and the stakeholder theory (Wheeler et al. 2003). Porter and Kramer (2006) claimed that the solution for strategic CSR lies in the principle of 'shared value'. According to Porter and Kramer (2011), the businesses realised that they may be in a better position to understand the true bases of company productivity

and collaborate with stakeholders across profit and non-profit boundaries. The shared value 's effective, efficient and economical processes are aimed at adding value to the firm itself, as featured in Figure 2.7.

Figure 2.7 The Connection between Competitive Advantage and Social Issues

(Source: Porter and Kramer, 2011)

The authors went on to say that shared value creation focuses on identifying and expanding the connections between societal and economic progress. A shared value proposition requires particular areas of focus within the businesses' context (workplace) as well as looking after society's interests (comprising the environment, marketplace and the community) for the firm's self-interest. The enterprise's performance must be continuously monitored and evaluated in terms of its economic results. Creating Shared Value (CSV) is about embedding sustainability and corporate social responsibility into a brand's portfolio. All business processes in the value chain (Porter, 1986) operate in an environmental setting within a wider community context.

Porter and Kramer (2011) held that this new approach sets out new business opportunities as it creates new markets and niches, it improves profitability and strengthens the competitive positioning. Crane and Matten (2011) admitted that Porter and Kramer (2011) have once again managed to draw the corporate responsibility issues into the corporate boardrooms. Crane and Matten (2011) had words of praise for the 'shared value' approach as they described the term as compelling and endearingly positive. Recently, Elkington (2012) argued that sustainability should not be consigned to history by shared value. The author recognised that Porter and Kramer's shared value proposition is undeniably a key step forward in corporate strategy. Yet he maintained that shared value can play a key role in destroying key resources, reducing the planet's biodiversity and destabilising the climate. Then he went on to say that Porter reduced corporate sustainability to resource efficiency. Elkington reiterated that sustainability focused on the idea of intergenerational equity as he suggested that; "if properly addressed, sustainability could be the ultimate form of shared value (Elkington in 'the Guardian Sustainable Business, 2012).

Eventually, Kramer (2012) responded to Elkington's blog. The Harvard academic argued that it was not his intention to sweep aside sustainability. He maintained that shared value and sustainability are complementary and overlapping concepts that give rise to mutually reinforcing but different agendas for action. He clarified that the shared value proposition focuses on the scale of impact and degree of innovation that companies can bring to society's needs where traditional NGOs and governments have often lacked. He implied that the shared value framework is rooted in identifying the specific issues that improve businesses' own performance and create large-scale social benefits. He held that wise businesses should also embrace the long-term mandate of sustainability. Kramer (2012) reiterated that 'shared

value' is focused on corporate strategy and the decisions individual companies make in pursuit of organisational performance and profit.

2.5 Summary

This chapter has reviewed the evolution of CSR theories. Remarkably, all of these CSR perspectives can be used to describe how companies are actually managing their businesses. Most of these theories are normative in nature. Debatably, not all theories which have been proposed are equally acceptable. Any theory is established after a significantly number of tests of validity, whereas a normative theory is accepted as a consequence of its rationality and internal consistency. In practice, many companies may be better described as following the shareholder model. While in others, the social behaviour of the companies may seem closer to the stakeholder model. However, one can also find some companies which respond to the corporate social performance model. It may appear that an increasing number of the businesses may be intrigued to adopt the corporate citizenship or the global business citizenship model. This may be the case of the larger multinational companies. Interestingly, every theory has been derived from a different field of knowledge. For instance, the corporate social performance is related to sociology, the shareholder theory to economic theory, the stakeholder theory is rooted in several ethical theories and the corporate citizenship came from the political concept of the political citizen. The concept of creating shared value seems to be integrating many perspectives. This chapter has explained the evolution of the notion of CSR, and how it has transformed and adapted itself to reflect societies' realities over the last sixty years.

Chapter 3
CSR REGULATORY GUIDELINES AND POLICIES

3.1 Introduction

This chapter sheds light on the regulatory background of responsible organisational behaviour. Corporate social responsibility (CSR) often involves the development of network relations, as both private and government actors invest in and draw upon social capital (Habisch and Moon, 2006). Several governments are stepping in with their commitment for corporate governance as they are setting their social and environmental responsibility agenda through different frameworks. Many countries are following the guidelines of the International Labour Organisation (ILO) and the Organisation for Economic Cooperation and Development (OECD). These international organisations have provided highly recognised international benchmarks for transparent and accountable practices. This paper also made reference to some of the relevant European Union (EU) Expert Group recommendations for non-financial reporting. CSR necessitates legal compliance as well as 'customary ethics' (Carroll, 1991). In this context, it seems that a motivation for CSR may be borne out as a necessity to offset the threat of regulation. 'Many companies prefer to be one step ahead of government legislation or intervention, to anticipate social pressures themselves', (Moon and Richardson, 1985:137 in Crane et al., 2008:308). It transpires from the pertinent literature review that businesses are encouraged to adopt the reporting instruments of non-governmental organisations.

Non Governmental Organisations (NGOs) sought to step into the regulatory vacuum created by the inadequacies of both national governments and international institutions to regulate multinational corporations (MNCs) by forging alliances with consumers, institutional investors and companies themselves (Newell, 2000:117-118). While they cannot replace the role of the state, these social movements have created new mechanisms of global business regulation. According to Knill and Lehmkuhl (2002:442); global corporate responsibility is intended to compensate for the decreasing capacities of national governments for providing public goods. Lipschutz (2005) argued that CSR may have represented an effort to challenge the increasing reluctance of national governments to impose regulations on global firms. Many governments are wary that such regulations will discourage domestic investment as it can make their economies less competitive.

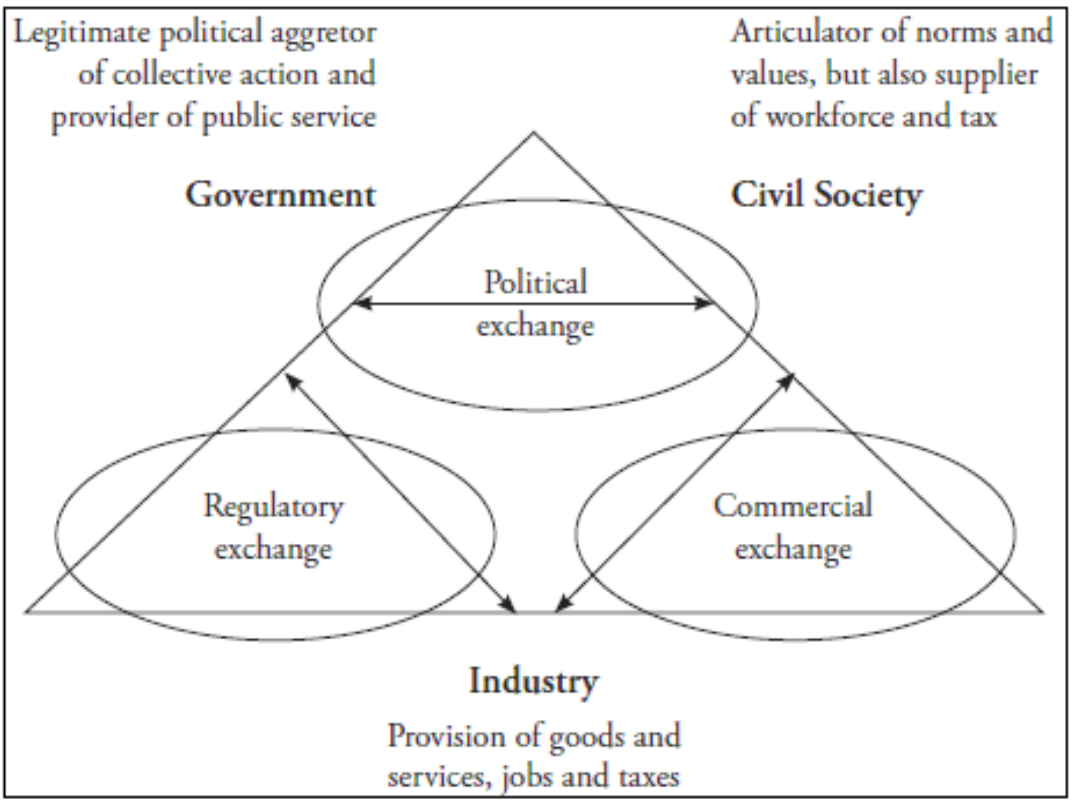
This chapter suggests that the way forward is to have a more proactive government regulation which sets reporting standards and guidelines which are drawn from the international reporting instruments (e.g. ISO, SA, AA, and GRI). The introduction of standards, phase-in periods and utilisation of innovative technologies can create shared value by bringing mutual benefits for business and society. Such measures may possibly improve the organisational performance through operational efficiencies and cost savings.

3.2 The National Governments' Regulatory Role

The governments are usually considered as the main drivers of CSR policy. However, there are other actors within society, such as civil organisations and industry. It is within this context that a relationship framework has been

suggested by Mendoza (1996) and Midttun (2005). These exchange relationships among different actors and drivers which are shaping CSR policy are featured here in Figure 3.1.

Figure 3.1 Actors and Exchange Arenas



(Source, Midttun, 2009)

Inevitably, it seems that there was a need for a deeper understanding of the governments' role and function in promoting CSR. Societal governance is intrinsically based on a set of increasingly complex and interdependent relationships. There are different expectations and perceptions within each stakeholder relationship, which have to be addressed to develop an appropriate CSR policy (Albareda et al., 2008). Essentially, this relational approach is based on the idea that recent changes and patterns affecting the economic and political structure may transform the roles and capacities of various social agents (Albareda et al., 2009).

3.3 Background of the Regulatory Frameworks for Responsible Behaviour

In the mid 1990s, Robert Reich in his capacity as the American Secretary of Labour has asked the International Labour Organisation (ILO) to develop a social label that would certify to consumers which products comply with the ILO labour standards However, his proposal has been denounced by the representatives of the developing countries as it was considered as a form of protectionism and was eventually abandoned (Crane et al., 2009). Surprisingly, this setback has triggered the formation of private labour certification standards which now represent a critical dimension of contemporary global corporate responsibility (Vogel, 2005; Crane et al., 2000). The ILO has limited itself to establish minimum standards for working conditions and these have been agreed to by numerous governments. The standards are entirely voluntary in nature as the ILO has no enforcement capacity. The growth of interest in the private regulation of global firms is a direct outgrowth of the lack of effective regulation of global firms, at the international level (Rasche et al., 2007; Newell, 2002). Thus, the regulation of trans-national firms was denounced from the agenda of the United Nations' (UN) Commission on Environment and Development, while another related initiative – the UN Agenda 21 did not recommend the creation of global codes of conduct for multinational corporations (see Agenda 21, 1992). Likewise, the Commission on International Investment and Trans-national Corporations was unable to agree on a code of conduct for global firms due to conflicts between developed and developing nations. While the Organisation for Economic Cooperation and Development (OECD) had issued guidelines for multi-national corporations (MNCs). They were also entirely voluntary in nature.

> "It is against this background of weak instruments and failed initiatives at the international level that NGOs have begun to target MNCs with increasing frequency and vigour in recent years", (Newell, 2002:910).

The growth of global CSR engagement can also be viewed in the context of the business developments within the international trade law. For instance, a number of bilateral and regional trade agreements were entered into force in North American and European countries. They contained such provisions about the inclusion of labour, human rights and environmental standards in trade agreements. Nonetheless, the World Trade Organisation (WTO) did not necessitate the countries to conform to any product labelling standards, which describe how products have been sourced and produced outside of their borders. Nevertheless, there were NGOs' product labelling and certification mechanisms which have still emerged as they represented a way to provide consumers and firms alike with appropriate information of the firms' products. Interestingly, the WTO rules and regulation on non-tariff trade barriers restricts the decisions of national governments, not on private NGOs. It emerged that several governments have chosen to draw business further into governance issues without strictly mandating behaviour and specifying penalties for non compliance. For example, the UK government's Department of Innovation and Skills, DBIS website states:

> "The government can also provide a policy and institutional framework that stimulates companies to raise their performance beyond minimum legal standards. Our approach is to encourage and incentivise the adoption of CSR, through best practice guidance, and where appropriate, intelligent (soft) regulation and fiscal incentives", (DBIS, 2012).

Similarly, in the context of high unemployment levels and social exclusion in Denmark, Karen Jesperson, the Minister of Social Affairs (2003) had unveiled the campaign entitled, "It concerns us all", which drew attention to the ways in which CSR could assist in addressing public policy problems (Boll, 2005). In a similar vein, the Swedish governments' CSR initiative had called on the companies' commitment in upholding relevant international standards (Crane et al., 2009). In Australia, the former prime minister, John Howard had formed the Business Leaders' Roundtable as a means of encouraging business leaders to think about how they could assist government in solving the social problems (Crane et al., 2009). Arguably, the governments can facilitate CSR implementation by setting clear frameworks which guide business behaviour, establishing non-binding codes and systems, and providing information about CSR to firms and industries. For instance, the UK and Australian governments came up with the notion of CSR as a response to mass unemployment. They set public policies which have encouraged companies to engage in CSR practices by providing relevant work experience and training opportunities to job seekers (see Moon and Richardson 1985; Moon and Sochacki, 1996). Similarly, the EU institutions have frequently offered trainee subsidies and grants for education, including vocational training for the companies' who want to nurture their human resources (EU National CSR Policies, 2007). Governments' role is to give guidance on best practice. Japan is a case in point, as there are close relationships between government ministries and corporations. The firms in Japan report their CSR practices. They are required to follow the suggested framework of the Ministry of the Environment (Fukukawa and Moon, 2004).

Undoubtedly, there is scope for the respective governments to bring their organisational, fiscal and authoritative resources to form collaborative

partnerships for CSR. The national government may act as a catalyst in fostering alliances with business organisations. For instance, the British government participates within clustered frameworks involving public-private partnerships such as the Corporate Institute of Personnel Development, British Chambers of Commerce, and the Association of Business Schools; supported by Business in the Community (BITC) and Accountability. BITC is essentially a business-led charity which focuses its energies in promoting responsible business practice. BITC in liaison with the Doughty Centre for Corporate Responsibility found out that there are several benefits of being a responsible business. Such rationale is in line with Porter and Kramer's (2011) argumentation about creating shared value. The BITC (2012) affirmed that they are transforming businesses through their research and resources, training and advice, networking events and by providing benchmarking opportunities. The charitable organisations claim that they are transforming communities through their continuous educational support over environmental sustainability and marketplace behaviour. BITC advocate that they are addressing employment practices in the workplace by setting targets on diversity, fair pay, wellness, engagement and productivity. The British CSR policies were originally oriented to trigger businesses in the community involvement.

Nowadays such policies are addressing a much wider range of public problems. For instance, British Prime Minister David Cameron has recently launched the "big society" drive. The 'Big Society' is about helping people to come together to improve their own lives. Cameron went on to say that it is about empowering communities. In his own words, 'a massive transfer of power from Whitehall to local communities', (David Cameron, referring to the Big Society; reported in BBC News Url, 2010). The key policies which

emerged from what seemed to be the UK's Conservative Party's electoral manifesto have paved the way for further community empowerment, opening up the public services and social action. According to this 'Big Business' initiative; the local councils and the neighbourhoods will be given more power to take decisions and shape their area in line with the planning reforms which are led by the Department for Communities and Local Government. Moreover, it has been suggested that the public services will be reformed as it is intended that they will open up to the public. It is hoped that charities, social enterprises, private companies and employee-owned co-operatives will be enabled to compete to offer high quality services to the citizens. Interestingly, the big business's ultimate objective is to help get the British unemployed on their feet, off the welfare system and back into work. The 'welfare to work programme' led by the Department for Work and Pensions will also be assisting in achieving this ambitious target.

3.4 Measuring Social and Environmental Performance

Academic literature about corporate responsibility is proliferating. Yet, it seems that there is a gap in literature about the adoption of 'international accounting standards' by global firms (Jamali, 2010). The corporations' political role has inevitably raised the need for further transparency and accountability of their practices. The national and international laws have failed to hold corporations accountable for their actions (Bondy et al., 2012; Giddens, 1998). Apparently, the so called accountability standards were assisting businesses in taking into account their stakeholders' interests (see Rasche et al., 2008). The accountability standards represent voluntary predefined norms and procedures for organisational behaviour with regards to social and/or environmental issues and are often valid on a global level (Rasche, 2010; Smith, 2002:21). There are several well-known examples of

such standards, which of course possess considerable differences. These standards help corporations to be accountable to the consequences of their actions. Organisations are encouraged to assess and communicate their responsible activities and impacts on social and environmental issues to their stakeholders (Crane and Matten, 2004). Many scholars have often described the basic characteristics of these standards (Gobbels and Jonker, 2003; Leipziger, 2001, 2003; McIntosh et al., 2003; Williams, 2004). Yet, it may seem that there is still no formal model which can be used as a yardstick to evaluate the standards' strengths and weaknesses. The accountability standards reflect a shift towards a 'quasi-regulation' which is based on a substantive (outcome-based) and reflexive (process-based) law approaches (Rasche et al., 2008). A 'substantive' law approach is regulated by prescribing predefined outcomes, whereas a 'reflexive' law approach is regulated by prescribing procedures to determine outcomes in a discursive way (see Hess, 1999, 2001). It is suggested that the standards can be analysed on two distinctive levels: a macro-level that reflects standards' substantive element and a micro-level that reflects standards 'reflexive element' (Gilbert and Rasche, 2007; Rasche and Esser, 2006).

The macro-level represent the standards, whereas the micro-level corresponds to the implementation procedures to make macro-level norms a success. On the macro level, accountability standards seem to provide the general norms which focus on outcomes and echo a substantive law approach. For instance, the standard Social Accountability (SA8000) came up with eight central norms which can be taken up by organisations (e.g. health and safety standards). Macro-level norms are outcome-focused, as they indicate which practices are expected from the corporations in order to be perceived as accountable (Rasche, 2009). Since most accountability standards

are addressing corporations all over the world, their macro-level norms appear to be generic and broad. Interestingly, Leipziger (2001, 2003) has inquired about the accountability standards which are positioned at the macro-level. The author went through the macro-level norms and questioned how the standards can become legitimised. She looked at the standards' compliance as well as their verification processes with the macro-level norms. Finally, Leipziger (2003) concluded that there is an appropriate level of specification for global macro-level norms. Rasche and Esser (2006) argued that most standards do not differ much with regard to the content of their macro-level norms. The authors implied that the key challenge ahead is not the development of more norms, but rather to make the existing ones more effective, by issuing guidance on how to implement them appropriately.

3.4.1 The Organisation for Economic Cooperation and Development (OECD)'s Corporate Governance Policy

The OECD provides an international benchmark for corporate governance. It provides specific guidance for policy makers, regulators, and market participants in improving their legal, institutional, and regulatory framework. These principles have shown an acceptable level of adaptability in varying legal, economic, and cultural contexts. They have served as the basis in various reform initiatives by different governments and have been taken up by the private sector in different countries (Jesover and Kirkpatrick, 2005). The OECD Principles (1999) have been reproduced in Table 3.1.

Table 3.1 Basic Principles of Corporate Governance

OECD principles	Description
Protection of shareholders' rights	Entails the protection of shareholders and maintaining investor confidence at all times in a way of ensuring the continuous inflow of needed capital.
Equitable treatment of shareholders	Entails the equitable treatment of all equity investors, including minority shareholders.
The role of stakeholders in corporate governance	Entrails the skillful consideration and balancing of interests of all stakeholders, including employees, customers, partners and the local community.
Accurate disclosure of information	Entails the accurate and timely disclosure of clear, consistent and comparable information in good times and bad times.
Diligent exercise of board responsibilities	Board elections should be totally free from political interference and board members should exercise their responsibilities diligently and independently.

(Source: Jamali et al. 2008b ; OECD, 1999)

3.4.2 The European Union's Recommendations for Non-financial Reporting

Enterprises can better identify and manage issues that may influence their business success by disclosing social, environmental and governance information (EU, 2012). According to the EU Commission Expert Group (2012), non-financial reporting enables investors to contribute to a more efficient allocation of capital, and to better achieve longer-term investment goals. It can also help to make enterprises more accountable and contribute to higher levels of citizen trust in business. Several experts have supported the idea of a principles-based approach, rather than a detailed, rules-based one. According to this view, the EU Commission Expert Group suggested that their framework on non-financial reporting has given flexibility to the companies to decide the topics to report on. The European Union's experts

(from the Directorate General of the Internal Market and Services) came up with an innovative approach, which incentivised the companies to report their non-financial information. The experts suggested that key performance indicators (KPIs) were not enough. Many considered the metrics behind the indicators as not developed appropriately, in the light of the different social and environmental aspects (EU, 2012).

Of course, materiality is considered as a key concern by several audit experts. The experts stressed that improving materiality of reports is useful to address the comparability issues. They advocated that the companies' boards should have ownership on reporting, in order to make it relevant and effective. Clearly, the experts did recognise that there were significant differences in national cultural contexts as well as in their respective reporting mechanisms. Some experts have indicated their concern about the consequences of adopting more detailed reporting requirements (including specific KPIs) into EU legislation. On the other hand, they did not reject the idea of proposing a list of topics which could be covered by any company when reporting its responsible practices.

The current EU framework still does not provide a specific reference framework as to the expected quality of the disclosure of the non-financial reports. There are significant differences in mentalities across different member states, and within economic sectors (EU Commission, 2011). Gelbmann (2010) has also noted that to date there is still no 'one-size-fits-all' with regards to CSR or sustainable reporting. For the time being, the instruments for sustainable reporting are not compulsory, although quite a lot of CSR tools and standards have already been developed. Arguably, such initiatives have directed enterprises to appropriate CSR behaviour, by

providing good guidance for best-practice through workshops, formal policy guidelines and media releases (EU, 2005, 2011). The European perception has been drawn from a myriad of environmental management tools which are intended to measure the degree of sustainability.

3.4.3 Self-Regulatory Guidelines and Policies

The voluntary nature of private CSR initiatives may be a valid reason why governments did not take an active role in the development of CSR policy. Nevertheless, there are intergovernmental organisations (like the EU and the OECD) which have played a significant part. There are relevant standards which have emerged from non-government initiatives which are reported hereunder in Table 3.2.

Table 3.2 A list of NGOs who developed CSR Reporting instruments

- Global Reporting Initiative (GRI)
- Ethical Trading Initiative (ETI)
- Eco-Management and Audit Scheme (EMAS)
- Fair Labour Association (FLA)
- Social Accountability International (SAI)
- Worldwide Responsible Accredited Production
- ISO 26000 Social Responsibility Standard (under development)
- Greenhouse Gas (GHG) Product Certification Standard
- ISEAL Code of Good Practice for Setting Social and Environmental Standards

Source: ILO Secretariat 2007, reported in the OECD Guidelines for Multinational Enterprises, 2008)

Apparently, the ILO and the OECD Guidelines have garnered the formal support from many business organisations. The UN Global Compact has also been recognised on a number of occasions by the UN General Assembly, as well as by all the Heads of States and Governments in the World Summit

Outcome document. The International Finance Corporation's (IFC); 'Environmental and Social Standards' were also developed within a governmental framework, and sometimes with significant inputs from the business and other sectors.

3.5 A Description of Social and Environmental Management Tools

The corporate statements, codes of conduct and the ethical codes serve as a basic institutional indication of organisation commitment and aspiration for social responsibility (Mijatovic and Stokic, 2009). Whilst the businesses' very own codes of conduct tend to be designed primarily for internal use and scrutiny (Koerber, 2010; Gilbert and Rasche, 2007), there are international standards and guidelines which focus on social or environmental issues (Elkington, 1998). Nowadays, several standards span in more than one company or industry. Whereas the process-oriented standards are applied across particular industries, other performance-oriented standards are more generic in their approach. These latter standards focus on specific areas such as human rights, labour standards, environmental protection and the like (see Jamali, 2008a). Many NGOs are providing a certification for compliance with proposed rules and guidelines as they incorporate their own independent monitoring systems (see Berkhout et al., 2008; Koenig-Archibugi, 2004). This paper provides some examples of the most popular standards and reporting instruments, as follows:

3.5.1 Accountability (AA1000)

AccountAbility's AA1000 series are essentially 'principles-based' standards to help organisations become more accountable, responsible and sustainable. They are aimed at addressing particular issues affecting governance,

business models and organisational strategy, as well as providing operational guidance on sustainability assurance and stakeholder engagement. Accountability suggests that its AA1000 standards are carefully designed for the integrated thinking required by the low carbon and green economy, as they support integrated reporting and assurance. Interestingly, AA1000 is being used by a broad spectrum of organisations, multinational businesses, small and medium sized enterprises, governments and civil societies in many countries (Accountability, 2010).

3.5.2 British Assessment (OHSAS 18001)

The non governmental organisation, namely; 'British Assessment' developed the Occupational Health and Safety Management System, OHSAS 18001. This standard can be used in any organisation including businesses, charities and organisations in the voluntary sector wishing to implement formal procedures to reduce their health and safety risks. OHSAS 18001:2007 standard specifies the following key criteria:

- "Planning for hazard identification, risk assessment and risk control,
- Structure and responsibility,
- Training, awareness and competence,
- Consultation and communication,
- Operational control,
- Emergency preparedness and response,
- Performance measuring, monitoring and improvement".

(Source: British Assessment, 2012.)

OHSAS maintain that they clarify the organisations' impact on health and safety issues, as well as providing assistance to reduce the risk of accidents and any breach in legal requirements. British Assessment claims that

OHSAS 18001 is compatible with the ISO 9001 (Quality) and ISO 4001 (Environmental) standards.

3.5.3 Eco-management and Audit Scheme (EMAS)

EMAS is a community eco-management audit scheme. Organisations are encouraged to participate voluntarily in this scheme. EMAS may be considered as an important instrument for both the 'sustainable consumption' and for the 'production and sustainable industrial policy' action plans. Its objective is to promote continuous improvements in the environmental performance of organisations through the establishment and implementation of environmental management systems for organisations. Moreover, EMAS monitors and reviews the systematic, objective and periodic evaluation of the environmental performance of the organisations. The scheme also provides information on environmental performance through open dialogue with the organisations' employees, the general public and other interested parties (EMAS, 2009).

3.5.4 Global Reporting Initiative (GRI)

GRI is a non-profit organisation that promotes economic sustainability. It produces standards for sustainability reporting - also known as the 'ecological footprint reporting', the 'environmental social governance' (ESG) reporting, the 'triple bottom line' (TBL) reporting, and the 'corporate social responsibility' (CSR) reporting. GRI's objective is to encourage organisations to issue their standardised sustainability reports along with their mandatory financial statements. Essentially, a sustainability report is an organisational report that sheds light about economic, environmental, social and governance performance. GRI guidelines are highly regarded and they are

widely used across many businesses. Apparently, more than 3,000 organisations worldwide are using their guidelines to produce sustainability reports. Interestingly, the GRI guidelines may apply to corporate businesses, public agencies, smaller enterprises, NGOs, industry groups and others (Global Reporting Initiative, 2009).

3.5.5 Fair Labor Association (FLA)

The Fair Labor Association (FLA) is a non-profit collaborative effort of universities, civil society organisations, and socially-responsible companies. FLA promotes adherence to international and national labour laws as this non governmental organisation advocates for greater accountability and transparency. Its mission is to address any abusive labour practices by offering tools and resources to businesses, delivering training and conducting due diligence through independent assessments. The FLA was established in 1999. It evolved out of a task force created by President Bill Clinton following a series of child labour and other sweatshop scandals; involving major apparel and footwear brands. The companies that join the FLA commit themselves to upholding the FLA Workplace Code of Conduct which is based on ILO standards. The associated companies commit themselves to establish internal systems for monitoring workplace conditions, as they are required to maintain code standards throughout their supply chains. FLA conducts independent and unannounced audits of its members to evaluate their continuous compliance to its codes (Fair Labor, 2012).

3.5.6 International Standards Organisation (ISO26000) – Social Responsibility

ISO 26000 is an internationally accepted standard which gives guidance on social responsibility. The International Organisation for Standardisation maintain that this standard can be used by different types of organisations, in both the public and private sectors, in developed and developing countries as well as in economies in transition. This standard can possibly assist organisations in their efforts to operate in a socially responsible manner. ISO 26000 entails voluntary guidance; therefore it is not for use as a certification standard unlike ISO 9001 and ISO 14001. This standard suggests that in order for businesses to be sustainable; they must operate in a socially responsible manner. Previous initiatives have focused on corporate social responsibility, while ISO 26000 provides the guidance for 'social responsibility', which means that it can be applied in the public sector organisations as well. (International Standards Organization - ISO 26000, 2012).

3.5.7 International Standards Organisation (ISO14001) – Environmental Management System

ISO 14001 is an internationally accepted standard developed by the International Organisation for Standardisation. It provides guidance about how organisations may develop an effective 'Environmental Management System (EMS)'. This standard assists the organisations to identify aspects of the business which may potentially impact on their surrounding environment. Interestingly, it also facilitates the understanding of the relevant environmental laws that are specific in the businesses' particular situation. Through effective management programmes, the ISO 14001 aims for continuous improvement in the area of environmental management, in

order to achieve the desired objectives (International Standards Organisation - ISO 14001, 2012).

3.5.8 Social Accountability (SA8000)

SA8000 is a global standard for decent working conditions, developed and overseen by Social Accountability International (SAI). The organisation offers training in workplace standards to managers, workers and auditors. It includes policies which address forced labour, health and safety issues, freedom of association and the right to collective bargaining, discrimination, discipline, working hours, compensation and management systems, as featured in Table 3.3.

Table 3.3 Specific Guidelines provided by SA8000

Child Labour: No workers under the age of 15; minimum lowered to 14 for countries operating under the ILO Convention 138 developing-country exception; remediation of any child found to be working
Forced Labour: No forced labour, including prison or debt bondage labour; no lodging of deposits or identity papers by employers or outside recruiters
Health and Safety: Provide a safe and healthy work environment; take steps to prevent injuries; regular health and safety worker training; system to detect threats to health and safety; access to bathrooms and potable water
Freedom of Association and Right to Collective Bargaining: Respect the right to form and join trade unions and bargain collectively; where law prohibits these freedoms, facilitate parallel means of association and bargaining
Discrimination: No discrimination based on race, caste, origin, religion, disability, gender, sexual orientation, union or political affiliation, or age; no sexual harassment
Discipline: No corporal punishment, mental or physical coercion or verbal abuse
Working Hours: Comply with the applicable law but, in any event, no more than 48 hours per week with at least one day off for every seven day period; voluntary overtime paid at a premium rate and not to exceed 12 hours per week on a regular basis; overtime may be mandatory if part of a collective bargaining agreement
Compensation: Wages paid for a standard work week must meet the legal and industry standards and be sufficient to meet the basic need of workers and their families; no disciplinary deductions
Management Systems: Facilities seeking to gain and maintain certification must go beyond simple compliance to integrate the standard into their management systems and practices.

(source: Gilbert and Rasche, 2007:200; SAI, 2005)

Social Accountability contracts with a global accreditation agency; the 'Social Accountability Accreditation Services' (SAAS) that licences and oversees auditing organisations for the certification awards to prospective employers that comply with its standards. SA8000 is an auditable certification standard based on the UN Universal Declaration of Human Rights, Conventions on the Rights of the Child. It is in line with various ILO conventions. SA8000 covers the relevant areas of the conditions of employment.

3.5.9 United Nations Global Compact (UNGC)

The United Nations Global Compact is also simply known as the Compact or UNGC. It is a United Nations voluntary initiative which is intended to encourage businesses to adopt sustainable and socially responsible policies, and to report on their implementation. Essentially, the Global Compact is also a principles-based framework for businesses. The Global Compact was first announced by the then UN Secretary-General Mr Kofi Annan in an address to 'The World Economic Forum' on January 31, 1999, and was officially launched at the UN Headquarters in New York on the 26th July, 2000. The compact has brought together the global multinational companies, agencies, labour groups as well as the civil society (under the auspices of UN). The Compact is the world's largest corporate citizenship initiative. Its two main objectives are:

- "Mainstreaming the ten principles in business activities around the world, and
- Catalysing actions in support of broader UN goals, such as the Millennium Development Goals" (source: UN Global Compact, 2012).

The United Nations Global Compact consists of ten principles in the areas of human rights, labour, the environment and anti-corruption, as reported in Table 3.4.

Table 3.4 Excerpt from the United Nations Global Compact

Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: Ensure that they are not complicit in human rights abuses.

Labour

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: The elimination of all forms of forced and compulsory labour;
- Principle 5: The effective abolition of child labour; and
- Principle 6: The elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: Undertake initiatives to promote greater environmental responsibility; and
- Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

(Source: United Nations Global Compact, 2012)

3.6 Academic Contributions about Social and Environmental Reporting

There is an ongoing discussion about the gap between theory and reality concerning the CSR policy and practice (O'Riordan and Fairbrass, 2008). CSR reporting instruments and standards for social and environmental performance such as industry-based certifications (e.g., SA8000; ISO14001) and product-based standards (e.g., Fair Trade) have grown in number and became quite popular in the past decade. For the most part, these standards are being adopted voluntarily by businesses. Such instruments signal the firm's responsibility credentials to its stakeholders (see Simpson et al. 2012; Parker et al., 2008; Terlaak 2007; Delmas and Terlaak 2001). Nongovernmental agencies have developed standards to certify specific types of manufacturing practices (e.g., ISO14001 and OHSAS 18000) so that firms can identify responsible suppliers and niche producers. Suppliers are increasingly aware of the importance of honesty and quality in all their procurement contracts, dealings and advertising. Similarly, consumers are also becoming acquainted with organic certifications and 'Fair Trade' initiatives that can improve the identification of products with unique characteristics (Fair Trade, 2012; Mueller et al., 2009).

Apparently, many standards are providing adequate guidance to businesses who are voluntarily applying the predefined norms and procedures in their social and/or environmental issues (Smith 2002:21). Waddock (2008) replicated Rasche and Esser's (2006) findings, as she mentioned a variety of different standards that corporations were using. Evidently, the CSR 'standards' may be very different from the individual firms' codes of conducts. Such standards are designed by third parties and are usually applied across different industry sectors and geographic regions (Leipziger 2003:37). The standards include initiatives such as SA 8000, AA1000 and the

GRI. For instance, GRI grew out of a joint initiative between the U.S. Coalition for Environmentally Responsible Economies (CERES) and the United Nations Environment Programme. It seems that the GRI complements existing financial reporting frameworks with an environmental reporting framework that provides guidance for companies in reporting on the environmental sustainability of its current operations. De tomasi (2006) held that the GRI codes involved consultation with industry and government groups in their formulation. The author genuinely believed that these standards are issue-specific, designed to improve reporting requirements in the areas of environmental impact assessment and reporting. Non-governmental organisations have drafted the predefined norm catalogues and standards about social and/or environmental issues.

Abbott and Snidal (2009) related the CSR standards to soft law solutions for the business as they are not legally binding. However, the rules usually emerge directly from the hard provisions which arise from government legislation and are enforced by public authorities (Gunnigham and Grabosky, 1998:40–41). The compliance with soft law is voluntary in nature and is not legally enforceable. Such instruments, in this sense act as a precursor and pave the way for harder or legalistic initiatives. Once a particular standard gains broader cultural acceptance; it turns out that it is usually internalised by businesses (Utting, 2005). Apparently, the corporate responsibility standards seem to fill numerous governance and accountability gaps for which there is no applicable law or enforcement. Interestingly, the U.S. Occupational Safety and Health Administration (OSHA) converted a large number of voluntary health and safety standards into regulatory requirements (Meidinger, 2003). Moreover, the Brazilian state of Acre has made certification under the Forest Stewardship Council's

sustainable forestry program a requirement for practicing forestry in the state. Zimbabwe has incorporated ISO 14001 into its regulatory system (Stenzel, 2000). Nonetheless, the quality of the ISO 14001 has often been criticised altogether (Mueller et al., 2009). A study by the University of Sussex among 280 companies has indicated that ISO 14001 certified companies were not so different than other companies. This study revealed that the employees' behaviour did not change much following their organisation's certification (Berkhout et al., 2008). In a similar vein, Darnall and Sides (2008) did not notice any relevant differences in environmental performance, between participants and non-participants in voluntary environmental programs.

Some standards have been developed to ensure that the corporations remain accountable in their behaviour, as they provide assurance mechanisms. For example, the social accountability standard SA8000 maintains a universally accepted 'working conditions standard' throughout the global supply chain (Reynolds and Yuthas, 2008:51–52). This standard is applicable to a wide range of industry sectors and to any size of organisation (Gobbels and Jonker 2003; Jiang and Bansal 2003). Interestingly, the businesses which implement the standards have committed themselves to integrate the standard into their existing management systems (see Rasche, 2010). For instance, this may effectively include incorporating SA8000 into staff training, strategic planning and the facility's supply chain management. In addition, SA8000 requires the appointment of a member of staff from the management team and the participation of a representative of other employees. Apparently, SA8000's focus on the establishment of management systems has been drawn on the experience of the well-acclaimed ISO 9000 and ISO 14000 standards (Leipziger 2001:9). SA 8000 configures requirements for the social evaluation,

referring for example to child or forced labour (Everett et al., 2008:124–126). Of course, the companies have to fulfil all standard requirements if they pledge to implement them. This is usually followed by an examination of the adequateness of the procedures. It transpires that the companies' audit may be flawed as it is not regulated in much detail. The SA8000 certification process specifies that companies have to commit themselves to apply for certification with accredited bodies within one year. Gilbert and Rasche (2007:202) noted that there was a lack of participation by key stakeholders in the process management of the SA8000 standard. The lack of meaningful stakeholder involvement can threaten the legitimacy of the standard per se (Koerber 2010: Gilbert and Rasche, 2007; Reynolds and Yuthas, 2008).

There has also been increased participation by multinational corporations (MNCs) in the Global Compact (UNGC) (see Koerber, 2010; Arevalo and Fallon, 2008). The UNGC provides generic principle catalogues which give guidance regarding responsible behaviour without offering any certification of good practice. The Fair Labor Association suggests that it tends to ameliorate the working conditions. FLA aims to protect the workers' rights, all around the world (Wick, 2005). For the companies to use the Fair Labor's Association (FLA) 'service mark' for their marketing purposes, they have to meet the FLA certification criteria. Leipziger (2003) reported that FLA audits are carried out on thirty per cent of the certified companies' contracted partners, within their first three years of membership. After that, each year up to fifteen per cent of all other suppliers have to be certified. Wick (2005) maintained that FLA certification can be easily attained, as only thirty per cent of the businesses' suppliers are verified. Moreover, Kopke and Rohr (2003) implied that such external verifications may take several years to be carried out and supplier exchanges tend to be very common.

3.7 Creating Shared Value through Social and Environmental Regulation

Although, regulation is desired to limit the pursuit of exploitative, unfair, or deceptive practices, it may seem that some regulation is taking the form of command-and-control mandates. Porter and Kramer (2011) maintained that the government would possibly play an active role by setting the regulatory social and environmental standards. The introduction of standards, phase-in periods and utilisation of innovative technologies can bring operational efficiencies and cost savings to the businesses. Such measures may improve the environment, and increase the organisations' competitiveness, simultaneously (Porter and Kramer, 2011). The authors suggest that the government regulation should comprise the following 5 aspects:

(i) Clear and measurable social and environmental targets. The regulation can address sustainability issues over energy consumption, health and safety matters and the like. The authors suggest that appropriate prices for resources (such as water and electricity) should reflect their true costs;

(ii) The setting of optimal performance standards. However, the methods to achieve them should be left at the discretion of the companies;

(iii) The definition of phase-in periods for meeting standards, which reflect the investment or new-product cycle in the industry. The authors argue that the companies should be given sufficient time to develop and introduce their new processes, in a way which does not harm the business;

(iv) The provision of the tools for universal measurement of performance reporting and systems. The government should invest in infrastructure for collecting reliable benchmarking data;

(v) Finally, appropriate regulations require efficient and timely reporting of results, which can then be audited by the government as necessary, rather than impose detailed and expensive compliance processes on everyone.

(Adapted from Porter and Kramer, 2011:14)

Porter and Kramer (2011) advocated that their shared value proposition will translate in better practices if both business and government become more aligned with regards to the regulatory aspect. The businesses themselves will realise that appropriate regulation can bring in economic value as well. Governments may give fiscal incentives and enforce regulation in certain areas where responsible behaviour is needed. The regulatory changes may involve the efficient and timely reporting of sustainable (responsible) practices. The reporting may be primarily aimed at the larger businesses. Of course, the governments will have to provide structured compliance procedures to the enterprises as it has to explain its objectives. The CSR practices and their measurement, their reporting and accreditation should be as clear and understandable as possible for the businesses. The governments' reporting standards and guidelines may be drawn from the international reporting instruments (e.g. ISO, SA, AA, and GRI). Nevertheless, it must be recognised that there are different businesses out there, which consist of various ownership structures, sizes and clienteles. In addition, there are many stakeholder influences, which may possibly affect the firms' level of social and environmental engagement. In this context, Van der Woerd and

Van Den Brink (2004) have produced a 'sustainable business scorecard' which may be used by governments to measure the businesses' performance.

3.8 Summary

This chapter provided the background of the regulatory guidelines, policies and instruments which are shaping CSR behaviour. Different governments' are setting the CSR agenda through different frameworks. This chapter explained the rationale for corporate governance. The Organisation for Economic Cooperation and Development (OECD) has provided an international benchmark for transparent and accountable business behaviour. This chapter has also included some relevant European Union (EU) recommendations in this regard. The pertinent literature in this area suggests that businesses are encouraged to adopt the reporting tools and instruments from the non-governmental initiatives. Moreover, this chapter made reference to theoretical underpinning which highlighted the importance of the relational framework. This chapter concludes by proposing that the way forward is to have adequate and significant regulation which contributes to the wider societal and environmental objectives.

Chapter 4:
THE CONCEPTUAL FRAMEWORK AND THE FORMULATION OF HYPOTHESES FOR STRATEGIC CSR

4.1 Introduction

There has been considerable interest in the relationship between corporate social responsibility and firm profitability (see Orlitzky et al, 2012). Curiously, Murillo and Lozano (2006) found that businesses could not demonstrate the impact of their CSR work on the company's profits: They suggested that there is no explicit, quantitative translation of socially responsible practices into specific results that affect the profit and loss account. Nevertheless, they implied that all their investigated companies seemed to defend 'with great conviction' the correlation between social practices and financial results, (Murillo and Lozano 2006:234). Similarly, Besser and Miller's (2001) study among small US businesses have identified an intrinsic belief among managers. In their own words it translated as; 'doing good, is good for the business itself'. Interestingly, Besser's (1999) previous study has also revealed an association between CSR commitment and a subjective measure of business success.

Researchers have often attempted to establish a definitive causal relationship between CSP and CFP. Apparently, empirical research has not yielded the expected results (Griffin and Mahon, 1997). Some authors have argued that the search is pointless as they were unable to find a positive relationship between the two constructs. The working assumption of CSP research is that corporate social and financial performance are universally related. On the other hand, Rowley and Berman (2000) argued that it can be an untenable

proposition to assert that any management initiative is always positively correlated with financial results. Evidently, there is no evidence which suggests that at the business organisational level there might be an overall positive correlation between CSP and CFP indicators (see Orlitzky et al., 2003). McWilliams and Siegel (2006; 2001) concluded that there is inconsistent evidence regarding the relationship between CSR provision and firm performance. In the light of the past empirical work and conceptual theory, this chapter will be presenting six hypothetical questions which are consistent with the stated research objectives. The hypotheses are formulated to establish the relationships between the constructs of strategic CSR outcomes and organisational commitment, behaviour and slack resources.

4.2 Strategic CSR

Jones and Murell (2001) investigated how a firm's public recognition for exemplary social performance can have a positive financial effect on the firm's business performance. Smith et al. (2001) explored the corporate social orientation by looking at the diversity characteristics and stakeholder roles. In a similar vein, Backhaus et al. (2002) have investigated the relationship between CSP and employer attractiveness. Many researchers discovered that prospective job applicants do consider CSP issues as an important factor in their choice of firms (Davies and Crane, 2010). The mediating factors were the environment, the products and the stakeholder relations with employees and the community. CSR initiatives are re-conceived strategically to confer competitive advantage on the firm over its industry rivals. A business case for CSR focuses on building adaptive approaches to attain competitive advantage by strategically orienting and directing resources toward the perceived demands of stakeholders. Stakeholder demands are viewed less as

constraints on the organisation, but more as opportunities to be leveraged for the benefit of the firm (Porter and Kramer, 2011).

4.2.1 Strategic CSR: Financial Performance and Market standing

Empirical evidence suggests that CSR can maximise profits if it satisfies its multiple stakeholders (Orlitzky et al., 2001). The ideal level of CSR may be evaluated through substantive cost-benefit analysis (Orlitzky et al. 2011). Theoretically, there is an optimum level of CSR where profit maximisation may be attained, for which the increased revenue equals the higher cost of using resources which are necessary to provide CSR (Mc Williams et al., 2006). By doing so, the firm meets the demands of its distinct stakeholders. The stakeholders who demand CSR comprise the consumers, employees and the community. On the other hand there are those who are the supposedly suppliers of CSR, which include the owners of the firm and its shareholders.

The most direct explanation of a positive relationship of CSR on corporate financial performance is the hypothesis that it may lead to increased revenue, especially in the long run. Studies have proved that firms which are attaining an excellent reputation for their CSR practices may be able to charge premiums for their products and services (Orlitzky and Swanson, 2012; Auger et al. 2003). Consumers may value social responsibility and ethical marketing if they are willing to pay more for products and services from socially and environmentally responsible companies. Evidently, many businesses convey relevant information to their stakeholders about their social, environmental, marketplace and community policies. There are good opportunities to increase market share relative to competitors that are lacking behind in CSR engagement (Luo and Bhattacharya, 2006; Miller, 1997). Studies suggest that the effect of competitive advantage is enhanced

when the business increases its prices or by simply having a larger customer base. Therefore, strategic corporate social responsibility practices may increase sales revenue (Lindgreen et al., 2009).

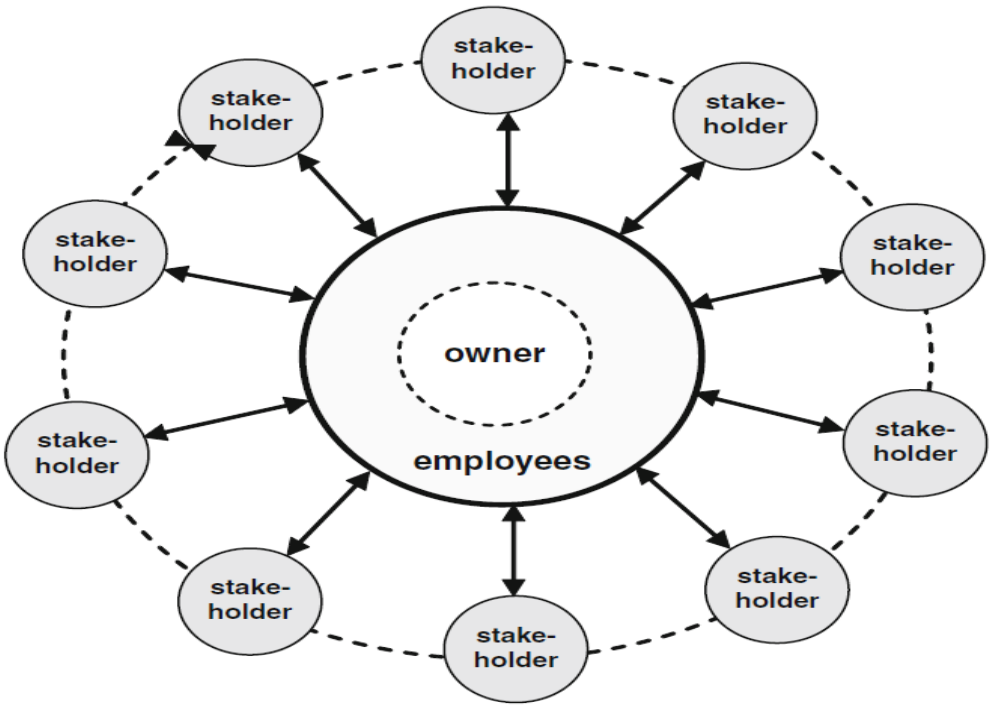
4.2.2 Strategic CSR: Human Resources Management and Innovative Operational Benefits

Apparently, many employees like to work for organisations who share their values, so engaging in CSR may possibly help to attract employees, customers, suppliers and investors who acknowledge responsible entrepreneurship practices (see Guchait et al., 2011). The selection of new recruits is not just important for embedding the triple bottom line philosophy, but it is essential for business survival (Davies and Crane, 2010). Greening and Turban (2000) has shown evidence which suggests that job applicants may experience positive affects such as an enhanced self concept. Consequently, CSR policies may be considered as a central component for the firms' business ethos. An influential argument in favour of the CSR paradigm involves the organisation's internal resources and skills as an important mediator between corporate social performance and corporate financial performance (Orlitzky et al., 2003). Many commentators of this internal resources theory claim that CSR policies increase managerial competencies (Mc Williams et al., 2006).

Management may become more efficient in using and allocating resources within the organisation. As a result, increased internal efficiencies may directly translate into savings (Holliday et al., 2002). CSR may also help top management develop better skills and abilities to adapt to changes in the challenging business environment. Appropriate knowledge of the social and environmental performance is becoming indispensable in many industries. According to this view, whether the corporate responsibility measures are

disclosed or not, it is irrelevant because continuous organisational learning and the development of internal capabilities do not depend on CSR communication (Branco and Rodrigues, 2006). The internal skills perspective is substantiated empirically to some extent, yet the internal learning effects of CSR tend to be smaller than the reputation effects emanating from CSR policies to external stakeholders (Branco and Rodrigues, 2006). In Freeman's stakeholder model (1984, 2004) employees represent one of many other stakeholders groups addressing the company with their own demands. The stakeholder model represents the particular role of employees and their relations between stakeholders as illustrated in Figure 4.1.

Figure 4.1 Employees' Position in the Stakeholder Model



(Source: Klein and Vorbohle, 2008 reproduced in Pedersen, 2009).

Employees can also be considered as playing a double role. On the one hand they are the beneficiaries of their organisation's internal CSR policies; on the other hand they represent their company towards other stakeholders in their

role as part of the enterprise. This double position explains their crucial role where the human resources are considered the most valuable resource of the firm (Klein and Vorbohle 2008, Sneep, 2007).

4.2.3 Strategic CSR: Reputation and Legitimacy

From both the theoretical and empirical perspectives, organisational reputation ranks as one of the most important mediating variables linking the corporate social and environmental performance to corporate financial performance. There is a positive link between a firm's corporate social performance and reputation (Orlitzky and Swanson, 2012; Turban and Greening, 1997). The authors indicated a correlation between a firm's reputation in the area of CSR and its ability to attract talent. Evidently, there are intrinsic stakeholder approaches which may result in reputational gains and legitimacy. Calton and Lad (1995) compared the approach a firm uses to interact with one stakeholder group and its effects on stakeholder groups' perceptions. In general, stakeholders may have their own positive or negative perceptions about CSR engagement. Ethical investors may be willing to pay a higher price for stocks of companies which exhibit high CSR credentials (Reinhardt and Stavins, 2010). When studying reputational effects it may be important to consider the consistency of the intensity of the conveyed information, as well as the consumer decision processes (Schuler and Cording, 2006). Perhaps it would be interesting to find out how often the enterprise involves itself in responsible behavioural practices, as well as what its intentions are with regards to its future activities. Not all reputation effects are external. The positive effects of CSR engagement may be reflected in the employees' goodwill towards their employer.

There are numerous studies about the correlation of CSR and increased organisational commitment (Brammer et al., 2007) and task innovation (Holmes and Smart, 2009), which ultimately produces better results and reinforces more responsible behaviours. The social and environmental policies may generate both external and internal effects on the organisation. This can possibly be explained in an increase in financial performance, as a consequence of increasing social and environmental performance (when mediated by organisational reputation). Previous empirical study has proved that there is a business case which focuses on exploiting CSR activities in order to build synergistic value through gains in firm reputation and legitimacy (Orlitzky and Swanson, 2012). Theories which are associated with this view include; 'the license to operate', 'cause-related marketing', 'social impact hypothesis', and 'socially responsible investing'. All these approaches emphasise the creation of value by leveraging gains in reputation. Social-cause related marketing (Drumwright, 1996) highlight the association of stakeholders and firms' interests by linking marketing and corporate philanthropy. The author argued that the socially and environmentally responsible behaviour of the firm will generate the desired reputational gains. In a similar vein, socially responsible investing (Barnett and Salomon, 2003) emphasise an alignment between a potential investor's ethics and the anticipated corporate social performance, which will bring a better reputation and market value. These studies have shown how firms achieve competitive advantage by enhancing their reputation and legitimacy through CSR initiatives.

4.2.4 Strategic CSR: Stewardship, Philanthropy and Societal Relationships

There is more to CSR than making money. CSR also encompasses the normative dimension (Frederick, 2008). The companies are not motivated

purely by their narrow economic self-interest, they may be genuinely motivated by their desire to do right thing. Consequently, the owner-managers' moral values can be an important predictor which causes the company's CSR activities (Worthington et al., 2006). Undoubtedly, businesses' actions are influenced and structured by the social and political institutions in their environment. The values and norms of the host society affect the way in which the businesses perceive their social responsibilities (Matten and Moon, 2008). Enterprises engage in CSR activities because it is the correct, ethical or normal thing to do, not because it pays off (Morsing, 2006). Some of the authors have considered CSR as a norm, not as a strategy (Carroll, 1979). For various reasons, businesses are not always capable of profit-maximising, contrary to the assumptions of most theories in economics. For instance, Spence and Rutherfoord (2001) found that many of the small businesses pursue profit-satisficing strategies.

Apparently, the close stakeholder relationships are not restricted solely to employees. For instance, the owner-managers of small and medium sized enterprises (SMEs) deal personally with customers, suppliers and even competitors (Spence, 1999). They strive to maintain good relations with each of their stakeholder groups. They usually tend to live in the community within which their businesses operate and therefore they have a personal interest in maintaining a good relationship with neighbours. Consequently, they are confronted with issues and concerns among their stakeholders on a daily basis. Interestingly, the physical closeness can lead to moral closeness (Spence, 2007). Businesses are expected to respect the local practices for collective behaviour as they may be even punished through market mechanisms if they fail to uphold the norms. The enterprises may be triggered to balance the negative externalities of their activities with positive

behaviour. Evidently, the firms are expected to be involved in the community. In this regard, Russo and Tencati (2009) found that the small businesses are more prone to strong community relations, rather than their larger counterparts.

Another compelling theory is that social commitment can help a firm to protect and increase its intangible assets. Goodwill may in turn, influence the firms' success in the competitive context (Luo and Bhattacharya, 2006; Dyer and Singh, 1998; McEvily et al. 1998; Morgan and Hunt, 1999). In this context, trust seems to be a mediator variable which influences the relationship between CSR initiatives and their impact on stakeholder satisfaction (Luo and Bhaatacharya, 2006), as well as influencing the financial performance variable (McWilliams and Siegel, 2001).

4.3 Organisational Culture and Commitment

Appropriate company values can possibly contribute to success and may lead to the maximisation of wealth (Jensen, 2001). Several enterprises are putting their values into a written code of conduct, a statement of good business practice or even a set of simple rules which articulate the company's vision, values, responsibilities and ambitions (Ingenhoff and Fuhrer, 2010). Small and medium-sized businesses often seem to reflect the existing values and principles of their owner-manager (Spence, 1999). Sometimes, the smaller enterprises may try to reflect the behaviour of their larger counterparts (see Spence, 1999; Ciliberti et al. 2008, 2010). Actually, they are also encouraged to do so by governments. Businesses wish to be seen 'doing the right thing' or at least indicating their desire to do so (Jenkins, 2006). Defining and communicating the company values will help businesses and

their employees to remain true to what they believe in and will help them to build their reputation. The mission statement and vision of the company ought to be communicated to the stakeholders and the community at large. Employees like to work for and with others who share their values, so doing this may help to attract quality employees, customers, suppliers and investors who approve of the business' principles (Davies and Crane, 2010; Backhause et al. 2002). However, it is imperative that the company values will in effect mirror the enterprises' business ethos, and its context. Having clearly defined values is a starting point. A general rule is that organisational values provide clear and consistent guidance on how to handle situations that may pose dilemmas or conflicts of interest. In a recent study, Turker (2009) revealed that CSR to social and non-social stakeholders, employees, and customers were the significant predictors of organisational commitment. This study will investigate whether the hotel enterprises' core values, principles and their pledge (appropriate allocation of monetary and human resources) to the social and environmental investments are inextricably linked with benefits in organisational performance (Strategic CSR outputs). This leads to the first hypothesis:

Hypothesis 1: There is a positive correlation between strategic CSR and Organisational Commitment.

4.4 Organisational Behaviour

The organisation's behaviour is directed towards internal and external stakeholders. Such practices are usually more related to business strategy as they are primarily aimed at the firm's own employees. The CSR initiatives most commonly recognised among businesses in general are: skill development and training activities for employees (Bohdanowicz and

Zientara, 2009), safeguarding the employees' health and safety (Maignan and Ralston, 2002 and Fombrun, 2005), positive involvement within the local community (Porter and Kramer, 2006), support of cultural activities (Jenkins, 2006), the environmental protection (Ayuso, 2006) as well as sponsorships and donations to charitable institutions amongst others (Abbott and Monsen, 1979; Mohr et al., 2001).

4.4.1 Human Resources Policies

The long-term success of any business and its ability as an effective entrepreneur often relies on the competencies and motivation of employees (see Zeitz et al., 2009). Employees represent one out of many other stakeholders addressing the company with demands (Turker, 2009). Arguably, businesses present social security by offering safe employment positions and good innovative working practices, as evidenced by Ozcelik et al. (2008). Seitanidi (2009) demonstrated that employers need to build good internal partnerships with their employees. Sometimes employees notice problems and solutions before management. It is necessary to ensure that employees understand their company's values and the modus operandi of their organisation. Employees may possibly contribute with their ideas, as they hopefully try to bring in better value as their enterprise evolves (see Nohria et al., 2008) The businesses themselves will stand to gain from employee imvolvement, in terms of generation of ideas, commitment and loyalty. This was shown by Mc Shane and Cunningham (2011); Kim et al. (2010) and Turker (2009).

It seems that the smaller enterprises are in a much better position to promote socially responsible working conditions (Jenkins 2006, 2009). Strautmanis's (2008) research shed light about SME managers who frequently resorted to

employee consultation and participation in their routine decision making processes. Most managers believe in their employees' potential abilities, and career development through skill-training (see Cadwallader et al., 2010). Another relevant subject is about the work-life balance of human resources. The question is whether the employers are sensitive to the personal circumstances of their employees (Bhattacharya et al., 2009; Basil et al., 2008). For example employers can organise activities for the children of staff, family members in need of care and volunteering activities. Moreover, individual activities regarding professional training courses might necessitate reduced hours from work. Klein and Vorbohle (2011) and Grosser and Moon (2008) investigated the working practices of organisations, including 'flexible working hours' or 'employees reduced hours' from work. Usually, many enterprises address their social policies by strictly complying with legislation covering the employment act (see Valor, 2005; Baden et al., 2009; Christmann and Taylor, 2006) and workplace health and safety policies and regulations (see Maignan and Ralston, 2002).

4.4.2 Environmental policies

Environmental performance often makes financial sense for the organisation itself (Gjolberg, 2009 and Muller and Kolk, 2009). Energy efficiency, waste minimisation, pollution prevention and recycling can potentially result in significant cost-savings for any firm (Tudor et al, 2008; Williamson et al., 2006) as well as enhancing the firm's reputation and standing (Fombrun, 1996; Lewis, 2001). There are also benefits which may contribute to the long-term success and sustainability of the enterprise (see Matten, 2005, Montiel, 2008 and Van Marrewijk, 2003). Generally, the larger hotels publish their annual environmental reports along with their financial results (Dodds and Kuehnel, 2010; Gossling et al., 2009). However, the smaller firms do not

always report their environmental performance, although they engage in responsible entrepreneurship practices (Graci and Dodds, 2009; Nelson, 2006) often without communicating what they do. For instance, the hotel enterprises may cause positive and negative impacts on their surrounding environment (Molina-Azorín et al., 2009; Claver-Cortes et al., 2007). There are opportunities for firms to try to reduce their impact in terms of energy conservation, waste minimisation and recycling, pollution prevention, and the provision of sustainable transport options (Ayuso, 2008).

The high amount of legal regulation makes companies already extremely environmentally conscious by simply abiding to law (Shum, 2011; Sneep, 2007). By complying with environmental regulations businesses enhance their relationship with the local community, yet at the same time they motivate their employees (Holcomb et al., 2007; Bohdanowicz and Zientara, 2009). As the businesses are doing the right thing, other benefits for society may include environmental education, better conditions for recreation and access to the general public, responsible and careful use of natural resources For example, measures can be taken to deal with water conservation and the treatment of sewage. The organisational behaviour to green policies translates to added value and mutual benefits for the business and the environment (see Holcomb et al. 2007; Lee and Park, 2009 and Chiang and Hung, 2010).

4.4.3 Marketplace policies

The Marketplace is the closest area to the company's core business. The way enterprises operate within the market is a vital indicator of how they have integrated social and environmental concerns into their mainstream organisational structure and decision making processes. Firms are similar to

'humans' in that they rely on creating relationships which are crucial for success. Good positive relations with stakeholders will leverage the value chain of any organisation, (Jones et al., 2006; Bhattacharya et al., 2009). Social networking is always a very basic requirement in business. A firm's business policies are continuously evaluated by suppliers, customers, competitors and the local community (Jones et al., 2006). There are various examples of responsible behaviour out there that can help in achieving businesses' objectives. Business activities such as marketing and public relations, advertising, pricing and selling practices should mirror the company's commitment to responsible entrepreneurship (EU Commission, 2003). For instance, effective feedback, consultation and dialogue with stakeholders (including employees, customers and suppliers) are all marketplace policies which are aimed to increase the value of their enterprise (Moon et al., 2009).

Marketplace policies are devised to trigger customer satisfaction and enhance the quality of the service (Walsh and Mitchell, 2010). Businesses strive to attract new customers as they want to retain existing ones. The marketplace policies set the guidelines for the communication of their responsible practices; this includes relevant disclosure of information of sustainability reporting, eco-labelling and fair pricing (see Strong, 1996; Blengini and Shields, 2010; Hira and Ferrie, 2006). For example preference should be given to locally secured and fresh organic products. For instance hotel enterprises may stimulate suppliers to adopt sustainability initiatives. The marketing, promotion and advertising techniques need to adhere to the regulated parameters of consumer rights. The business partners and suppliers are also a very important part of the marketplace, as responsible enterprises assess their potential impact across the value chain. Marketplace policies can often lay down the essential criteria of how to select prospective

business partners (Porter and Kramer, 2006; Jenkins, 2006). They can possibly favour and support local suppliers. In order to maintain good business relations, there should be acceptable procedures (e.g. the paying the bills on time). Appropriate marketplace behaviour increases the reputation of the firm, resulting in stronger partnerships with suppliers (Spence and Bourlakis, 2009), more efficiency and better mutual understanding (Caroll, 1991, 1999; Young and Tilley, 2006).

4.4.4 Community policies

In general, many enterprises believe that they are creating value to the wider society by providing employment, paying taxes, and providing job security to their employees (Jensen, 2001; Schau, et al., 2009). Several managers have realised that there is further potential for more firms to get involved in societal and community activities (Scholtens, 2009; Rettab and Ben Brik, 2008). For instance, there is scope in supporting social cases, environmental causes, heritage protection, philanthropic activities as well as cultural and sport related initiatives (Caroll and Shabana, 2010; Du et al., 2010). Enterprises such as hotels do have responsibilities towards their local communities and society at large (Graci and Dodds, 2009). However, it is very difficult to understand what the community is expecting out of them. The responsibilities towards society or the local community stems from their own actions rather than to meagre statements. For instance, there are many hospitality enterprises who state in their sustainability reports that they have given financial support to community activities and sponsorships. Some donate computer equipment, food and / or furniture to charitable and philanthropic institutions. Of course, it is in the enterprises' interest to maintain good relations with the local community. There is scope in keeping an open dialogue with the community on adverse, controversial or sensitive

issues that involve the business enterprise (Merwe and Wöcke, 2007; Ayuso, 2006). For example, they may discuss about contentious issues which may comprise waste accumulation outside their business premises, vehicles obstructing the roads or footpaths. Such matters are typical examples which can possibly create nuisance and unnecessary exasperation in the community.

There are various motivations for more community involvement. It is in the enterprises' self interest to foster a safe and healthy environment around their business. Community interventions comprise better living conditions for the neighbouring inhabitants, social integration, education and economic regeneration of the enterprises' surrounding environment (Jamali and Keshishian, 2008; Perrini et al., 2007 and Frankental, 2001). The enterprises' voluntary intervention in the community often results in strengthening the ties with the local economic and social fabric. Therefore community policies increase the corporate image and reputation of the enterprise (Jenkins, 2006; Moon, 2007; Caroll, 1999; McWilliams and Siegel, 2001). Lindgreen et al. (2009) pointed out that the business employees and customers themselves can also gain direct benefits through community philanthropy. Better employee morale, low turnover rates, improved customer loyalty and increased profit margins can be attained by tapping underserved markets (Brugmann and Prahalad, 2007; Luo and Homburg, 2007; Siegel and Vitaliano, 2007). The community policies are considered essential and an integral part for responsible entrepreneurship (Fuller and Tian, 2006; and Nelson, 2006). The literature review suggests that the enterprises' community engagement may possibly add value to the enterprise itself.

The responsible behaviour is clearly manifested in social and sustainable environmental practices and with the enterprise's ability to forge fruitful and collaborative relationships with key stakeholders; comprising the human resources, suppliers, investors, customers and the community at large. This leads to the second hypothesis:

Hypothesis 2: There is a positive correlation between Organisational Behaviour and Strategic CSR.

4.5 Organisational Resources

The Resource Based View (RBV) theory suggests that resources of the firm affects it activities and growth (Penrose, 1995), profits (Wernerfelt, 1984) and the level of sustained competitive advantage (Barney, 1991). For instance, this may occur when SMEs try to implement HRM approaches. Some authors argue that the smaller firms face such problems as the liabilities of "newness" (see Hannan and Freeman, 1988) and "smallness" (Aldrich and Auster, 1986). Evidently, there are unique challenges for effective human resource management in SMEs (Cardon and Stevens, 2004). External liabilities of "newness" such as lack of experience, innovative technological enhancements and lack of legitimacy can make the mobilisation and acquisition of resources difficult (Aldrich and Auster, 1986:178). The new firms may also face internal obstacles which are associated with 'the creation and clarification of roles and structures consistent with external constraints, and the ability to attract qualified employees', (Aldrich and Auster, 1986:178). Younger firms may often lack experience and therefore tend to rely on informal management systems and training practices (Cardon and Stevens, 2004). In addition, their lack of legitimacy within the industry is associated with difficulties to recruit employees (Cardon and Stevens, 2004).

Liability of smallness implies problems in competing for labour with larger organisations and recruiting and training employees (Aldrich and Auster 1986). "…the very size of small businesses creates a special condition, which can be referred to as 'resource poverty", (Welsh and White, 1981:18).

This condition distinguishes them from their larger counterparts and requires some very different management approaches. O'Cass and Weerawardena (2009) held that resource poverty hinders the adequate performance of certain activities such as appropriate training of new employees. Small firms with limited and scarce resources usually do not have a formal department or professionals especially dedicated to HRM (Cardon and Stevens 2004). Larger organisations do typically have a personnel or an HRM department, whereas the smaller firms may demand that owners and managers combine HRM functions with other duties (Urbano and Yordanova, 2008; Aldrich and Auster 1986). Small firms with scarce financial resources may also avoid the adoption of costly HRM practices (Cardon and Stevens 2004). In addition, the small firms may also have difficulties in pursuing new approaches to successful personnel management, due to their lack of information about the recent HRM developments in other companies (Urbano and Yordanova, 2008; Bacon et al. 1996). Bird et al. (2006) found that the availability of discretionary resources drives management's interest to finance CSR activities. Perhaps, that's why large firms show greater corporate financial performance and corporate social performance (CSR engagement). The main reason is that they tend to have more available resources. Undoubtedly, slack resources are required for CSR investments as well as for other investments. If this theory holds, then it may be argued that the corporate citizenship (or CSR) and the corporate financial performance (CFP) relationship may be spurious.

Orlitzky et al.'s (2001) meta-analyses did not support this view. Their empirical study suggested that both the large and small firms can benefit financially from being or becoming good citizens, although they held that there are different causal mechanisms at play. Macher and Richman (2008) argued that the transaction cost economics shows that CSR is not cost-free. McWilliams and Siegel (2010) argued that the resource based view theory (RBV) provides a clear structure for determining the strategic value of CSR. RBV theory suggests that the exploitation of valuable, rare resources and capabilities leverages the firm's organisational performance. Conversely, businesses may be constrained by their size and their limited slack resources. For instance, a deficiency in organisational resources may possibly lead to inadequate training and awareness of responsible behavioural practices. The availability of monetary and financial resources can surely affect strategic CSR's positive outcomes. Unfortunately, many businesses are short sighted in their struggle to attain positive economic results in the medium to short term. This reasoning leads the third hypothesis:

Hypothesis 3: There is a positive correlation between Organisational Resources and Strategic CSR.

Bird et al. (2006) found that the availability of discretionary resources drives management's interest to finance CSR activities. Perhaps, that's why large firms show greater corporate financial performance and corporate social performance (CSR engagement). The main reason is that they tend to have more available resources. Undoubtedly, slack resources are required for CSR investments as well as for other investments. If this theory holds, then it may be argued that the corporate citizenship (or CSR) and the corporate financial

performance (CFP) relationship may be spurious. Orlitzky et al.'s (2001) meta-analyses did not support this view. Their empirical study suggested that both the large and small firms can benefit financially from being or becoming good citizens, although they held that there are different causal mechanisms at play. Macher and Richman (2008) argued that the transaction cost economics shows that CSR is not cost-free. They reiterated that CSR needs substantial resources (including time, financial and human resources) to identify relevant stakeholder groups. It is also necessary to negotiate with representatives of distinct groups and continuously monitor their satisfaction (Orlitzky and Swanson, 2008; King, 2007) in order to attain an acceptable performance for the firm. In the past many organisations have attempted to manage organisational performance by using different financial and non-financial methodologies (e.g. the balanced score card approach) where performance is tracked and measured in multiple dimensions including: (i) financial performance (e.g. increase in sales, profit margins, return on investment et cetera. (ii) market performance (e.g. market relationships, increase in market share, repeat business et cetera (iii) operational efficiencies and cost saving through environmental innovations (e.g. energy and water conservation, waste minimisation and recycling et cetera) and (iv) effective human resources and performance management. This leads to the fourth hypothesis:

Hypothesis 4. The organisations' commitment, behaviour, its available resources, as well as its societal relationships will lead to Strategic CSR benefits (in terms of achieving the desired organisational performance).

The exploration of this hypothesis will reveal the benefits of social and environmental engagement on the firm's bottom line. Of course, the

organisations' responsible behaviours and their commitment and intentions for the future are constrained by their organisational size and resources.

4.6 Creating Shared Value – Seeking Win-Win Outcomes

The stakeholder theory demonstrated how stakeholders may develop long-term mutual relationships, rather than simply focusing on the immediate profit (Andriof et al., 2002). Of course, this does not imply that profit and economic survival are unimportant, but the argument is that businesses need to engage with a variety of stakeholders, upon whom dependence is vital. The businesses' closer interaction with the stakeholders is based on a relational and process-oriented view (see Andriof and Waddock, 2002; Morsing and Schultz, 2006). The rationale behind the stakeholder theory lies in creating value and finding win-win outcomes by seeking out and connecting stakeholders' varied interests. The most strategic CSR occurs when a company adds a social dimension to its value proposition, making social impact integral to its overall strategy (Porter and Kramer, 2006). Porter and Kramer (2006, 2011) advocate that the solution for strategic CSR lies in the principle of 'shared value'. Apparently, this 'shared value' notion seems to appeal to the business practitioners themselves, as it involves creating economic value in a way which creates value for society as well. Creating Shared Value (CSV) is about embedding sustainability and strategic corporate social responsibility into a brand's portfolio. Recently, Kramer (2012) maintained that the shared value approach is strategic in its purposes as individual companies make decisions in pursuit of their own organisational performance and profit. This leads to the fifth hypothesis:

Hypothesis 5. The organisational commitment, the organisational behaviour, the slack resources and an optimal organisational performance will lead towards creating shared value in business and society; which will bring stronger societal and regulatory relationships.

The fifth hypothetical model will seek to explain the causal mechanisms at play, which bring mutual value to business and society. According to the relevant literature review, the societal engagements are dependent on good community and regulatory relationships. Successful businesses are the ones who satisfy the requirements for their licence to operate. They aim to minimise regulatory problems as they respond to third party pressure, by anticipating any compulsory legal requirements. This hypothesis unfolds how the shared value proposition better aligns the business optimal performance with a genuine stakeholder engagement.

4.7 Does Doing Good Lead To Doing Well?

The rationale for doing good by doing well may be triggered from the firms' availability of slack resources. Orlitzky et al. (2003) have supported the view of reverse causality from financial performance to organisational behaviour for CSR. In good economic times, the high levels of financial performance may provide the slack resources which are duly required to successfully engage in CSR (Ullmann, 1985). Carroll (1979) held that CSR often represents an area of relatively high managerial discretion. The availability of excess funds will determine whether there is the 'initiation and maintenance of voluntary social and environmental policies' (McGuire et al., 1988). It is necessary that the executive leadership (Orlitzky et al., 2002, 2006) and the organisational culture (Swanson, 1999) are truly committed to CSR. Arguably, if the firm has recently experienced low profits and has scarcer

resources at its disposal, then the firm may not engage itself in CSR activities and investments. On the other hand, if the organisation has gone through a period of consistent satisfying results, with good corporate financial performance, the executives may exhibit a sense of obligation to give something back to the community (Economist, 2006). Waddock and Graves (1997) maintained that corporate social performance (CSP) is dependent on the organisational financial performance. This leads to the final hypothesis:

Hypothesis 6: Strategic CSR's Financial Performance outcome is a precursor of organisational behaviour (for CSR).

Essentially, this hypothesis will reveal what responsible behaviour/s are currently being taken up by business/es when they are consistently experiencing positive financial performance. Some of the possible socially and environmentally responsible behaviours which were already mentioned earlier include: improvements in human resources management policies and practices, investments in innovative environmental products for better operational efficiency, assistance to the marketplace stakeholders particularly towards suppliers and / or customers as well as stewardship and philanthropic activities within the community among others.

4.8 Summary

This chapter provides the foundation of the conceptual theory of this thesis and it will underpin the empirical enquiry in this thesis. A thorough literature review has revealed that many authors have investigated the relationship between corporate social responsibility (corporate social performance or corporate citizenship) and financial performance. This

chapter has put forward six hypothetical relationships involving constructs representing strategic CSR outcomes and the firms' organisational commitment, behaviour and slack resources. This chapter maintained that CSR initiatives can be re-conceived strategically to confer competitive advantage. The business case for CSR focuses on building adaptive approaches and directing resources towards the perceived demands of stakeholders. Stakeholder demands are not viewed as constraints on the organisation, but more as challenging opportunities which can be leveraged for the benefit of the firm. This chapter looked at different aspects of strategic CSR, as it made specific reference to responsible human resources management, environmental practices, marketplace and community policies which can create shared value for the business and the society.

Chapter 5
DOES FIRM SIZE REALLY MATTER FOR STRATEGIC CSR?

5.1 Introduction

The mainstream of Corporate Social Responsibility, CSR and business ethics literature is usually oriented towards the larger firms (Spence and Rutherford, 2003). However, in the last twenty years more academic research on CSR and ethical issues has also considered the small and medium sized enterprises (SMEs) (see Spence, 1999; Morsing and Perrini, 2009). Interestingly, many international conferences have been held in this area of study (EABIS, 2012; Morrison, 2003; Small Business Conference, 2010, 2011). The smaller enterprises are particularly relevant in this research as they constitute the 'life blood' of the travel and tourism industry in Malta.

This chapter gives prominence to the smaller enterprises' social and environmentally responsible practices. The SMEs' behaviour is significantly different from their larger corporations (e.g. Spence and Morland, 2011; Perrini and Minoja, 2009; Jenkins, 2006). Empirical studies demonstrated that there is significant growth in the engagement of SMEs in the CSR agenda (DBIS, 2010; EU, 2010b; Grant Thornton, 2011). No longer are smaller businesses considered as reactive and peripheral forces in terms of innovation, employment and productivity (Storey, 2010). SMEs prevail in their contribution to the GDP of the world economies. There are more than ninety-nine per cent of all businesses worldwide which are SMEs with less than 250 members of staff (EU, 2010a; Jenkins, 2005; Luetkenhorst, 2004). Within the European Union there are more than 19 million SMEs, which provide employment for more than 74 million citizens. In aggregate, they are providing two out of three of the private sector jobs of the EU labour market

(European Union, 2010b). What might possibly be even more intriguing is that nine out of ten SMEs are actually micro enterprises with less than 10 employees.

5.2 Why SMEs?

According to Luetkenhorst (2004) the countries with a high percentage of SMEs tend to exhibit a relatively equal distribution of income. Therefore, SMEs may cause higher social stability in their local environmental setting. It may be argued that SMEs are the true back-bone of the European economy, as they are responsible for wealth and economic growth, along with their key role in innovation, research and development (European Commission, 2010; Spence and Rutherfoord, 2003). The perceived importance of SMEs in Europe is reiterated at the political level as well. The former Vice President of the European Commission who was in charge of the Enterprise and Industry held that five out of six million new jobs were created in the SME sector between 1998 and 2004 (Verheugen, 2007:2). During his conference speech, Mr Verheugen may have inadvertently hinted about the Small Business Act for Europe which was later adopted by the European Commission in the following summer of 2008. The Small Business Act reaffirmed the central role of SMEs' within the European Union. At last, SMEs were being given their due importance by all European member states, as evidenced in the re-drafted version of the Small Business Act (EU, 2011). SMEs have been promoted as a priority area for the European Commission since 2008 and in subsequent years. Essentially, the Small Business Act (2011) follows the institutionalisation of the 'Think Small, First' rhetoric. An example of the EU's commitment is evident from their frequent calls for research and training schemes in the field of SMEs; where grants are frequently issued under the Marie Curie programmes.

5.2.1 Defining SMEs

Definitions of what constitutes a small or medium sized organisation may vary within the literature (Strathclyde University, 2012; Hill et al., 2002). Even Storey and Strange (1992) admitted that there were many acceptable definitions of a small firm at the time. The enterprises are usually measured by their size; in terms of their staff count, sales turnover and / or profitability. SMEs may be regarded at a sectoral level, where in some sectors and industries the firms may be considered as small, while in others they are simply not recognised as SMEs. Several criteria may be used to define SMEs. For instance, the firms within the manufacturing industry have traditionally been distinguished by the number of employees, but retail firms may usually be categorised by their turnover. Yet, the most common and easiest criterion to define SMEs and to differentiate them from the larger firms is by using different thresholds. Due to the fact that the term `SME' encompasses such a broad range of concerns, it is important to define their "constitution" within this research context. Stanworth and Curran (1976) reported that the Bolton Committee (1971) saw the small firm as a socio-economic unit displaying the following characteristics:

- Economically, a small firm is one that has a relatively small share of its market.
- Managerially, the small firm is administered by its owners or part-owners in a personalised way, rather than through the medium of a formalised management structure.
- Finally, it is independent, in the sense that it does not form part of a larger enterprise and the owner-managers are free from outside control in taking their principal decisions.

(Source: Stanworth and Curran, (1976:7-8)

Some other authors have argued that this conceptualisation may not always hold. For example, small organisations may create niche markets (Jenkins, 2009; Bradburd and Ross, 1989) as they try to achieve a significant market share. As a firm grows, it starts employing more individuals to act as managers or supervisors (Delmar and Wiklund, 2008; Storey, 1992). This reasoning may reflect an overall pattern similar to the larger firms, where there is a distinction between ownership and management as described in the agency theory (Eisenhardt, 1989). It may appear that SMEs (unlike the larger multinational corporations) are free from interference from outside sources which may influence their management decisions. Then, there is another argument which suggests that the larger organisations may decentralise and be flexible in their management approaches. For instance, there may be autonomous business units within large organisations. The smaller organisations may have the resources, capability and will to manage themselves, in their own right (Collis and Montgomery, 2008).

Storey (1994) defined SMEs as firms which employ up to 499 people. He held that firms with a workforce of 500 become considered as large organisations. A number of studies have used the benchmark of 500 employees as a cut-off point to define their investigated SMEs (see Storey, 2004; Den Hartog and Verburg, 2004). Therefore, up to 500 employees became one of the key criteria in selecting the researched companies. However, there were exceptions to the rule. The danger of many SME definitions is the inherent assumption that there is a homogeneous small firm sector, and it is assumed that all firms within it will show similar characteristics. Hill et al. (2002) noted that 'small-organisation' smallness is a multi-dimensional concept which may not always be judged from the size perspective alone. Perhaps, there is no such thing as a 'typical small

organisation'. While size may be a determining factor, it may not be sufficient to explain the patterns of employment relations. Undoubtedly, there are other influences which may affect HR practices in SMEs. A variety of influences may be triggered by both internal and external behaviour (Mukherjee et al., 2012; Goss, 1991). A number of factors may comprise the specific ownership forms, sector characteristics, the particular markets and strategies which are used to attract them, technology, ethnicity or cultural influence and so on (Nieto and Santamaría, 2010; Wilkinson, 1999).

There are many parameters which have been used to identify SMEs. A myriad of standards may render difficult comparisons across research projects. Curran and Blackburn (2001:8-19) admitted that there were problems of defining small firms. They have advocated an approach combining both qualitative and quantitative perspectives, as they remained conscious of certain sector differences resulting from cross-country comparisons. Watson and Everett (1993) suggested that a non-quantitative approach to the SME definition is preferable to one where the figures relate to the size of the workforce or to the quoted annual turnover. The authors acknowledged that there were relevant difficulties in applying qualitative methods across different industry sectors. They argued for consistency of appropriate measurement processes in defining SMEs. It has been reasonably suggested that it may be inappropriate to apply the same logic surrounding the larger firms to the smaller organisations. The rational underlying question which emerged was; how do the SMEs differ from their larger counterparts? Storey (1994) suggested that there are issues about uncertainty, evolution and growth, entrepreneurial leadership, and informality which are evidently important differentiating factors. It may be generalised that there may be particular industries and sectors which appear to contain a

proliferation of small and medium sized organisations. Keeble et al. (1992) also found out that the service industries were usually characterised by numerous small organisations. Many authors used a multi dimensional concept of SMEs. The broad parameters which categorised the small and medium sized businesses were not always derived from the size perspective.

Arguably, an organisation employing five people and another employing 100 can both be considered as SMEs. However both companies might be significantly different in their approaches and practices. The small and medium sized firm may not always be a `smaller ' version of the large firm. The theories relating to SMEs must consider all the distinctive variables which distinguish the smaller firms from the larger ones. Throughout this thesis the investigated enterprises meet the criteria as small and medium-sized enterprises (SMEs) as reported in Table 1. In addition to the staff headcount ceiling, an enterprise qualifies as an SME if it meets either the turnover or the balance sheet ceiling, but not necessarily both (European Commission, 2009).

Table 5.1: The European Union Commission's SME Definition

Small and medium-sized enterprises			
Enterprise category	Headcount	Turnover	or Balance sheet total
Medium-sized	< 250	≤ € 50 million	≤ € 43 million
Small	< 50	≤ € 10 million	≤ € 10 million

(source: EU, 2009)

5.2.2 Characteristics of SMEs

SMEs seem much more informal as they are less bureaucratic in their practices (Spence, 1999). The smaller businesses may exhibit less formal structures and looser control systems, less documentation on transactions and fewer procedural hurdles (Fassin, 2008; Longenecker et al., 1989). In contrast, in the larger organisation there is an urgent need to ensure that decisions made at the top of the hierarchy are understood by the lower level employees (Venkatraman and Huettel, 2012). SMEs may be considered independent, in the sense that they do not form part of the larger enterprises. Therefore the owner-managers are not subject to outside control in taking their principal decisions (Stanworth and Curran, 1976). It seems that SMEs have a desire for independence, freedom from intervention and bureaucracy (Spence, 2011; Goffee and Scase, 1995). This raises the challenge of how best to influence SMEs. Many of them are already involving themselves in socially and environmentally responsible practices.

SMEs may appear to offer interesting work prospects as they engage in closer social relationships with their employees. This informal style of management may also feature in better communication with key stakeholders. There may be opportunities for enhanced performance targets with more varied work roles, with the chance to participate in several kinds of work and infrequent industrial disputes (see Higgins and Mirza, 2012; Atkinson and Storey, 1994). The familiar environment which is characterised in the smaller organisations coupled with the absence of trade unionism can be perceived as attributes of the smaller business sectors. Some of the characteristics of SMEs are featured in Table 5.2.

Table 5.2: Characteristics of Different Firms

Strategic orientation	SMEs	Large firms
Consolidated	**Independence**	**Group** **Joint ventures** **Alliances**
	Internally financed **Cash limited**	**Externally financed**
	Multi-tasking **Flexibility** **Economies of scope**	**Diversified** **Rigidity** **Economies of scale**
	Owner-management	**External management**
Emerging	**Competitiveness-keeper**	**Competitiveness-maker**
	Informality **Invisible to the media**	**Formalised** **Visible to media and NGOs**
	Largely local	**National** **Multinational** **Global**
	Relational **Personal Relationship** **Trust** **Openness**	**Transactional** **Structured relationship** **Branded**

(Source: Russo and Perrini, 2009)

In SMEs there may be fewer strikes since the collective element needed for strike action is absent and the potential conflict may be expressed through more individualistic means such as absenteeism and labour turnover (Carraher, 2011). An empirical study among small and medium sized Chinese firms revealed that there are relatively fewer SME firms experiencing unionisation (Zheng et al., 2009). Other authors also suggested that the smaller organisations prefer to operate in an informal and flexible manner (Schwens et al., 2010). They recognised that there is better communication in such firms since the owner or manager is closer to the

workforce. The owner-manager of the smaller firm may be better placed to lead the organisation and make the best decisions in the interest of all employees as there is effective communication within the small firm (Nielsen and Thomsen, 2009; Storey, 1994). Apparently, there is a considerable degree of workplace harmony and low levels of conflict in the small and medium-sized enterprises (Çakar, and Ertürk, 2010). Perhaps, one of the major reasons for this is that trust and reputation are important factors in the smaller businesses. 'Ethical behaviour may always engender trust, with the long-term advantage of staying in business', (Vyakarnam et al. 1997). Jenkins (2004a, b) held that there are significant cultural differences between corporate and small business as evidenced in Table 5.3.

Table 5.3 Cultural Differences in Corporate and Small Businesses

Corporate	Small business
Order	**Untidy**
Formal	**Informal**
Accountability	**Trusting**
Information	**Personal observation**
Clear demarcation	**Overlapping**
Planning	**Intuitive**
Corporate strategy	**"Tactically strategic"**
Control measures	**"I do it my way"**
Formal standards	**Personally monitoring**
Transparency	**Ambiguous**
functional expertise	**Holistic**
Systems	**"Freely"**
Positional authority	**Owner-managed**
Formal Experience	**Customer / network exposed**

(source: Jenkins, 2004a)

Conversely, the smaller firms can be dictatorially run by a coercive owner-manager (Wang et al., 2011). As a result, the employees may suffer poor working conditions, as they have little or no involvement in the running of their business. A typical tension field in the SME environment is the inherent

conflict of interest between the personal needs of the owner–manager and the business itself. Therefore, the personal characteristics and attributes of the entrepreneur may play a key role in the SME's performance (Jenkins, 2006). Past empirical studies have investigated criteria such as wages, job security and hours worked in the SME sectors. The empirical findings often reported that the quality of the job environment is much poorer within the smaller firms than it is in their larger counterparts (Russo and Tencati, 2009). In the main, the employees of the larger enterprises seem to enjoy superior employment packages (Bos-Brouwers, 2010). Some studies have demonstrated that the smaller organisations offer poorer economic rewards, employment terms and physical working conditions, and a lower level of job security when compared to the larger enterprises. Unfortunately, the SMEs do have higher levels of labour instability which are evidenced in labour turnover rates, inadequate safety conditions, low profits, restricted finance and a low market share (Monat, 2002; Storey, 2010). Storey (2010, 1994) noted that small firms frequently lacked the required resources comprising the financial capital, as well as the human capabilities. The very size of small businesses may create a special condition, which is referred to as `resource poverty' which distinguishes them from the larger corporations (O'Cass and Weerawardena, 2009).

The SMEs may struggle to raise capital. They tend to find themselves in an equity gap, where it is very difficult to acquire finance to operate efficiently (North et al. 2010). Although banks are key providers of finance for most small firms through the provision of loans, unsecured bank finance is very limited. Therefore, the SMEs's growth into viable investment opportunities may be severely restricted. Cashflow-based lending is relatively rare and growing businesses rarely have unused security available. Despite the

changing debt market, one of the main reasons why small businesses fail to get the debt finance they need; is their inability to provide adequate collateral. Even small businesses with high growth potential can experience difficulty in raising relatively modest amounts of risk capital, which is inevitably required to fund their ambitions for growth. Moreover, the external forces and potential threats in the business environment may impact harder on the small businesses than on the larger corporations. For instance, changes in government regulations, tax laws, labour legislation and interest rates may usually affect a greater percentage of expenses for the smaller businesses than they do for their larger counterparts.

5.3 Managing SMEs

Most of the existing literature is based on large firms rather than on SMEs. (Russo and Perrini, 2010). Previous studies have empirically proved that the variables of organisational performance and human resources management, (HRM) are correlated with the firm's size and its industry context (Combs et al., 2006). Empirical studies have indicated that there is a strong link between HRM and organisational performance and SMEs (Guest et al., 2003). A number of studies have addressed the significance of a well-motivated, highly skilled workforce as being key constituents in the small businesses' success (Storey 2006, Gray and Mabey 2005). For instance, Marlow (2000) held that the efficient use of labour in small firms is critical in order to achieve the firm's durability and growth. Hornsby and Kuratko (2003) noticed that the greatest concern for the small firm is the availability of quality workers. McEvoy (1984) claimed that there was a lack of emphasis on HRM among SMEs, which had inevitably led to their business failure. Similarly, Heneman et al. (2000) reported that the HRM issues are significant for the US smaller firms. Gray and Mabey (2005) compared large and small

businesses and discovered that finding and retaining skilled staff is a major and growing problem for SMEs across Europe. Moreover, other research found that there is a positive relation between work-life balance practices and organisational outcomes in SMEs (see Cegarra-Leiva et al., 2012). This research is consistent with prior empirical work on this topic and is quite comparable to other studies among the larger companies (Cassell et al., 2002; Kok and Uhlaner, 2001). An investigation of the small firms in Australia has revealed that the successful implementation of formal HRM structures and procedures supported their growth (Kotey and Slade, 2005). Researchers in the field of strategic management have investigated how companies achieve competitive advantage. In the main, it appeared that the academic authors agreed that competitive advantage can be achieved when the internal (organisational) capabilities and resources of the firm are adapted and changed to the external (environmental) circumstances (Collis and Montgomery, 2008).

5.3.1 Applying the Resource Based View (RBV) Theory on SMEs

It has been previously highlighted that the new firms may also face internal obstacles which are associated with 'the creation and clarification of roles and structures consistent with external constraints, and the ability to attract qualified employees' (Williamson et al., 2010; Aldrich and Auster, 1986:178). Younger firms may often lack experience as they tend to rely on informal management systems and training practices (Cardon and Stevens, 2004). In addition, their lack of legitimacy within the industry is associated with difficulties to recruit employees (Cardon and Stevens, 2004). Liability of smallness implies problems in competing for labour with larger organisations and recruiting and training employees (Williamson et al., 2010). Small firms with limited and scarce resources usually do not have a

formal department or professionals dedicated to HRM (Cardon and Stevens 2004). Larger organisations do typically have a personnel or an HRM department, whereas the smaller firms may require that owners and managers combine HRM functions with other duties (Tocher and Rutherford, 2009). Small firms with scarce financial resources may also avoid the adoption of costly HRM practices (Cardon and Stevens, 2004). In addition, the small firms may also have difficulties in pursuing new approaches to successful personnel management due to their lack of information about the recent HRM developments in other companies (Storey, 2009; Bacon et al., 1996).

5.3.2 SMEs' New Management Initiatives

Bacon et al. (1996:83) suggested that the small firms also experiment with new management initiatives (NMI) such as culture change, devolved management, team working, flexibility and quality task forces. Apparently, this new management agenda had been accepted within the UK economy, resulting in innovative practices and progressive employee relations (Bacon et al., 1996:87). Recently, Schmelter et al. (2010) suggested that responsible entrepreneurship practices in SMEs can be enhanced through better HRM practices. The respondents rated such initiatives as important to the smaller businesses. Sound empirical evidence has shown that SMEs were taking up best practice ideas which were adopted by the larger firms (Wilkinson et al., 1996; Wilkinson et al., 1998). Storey and Wynarczyk (1996) claimed that there was greater success for SMEs in their implementation of new management initiatives because of their greater commitment. They argued that it was relatively easier to make an impact in SMEs than in the larger firms. Storey (2006) presumed that a significant factor for this adoption was that SMEs were becoming embedded in the supply chain relationships. Apparently, the

SMEs were getting acquainted with new HRM practices. In addition, there was pressure from third parties which demanded the SMEs 'to follow a similar pattern of the larger organisations' (see Harris and Rae, 2012). However, it may be recognised that the smaller firms operate in a different environmental setting (Wiklund et al., 2009).

The SMEs are distinguished with their distinctive characteristics of informality (Russo and Perrini, 2010). It has often been suggested that the nature of the small social setting can provide the opportunity for enhanced flows of communication, more face-to-face involvement and flexibility in managing human resources (Bordonaba-Juste and Cambra Fierro, 2009; Cunningham and Rowley, 2010). The research evidence has indicated that SMEs are diverse organisational types, with unique characteristics. Therefore they have to be analysed in a contingency perspective (Tsai, 2009). The processes which are used to trigger employee involvement in such firms may need to be identified against other factors which may be relevant to particular organisational contexts. Undoubtedly, further studies may possibly unravel the correlations with other factors such as the labour market, product market influences, ownership, dependency, relationships with customers and suppliers, technology, industrial sub culture et cetera (Wilkinson, 1999). The smaller firms and their practices are usually portrayed contextually, subjectively and/or in interpretational ways. Storey et al. (2010) suggested that academic researchers should move beyond the simple stereotypical assumptions of employment relations. The authors recognised that there is still a need to reveal the determining factors that explain the patterns of employment relations within SMEs.

5.4 The CSR Language among Different Firms

Apparently, the small business entrepreneurs may have reservations about the responsible behavioural methods of the larger businesses (Fassin, 2008). As the larger corporations are supporting the philosophy behind CSR, the small business practitioners tend to express their doubts about the sincerity of their larger counterparts (Grayson, 2006). Of course, the smaller and medium sized enterprises may be opposed to the extra administrative burdens in their daily routines. CSR is different for SMEs than it is for the larger firms, for the very same reason that sets their operations apart (Grayson, 2006). Where SMEs are concerned, there seems to be a problem with the adopted terminology involving corporate social responsibility. Most SMEs are not corporations. It is unlikely that SMEs use any recognisable language of CSR, including the acronym itself (Murillo and Lozano, 2006; Spence and Lozano, 2000). Apparently, the CSR terminology became the dominant refrain in this subject area among many academics (see Perrini et al., 2007). Although it is worth noting that the phrases; 'responsible business' (Moore and Spence, 2006; Southwell, 2004), ‘responsible entrepreneurship’ (Nelson, 2006) and ‘social capital’ (Spence et al. 2003) are gaining momentum. Most SMEs may already have a genuine commitment towards the community and society at large. Some SME owners-managers are conducting their business with a conscience, as they become more concerned of socially-responsible practices, philanthropic and environmentally-friendly policies (Morsing and Perrini, 2009). They frequently do this without referring to the CSR concept at all and without communicating what they do (Russo and Perrini, 2010). Table 5.4 features some of the main differences between multinational corporations and small and medium enterprises:

Table 5.4 Different Theoretical Approaches among Different Firms

Theoretical model	SMEs	MNCs
Carroll (1991)	Purely philantropic and discretionary conception of CSR.	More holistic of CSR with an emphasis on the economic strand.
Wood (1991)	Principles of managerial discretion and legitimacy motivating CSR.	Principles of public responsibility and legitimacy motivating CSR.
	Customers, employees, shareholders, suppliers, community and environment. More intimate characterisation of stakeholder relations.	Customers, employees, shareholders, suppliers, environment and community. More distant/ formal characterisation of stakeholder relationships.
Waddock et al. (2002)	Strong inspiration, weak integration, moderate innovation.	Weak inspiration, strong integration, weak innovation.
Windsor (2006)	Ethical conception entailing impartial moral reflection and stewardship by managers of the enterprise.	Instrumental citizenship orientation with greater affinity to the economic/strategic and cost benefits of CSR.
Hemingway and Maclagan (2004)	Altruistic motivation and individual locus of responsibility.	Strategic motivation and corproate locus of responsibility.

(source: Jamali et al., 2008)

5.4.1 The Business Case of Responsible Behaviour (CSR) in SMEs

The definition of the European Union focuses on the integration of stakeholders' demands on business (EU, 2002) it has been shown that SMEs do consider their stakeholders when doing business. In particular, the relationship with their employees is often characterised in their strong appreciation; as they are often regarded as 'part of the family'. The exhaustive dialogue between the owner-manager and the employee may lead to the desired respect, loyalty and trust (Gaur et al., 2011; Spence 1999). Interestingly, almost 70% of the SMEs regard their employee as their main stakeholders (EU, 2007). Similar results were reported by Jenkins (2006), Roberts et al. (2006) and Bader et al. (2007). Perrini, (2006) and Castaldo et

al., (2009) recommended further research on smaller companies, which should be based on the social capital.

Evidently, it is far more complex for the small businesses to identify, investigate and communicate CSR (Morsing and Perrini, 2009). However, one may argue that SMEs like the small hotels are far more flexible in their approaches to implement environmental and social policies in comparison to their larger counterparts (Responsible Hospitality in Independent Hotels, 2005). CSR offers opportunities for differentiation through greater market access, cost savings, productivity and innovation to SMEs; as well as broader social benefits such as education and community development (Murillo and Lozano, 2006; Raynard and Forstater, 2002). Pertinent research about the SME relationship to social responsibility has revealed that SMEs are less likely to adopt explicit social responsibility strategies, when compared to their larger counterparts (Spence, 2011). Graafland et al. (2003) suggested that small firms make less use of CSR instruments because of four motivations: visibility to the public and the media; economies of scale; more need for instruments that facilitate the communication of values and norms within the firm and to their customers; and stronger competitiveness in the output market for small enterprises. Moreover, CSR tools demand a greater proportional investment of time, finances and energy for the small firm rather than for the large firm (Spence et al., 2000). The literature review suggests that SMEs are increasingly engaging themselves in responsible behaviour although they have a different profile than the larger firms (Moore and Spence, 2006; Perrini et al., 2007). This is an extremely important point for understanding their position in the social and environmental responsibility agenda.

Perrini et al. (2007) have provided detailed evidence about the significant differences between the small and the large firms. They noted that the large firms are more likely to address environmental management, employment, local communities and controlling and reporting strategies. In contrast, the authors argued that SMEs revealed a stronger willingness to recognise the importance of responsible behaviour throughout the supply chain. In addition, Russo and Tencati (2008) distinguished between sizes of SME, and micro firms employing up to ten employees. Interestingly, their findings have evidenced the small firms' aptitude for CSR. The authors revealed how the firms' strategies were making a significant impact on their bottom line. For instance, the authors noted that there was a commitment for eco-efficiency (i.e. reduction of consumption and pollution reduction strategies). Moreover, they have shown how micro firms supported initiatives which encouraged stakeholder engagement. Arguably, this may exemplify their attempt to secure a social license to operate in their respective communities. This research perspective suggests that SMEs are subject to a number of distinctive and intrinsic characteristics that set them apart from the larger firms. These characteristics contribute to affect the content, nature and extent of their social and environmental responsibility activities. Interestingly, Spence (2007) has gathered a considerable amount of academic work about European SMEs. While these factors are probably not limited to Europe, they were all identified in researching SMEs within the EU context. A vast array of recent literature (Spence and Perrini 2011; Baumann et al., 2011; Brooks and Evans, 2011; Rivera-Lirio and Muñoz-Torres, 2010) have recommended further research on the responsible behaviour of SMEs. Many contributors of the subject have reported on the SMEs' responsible policies and processes in an effective, efficient and economic manner. There were others who wrote about the reporting instruments and guidelines for businesses. This

somewhat instrumental managerialist approach is in line with keeping the dominant policy discourse around CSR, in which the SME perspective remains embedded (Spence and Perrini, 2011).

As it has already been reported in chapter 3, that CSR initiatives are usually promoted by regulatory institutions as the European Union, national governments as well as non-regulatory multinational agencies and NGOs. The so-called 'business case' for CSR holds that CSR pays off economically for businesses. It has been empirically proven that CSR reduces risk and boosts reputation (Kurucz et al., 2008; Orlitzky, 2008). Yet, various hypotheses have returned diverging results (Orlitzky et al., 2012; McWilliams et al. 2010, 2006). Such debates tend to be conducted in the context of large corporations. Undoubtedly, there are also significant opportunities for SMEs to engage in CSR. Grayson and Hodges (2004:9) held that businesses look for innovation from non-traditional areas such as those increasingly found within the CSR agenda. Academic literature suggests that CSR creates value (Porter and Kramer, 2011; Orlitzky et al., 2011, Lindgreen et al. 2012; Bhattacharya et al., 2012). There is no reason why this should not hold for the SME sector as well.

5.4.1.1 Does responsible behaviour bring competitive advantage to SMEs?

Companies may enhance their competitive advantage by capitalising on the opportunities offered by CSR (Jenkins, 2009). Many 'large-firm' concepts such as CSR and stakeholder management are also very relevant to owner-managers within the SME sector. It has been reported that there are marked differences between SMEs and the large, well resourced companies in trying to improve their competitiveness (Jones et al. 2003). Zadek (2004) pointed out that there's a strategic perspective to CSR. Responsible firms can possibly

gain a competitive edge when they concentrate on civic concerns. Recently, there has been a wave of academic studies which investigated the integration of CSR into the corporate strategy of SMEs (Perrini et al. 2007, 2008; Jenkins, 2009).

5.4.1.2 What may hinder SMEs' responsible behavioural practices?

The business case for CSR in SMEs may be constrained by their size. Inevitably, there are costs which are incurred as a result of CSR engagement. The CSR payoffs may be substantially different for SMEs than for the larger corporations. CSR activities may be expensive to implement in any kind of business, but they can be costlier to SMEs (McWilliams and Siegel, 2011). In this regard, it may be interesting to consider the financial expenditure on CSR in proportion to the firms' size (Orlitzky et al., 2003). Noticeably, there may be several aspects of CSR that do not vary a great deal in their resource demands and allocations. For example, producing a CSR report will require as much time and efforts for an SME as much as for a large business. However, the SMEs may often lack the resources, such as time and money (Fassin, 2008). Moreover, bureaucracy and red tape may also be considered as another barrier to CSR work in businesses (BITC, 2009; Sweeney 2007). Obviously, there are administrative burdens associated with responding to new management initiatives and to meet the requirements of the CSR reporting instruments and standards (Fassin, 2008; Graafland et al., 2003).

5.5 Communicating Responsible Behaviour

Nowadays, research is focusing on the issues of CSR reporting (Nielsen and Thomsen, 2009; Bebbington et al., 2008; Kolk and Pinkse, 2006, 2010), web communication of CSR (e.g. Frostenson et al., 2011; Du et al., 2010) and stakeholder dialogue (e.g. O'Riordan and Fairbrass, 2008; Andriof and

Waddock, 2002). Recent studies have indicated that communication of social responsibility practices among SMEs is generally unsystematic and handled on an ad-hoc basis (Klein and Vorbohle, 2011; Nielsen and Thomsen, 2007). It may be presumptuous to say that SMEs are not communicating their responsible behaviour in an effective way. SMEs themselves may potentially stand to benefit if they disclose their good practices. SMEs like any other business may enhance their business credentials and reputation. There are opportunities to create good publicity, as they can also raise awareness of their brand. SMEs can also improve on their stakeholders' relations through the application of appropriate CSR communication.

Evidently, the corporate social and environmental reporting becomes an accrued need for the enterprises' justification (Fassin, 2008; Bichta, 2003). Moreover, recent developments brought new concepts and tools which are based on accounting and financial principles. This led CSR into an evolution towards a logic of compliance and standardisation which is ultimately intended for external analysts rather than as an internal tool for management Fassin et al., 2011; Lund-Thomsen and Khalid Nadvi, 2010). It may go without saying that there may be differences between CSR that is auditable through reporting mechanisms (such as the Global Reporting Initiatives, Social Accountability et cetera) and the original notion of CSR, which was based on ethical concerns (Aucquier and Gond, 2006). Some commentators have raised their concern about the issues of communicating CSR. The bone of contention lies with SMEs' formalisation of their social and environmental reporting. "Social and environmental reports tend to give a partial representation of the company's CSR operations" (Perrini, 2006).

One should bear in mind that just because a company has a policy, it does not always mean that it is being implemented effectively (Perrini, 2006). Furthermore, as SMEs might not always report their social responsibility, one might erroneously conclude that it is non-existent in SMEs. There are some authors who even question whether there exists a business case for CSR in SMEs (see Castka et al., 2004). The targets set for SMEs' CSR engagement may be considered as vague by some practitioners, to say the least (Fassin, 2008). Arguably, CSR is still evolving from a relatively unclear notion. It may be subject to different interpretations, with varying breadths and scopes (Vilanova et al. 2009; Garriga and Mele, 2004). Moreover, much communication surrounding CSR may seem subjective. Many media releases and statements do rely to a large extent on the self-written reports of companies, or on managers' perceptions and impressions. Notwithstanding, the academic studies do not usually go beyond the content analysis of official artefacts such as publications, websites and social reports. The proponents of CSR argue that reporting on social and environmental issues is essential in this day and age. Perhaps, the obligation of reporting encourages reflection, as it helps to awaken the organisation, to make its actions visible and to a certain extent measurable. However, the regulatory compliance costs on the business sector have increased the firms' non-productive overheads (Fassin, 2008; Haigh and Jones, 2006). The administrative burden for CSR can be weighted against a cost-benefit analysis (McWilliams et al., 2001; Orlitzky et al., 2011). In this context, the SMEs with their scarce resources may be limited in their resources for the appropriate formalisation of social and environmental reporting (or sustainability reporting).

5.5.1 Licence to Operate

Lepoutre and Heene (2006) have illustrated the socio-economic context of external stakeholder pressures which may have a direct impact on the firms' behaviour. Corporations are urged to report their organisational behaviour in responsible practices to the public in order to justify their licence to operate. Indeed, it is the community which emerges as the force that grants the companies' their 'licence to operate' (Williams et al., 2007; Burke, 1999). The 'licence to operate' approach was also mentioned by Porter and Kramer (2006). The authors held that it offers a concrete way for businesses to identify social (and environment) issues that matter to their stakeholders. The authors remarked that this approach fosters constructive dialogue with regulators, the local citizens as well as activists. On the other hand, the Harvard academics argued that the stakeholders are outsiders; in that, they can never fully understand the corporations' capabilities, competitive positioning and/or tradeoffs that the business have to make to accommodate society. The authors went on to say that firms which use CSR as a way to placate pressure groups, often find out that their approach devolves into a series of short-term defensive reactions.

5.6 Summary

The enterprises which were earmarked for this study meet the criteria as small and medium-sized enterprises (SMEs) as per the conditions laid down in the EU recommendations. For this reason, this chapter considered the relevant literature surrounding the SMEs. Moreover, this chapter sheds light on the business case of responsible behavioural practices among SMEs. The SMEs have different characteristics which sets them apart from larger firms. It may appear that the SMEs are seeking innovative ways to differentiate

themselves from their rivals. A literature review suggested that the smaller firms were successful in identifying commercially viable activities which advance their social and environmental sustainability (see Grayson and Hodges 2004:11). Additionally, it also transpired that the stakeholder relationships are very important to the SME owner-managers. This chapter has shown that the smaller firms may be constrained by their organisational size and their scarce resources. Nevertheless, many studies are indicating that the SMEs are investing in laudable responsible behavioural activities, in proportion to their size.

Chapter 6:
THE RESEARCH SETTING: THE TOURISM INDUSTRY'S HOSPITALITY SECTOR

6.1 Introduction

This chapter sheds light on the scene of the research setting. This study has investigated responsible behavioural practices within the tourism industry's hospitality sector in Malta. The rationale for conducting this research amongst tourism enterprises is that it is a promising area, capable of generating economic growth and employment, whilst contributing to sustainable economic development and social integration.

> "With some 1.8 million tourism businesses, primarily SMEs, employing approximately 5.2 % of the total workforce (approximately 9.7 million jobs, with a significant proportion of young people), the European tourism industry generates over 5% of EU GDP", (EU, 2010).

Notwithstanding, the tourism industry is a main source of foreign exchange earnings for many EU countries. The tourism industry has the capacity to sustain positive economic growth. This activity can generate significant employment opportunities. Moreover, tourism may be responsible for triggering infrastructural developments, such as airports, parks, roads and rails. Definitely, it is in the tourism industry's own interest to help preserve the local environment and to provide wellbeing to the local community. On the other hand, there are contentious issues which are often associated to the tourism industry. The tourism industry's hospitality sector may not always provide adequate working conditions. Generally, the industry is characterised by low wages and seasonal employment. The jobs are

considered relatively unstable and low status. At times, the tourism may be blamed for the negative influences on environmental degradation, displacement of local people, inflation, crime and the dilution of culture (Cooper et al. 2008; Hall, 2007; Agarwal, 2002, Dodds, 2002, UNEP, 1996). Undoubtedly, there are challenging opportunities to harness the positive benefits from tourism (McCabe et al., 2010; McCool and Martin, 1994). Yet, at the same time it is important to mitigate the harmful effects of unmanaged growth and development. Governments are urged to monitor the tourism industry's practices (Leiper, 2008; Cooper et al., 2008). However, the hospitality businesses are ultimately responsible to play their part in exercising good governance (Guillet and Mattila, 2010).

6.2 Tourism and Sustainability

The issue of sustainability was boosted following the concerns which were expressed during the UN General Assemblies, which were held in the 1980s. The UN had established a commission to investigate the worldwide population and its resources. Subsequently, it made relevant recommendations on how to achieve long term sustainable development. The Brundtland Commission presented its report entitled, 'Our Common Future' in 1987. The report adopted the definition of sustainable development which described it as; "…meeting the needs of the present without compromising the ability of future generations to meet their own needs', (Brundtland, 1987). The year 1992 was also a particularly significant and a momentous one for sustainability of the environment. It seemed that there was a surprising trend in the hospitality and tourism industry which was shifting the focus on environmental concerns, the use of technology, as well as the efficient use of energy (Kalisch, 2002). By the start of the twenty

first century, the concept of sustainable tourism became familiar among the industry practitioners and academics alike. The United Nation's environmental programme (UNEP) introduced its initiative for sustainable tourism, and this was followed by a UN declaration to designate 2002 as the international year of eco-tourism. In the same year there were two summits. One of the summits was held in Johannesburg, and it was about sustainable tourism. Interestingly, during this summit the term sustainability was linked to the tourism industry. The other summit was held in Quebec, and it was about eco-tourism. Holloway and Taylor (2006) reproduced the World Travel and Tourism Council's guidelines for sustainable tourism. The authors noted that more weight was being devoted to environmental concerns than to socio-cultural issues. Table 6.1 presents the WTTC 's priority areas for sustainable tourism as follows:

Table 6.1 Priority Areas for Sustainable Tourism

1. Waste minimization, re-use and recycling
2. Energy efficiency, conservation and management
3. Management of freshwater resources
4. Waste water treatment
5. Hazardous substances
6. Transport
7. Land-use planning and management
8. Involving staff, customers and communities in environmental issues
9. Design for sustainability
10. Partnerships for sustainability

(source: WTTC, 2002)

Other organisations with closer links within the industry, such as the United Nations World Tourism Organisation (UNWTO) and the World Travel and Tourism Council (WTTC) have pledged their support towards the principles of sustainable development. These organisations were specific in their recommendations. For instance they referred to the use of local building

material for tourist sites, the recycling of waste, water conservation and the recruitment of the locals for jobs in tourism et cetera. This emphasis has further escalated to an international dimension through the implementation of Agenda 21. Agenda 21 was heralded by the WTTC, the UNWTO and the Earth Council. Those institutions set international guidelines which addressed sustainable tourism. The WTO established the Global Code of Ethics for Tourism (GCET). Essentially, the global code of ethics was a 'comprehensive set of ten principles whose purpose was to guide stakeholders in tourism development' (World Tourism Organisation, 2005). These ten principles were never meant to be legally binding, but they do serve as guiding principles to governments, local communities, tourism operators and tourists, concerning preservation of the environment. The European Union's Commission (2007) has also raised awareness about sustainable tourism policies. It encouraged the business actors to respect its set of principles. Table 6.2 features the EU's agenda for a sustainable and competitive European tourism;

Table 6.2 Agenda for a Sustainable and Competitive European Tourism

- "Take a holistic and integrated approach;
- Plan for the long term;
- Achieve an appropriate pace and rhythm of development;
- Involve all stakeholders;
- Use best available knowledge;
- Minimise and manage risk (the precautionary principle);
- Reflect impacts in costs (user and polluter pays);
- Set and respect limits, where appropriate;
- Undertake continuous monitoring".

(Source: European Union, 2007)

6.2.1 The Tourism Industry's Non-Governmental Organisations and Sustainability

In the European arena there were two prominent hospitality organisations namely, the Hotel Catering and International Management Association (HCIMA) which is now the Institute of Hospitality and the European Council on Hotel, Restaurant and Institutional Education (which is well known as EuroChrie) who have set initiatives for the improvement of CSR within the hospitality sector. Interestingly, the European Federation of Food and Agriculture and Tourism Trade Unions and Hotels, Restaurants and Cafés in Europe have also followed suit. Various organisations drafted compliance parameters concerning, equal opportunity, non-discrimination, working conditions, fair pay, vocational training and life-long learning, health and safety, and the relationship between employers and employees at all levels. There was a proactive stance from the hospitality industry which was evidenced in unified actions; which were aimed at promoting the socially responsible behaviour.

Other similar initiatives have been widely recognised by the community at large. 'Green Hotels' is a successful initiative which focuses on environmental issues. In practice the associated hotels provide other hospitality businesses with environmental solutions; such as water and energy conservation, waste minimisation and the like. Their programmes also feature some innovative ideas such as towel rack hangers and sheet-changing cards (Green Hotels Association, 2005). The International Tourism Partnership publishes the 'Green Hotelier' magazine whose readership is very environmentally and socially conscious. This publication promotes and disseminates relevant material about responsible hotel behaviour, including sustainable travel and tourism development (GHA, 2005). The 'Green Hotelier' publication has been instrumental in the promotion of the

'International Hotels Environment Initiative' (IHEI) in 1992. The IHEI was an initiative which was first launched by twelve multi-national hotel companies who have joined forces to promote the continuous improvement in environmental performance. In the same year the British charitable pressure group 'Tourism Concern' set out its own guidelines and began lobbying the private sector to take account of sustainable planning (see table 6.3).

Table 6.3 Ten Principles of Sustainable Tourism

1. Using resources sustainably
2. Reducing over consumption and waste
3. Maintaining diversity
4. Integrating tourism into planning
5. Supporting local economies
6. Involving local economies
7. Consulting stakeholders and the public
8. Training staff
9. Marketing tourism responsibly
10. Undertaking research

(source: Tourism Concern, 2012)

This voluntary non-governmental organisation has been a leader at the time when it drew attention to the sustainability issue. This subject might have not been given its deserved consideration by the hospitality industry stakeholders at the time. Many businesses, particularly the smaller, independent companies were adept to recognise the value of selling the concept of sustainable tourism to their sophisticated markets. The non-governmental organisations offered a series of guidelines to their members. The Association of Independent Tour Operators (AITO) has been at the forefront, in encouraging its members to embrace the concept of responsible tourism. AITO's recommendations for sustainable tourism covered: 'the protection of the environment; the respect for local cultures; economic and social benefits for local communities and the conservation of natural

resources'. AITO has even presented propositions for pollution minimisation procedures (AITO, 2012).

6.2.2 Tourism Sustainability Council

The WWF (World Wildlife Fund) together with the Rainforest Alliance, United Nations Environment Programme, United Nations World Tourism Organisation and the United Nations Foundation have set up the Tourism Sustainability Council (TSC) to develop a programme to accredit certification schemes for sustainable tourism. The TSC considered the ECO certification as one of the most successful tools for responsible environmental practices. The Malta Tourism Authority is still participating in this programme, through the implementation of its 'eco-label'. The certification scheme for sustainable tourism is raising the profile of Maltese hotels among international consumers. Basically the aim of the 'eco-certification' is to create cross-border standards and recognition in the field of sustainable tourism, similar to what WWF have done with FSC (Forest Stewardship Council), which is today an industry standard (see MTA, 2012, UNWTO, 2007).

6.2.3 Travelife

The Travelife Sustainability system is a voluntary scheme managed by the Federation of Tour Operators. It is aimed at recognising the accommodation establishments with good sustainability actions. Many eco-certified hotels strive to maintain their annual progress reports on environmental issues. When they satisfy and comply with all the relevant environmental criteria, they are rewarded with the gold level of Travelife (ABTA, 2010; Travelife.eu, 2012).

6.3 From Mass Tourism to Sustainable Tourism

During the latter years of the 20th century, the tourism market had witnessed changing attitudes on the part of both consumers and suppliers. Many commentators were increasingly referring to the notion of sustainable tourism development (Ozturk and Eraydin, 2010; Cooper et al., 2008; Hall and Lew, 1998; Singh et al., 1989). The negative impacts of tourism on the host environments and societies have resulted in alternative forms of tourism development (Timur and Getz, 2008; Romeril, 1989). Generally, there was a re-orientation away from 'mass' tourism to 'responsible' tourism (see Frey and George, 2010; Krippendorf, 1987; Gonsalves, 1991). Surprisingly, these latest developments were customer-driven. The underlying assumption was that mass tourism had inadvertently caused many of the problems which were associated to tourism. Denman and Denman (1990) demonstrated through their documented examples, how tourism was moving from mass tourism to a more responsible model. At the same time, an increasing number of industry bodies (such as the World Travel and Tourism Council) and the public agencies were drawing up guidelines for tourism sustainability. At one point, Wheeller (1991) and Green et al. (1990) noticed that there was no adequate definition of 'responsible' tourism.

Some academic contributors argued that responsible tourism referred specifically to a small scale tourism development rather than to mass tourism (Frey and George, 2010; Cooper et al. 2008; Hall and Lew, 1998). Other authors indicated that they preferred small rather than large-scale accommodation establishments. Moreover, they proposed that a tourism strategy should be set at the local community level rather than at a national or international level (Tao and Wall, 2009; Murphy, 1985). Wheeler (1990) recognised that it was relatively easier for the advanced economies to afford

such luxuries. On the other hand, it transpired that the least developed countries could not afford to lose foreign exchange earnings from mass tourism. Edwards and Banks (1990) held that responsible tourism was a useful approach to ensure that the tourism industry remains responsible to the host environments and societies. Cooper et al. (2008) argued that responsible tourism can never be an alternative to mass tourism. Nonetheless, they maintained that the tourism industry and the customers will gain from the sustainable goals of responsible tourism. In this regard, Scotland's national tourism office has provided an all embracing definition of sustainable tourism;

> "Sustainable tourism is tourism committed to generating a low impact on the surrounding environment and community by acting responsibly while generating income and employment for the local economy and aiding social cohesion. Sustainable tourism aims to ensure that economic development as a result of tourism is a positive experience for everyone involved; local community, tourism businesses and visitors" (visitscotland.org, 2012).

Tourist boards, tourism regulatory authorities and other official bodies tend to refer to the successful cases of responsible tourism. Such cases may involve sensible planning and consideration of sustainable practices which mitigate the negative effects of tourism development (Cooper et al., 2007). Krippendorf (1987) was one of the early academic contributors of the term 'responsible tourism'. Subsequently, Wheeller (1991) also came up with practical examples about how the tourism development can be sustainable. For instance, by making good use of local resources and materials; renovating derelict redundant buildings and so on. Interestingly, Wheeller (1991) drew his attention to the conspicuous differences between the micro and macro tourism planning mechanisms. Cooper and Ozdil (1992) held that that there is more to tourism than its positive economic effects.

Unfortunately, tourism can possibly harm the socio-cultural structures and the natural environment of a country (Cooper et al., 2008).

> "Behind tourism's apparent status as a white industry, lurks a rather different picture of environmental, social and cultural destruction", (Tyler, 1989).

Mathieson and Wall (1982) argued that tourism is dependent on the destination characteristics. The destination possesses its distinct physical features, its own economic and social structures which inevitably effect tourism development, as well as the tourists' segments. On a similar note, Cohen (1984) discussed about the socio-economic classification of tourists, the level of use of the destination, length of stay, type of tourist activity and satisfaction levels. Arguably, mass tourism can bring many social and environmental problems to a destination. Actually, the concept of responsible tourism grew in importance as a reaction to mass tourism (McCabe et al., 2010; Wheeller, 1991).

6.4 The Link between Sustainable Tourism and CSR

Past research in the field of tourism has been a mere reflection of the debates over sustainability not of CSR itself (see Pender and Sharpley, 2005; Sharpley and Telfer, 2002; Swarbrooke, 1999 and Briguglio et al., 1996, 1992). Nonetheless, in tourism there has already been a willingness to address the sustainability issues, particularly by the larger businesses. The World Travel and Tourism Council (WTTC) composed of the leaders of the world's largest 100 travel and tourism businesses have subsequently endorsed corporate social responsibility. They commended companies who sought innovative ways to create value for society, whilst creating value for their own business (Cooper et al., 2008; WTTC, 2002). WTTC interpreted CSR as the need to adopt business practices that have ethical basis. Weeden (2002) suggested

that this can be achieved by ensuring that practices are transparent and can be viewed by all stakeholders, shareholders, employees and communities (Wheeler, 1990, 1991). Significant research has emerged about CSR behaviour and ethics among Tourism and Hospitality Enterprises (see Dodds and Kuehnel, 2010; Merwe and Wöcke, 2007; Ayuso, 2006; Kasim, 2006; Bohdanowicz, 2005 among others). Yet, there are questions which are still relatively unanswered; whether the tourism sector differs from other industries over CSR and its implementation. Apparently, there was considerable stakeholder pressure coming from the EU institutions, national governments and NGOs, as there was frequent encouragement for businesses to improve their responsible activities (EU, 2007, 2010). The intermediate benefits to be gained from CSR engagement have not been fully investigated and may even surprise the Tourism Industry itself.

> "Ultimately, CSR is about delivering sustainable value to society at large, as well as to shareholders for the long term benefit of both", (WTTC, 2002).

The notion of CSR refers to the companies' voluntary engagement in social and environmental dimensions along with their economic operations and activities, with the underlying aim of achieving sustainable development (Kalisch, 2002; Rondinelli and Berry, 2000). The World Business Council for Sustainable Development defined CSR as a business commitment which contributes to sustainable economic development for the benefit of the employees, their families, the local community and society at large (see Kotler and Lee, 2005:3). Interestingly, the hospitality industry has demonstrated its commitment in CSR. According to the World Business Council for Sustainable Development (WBCSD) the CSR concept is driven by issues as 'human rights, employee rights, environmental protection, community involvement, supplier relations, stakeholder rights and

monitoring' (World Business Council for Sustainable Development, 1999). Kirk (1995) argued that there was insufficient research of CSR activities' and their impacts on financial performance. Kirk (1995) investigated the hotel environmental policies and their activities in the U.K. context. He concluded that the hotel industry was reactive to environmental issues only for direct financial rewards (e.g., energy and waste management) and governmental compliance. Kirk's (1995) study was limited to the environmental issues. Evidently, he did not relate the hotels' environmental activities to their financial performance. Similarly, Knowles et al. (1999) explored the environmental practices of London hotels. They concluded that there was limited implementation of such practices at the time.

Alvarez-Gil et al., (2001) remarked that many companies were focused on short-term objectives such as profit maximisation, rather than on the long-term goal of corporate sustainable development. Following their study of the Spanish hotels' environmentally responsible practices, they found that the majority of the hotels were hesitant to adopt environmental practices, if they did not yield immediate financial returns. Interestingly, Ayuso (2006), who had carried out her study on Spanish hotels, argued that the main drivers for CSR were personal awareness, pressure from customers and cost savings. Roner (2006) suggested that many hotels had limited resources. He held that international hotels incurred significant operational costs; therefore they cannot afford to carry out CSR programs. Davidson et al. (2010) have noted that because of high staff turnover rates there is an increasing pressure for ongoing training; in order to maintain the high levels of service.

Many authors including Dubois and Ceron (2006) argued that the tourism companies such as international hotels were considered as environmentally

responsible only if they drafted and implemented sound policies which aid sustainable development. Of course, it is in the hotel enterprises' interest to communicate and raise awareness of their activities and procedures with their stakeholders. Kasim (2006) alleged that the large tourism corporations needed to strengthen their ties with the community. She reiterated that tourism firms should engage in social and environmental issues. The author indicated a strong relationship between tourism companies and the physical and social environmental setting in which they operate. Henderson (2007) asserted that the tourism industry exhibited a closer relationship with the environment and society. The author implied that the tourism businesses had their own characteristics, which was typified by a different sort of CSR behaviour. Her research has shown that CSR can contribute to make sustainable tourism industries. Manaktola and Jauhari (2007) investigated the green practices among Indian hotels. However, their study was limited and restrictive, as they explored the consumers' willingness to pay that little extra to enjoy 'the green hotel experience'. Evidently, the authors did not consider all the elements of CSR. Merwe and Wöcke (2007) have carried out their investigation of responsible tourism practices among the South African hotels. However they found that there was a lack of awareness and limited uptake. Frey and George (2010) reported that the South African hospitality businesses were not investing sufficient time and money into changing management practices.

Other authors have found out that the hospitality firms' CSR activities have a positive relationship with their financial performance (Rodrıguez and Delmar Armas Cruz, 2007; Lee and Park, 2009). Garcıa and Armas (2007) found a positive relationship between hotels' CSR activities and the return on assets (ROA). Their data collection was essentially based on managerial perceptions and opinions. Nicolau (2008) carried out a longitudinal study on

two Spanish hotels between 1996 and 2006. The author investigated the abnormal returns vis-à-vis CSR activities. The study indicated that there was a positive correlation between the abnormal returns and CSR. Therefore, the study had empirically proven that CSR practices add value to the hotel firms. Claver-Cortes et al. (2007) also linked the hotels' environmental strategies to their impact on performance. Interestingly, the hotel businesses comprise a significant number of SMEs, although there are some who are placed in an increasingly multi-national competitive environment. Undoubtedly, the hotels are meeting increasing pressures which are placed upon them from their environmentally conscious consumers. Lee and Park (2009) investigated the impacts of CSR activities on hotels and casinos in terms of profitability (ROE and ROA) and firm value (average market value). Curiously, Lee and Park found a positive relationship between CSR activities and profitability (and firm value) for hotel companies. They did not establish any relationship between the casino companies' CSR and profitability.

Inoue and Lee (2011) explored the relationship between certain dimensions of CSR and corporate financial performance (CFP) in tourism related industries. The authors concluded that CSR activities would improve the tourism enterprises' financial performance. Recently, Font et al. (2012) investigated the corporate social responsibility policies and practices of ten international hotel groups. Surprisingly, their study indicated that the hotels' corporate systems were not necessarily reflective of their actual operations. The authors noticed that the larger hotel groups had more comprehensive policies, but also greater gaps in implementation. According to Font et al. (2012), the smaller hotel groups were more successful in focusing their energies on environmental management and they were delivering in this regard.

6.5 A Descriptive Case Study of a Multinational Hotel which embarked on a 'Shared Value' Approach

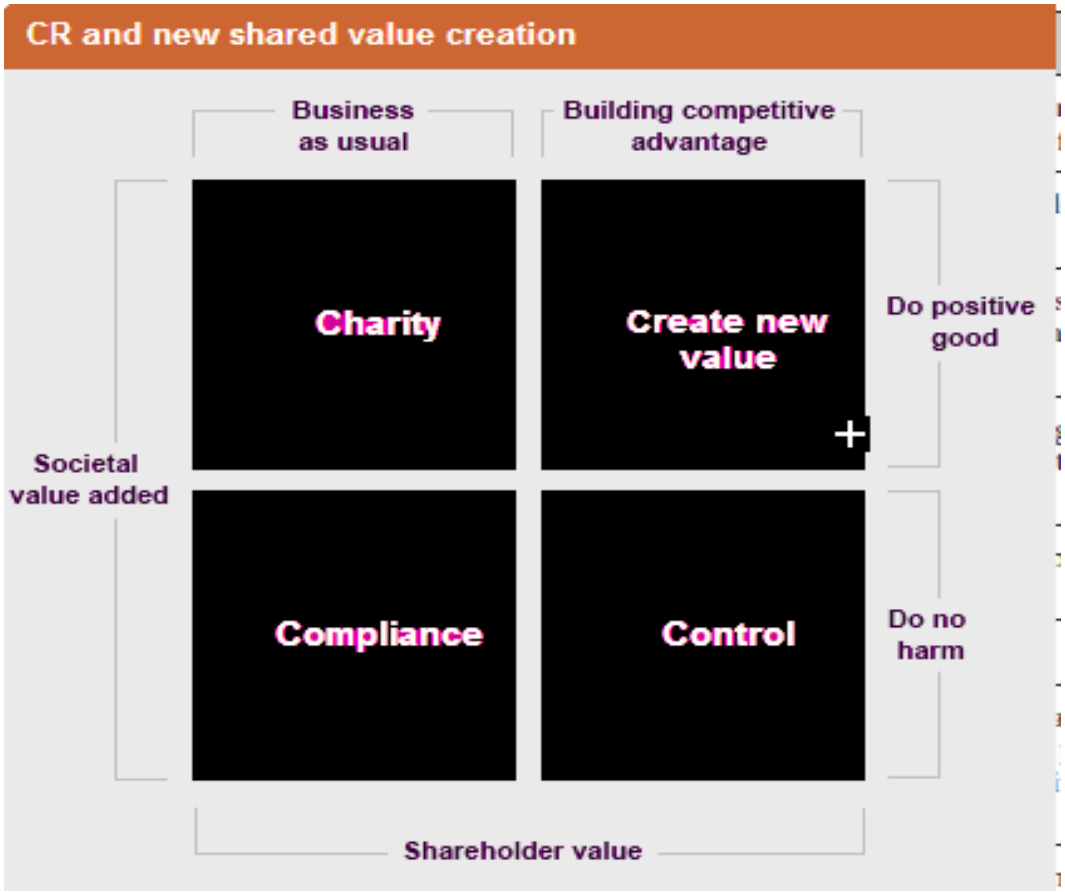
The Intercontinental Hotel Group (IHG) like many other international hotels has a section on its corporate web site which is entirely dedicated to corporate responsibility. The content of its web pages focus on innovation, collaboration, environment and the community. IHG suggest that their corporate responsibility (CR) report provides a clear and transparent record of what the hotel chain has achieved, and what needs to be done. In the foreword of their CR report, their Chief Executive held that CR is an integral part of the group's overall strategy to create value for their brand;

> "IHG Group recognises that strategic CR policies will help to create value. This can be achieved by managing costs, drive revenue and be prepared for the future". "…CR builds competitive advantage whilst strengthening our corporate reputation", (IHG, 2011).

In their corporate website, the IHG group have reaffirmed that they were successful in identifying innovative collaboration opportunities within the environment and the community. The Hotel chain had envisaged a reduction in energy consumption of up to 10% over the next three years. They claimed that they have planned to achieve this target by using an online sustainability tool named, 'Green Engage'. IHG suggest that this tool has helped them in measuring and monitoring energy, water and waste management. The international hospitality chain pride themselves of their dedicated web page, which outline their education programs, diversity initiatives, and environmental protection among others issues. Apparently, the IHG Group are aligning their CSR report with the Global Reporting Initiative Scorecard.

Their Url site even features a business model which depicts the way how they 'create shared value' through corporate responsibility as illustrated in Figure 6.1.

Figure 6.1 IHG's 'Creating Shared Value' model



(Source: International Hotel Group, 2011)

6.6 Summary

This chapter described various aspects of the tourism industry, with a particular emphasis on sustainable tourism. The first part of this chapter has given some details about sustainability and how this issue emerged following Brundtland's report. Afterwards, this chapter identified the key contributors who raised the issue of sustainable tourism; including the

United Nations Environment Programme (UNEP), the United Nations World Travel Organisation, the Earth Council and the EU Commission among others. In the European arena, there were several non-governmental organisations who were actively promoting the sustainable tourism agenda. The European Committee on Hotel, Restaurant and Institutional Education (EUROChrie), The European Federation of Food and Agriculture, the Association of Independent Tour Operators and the British charitable pressure group, 'Tourism Concern' were among the most prominent tourism organisations that have been responsible for setting initiatives in the sustainable tourism agenda. The literature review in this area suggests that the tourism industry had witnessed changing attitudes on the part of both the consumers and the suppliers. Evidently, the tourism destinations were moving away from their focus on mass tourism towards a more responsible tourism strategy. There was also a literature review of some academic contributions revolving around sustainable tourism and responsible behaviour. Finally, this chapter has provided a descriptive case study of a multinational hotel which is conveying its commitment towards responsible practices in the hospitality sector, by adopting Porter and Kramer's (2011) very own 'shared value' perspective.

Chapter 7.
THE RESEARCH DESIGN

7.1 Introduction

This chapter is concerned with explaining the methodology and the rationale behind the chosen research strategies and methods that were developed for this research project. The methodology employed in this study uses a mixed method of quantitative and qualitative methods appropriate to developing research on CSR practices in the hospitality sector. This chapter explores several philosophical stances that lay the foundations of this research. The different research options available are evaluated and compared. The following research framework provides the structure for this study's research process, as illustrated in Table 7.1.

Table 7.1 The Research Framework

Defining the research objectives

↓

Developing the research design

↓

Implementing the research – data collection and analyses

↓

Interpreting and reporting the findings

(source: Camilleri, 2006; University of Leicester, 2005)

The selection of the research methods is inevitably and inextricably integrated with the research questions of this study, in order to secure a better in-depth understanding of the phenomenon under investigation (Denzin and Lincoln, 2004; Maxwell, 2005). This chapter is intended to clarify the administration of data gathering and collection procedures, with special

reference to the particular research setting. Relevant information about the audience is provided in the latter part of this chapter.

7.2 Defining the Research Objectives

The aims and objectives for the entire research process are restated hereunder:

- What are the Maltese hoteliers' current insights, perceptions and attitudes of responsible behaviour? What is their ethos for CSR?
- Are the hotel owner managers communicating their laudable behaviour and promoting their adoption of responsible practices among their stakeholders?
- What is their commitment to social and environmental behaviour ? Are the hospitality organisations dedicating enough resources (financial and human resources) to strategic CSR practices?
- What is their business case? Are the hotel enterprises successful in using CSR as a strategic tool to leverage their internal and external organisational behaviours? Are they capable of gaining a competitive edge through an optimal organisational performance?
- Does organisational size and the availability of resources matter in their strategic CSR agenda?
- How are the hospitality organisations capable of creating shared value opportunities for their business as well as for society? What are the determinants (the temporal antecedents) of shared value?

Essentially, this study explores the nature and extent of CSR engagement in hotel enterprises. The focused research objectives guided the study, together with six hypotheses which have determined the conduct of this

methodological position, the research design, the operational strategies, as well as the methods and procedures which were taken up during the course of this inquiry. There was justification for choosing the mixed research techniques, as these were closely aligned with the research questions. Therefore, the research strategy has been based on a combination of both the qualitative and quantitative research methods.

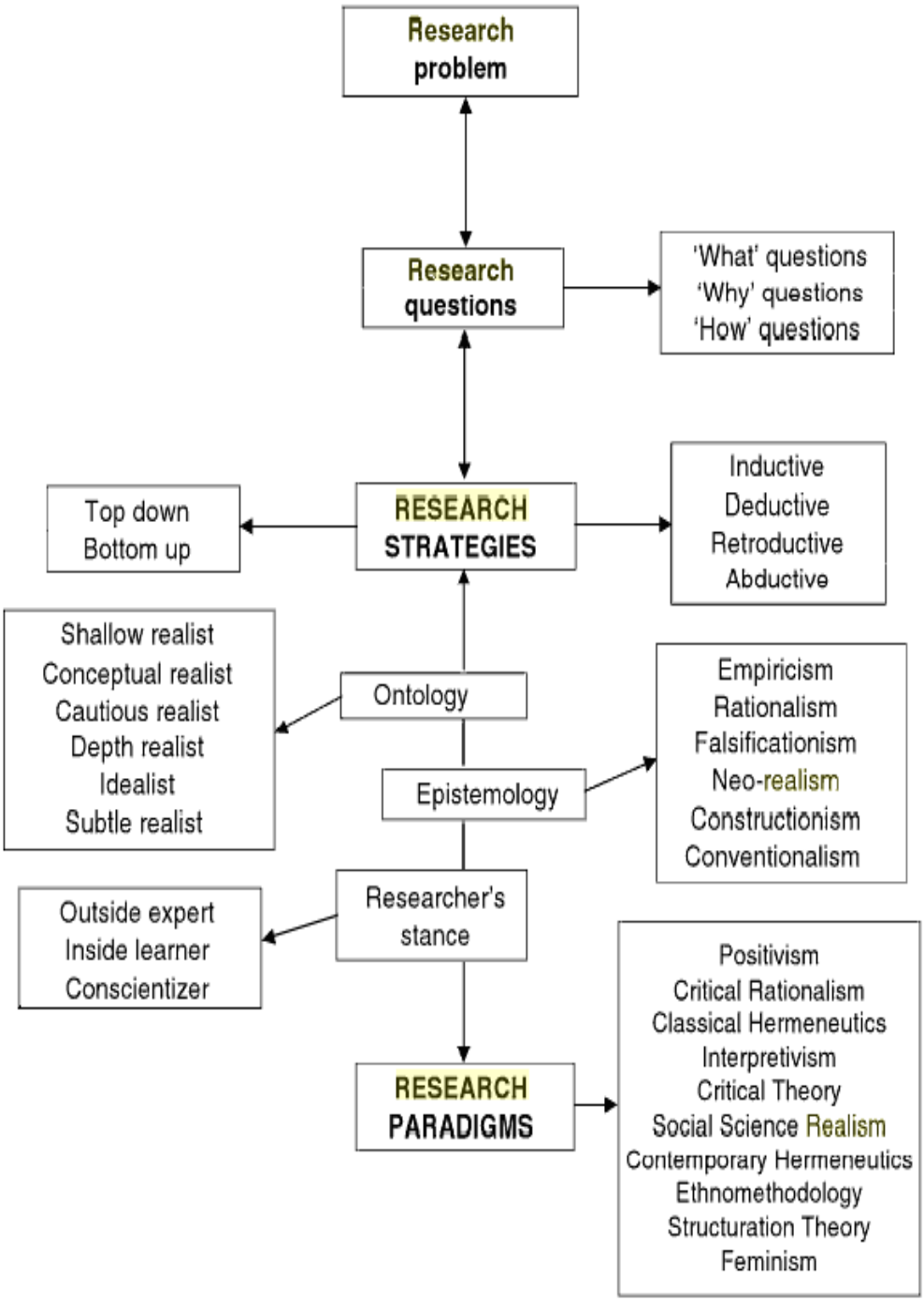
7.3 Developing the Research Design

Once the research aims and objectives have been defined, the next step is to concentrate on developing the research design. The general philosophical questions about social reality may be unravelled by underpinning the research tools (Baxter et al., 2001:59). Similarly, Easterby-Smith et al. (2002) have argued that the philosophical issues help the researchers to better understand the notion of research design. This thesis considered different research paradigms underlying the chosen research methods, as they have provided a balanced view during the research processes. Saunders et al., (2009) suggested that research projects should take into consideration the ontological and epistemological philosophies, as those over-arching terms relate to the development of knowledge and the nature of the acquired knowledge.

The key building blocks for this research involved directional relationships between ontology, epistemology and methodology. Inevitably, there is an inter-relationship between what can be researched (the ontological position), what can be known and discovered (the epistemological position), and how to go about acquiring it (the methodological approach). This research design has been set from key concepts which eventually became variables through the specification of procedures for their measurement. This research project

has been carried out in a systematic manner as illustrated hereunder, in Figure 7.1.

Figure 7.1 The Research Design



(Source: Blaikie, 2007)

7.4 Research Philosophies

The ontological and epistemological philosophies sharpen the methodological perspectives for the investigation of theory and data. In Blaikie's (2007) own words;

> "The methodological perspectives are defined in terms of their ontology and epistemology, and include reference to the logic of theory construction, what counts as data, explanations and theory, criteria of validity, and views on the particular nature of social reality and the relationship between the natural and social sciences", (Blaikie, 2007:6).

7.4.1 Ontology – What's out there to know?

Ontology is the foundation of the research design. This term defines the image of social reality upon which theory is based. Blaikie (2007) defined ontology as the science or study of being. 'An individual's ontological position is the answer to the question: What is the nature of the social and political reality to be investigated?' (Hay, 2002:63). 'The ontological assumptions are concerned with what we believe constitutes social reality', (see Blaikie, 2000:8). The ontological philosophy portrays our views on the nature of reality. Arguably, such views or perceptions may well arise from our own claims or assumptions. Interestingly, an underlying question emerges about ontology. Does objective reality really exist, or is it just a constructed subjective reality?

According to Blaike (2007), there are various ways to tackle the question about social reality. He went on to argue that the reasonable assumptions are concerned with what exists, what it looks like, what units make it up, and how these units interact with each other. Bryman (2001:16-18) argues that

constructivism is considered as an ontological position. He asserts that the phenomena and its meanings are changing by social actors. He implied that social phenomena and categories are not only produced through social interaction, but they are in constant state of revision (Bryman, 2001). Hatch and Cunliffe (2006) explained ontological philosophy by resorting to simplified examples. They have used the case of a workplace report to illustrate their point. Their inquiry was whether the report described social reality, or whether it was based on a construct. Evidently, the authors conveyed the complexity behind the phenomena such as culture, power or control. They questioned whether these forces really exist or not. They went on to discuss how individuals (and groups) determine the subjective or objective realities.

Undoubtedly, all individuals exhibit a number of deeply embedded ontological assumptions. Such stances will often tend to affect our personal views on what is real or surreal. For instance, many respondents in research surveys may indicate their agreement with some statements over others. Arguably, such underlying assumptions ought to be considered before administering the survey questionnaires. Perhaps, the researcher could be blind-folded to certain aspects of his/her inquiry or to certain phenomena. At times, the respondents' opinions may be implicitly and erroneously assumed or taken for granted. Curiously, the informants of the qualitative study came up with different courses of action in their discussions. When considering that different views always exist regarding what constitutes reality, another interesting question arises; how is that reality measured, and what constitutes knowledge of that reality? This research project will be answering this question by using both quantitative and qualitative approaches, to come up with holistic interpretations of the findings, in a triangulation stratagem.

7.4.2 Epistemology – What and how can we know about it?

The epistemology philosophy is concerned with understanding the nature of knowledge, its scope and how it is acquired. Therefore, epistemology considers views about the most appropriate ways of enquiring into the nature of the world (Easterby-Smith, Thorpe and Jackson, 2008). This field of study focuses on how we know what we know (Tsoukas and Chia, 2002). In addition it also considers the possibility of enhancing our existing knowledge. Interestingly, other notions which relate to epistemology include truth, belief, and justification. Blaikie (2000:8) described epistemology as the nature of knowledge about reality. He argued that there are possible ways of gaining knowledge of social reality, whatever it is understood to be. The author suggests that there is potential to deepen our knowledge about reality, if it is assumed to exist. Therefore, epistemology focuses on the data collection processes. Arguably, the knowledge and the ways of discovering it may be very dynamic. As time progresses, our previous knowledge evolves and changes. One of the key purposes of social research is to acquire knowledge about things that are happening (or have already happened) in 'the real world' (Bryman, 2007). Thus epistemology considers the research methods, as it defines how knowledge can be produced and argued for (Eriksson and Kovalainen, 2008).

In this case, this research project and its related findings are not just a matter of interest which is restricted to academia. Undoubtedly, this project's results will concern the hospitality practitioners. This study will enhance our existing knowledge about reality. Certainly, with the right epistemological stance, there is a better possibility to have more relevant and verifiable data collection, which may be relied on (see Hatch and Cunliffe, 2006). It is hoped

that this project's findings will be meaningful to the Maltese tourism industry including its regulatory authorities; by increasing their existing knowledge, their insight and awareness of responsible behavioural practices.

7.5 Research Paradigms

Eventually, the discussions about the ontological and (the related) epistemological positions lead to the research paradigms (Blaikie, 2000). Some authors simply denote them as research philosophies (see Saunders et al., 2009). Curiously, these philosophies are rooted in both classical and contemporary forms of research approaches. According to Denzin and Lincoln (2003), the research paradigm is an 'interpretative framework'. Generally, the paradigms which were the most prevalent in research have formed the 'poles' from which other paradigms were developed or derived. Often, different names are used to describe similar paradigms. The next section considers three key paradigms which are also very relevant in business research. These paradigms include; the positivist (classical), the interpretivist / constructivist (classical) and the realist (contemporary).

7.5.1 Positivism

The positivist position believes that there are 'absolute truths' about the real world and that knowledge about these truths can be acquired by a researcher who is separated from the observed phenomena. 'Positivism advocates the application of the methods of the natural sciences to the study of social reality and beyond' (Bryman 2001:12-13). The positivist tradition presumes that the present knowledge is reliable, in a sense that what is already known about particular cases can be used to generate empirical propositions that will hold for similar cases. The positivist position is usually characterised by

the testing of hypotheses; which are developed from existing theory (i.e. deductive or theory testing) through the measurement of observable social realities. According to this position, the social world exists objectively and externally, thus the acquired knowledge is only valid when it is based on observations of the external reality. The theoretical models which can be developed from the positivist stance are generalisable; in that, they can explain cause and effect relationships. Usually this approach lends itself to predicting outcomes. Moreover, positivism is based upon values of reason, truth and validity, which is usually based on direct observation and experience. It may seem that many academics relate the positivist approaches to empirically grounded statistical analyses including quantitative methods, surveys and experiments (see Blaikie, 2007; Saunders et al., 2009; Eriksson and Kovalainen, 2008; Easterby-Smith, Thorpe and Jackson, 2008; Hatch and Cunliffe, 2006). Hatch and Cunliffe (2006) relate positivism to the organisational context. They argued that positivists test their hypotheses on the business organisations by using their scientific measurement of the behaviour of people and systems. Remenyi et al. (1998) suggest that only observable phenomena can provide credible data. Popper (1959) argued that scientific knowledge is the strongest knowledge available although it is still not a "true" portrayal of the real world;

> "…there is no such thing as a logical method of having new ideas, discovery contains an irrational element or a creative intuition", (Popper, 1959).

On the other hand, there is Kuhn's work about the paradigm's power; limiting the scientific inquiry. He held that admissibility of theory in the scientific 'establishment' is subject to social rather than rational phenomena (Kuhn, 1962).

7.5.2 Interpretivism / Constructivism

The interpretive (or modernism) stance suggests that social reality is subjective. Bryman, (2001:12-13) describes interpretivism as a strategy which takes into consideration the differences between people. He goes on to say that this approach requires the social scientist to grasp the subjective meaning of social action. This position is described by Hatch and Cunliffe (2006) as anti-positivist and by Blaikie (2007) as post-positivist since it is contended that there is a fundamental difference between the subject matters of natural and social sciences. Social reality is based upon experience, memories and expectations. Therefore the knowledge is constructed (over time) resulting in constant re-constructions through experience and many differing interpretations. The positivists perceive the interpretivism model as the basis of the natural scientific subjects' ability to generate reliable knowledge about the real world. The challenge for social research is to adapt these interpretivist methods in order to generate equally reliable knowledge about human behaviour.

In the light of these multiple interpretations which shape social reality, it is important to discover and understand the contextual factors. Undoubtedly, these factors will influence, determine and affect the interpretations reached by different individuals. Denzin and Lincoln (2003) noted that the interpretivists usually consider that there are multiple realities which could be explored. Hatch and Cunliffe (2006) asserted that all knowledge is relative to the knower. They suggest that interpretivism involves induction and theory building. The authors noticed that the researchers investigate the social reality by looking closely at their respondents' points of view. Hence, they will interpret individual perceptions and experiences in the context of

their academic research background. Saunders et al. (2009) held that the respondents' opinions can be highly contextual. The authors implied that opinions are not widely generalisable. Easterby-Smith et al. (2008) drew attention on understanding what people are thinking and feeling. They noted how people engage themselves in verbal and non-verbal communication. Eriksson and Kovalainen (2008) associated the interpretivist approach with the qualitative research techniques. They maintained that this paradigm is very subjective in nature. Evidently, this paradigm's emphasis is on the language per se, as there seems to be a closer relationship between the researcher and the respondents.

7.5.3 Realism

This approach suggests that reality is objective. Arguably, the positivism stance is over-deterministic. It may seem that there is little room for choice, due to the causal nature of universal laws. On the other hand, constructivism is totally relativist and highly contextual. The real structures exist independently of human consciousness, but knowledge is a social construct. Saunders et al. (2009) held that our knowledge of reality is a result of social conditioning. Bhaskar (1989) argues that in order to understand reality, it is necessary to understand the social structures that have given rise to the phenomena under analysis. Blaikie (2007) gave a comprehensive explanation of realism. He argued that realism is concerned with what kinds of things there are, and how they behave. Of course, an objective reality exists, in spite of science or observation. The author went on to say that 'there is validity in recognising realities that are simply claimed to exist or act, whether proven or not'. Blaikie (2007) describes realism as 'ultimately a search for generative mechanisms'. He suggests that realists act independently or 'out of phase' with the observable situations, where events may occur unexpectedly.

Curiously, Hatch and Cunliffe (2006) describe this view as a 'stratified' form of reality. They suggest that surface events are influenced by underlying structures and mechanisms, as they point out that, what we see is only part of the picture. The realists research from different angles and at multiple levels.

> "…the realist researcher enquires into the mechanisms and structures that underlie institutional forms and practices; how these emerge over time, how they might empower and constrain social actors, and how such forms may be critiqued and changed", (Hatch and Cunliffe, 2006).

In common with interpretivist positions, realism recognises that natural and social sciences are different and that social reality is pre-interpreted. However realists in line with the positivist position also hold that science must be empirically based, rational and objective. Realism suggests that social objects may be scientifically explained, as it is the case of quantitative analysis. Interestingly, the positivists claim that direct causal relationships exist, and these relationships lead to prediction. Therefore the underlying mechanisms can be understood through observation, as it is the case in qualitative analysis. Ultimately, this paradigm takes aspects from both the positivist and interpretive positions.

7.6 Scientific Realism for the Quantitative Study

Several scientific realism approaches seem to suggest that our best theories have an epistemic status as they yield relevant knowledge, including the unobservable aspects of social reality. Interestingly, Van Fraassen (1980:8) and Lyons (2005) suggest that an alternative way to think about scientific realism is in terms of its epistemic aims of scientific inquiry. This has raised questions about this position, in terms of what science aims to do. The

scientific realist seems to believe that only science produces true descriptions of things in the world. Consequentially, if science aims to uncover the truth, then the scientific method is successful in reaching the research objectives. Mäki (1990) held that scientific realism is the most reliable way to explore the world. In the same year, Hunt (1990) suggested that scientific realism is based on four propositions:

(i) "The world exists independently of how it is perceived (classical realism);
(ii) The task of science is to advance knowledge about the world, even though such knowledge will never be known with certainty;
(iii) All claims which are derived from knowledge must be critically evaluated and tested in order to determine their extent and whether they do or do not truly represent their world (scientific method) and;
(iv) The truth is an appropriate goal for marketing (and social) theory and research" (source: Hunt, 1990:11).

The scientific realism approach may be considered as a very challenging theory as there are many different definitions to it. Pertinent academics described scientific realism in terms of the truth, or approximate truth which is derived from its theories. Other commentators defined it in terms of the successful reference of theoretical terms to both observable and unobservable issues. Yet, there were academics who genuinely believed that scientific realism was driven by the ontology of scientific theories rather than from the truth or reference (see Chakravartty, 2007).

Scientific realism suggests that reality can be revealed through scientific methods. This approach offers the possibility of using a wide range of research techniques to uncover knowledge and reality. Its validation process encompasses the testing of hypotheses, through different research

techniques. Hence, scientific realism gives a true picture of the observable and unobservable reality. Building upon this, Hunt (1990) stated that;

> "Applied to marketing and social science, scientific realism maintains that, to the extent that there are theories that have long-run success in explaining phenomena, predicting phenomena, or assisting in the solution of pragmatic problems in society, we are warranted in believing that something like the postulated entities and their structure or relationships exists, that is, they truly represent or correspond to reality external to the theorist", (Hunt, 1990:11).

Psillos (1999) argued that scientific realism agrees with the fact that no single approach to science guarantees scientific progress. Brglez (2001) describes scientific realism as a philosophical perspective which views reality as being independent from thought, knowledge and language, and sometimes as agents in social reality. The existence of 'unobservables' can be approached by the scientific method in order to identify explanations for observable regularities and events (Mäki, 1990). In relation to this point, Hunt (1991) determined that scientific realism can be used to provide evidence of both observable and unobservable entities.

In conclusion, (1) given the scope of scientific realism, where reality is something that exists it can be approached through the scientific method; (2) scientific realism offers the possibility of using a wide range of research techniques to approach knowledge and reality; and (3) the scientific realism approaches combine observations in the validation process (i.e. testing, results generalisation), and (4) the quality check of assessing the results within their social context; are some of the reasons why scientific realism has been chosen as the framework for conducting the quantitative research in this project.

7.7 Grounded Theory for the Qualitative Study

Grounded theory method as formulated by Glaser and Strauss (1967) is a systematic methodology, which involves the theorisation through data analysis. The grounded theory method is a systematic generation of theory from data that contains both inductive and deductive thinking (Murillo and Luzano, 2006). This approach has been widely used within the qualitative research. The goal of this theory is to discover the informants' attitudes and perceptions. The questions which are asked in a grounded theory perspective are; 'What's going on?' and 'What is the main problem of the participants, and how are they trying to solve it?' (Isabella, 1990). In the author's own words;

> "…fluid movement between theory and data is useful for the reconceptualisation and for the accounting of all nuances in the data", (Isabella, 1990:12).

The grounded theory is a research method, which operates in a reverse fashion from the traditional research. It may appear that it contradicts the scientific method. For the grounded theory, rather than beginning with a hypothesis, the first step is data collection. In a way, the grounded theory method resembles what many researchers do when they formulate new hypotheses, but this is carried out retrospectively, to fit the data. This contradicts the traditional model of research, where the researcher chooses a theoretical framework, and only then applies this model to the phenomenon to be studied. From the gathered data, the key points are marked with a series of codes, which are extracted from the text. Afterwards the codes are grouped into similar concepts in order to make them more workable. From these concepts, categories are formed, which are the basis for the creation of a theory, or a reverse engineered hypothesis.

> "…the grounded theory is a framework which offers a set of coding procedures' which provides standardisation and rigour. Yet, it reconciles systematic research with creativity", (Strauss and Corbin, 1998).

As opposed to the scientific realism, the results of the grounded theory are not reported in a statistical fashion. The findings are portrayed as sets of statements about the relationships between concepts. Alternatively, the statements can be integrated as conceptual hypotheses which have been developed from the empirical data. The grounded theory has been chosen as the framework for conducting the qualititative research in this project.

7.8 Research Strategy

According to Saunders et al. (2009) the research strategy is simply concerned with the overall approach adopted in the research process. Arbnor and Bjerke (1997:5) admitted that it is very difficult to empirically (and logically) determine the best strategy. They argue that the chosen approach can only be done reflectively according to the case study under investigation, whilst taking account of the researcher's bias. This study considers the inductive and deductive research strategies (Blaikie, 2000):

- Inductive: aimed at deriving theories from data and patterns,
- Deductive: aimed at testing hypothesis about the some phenomena,

The induction strategies seem to be suitable when undertaking the qualitative research questions. The inductive approach starts from the observation of empirical events and gradually comes to construct the explanation and theories based on that empirical observation (Easterby-

Smith, 1997). The data gathering process is usually followed by generalisations which are driven by logic. This implies that the outcome from the research is not anticipated. In the absence of prior presumptions, the main task is to analyse the data collected by using inductive logic to draw generalisations and regularities (Easterby-Smith et al., 2008). On the other hand, the deductive strategies address the quantitative research questions. The deductive approach develops a conceptual and theoretical structure, namely a `hypothesis', prior to any empirical observation. The hypothesis is then tested through comparisons to the observed results (Jankowicz, 1995; Robson, 1993). Saunders et al., (2009) suggested that deduction involves the rigorous testing of theories. Many authors agreed that deduction is a dominant research approach in the natural sciences, where there are laws which present the basis of explanation, as they allow the anticipation of phenomena, predict their occurrence and therefore permit them to be controlled (Collis and Hussey, 2003). Sheppard (1995) had used the term 'retroduction' to cut across the traditional distinction between inductive and deductive research strategies. Sayer (1992:107) described retroduction as a mode of inference in which events are explained by postulating mechanisms which are capable of producing them. White (1997) argued that the concept may be used as a heuristic device to help to understand and evaluate the interpretive process of assessment. Popper (1959) exemplified the 'hypothetico-deductive' or 'falsificationist' method, where he pointed out that theory inevitably penetrates inquiry. The remedy is to subject any hypothesis to a rigorous process of falsification, so that knowledge develops ‘on the survival of the fittest basis’ (White, 1997).

7.8.1 Combining the Inductive and Deductive Strategies

Clearly, these two research strategies are very different. Creswell (2003) summarised the major differences between deductive and inductive approaches to research as illustrated in Table 7.2.

Table 7.2 - Inductive and Deductive Strategies

Induction emphasises	Deduction emphasised
* Scientific principles	* Gaining understanding of the meanings human attach to events
* Moving from theory to data	* Close understanding of the research context
*Collection of quantitative data	* Collection of qualitative data
* Application of controls to ensure validity of data	* Flexible structure to permit changes of research emphasis as the research progresses
* Operationalisation of concepts to ensure clarity of definition	* Realisation that the researcher is part of the research process
* Highly structured approach	* Less concern with the need to generalise
* Researcher independence of what is being researched	
* Necessity to select samples of sufficient size in order to generalise conclusions	

(Source: Creswell, 2003)

Although there are underlying dissimilarities within the two strategies, this research project has successfully combined both approaches. Even Blaikie (2003) has indicated that the combination of both strategies is feasible. The first phase of this study has conducted deductive strategies which involved quantitative data collection procedures through a survey questionnaire instrument. Eventually, the gathered data was systematically analysed to generate knowledge. This strategy was based on the positivist assumption, were deduction is considered as a scientific approach. All the preconceptions about the research question, the data and the previous relationships between variables were ignored. This strategy was considered very useful when there

were regularities, and there was consistency in the data findings. Hempel (1966) suggested that the deductive strategy involves the observation of facts without evaluating their relative importance. Actually, the findings in this study were analysed, compared and classified. The quantitative analysis phase involved the utilisation of scientific principles for data validation and reliability in order to attain significant results. 'Some of the potential criticisms about the deductive strategy are based on the difficulties of carrying out research without any preconceived ideas of what can be expected out of the data' (Blaikie, 2003). Hence, in the data analysis phase the relationships between variables are tested and established.

A inductive stance was taken in the second phase of this study. The qualitative data collection has reinforced the understanding of the research context. The logic behind this strategy is the opposite of the deductive strategy. Rather than theory being the outcome of research, it had to be produced, borrowed or invented at the outset (Blaikie, 2003). Nonetheless, induction possesses important characteristics. There seems to be a need to explain associations between the variables under investigation. Saunders et al. (2009) suggested that the inductive approaches are characterised by their generalisations of regularities in social behaviour. It may be argued that this strategy is subject to inference and interpretation. Robson (2002) reported five sequential stages within the inductive research:

- "Deducing a hypothesis from the theory;
- Expressing the hypothesis in operational terms, which propose a relationship between two specific concepts;
- Testing the hypothesis;
- Examining the specific outcome of the inquiry (it will either confirm the theory or indicate the need to modify it); and
- If necessary, modifying the theory in the light of the findings".

(Source: Robson et al. 2002:95)

7.8.2 Concepts, Theories, Hypotheses and Models

Hypotheses are provisional answers to certain questions which are usually based on past empirical work or specific research strategies. The hypotheses are frequently presented in a form of relationships between two concepts. Testing them may involve seeing if the associated variables have the same relationship as previously predicted in the hypotheses. This research has presented six hypotheses at the outset of this thesis, as they were considered relevant for both the conceptual theory and empirical testing. The hypotheses are very relevant to answer the 'why' questions and at times they can also address the 'how' questions. On the other hand, not all research questions require hypothetical formulation, as they have no place in answering the 'what' type of questions.

7.9 Implementing the Research – The Data Collection Phase

7.9.1 A Sequential Exploratory Design for the Data Collection Process

The possible research philosophies and strategic frameworks have been considered to determine the most appropriate data collection methods. This thesis shall be using sequential exploratory and explanatory techniques in line with triangulation stratagems (see Creswell et al. 2003). The sequential design will involve desk research. This is followed by the quantitative and qualitative research methods. Whilst adopting triangulation, this research project shall explain and integrate the findings of the initial quantitative study with the qualitative methods to reinforce this study (Teddlie and Tashakkori, 2009). In the process the relevant exceptions will be identified

and explored. There were sequential research designs which have been implemented during the course of this study. Table 7.3 illustrates a visual model of the sequential exploratory design through a time scale.

Table 7.3 Time Scale of the Data Collection Process

October 2010 - January 2011: Web survey questionnaires were distributed (online) to all the licensed hotel accommodation establishments in Malta;

February 2011 – June 2011: Semi-structured interviews were held with six owner managers in the Maltese hospitality industry;

July 2011 – September 2011: Telephone interviews were carried out with three government officials who were responsible for setting regulatory policy.

In the following sub-sections, an open, detailed account of data collection and analytical procedures is presented as a platform towards achieving the desired credibility and high ethical standards of this research project. Data collection was a process which involved multiple interdependent actions with the purpose of generating high quality data in order to address the research question from various angles.

7.9.2 Research Methods

This study is based on a combination of both qualitative and quantitative research techniques. A web-survey (based on a structured self-completion questionnaire), semi-structured interviews together with observations and documentation have been carried out in the research fieldwork. Moreover, an extensive literature review was conducted throughout the duration of this study.

7.9.2.1 Exploratory Research

Essentially, the exploratory data analysis consisted of secondary data. This data was the first source of knowledge which was very useful to gain insight on the research subject. The focused questions and hypotheses were developed following an extensive literature review. The secondary data has been collected and analysed throughout this research project. Of course the data had to be relevant and consistent with this project's aims and objectives. Such data comprised academic books and journals, government and regulatory authorities' publications, industry reports, private organisations' reports, trade union and hospitality associations' surveys. All this data provided a wide array of information which was deemed relevant to the research objectives of this study. Notwithstanding, this secondary data turned out to be purposeful for the corroboration of the primary data which was gathered throughout the research fieldwork.

More specifically, the secondary data was collected to explore the existing conceptual and empirical studies and to identify any academic gaps in literature. The theoretical underpinning involved a thorough scrutinisation around the concept of CSR and its related notions. Pertinent research was carried out about the regulatory and legislative aspects of CSR. Moreover, this research sought specific knowledge about the tourism and hospitality industry in Malta, as this was the research environment for this project. Nonetheless, there was also adequate research about the different types, structures and resources of the Maltese hospitality enterprises. This research has often referred to the European Union's policies and media releases on the subject. Surprisingly, there were many relevant publications including trade unions' surveys and industry reports about the tourism industry in Malta. However, there was little or no relevant statistical information about the

Maltese hospitality enterprises, particularly about their CSR policies and practices.

7.9.2.2 The Primary Data

Essentially, this type of data consists of information and knowledge which is not presently available, but was required to meet the objectives of this project. Initially, the quantitative study targeted the whole population of hotel enterprises in Malta, in its entirety. All the licensed accommodation establishments in the Maltese islands have been earmarked for this ambitious study. In this case the 'population' was small and easily located. For the qualitative fieldwork a random sampling technique has been used to target six respondents.

7.9.3 The Quantitative Method

The quantitative research involved the statistical analysis of the survey questionnaires' responses. This method was characterised by the limited contact between the researcher and the informants. This lack of personal involvement reinforced my objectivity in the research. The quantitative analysis was considered highly relevant to this study, as it related to the epistemological stance of scientific realism. This meant that the quantitative results were eventually analysed by using objective statistical techniques. Eventually, the quantitative techniques led to the formulation of systematic analytical models.

7.9.3.1 The Survey Questionnaire

There was an emphasis to produce data which was strictly based on observations. As a consequence, the survey focused on data rather than conceptual theory. Paradoxically, Babbie (1989) held that surveys do not

measure social action (i.e. what people do), but what they say they do, have done, or will do. Nevertheless, the questionnaire has provided an efficient and economical way of collecting responses from a relatively large sample (Saunders et al., 2009). The questionnaire is one of the most widely used data collection techniques as it contains standardised, pre-coded answers. Questionnaires have frequently been used to identify and describe various phenomena, and to examine and explain relationships between variables (DeVaus, 2002; Salant and Dillman, 1994). Saunders et al. (2009) noted that the validity and reliability of the data collected through questionnaires depends (to a large extent) on the design of the questions, as well as on the questionnaire's structure. There were numerous reasons which justify why the questionnaire has been chosen as a data collection technique in this present study. In particular, the quantitative data is usually gathered very quickly and efficiently. In this case, the questionnaire has used close-ended (standardised) questions which facilitated its completion. The respondents completed the questionnaire in a few minutes. Interestingly, this method has also allowed the respondents to answer the questions at their own time and pace. The fact that the questionnaires offered time flexibility, it resulted in a larger number of responses. Usually the business owner-managers are not readily available to respond to other types of research techniques.

This research used web-based survey questionnaires for simplicity and practicality purposes. The web-survey questionnaires are relatively easy to arrange as they can cover a wide audience at no cost. Undoubtedly, such research instruments are becoming increasingly popular among quantitative researchers. Nowadays, the web surveys are considered as a very useful tool which allows easy accessibility to populations with a high rate of internet penetration and/or listed email addresses (such as the hotel owners and

senior managers). The other side of the coin is that the web-based questionnaire is also characterised by its empiricism in its approach. The researcher cannot check on the accuracy and honesty of the responses. Oppenheim (2000) and DeVaus (2002) argued that since there is the absence of the face-to-face contact in mail (or web) surveys, the researcher cannot make sure whether the right contact person has responded or not. The questionnaires have offered little opportunity for the researcher to check the truthfulness of the answers given by the respondents. Another disadvantage of questionnaires is their pre-coded questions and answers which can be frustrating and restricting. Moreover, the findings usually bias towards the researcher's preconceived views. Hammersley and Gomm, (1997) suggested that there was a common tendency to treat the validity of numerical data as given, despite their constructed character and sources of potential bias built into them. Moreover, due to their restrictive nature, the questionnaires may often lack the detail and depth of the topic under investigation.

7.9.4 The Qualitative Method:

In addition to the quantitative method, this study has also adopted a qualitative approach. Chisnall (2001) held that the essence of qualitative research is its search for a deeper understanding of factors and that it probes rather than counts. Qualitative research is interpretive in nature (Gephart, 2004), as it unearths collective frames of reference, or construed realities that guide the attribution of meaning as it helps to account for how managers create, enact, or interpret the reality they inhabit (Isabella, 1990). The qualitative research usually involves the collection of a significant amount of data from a relatively small number of people, in a fairly unstructured way. This method involves the exploration of the reactions, opinions as well as the behaviour of respondents. However, the collected data cannot be justified

statistically. Even though the research findings may give clues to the thinking of the other members of the target population, the data base is too small to make generalised statements. The findings from this research technique can be used to provide the researcher with an additional insight into existing trends.

Traditionally, qualitative research requires certain involvement between the researcher and the social world. The informed face-to-face interviews are often the principal source of data collection in several qualitative studies (Creswell 2003; Robson 2002). Undoubtedly such methods will allow the researcher the opportunity to refine his/her enquiry, follow up interesting leads, and investigate motives in such a way that impersonal questionnaires cannot do. Interestingly, non-verbal cues often helped in this research to better understand the verbal responses. While interviews are useful in collecting rich and revealing information, they are time-consuming as they required a lot of preparation and commitment. Zikmund (2003) suggested that studies involving an exploratory element are likely to include qualitative interviews in order for the researcher to be able to understand the reasons for the participants' attitudes and opinions. The qualitative element has revealed the respondents' intrinsic behaviours and perceptions (see Marshall and Rossman, 1999; Robson, 2002). There was also an opportunity to observe the respondent's environmental setting, by exploring the organisational culture and background, the firm's organisational structure and management styles, employee attitudes and the like. Such attributes can be noticed when conducting personal interviews. Inevitably, the structured surveys ignore such important variables.

7.9.4.1 The Semi-structured Interviews

The semi-structured interview technique has been chosen as it was considered very flexible in its approach. During the interview, new questions were raised following the interviewee's intervention. The semi-structured interviews were characterised by their pre-determined list of themes and questions. The questions were planned well in advance to suit the different participants. Due credit was given to the informants as they have allowed me to cover specific topics in depth and breadth. The questions were formulated in such a way to adapt to the context of the informants being interviewed. The form of interviewing was conversational in style, which has facilitated the exploration of complexities and different subjective interpretations and meanings (Taylor and Bogdan, 1998). It has also encouraged participants to share their views and experiences about the issues being discussed (Wengraf, 2001) making the interview instrument a suitable data-collection vehicle for the purposes of this study. In practice, some questions were added during the interviewing process. A degree of flexibility was necessary to fully exploit the emerging issues, especially when the participants themselves were keen to elaborate further. Open-ended questions were often used in both the face-to-face as well in the telephone semi-structured interview techniques (see Liamputtong and Ezzy, 2005).

7.9.5 Multi-method Research Approaches

This research adopts a mixed-method approach by combining the semi-structured interviews research methods with the web survey questionnaire. Undoubtedly, the mixed methods have resulted in a good insight in the research topic. Webb et al. (1966) held that social scientists are likely to exhibit greater confidence in their findings when these are derived from more than one method of investigation. They referred to the triangulation of

measurement. Bryman (1998) had also suggested using more than one research method to examine the same question from different angles. He claimed that multi-methods enable the researchers to strengthen the validity of their findings, particularly if both methods provide mutual confirmation. Johnson and Turner (2003) came up with a 'fundamental principle of mixed research'. This principle recommends a combination of qualitative and quantitative methods to collect multiple data. Arguably, different strategies, approaches and methods are likely to yield a mixture (or combination) of complementary strengths and non-overlapping weaknesses (also see Brewer and Hunter, 1989). Table 7.4 summarises some of the main features of both approaches:

Table 7.4 Characteristics of the Qualitative and Quantitative Approaches

	Qualitative approach	Quantitative approach
Technique	Qualitative techniques	Quantitative techniques
Objective	Concerned with understanding participants' behaviour from the frame of reference	Seeks the facts or causes of social phenomena without advocating subjective interpretation
Approach	Phenomenological approach	Logical, scientific approach
Measurement	Uncontrolled, observational data	Obtrusive, controlled measurement
Researcher position	Subjective, insider's perspective, close to the data	Objective, outsider's perspective, distance from the data
Method	Inductive, exploratory, expansionist, descriptive, discovery orientated	Deductive, ungrounded, verification - oriented, confirmatory, reductionist, inferential
Orientation	Process oriented	Outcome oriented
Evaluation	Validity is critical: rich, real and deep data	Reliability is critical: real, hard and replicable data
Scope	Holistic: attempts to synthesise	Particularistic: attempts to analyse

(source: Adapted from Creswell et al., 2003)

7.9.6 The Data Triangulation Perspective

Denzin (1970:297) defined triangulation as `the combination of methodologies in the study of the same phenomenon'. Triangulation assumes an objective reality that can be understood through the use of multiple methods of social research (Blaikie, 2010). Bryman (1998) referred to how Denzin treated triangulation as; 'an approach in which there are multiple observers, theoretical perspectives, sources of data and combined methodologies'. The academic literature in this field suggests that triangulation revolves around a set of techniques, which arise from a crudely realist paradigm (Seale, 1999). Webb et al. (1966) advocated the idea of multiple operationalism. The use of several methods at once is justified so that the biases of any one method might be cancelled out by those of others. Curiously, triangulation in qualitative research was advocated and popularised by Denzin (1970). Of course, the qualitative methods can be employed either singly or in combination with quantitative methods, including the use of experimental designs. Some authors held that the mixed-methods presume a methodological hierarchy, with quantitative methods at the top — relegating qualitative methods to 'a largely auxiliary role' (Howe, 2004:54-56).

Hammersley and Atkinson (1983:199) described triangulation as; 'a method which links between concepts and indicators, which are checked by recourse to other indicators'. Therefore a triangulation strategy implies that `the results of an investigation, employing a method associated with one research strategy are cross-checked against the results of using a method associated with the other research strategy' (Bryman 2001:447). Similarly, Ichniowski et al. (1996) held that the key to credible results is creating a collage of studies that uses different designs with their own particular strengths and

limitations. Many academic contributors maintained that there are advantages of combining quantitative and qualitative research approaches (Hofstede, 1984, Teagarden et al., 1997, Easterby-Smith et al. 2002). Denzin and Lincoln (2003) stressed that greater validity and reliability can be obtained if the conclusions made by using different methods are the same in studying the same phenomenon. Seale (1999) came up with six reasons which supported the logic behind the application of triangulation as follows: The findings from one type of study could be tested against the findings derived from the other type;

- "The quantitative research might be employed to plug the gaps that might arise in a qualitative study;
- The quantitative research is very efficient at identifying and dealing with the structural features of social life, while the qualitative research takes the subject's perspective;
- In addition the quantitative evidence might help to the generalisability of the research findings;
- A qualitative study could help to explain the factors underlying the broad relationship among variables in quantitative research.
- There is a possibility to link the macro and micro levels, as quantitative research can deal with large-scale structural features of social life, whereas the qualitative research tends to address the smaller-scale behavioural aspects" (source: Seale, 1999)

For the above reasons, this research combines the quantitative and the qualitative approaches. Given the resources that were available, the constraints and the particular research issues which the research process had to address, a mixed-methods research strategy had been carried out throughout this ambitious project.

7.9.7 Limitations of Triangulation

Field (2005) suggested that the use of multiple methods is not an absolute guarantee of the validity of findings. In fact using multiple sources can increase the chance of error. This issue could have been relevant if the quantitative and qualitative research methods have produced different results. Furthermore, Cohen and Manion (1989) claimed that there is often a dilemma about which of the research findings is to be given more weight when drawing conclusions. Theoretical triangulation does not necessarily reduce bias, nor does the methodological triangulation necessarily increase the validity and accuracy of the research project (Bryman, 2001). Arguably, a better picture can be obtained when combining different theories, but this does not necessarily imply that the research is objective.

Blaikie (2000) reiterated that triangulation is often concerned with reducing error or bias, rather than simply establishing the existence of some phenomenon, or values on some variable. The argument for triangulation is that by using different methods rather than a single method; the triangulation perspective ignores the ontological and epistemological issues. Interestingly, Silverman (1985) hinted elements of a positivist frame of reference, where he assumed a single reality. He suggests that there is no phenomenon which is without bias. In triangulation it may seem difficult to establish whether or not the results will converge from the different research methods (Jick, 1983). The author went on to say that the process of compiling research material which is duly based on multi-methods is still meaningful whether there is convergence or not. Jick (1983:144) explained that the researcher is often left to search for a logical pattern, when using mixed research methods. Of course, the claim to validate the results rests on the researcher's own judgement and experience. Interestingly, Jick described the

researcher as a builder and creator, piecing together many pieces of a complex puzzle into a coherent whole.

7.10 The Research Setting

The research fieldwork was carried out in Malta, the smallest country of the European Union. The main reason for choosing Malta for the data collection purposes was that it was considered logistically easier to carry out the thorough investigation of the whole population of licensed hotel enterprises. The quantitative study had targeted all the individual owner-managers of all the 92 accommodation establishments across the Maltese islands. The web-survey questionnaire has been administered between October, 2010 and January, 2011. All the accommodation establishments including the hotels ranging from 1 star to the 5 star categories (including bed and breakfasts, guest houses and hostels) were chosen to take part in this research project. Additionally, semi-structured interviews were held with six owner-managers of hospitality enterprises in the period between February and June, 2011. Subsequently, telephone interviews were carried out with three government officials who were responsible for setting regulatory policy, during the summer of 2011.

7.10.1 Locating the Participants:

The Republic of Malta is the largest of a small archipelago of six islands situated in the middle of the Mediterranean Sea, 93km south of Sicily and 288 km east of Tunisia. The two inhabited islands of Malta and Gozo have a land area of 316 km^2 and an overall coastline of 252.8 km (see Figure 7.2).

Figure 7.2 Map of Malta

(source: Lonely Planet 2012)

Malta is the smallest country in the EU and has a total population of 413,609 and a density per square kilometre of 1309 inhabitants. In 2008, the GDP per capita was approximately $25,800, with tourism's contribution to the economy nearing 20% of the GDP (Central Bank of Malta, Quarterly Review 2009:23). Interestingly, this empirical study has been carried out in a period where tourism was undergoing a recovery from the significant decline which was experienced in 2008. In 2011, tourism arrivals had amounted to almost 1.5 million as the tourism figures had increased by 5.6% over the previous year. The first half of 2011 registered very positive results, which was followed by a marginal increase in the third quarter. This can possibly be explained by a drop in air fares, as there were additional route network

developments by low cost carriers, operating to/from Malta. In the period under review, almost 90 per cent of all inbound visitors consisted of tourists coming from the EU Member States. Unfortunately, at the time of writing this thesis there was no data available about the total tourism expenditure in Malta which covers the year 2011 (Central Bank of Malta 2012; NSO, 2012; Eurostat, 2012).

7.10.2 The Audience

The survey questionnaires were distributed by email. Subsequently, the completed surveys were personally collected. Initially there were seventy four responses, but the missing data had reduced the number of valid surveys to seventy two observations. This represented a usable response rate of 78%. Whereas, in the qualitative study, six hotel informants were randomly chosen across the whole population. Moreover, another three expert respondents (government officials) were selected to speak about the regulatory guidelines and aspects of sustainable tourism in Malta. More details are given in the following chapters.

7.11 Summary

This chapter explained the research design of this project. It presented the rationale behind the philosophical approaches of the chosen strategies and outlined the methods for the research fieldwork. This research was by no means 'ad-hoc' in approach. The methodology in this study comprised both primary and secondary research techniques to address the focused research questions and the six hypotheses of this study. The research framework was illustrated in Table 8.1. As the chosen methodological stance was based on a multi-method framework, it was deemed necessary to consider several

philosophical stances and approaches which have laid the foundations of this research. There was justification for choosing the mixed research techniques. Yet, both the quantitative and qualitative research methods were closely aligned with the research questions, in line with triangulation stratagems. The data collection involved multiple interdependent actions, with the purpose of generating high quality data to address the research question from various angles. This chapter has provided some details about the research setting and it justified why the study was conducted in Malta. The quantitative and qualitative research techniques were employed to investigate the hotel owner-managers' perceptions and attitudes of responsible behavioural practices. Moreover, qualitative interviews were also held with officials in the regulatory authorities. More details about the quantitative and qualitative research techniques will be given in the following chapter.

Chapter 8
METHODOLOGY

8.1 Introduction

This chapter sets out the methodological approach which was taken in addressing the research questions in a multi-method research design. It starts by providing an explanation of the quantitative techniques. Principal component analysis has been employed to produce a set of latent variables (components) in the dataset. Afterwards, the regression equations using the stepwise entry method tested the hypothetical relationships of the components and / or variables. Therefore the regression models were significant. Later on, there is an explanation of the methodology behind the qualitative research. The qualitative data collection process involved semi-structured face to face interviews with randomly selected hotel owner–managers. Moreover, three telephone interviews were held with experts/policy-makers from the tourism regulatory authorities.

8.2 Capturing The Quantitative Data

A checklist has been used as a guideline for the vetting of the questionnaire prior to its administration. The questionnaire's design, layout and content had to be consistent with the objectives of this research and its stated hypotheses'. The questions were formulated in such a way to capture all the required data and information from the targeted respondents. The questions were meticulously chosen to collect the classified data for my quantitative analyses. The surveys' questions were sequential and followed a logical pattern. Many types of questions were used which ranged from open ended, multiple choice questions (using rating scales) and closed questions. The

questions were devised in a manner which encouraged every respondent to actively participate in the survey by answering every question, Moreover the questionnaires' answers had to be easy to record and process, in the data analyses phase. The quantitative results of the survey questionnaire are reported in the Chapter 9.

8.2.1 The Questionnaire's Design and Layout

The questionnaire consisted of 38 multiple choice questions which were relatively straightforward. The questionnaire had a clear layout, with large legible font and was as simple a structure as possible. It has been estimated that it took between ten to fifteen minutes to complete the survey questionnaire. The informants were required to tick the most appropriate responses about themselves and their enterprise. To maintain their cooperation and involvement, the questionnaire had to be interesting and easy to read. This has been achieved by keeping the questions as brief and concise as possible. Questions were clear and easy to understand. Therefore ambiguous words and phrases with two or more accepted meanings were avoided. The imprecise wording and ambiguous responses which may have led to confusion were left out. It was extremely important to make sure that the words used in the questions had to be clearly understood by the people to whom the questionnaire was directed. Jargon or technical terms which are peculiar to the hospitality industry were avoided altogether. The researcher aimed to avoid bias as much as possible, as the questions were set in a manner which does not influence the respondents' answers in any way.

8.2.2 The Questionnaire's Content

The questionnaire was designed to avoid leading questions; it raised awareness of CSR policies and prompted the respondents' consideration of their actions. The set of questions focused around the areas of interest and identified the gaps in academic literature. The questionnaire investigated the respondents' perceptions of their hotels' responsible entrepreneurship policies and practices. The sequence of the questions had a major influence on the accuracy of the collected data. The inquiry of standardised demographic data was positioned in the latter part of the questionnaire. As a means of encouraging the respondent to answer the personal questions, the respondents were presented with a range of tick boxes.

In the first section the respondents were asked about their business ethos which reflects their particular organisational culture and values. As the selected respondents were the owner-managers or general managers, the questions sought relevant information about their companies' vision and mission statement. Moreover, the questionnaire delved into their perceptions of CSR practices. Here the respondents were able to choose from a range of possible answers which were designed to reflect their different shades of opinion. It was important to ensure that the respondents were offered alternatives in the multiple choice questions, in order to provide sufficient scope for their valid responses. The respondents were able to differentiate between the answers without any difficulty.

Subsequently, the respondents were requested to divulge information about their human resource management functions as well as their respective policies. The questionnaire was structured in a manner where the respondents could easily provide insight about their social, environmental,

marketplace and community policies and/or practices. The structured multiple-choice questionnaire has also used different types of close-ended questions. It has been decided that the range of potential answers had to be limited in order to make analysis and interpretation easier (Hussey and Hussey, 1997). The assumption was that there were sufficient categories of responses (Remenyi et al., 1998). There were also a few open-ended questions, which gave the researcher an opportunity to obtain some spontaneous responses from the informants (Oppenheim, 2000). Most of the questions have used a rating scale to assess the degree to which the respondents exhibited their responsible entrepreneurship (CSR) credentials.

The reason behind the use of the five-point Likert scale was its simplicity, where a numerical value is attributed to the informant's opinion (Hussey and Hussey, 1997). Respondents were asked to indicate the strength of their agreement or disagreement with the statements. Responses were coded from 1 (Strongly disagree) to 5 (strongly agree) with 3 signalling indecision. In such symmetric, equidistant scaling the Likert scale has provided an interval-level of measurement. It was treated as an ordinal scale. Eventually, non parametric tests (such as the chi-squared) were carried out for statistical inferences. The respondents were requested to fill in their demographic details in the last part of the survey questionnaire. The nominal or categorical data, such as gender, age, educational levels, job classifications and organisational size types provided basic information on the surveyed population. Such data-sets represented mutually exclusive groups which later required unsophisticated nominal measurement.

8.2.3 The Questionnaire Administration

The Malta Tourism Authority has provided a complete list of all the licensed hotel accommodation establishments and the relevant contact emails of the owners or general managers. Hence, an online questionnaire link was sent electronically by means of an email, directly to the respective owner (general manager, chief executive or managing director) in all the hotels in Malta. There were numerous attempts to ensure that the questionnaire has been received by all the email recipients. Within the email (which enclosed the questionnaire link), the informants were informed about the rationale and the aims of this study, and they were guided how to complete the questionnaire.

8.2.4 The Response Rate

Initially, this online research instrument was tested on all the 14 five star hotels in the Maltese Islands, where there has been an encouraging response rate of 13/14. Subsequently, all the licensed accommodation establishments were selected to take part in the research project. The same online questionnaire has been used, but on this occasion it has resulted in a completely different outcome. Many steps were taken to ensure a high response rate; which included reminder emails and numerous telephone calls. Eventually, it transpired that there was a total of seventy-four (74) out of ninety-two (92) respondents (including the 5 star Hotels) which have actively chosen to take part in my research fieldwork. The online questionnaires were checked for completeness. There were two questionnaires which had to be discarded because of too many missing values Therefore, a total of seventy-two (72) out of ninety two (92) valid

responses (which represented 78% survey participation) from all the accommodation establishments in Malta, as illustrated in Table 8.1.

Table 8.1 Online Survey Response Rate

Hotel Category	**N**	**Population**	**Total %**
5 star Hotels	13	14	92.86
1-4 Star Hotels	59	78	75.64
Overall Total Response	**72**	**92**	**78.26**

Evidently, there was insufficient response among the lower rated/classified hotels, possibly indicating that they were not seeing the business case in CSR engagement, or they had lower CSR credentials and / or awareness. An interview guideline has subsequently been developed following the sound preliminary results of the questionnaire research tool.

8.2.5 Data Treatment and the Analytical Framework

Following the appropriate implementation of the quantitative research techniques, a formal data collection plan was necessary to ensure that adequate and sufficient data had been gathered. The data was transformed into a suitable form for analysis, using what is commonly referred to as data reduction techniques (Blaikie, 2010). Data reduction aimed to achieve the desired reliability, timely and accurate assessment of the findings. Unless an instrument is reliable it cannot be valid (Robson, 2002). Validity is generally concerned with how accurately the concept is defined by the measure (Hair et al., 1998). The data set was in Excel format and imported into SPSS. Initially, exploratory data analysis (EDA) and descriptive statistics were

carried out to examine categorical data. Subsequently, there was correlation analysis of the main variables, using Spearman's rank correlation coefficient. Principal component analysis and regression analysis were carried out in accordance with the previously set hypotheses. An effort was made to ensure that the data met the statistical significance requirements by testing it through non-parametric tests (see Blaikie, 2003; Bryman and Cramer, 2001).

8.2.6 Factor Analysis

Several researchers consider factor analysis as a very useful exploratory technique. Factor analysis was developed to explore and discover the main construct or dimension in the data matrix (Norusis, 2000; Kline, 1993). The primary objective of factor analysis was to reduce the number of variables in the dataset, and to detect any underlying structure between them (Hair et al. 1998). Therefore, factor analysis identified any inter-relationships among the variables, as a preliminary procedure for multivariate data analysis. Factor analysis' principal components method has been chosen to extract the components, on the basis of their linear combination of variables which exhibited the highest variation in the original variables (Hair et al. 1998; Tabachnick and Fidell, 1996).

8.2.6.1 Principal Component Analysis (PCA)

PCA sought a linear combination of variables such that the maximum variance was extracted from the variables. It then removed this variance and produced a second linear combination which explained the maximum proportion of the remaining variance. The so called the principal axis method resulted in orthogonal (uncorrelated) factors. There are four basic steps which are required to conduct the principal component analysis:

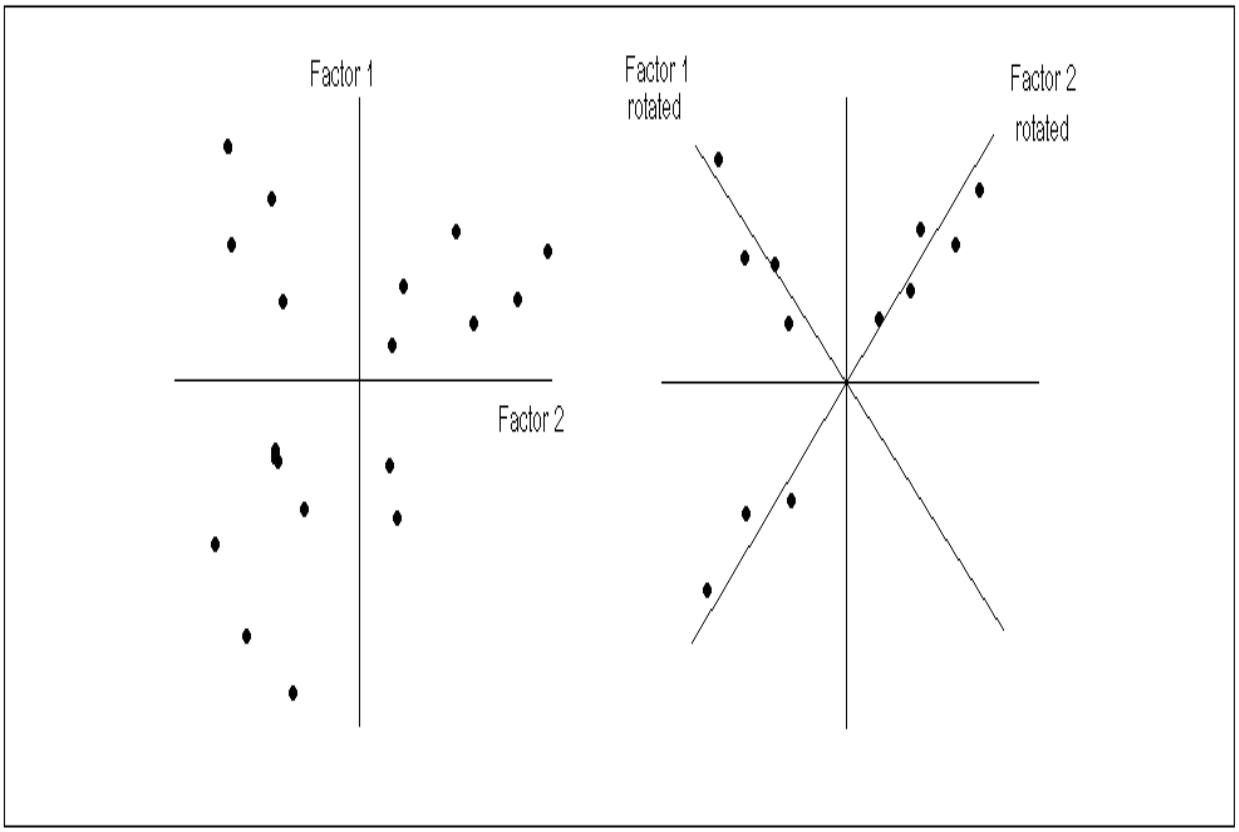
1. "Calculation of a correlation matrix of all variables to be used in the analysis,
2. Extraction of components,
3. Rotation of factors components to create a more understandable structure,
4. Interpretation of results".

(Source: George and Mallory, 2005)

8.2.6.2 Factor Rotation

The goal of factor analysis was to explain the phenomena of interest with fewer variables. The first step was to decide which factor components were going to be retained in the principal component analysis. The common sense criterion for retaining factors is that each retained component must have some sort of face validity and/or theoretical validity; but prior to the rotation process it was impossible to interpret what each factor meant. The SPSS default was set to keep any factor with an eigenvalue larger than 1.0. If a factor component displayed an eigenvalue less than 1.0, it would have explained less variance than the original variable. Once the factors have been chosen, the next step was to rotate them. Although the original factor structure was mathematically correct, it was difficult to interpret them. Table 8.1 features a good representation of how unrotated and rotated structures might look like:

Figure 8.1 Graphical Illustrations of the Unrotated and Rotated Structures



(Source: George and Mallory, 2005)

The goal of rotation was to achieve what is called a 'simple structure', with high factor loadings on one factor and low loadings on all others. The factor loading refers to the correlation between each retained factor and each of the original variables. The factor loading were high, if the variables were closely related to the factor. With regard to determining the significance of factor loading, this study had followed the guidelines for identifying significant factor loadings based on the sample size, as suggested by Hair et al. (1999) as featured in Table 8.2 below:

Table 8.2 Guidelines for identifying significant factor loadings based on the sample size

Factor Loading	Sample Size Needed for Significance
0.30	350
0.35	250
0.40	200
0.45	150
0.50	120
0.55	100
0.60	85
0.65	70
0.70	60
0.75	50

(Source: Hair et al. 1998)

Factor loadings vary between -1 and +1 and indicate the strength of relationship between a particular variable and a particular factor, in a way similar to correlation. Rotation does not alter the mathematical accuracy of the factor structure. In this study, the varimax procedure has been used for the orthogonal approach. In varimax rotations the axes which are rotated remain at right angles to each other. The rotated solution is also selected by default and represents the essence of what factor analysis is designed to do.

> "Rotation specifically refers to the process where the reference axes of the factors are turned about the origin until some other position has been reached, which moves the variance to different factors so that a more parsimonious factor pattern can be obtained", (Hair et al., 1998:106-107).

8.2.6.3 Interpretation

Once the suitability of the data for factor analysis has been established, the next step is to set the criteria for practical and statistical significance, in order to interpret the results. Hair et al. (1998) recommended that for practical significance factor loadings ≥ 0.3 meet the minimum requirement, ≥ 0.4 are somewhat important and those with a value ≥ 0.5 are practically significant. To achieve statistical significance based on a 0.5 significance level and a

power level of 0.8, the authors suggested that an acceptable coefficient for a sample size of 200 is 0.4, for 250, 0.35 and for 300 a minimum coefficient of 0.3. The decision on the selection of the appropriate number of factors was based on the need for a simple solution with as few factors as possible, but which explained as much of the variance in the original data set. Kaiser's (1974) eigenvalue criterion was also useful to establish the number of factors to retain. The Kaiser-Meyer-Olkin's (KMO) statistic for sampling adequacy specified the proportion of variance in the variables caused by underlying factors, which must exceed 0.5 (see Field, 2005). Kaiser (1970) designated the levels as follows: A measure > 0.9 is marvellous, > 0.8 meritorious, > 0.7 is middling, > 0.6 is mediocre, > 0.5 is miserable and < 0.5 is unacceptable.

Definitions of terms:

- "Principal component analysis - The default method of factor extraction used by SPSS.
- Variable – All variables used in the factor analysis are listed in this area.
- Communality – The default procedure assigns each variable a communality of 1.00. Different communalities may be requested. See the SPSS manuals for details.
- Component – The number of each component (or factor) extracted. Note that the first two columns provide information about the variables, and the last four provide information about the factors.
- Eigenvalue – The proportion of variance explained by each factors.
- % of variance – the percent of variance explained by each factor, the eigenvalue divided by the sum of the communalities.
- Cumulative % - the sum of each step in the previous column".

(Source: George and Mallory, 2005)

8.2.7 Multivariate Regression Modelling

As with theory, there is a diversity of ideas and practices in the development of models (see Fielding and Gilbert, 2006). Models can refer to conceptual

frameworks, a hypothesised set of relationships between concepts, hypothetical explanatory mechanisms or methods for organising research results. Theory and models are often used interchangeably or even in combination. The process of modelling could be thought of as a four stage process:

1. "Model Specification,
2. Model Estimation,
3. Model Evaluation,
4. Model Modification".

(source: Ullman and Bentler, in Hardy and Bryman, 2004)

In the model specification stage the tentative hypotheses are statistically tested in both diagram and equation forms. Hence, there is an examination of the statistical assumptions which underlie the model. The model evaluation phase involves an evaluation of the overall fit of the model whilst looking at the direct and indirect parameter estimates. In the last stage, the model modification is required in order to test the particular hypotheses, adequately and significantly. The model modification is carried out to improve the fit of the analytical changes from confirmatory to exploratory. Subsequently, any conclusions are drawn from the modified model which are cautiously examined and scrutinised. In the past, a number of narrative reviews and empirical theories (for example: McWilliams and Siegel, 2001; Orlitzky et al., 2001; Husted and Allen, 2000; Waddock and Graves, 1997, Griffin and Mahon, 1997, Pava and Krausz, 1995; Wood and Jones, 1995; Wood, 1991a, 1991b Ullmann, 1985; Wartick and Cochran, 1985; Aupperle et al., 1985) have proposed conceptual explanations for the existence (or lack thereof) of causal relationships between social performance and financial performance. Many authors have failed to provide clear answers.

8.2.8 Causation

Many social scientists think that explanation is synonymous with causal explanation (Granger, 1980). Arguably, just because there is correlation between two variables or factor components, it does not necessarily mean that there is evidence of causation, let alone the direction of cause and effect. If there is a cause-effect relationship between two variables, then there must be correlation. But the reverse is not the case. The data can never give exact information about causation. Marsh and Elliot (2008:244) gave a good example of this kind of logic. When two variables are closely correlated, it is wrong to assume that correlation would imply causation. To begin to build the causal model, a theoretical decision must be made about which variable is prior to any other variable, or in which direction there is cause and effect. Interestingly, there might also be a certain amount of reciprocity. In the context of this project, it is necessary to account for a myriad of variables (and components) which have to do with the probable causal path. Correlation may be evidence of a causal process at work: or it may not. Causal processes usually reveal themselves in correlations between variables, but the simple existence of correlation, does not prove the existence of causation. Almost anything could be correlated with anything if other relevant variables are ignored. Nevertheless, this project is not just interested in unfolding the correlation coefficient which satisfies the hypothetical relationships (H1-H3). It is also this thesis' objective to formulate a theory which explains the hypothetical causal relationships (H4-H6). When there is correlation between variables, there is a possibility to identify causality between them. The idea of having a variable causing another variable is a theoretical hypothesis about what is believed to make logical and substantive sense, in a quantitative research context. Of course, causality cannot be deduced directly from the empirical data.

8.3 Capturing The Qualitative Data

The qualitative method has made use of open and axial coding, which are conspicuous with the typology construction in the grounded theory (Isabella, 1990). Therefore, this chapter is presenting an analytical framework for the qualitative study. Subsequently, the qualitative results will be reported in chapter 10, where the data reduction and data analysis will blend into one another in a cyclical process (Blaikie, 2010). Whilst, the quantitative research is focused towards reliability and validity criteria, the qualitative research requires conformability and plausibility of findings, impartiality, independence of judgement, consistency and dependability of data (see Patton, 2002:93). Morse et al. (2002) argued that the qualitative approach is based on the underlying concepts of credibility, auditability and fittingness. Bryant (2002) and Suddaby (2006) held that the qualitative research is more directly dependent upon the researcher's understanding of the phenomenon under observation. They both held that an informed researcher is required in order to achieve a quality outcome. Douglas (2005) reported a detailed list of the required criteria covering the grounded theory approach. He explained how to generalise (transfer) different situations within a substantive area, and how to produce consistent findings. Of course, the credibility of the data is based on its richness and the researcher's analytical abilities.

8.3.1 Phase 1: Interviewing Owner-managers of the Hospitality Enterprises

The underlying research questions as well as the environmental setting have been considered as important factors in this inquiry (see Miles and Huberman, 1994). From the outset, it was decided to gather the qualitative data by targeting the prospective informants according to the location of their hotel premises. Six hotel owner-manager informants were chosen at

random from the two main tourist areas in Malta. Table 8.3 describes the probability sample for the qualitative study.

Table 8.3 The Informants from the Hospitality Enterprises

Code	Hotel Type	Location	Established	Staff Count	Interviewee Position
SC1	3 star	Central	1995	39	Owner
MC1	3 star	Central	1990	65	Owner
MC2	5 star	North	1967	140	Director, Human Resources
SC2	3 star	Central	2002	23	Owner
MC3	4 star	North	1995	95	General Manager
SC3	2 star	Central	1996	44	Owner

8.3.1.1 Respondents' Accessibility

The rationale for conducting the interviews with the respective owner-managers of the enterprise was that they are the business leaders who make important decisions about their hotel policies and practices. It was anticipated that the hotel owners may have very busy schedules and demanding commitments. Admittedly, initial contact has been very difficult, to say the least. The issue of time may have discouraged many small business owners and managers from participating in personal interviews. The assistance of the Malta Hotels and Restaurants Association (MHRA) and the Malta Association of Hospitality Executives (MAHE) have somewhat facilitated the communication process with the prospective informants. Generally, initial contact involved several telephone calls and emails to the

informants' personal secretaries or personal assistants to fix appointments. At times there was direct telephone access to the concerned informants. This provided the opportunity to highlight the importance of this study to the respective hotel owner or senior manager. The interviewees were informed that they were contributing to this empirical study in the tourism industry. The informants who agreed to take part in the semi-structured interview were sent an email which expressed my gratitude for their participation, and it has outlined the interview's protocol.

From the outset, the informants were briefed about this study's rationale and about its aims and objectives. The informants were reminded that they could have withdrawn their participation at any time. Within a month after the interview, the informants were issued a copy of the transcript (which featured their responses). Hence, the informants were given the opportunity to review and scrutinise their responses. They were given the chance to verify the transcript's accuracy and how their statements were interpreted. The interviewees were assured of their anonymity and confidentiality. In any report, the informants were referred to by using codes, without following any particular order. Regrettably, there were two occasions when the interviews did not materialise despite the previous meeting arrangements. In these cases there were last minute cancellations by the interviewee. At the end, these informants were successfully replaced by other motivated participants.

8.3.1.2 The Interview Administration

The primary qualitative data was collected through face to face semi-structured in depth interviews with the respective hotel owner-manager or delegated member of staff. Every informant was given the opportunity to share his/her insights and observations during the interview process. Six

interviews were conducted in the period between February and June 2011. Generally, the interviews lasted around 45 and 90 minutes and were usually held in the informants' own offices, within their hotel premises. The majority of informants have shown their commitment as they made arrangements for a quiet, undisturbed meeting. However, there was one interview meeting which was interrupted by telephone calls which have hindered the interview process. This same participant disappeared twice for significant periods of time. Obviously, in this case, the interview took longer than expected as there were concentration lapses.

Following a brief introduction, the participants were explained the purpose of the interview and were reassured of their confidentiality. They were asked to give permission to record the interview and take notes. Hence, the interview questions were put forward in a simple and courteous manner. It was considered important to give the informants sufficient time to express themselves and to make their point. The interviewer had a genuine interest to learn about the hotel's background and culture. The semi-structured interview was based around the online survey questionnaire and on pertinent literature review, which in itself raised awareness about CSR policies and practices which improve businesses in a more profitable and sensible manner (see Appendix 8). The interviewer drafted an interview guide to steer the discussions around the main CSR themes. The semi-structured nature of the interviews also allowed the interviewer to prepare the questions in a sequential manner during the course of the interview.

Undoubtedly, the informants have provided important contextual information which reflected their CSR ethos. They have brought valuable insights and meanings to the interview process. It was evident that when the recorder was switched-off, there was a better flow of communication, as the

discussion became more informal. Moreover, the participants exhibited a genuine interest in the study, as four of them wanted to be kept in the loop about the data findings of this study. Curiously, there were some informants who have voiced their concerns about the online survey-questionnaire. Some of the smaller hotel owner-managers have admitted that they did not understand all parts of the questionnaire. A few of them declared that they found it a bit hard to adequately explain the CSR notion, altogether. Interestingly, these same respondents were effectively implementing CSR practices in their respective hotels, without referring to the concept. At the end of the interview meeting, interviewees were debriefed about the main points learned from the informal discussion. They were asked whether they had any comments or suggestions before the interview came to a close. Every time the interviewees were given ample time to discuss their very own issues in detail.

8.3.2 Phase 2: Interviewing Officials from the Regulatory Authorities

There were three semi-structured telephone interviews with key informants who worked for the government, in their regulatory capacity as civil servants, as featured hereunder in Table 9.2. These interviews were conducted during summer of 2011. In this case, one of interviewee's responses was particularly important as he was the Head of Tourism and Sustainable Development within the Maltese Ministry for Tourism, Culture and the Environment. The second informant was a Human Resources Manager of the Malta Tourism Authority. The third informant was democratically elected in the local residential councils.

Table 8.4 The Informants from the Regulatory Authorities

Code	Organisation	Area	Interviewee Position
MTEC	Ministry for Tourism, the Environment and Culture	Malta	Head Tourism and Sustainable Development
MTA	Malta Tourism Authority	Malta	Manager Human Resources
NLC	Local Council - North (Mellieha)	Malta	Mayor

The duration of the interviews with these informants ranged between 20 minutes to 30 minutes. The underlying purpose behind these interviews was to look again at the existing relationship between the hospitality businesses and the tourism authorities from a regulatory point of view.

8.3.3 Data Management

During the face to face and telephone interview processes, the participants' views and opinions were annotated (Creswell, 2003). The interview data was recorded on tape when the interviewees gave their consent. Unfortunately, there were some informants who felt uncomfortable being recorded. At times, the interviewees were encouraged to expand on issues and clarify their points. Following each and every interview, details of the place, time and duration were annotated down. All the observations, ideas, impressions, interpretations on anything that shed light on the context, or helped in any way to make sense of the interviews, were put on paper in reflective memos. This stratagem was important to enhance the robustness and validity of the gathered data. With regards to the recorded interview, the digital sound data

files were uploaded into a voice editor on the same day. Then, the transcribed material was examined to capture the required data. Whenever necessary, descriptive memos were jotted down to summarise the key points. The interviews were mostly conducted in English but there were some informants who often switched to the Maltese language. The material was later transcribed by the researcher. An average of six hours of transcription time has been spent to transcribe every hour of tape. Indeed it was a very lengthy process. However, the laborious task of checking the transcripts against audio recordings was necessary to correct any transcription errors.

The semi-structured interview gave the opportunity to obtain the individuals' own interpretations, perceptions, experiences and practices in the form of transcripts. Such data lent itself to systematic content coding and analysis, in line with qualitative methodology (see Bringer et al., 2006; Peters and Wester, 2007).

8.3.4 Data Analyses

The NVivo (v8) qualitative software was chosen for its functionality and ease of use (Richards, 2002). Several authors are utilising it and recommending its use (e.g. Auld et al.2007; Bazeley, 2007). This software has enabled the coding and analysis of text, image and audio data (Rath, 2011; Bringer et al., 2006). Interestingly, it has offered some significant advantages, particularly where the interview data was audio-coded (Wainwright and Russell, 2010). All the gathered data was immediately annotated and entered in NVivo (v8), within a few hours after the interview.

8.3.4.1 Textual Analysis

With regards to discourse analysis, the program sorted the texts into tree structures and created annotations called memos, which were attached to the coded text. The coding was based on the individual reading of text (line by line). Categories, coding text and nested trees were created in the middle of the text processing. In addition, the coding density function allowed for the examination of codes on a selected line of data. This was useful when there was a possibility of hidden coding, which may have been overlooked. Therefore NVivo worked well in coding the text and its analysis (Rath, 2010). The coding was focused and made use of the most significant and/or frequent earlier codes to sift through larger amounts of data. This process categorised the data incisively and completely (Charmaz, 2008). All the relevant data comprising the original text, memos, journals, annotations, timelines, and links were stored separately by the software. The analyses of title text consisted of codes which started as free nodes (which were separate categories for text). After coding the text into free nodes, some of the nodes (with numerous titles) were converted to tree nodes. In this project, the final tree node structure included two major categories. One category represented the interviews with the hotel owner-managers which opened up into ten branches. The second category had six branches for the interviews with the regulatory authorities. The branches contained other sub-branches. NVivo's flexibility of linking to multiple sources, and its ability to transfer the previously linked data, has turned out very useful for this qualitative research.

8.3.4.2 Audio Analysis

The audio data may have seemed less tangible than the transcripts. Certainly, this had to do with the effectiveness of the annotations which were included in the 'Content' column for each audio-excerpt. There was a gap between

speech and text, whereby written versions of speech did not capture what the spoken words communicated (Mishler, 1984). This gap had been narrowed with audio-coding during the analytical process. Nichter (2008) held that the researcher is 'sensorially' closer to the data, which uses audio coding. In Nvivo8 the audio-coding required the creation of 'internal source' files within the 'Sources' tab. In this study there were two audio files which were created by importing the interview recordings in WMA format. Those files were labelled according to the interviewees' particular code. Once the 'Internal Sources' had been created, there were a number of applications which became available. Bazeley (2007) gave a detailed description of such applications which feature nodes, memos, sets, queries, models, links and classifications. The audio-excerpts were assigned 'timespan' notes to help in the identification of the node. For example, there was a timespan of 1.50 min to 2.35 min for the node 'marketplace relationships' with a note "discussing the effect of paying suppliers on time and the effect it had on the business relationship". The second step was to create a short summary of the initial analytical reflections in a 'memo' with the use of hyperlinks, representing each and every node. This process made it easy to return and listen to specific audio-excerpts. The various nodes in audible data work in a similar way as for the textual data.

8.4 Summary

Initially, this chapter described the questionnaire's design, layout and content, which reflected the methodological approach which was undertaken to capture the quantitative data. It has also given some details about the surveys' administration and revealed the survey's response rate. This chapter outlined the statistical techniques which were used to treat the captured data. Interestingly, this chapter has provided an explanation of the factor analysis'

principal component analysis; as it has been utlised to reduce the number of variables in the dataset. It has been clarified that the regression equations were carried out using the stepwise entry method. Afterwards this chapter has presented the methodology behind the qualitative fieldwork. In this case, the data collection process involved face-to-face, in-depth interviews with hotel owner–managers, and telephone semi-structured interviews with government officials. The data capture and management for the qualitative techniques have presented the opportunity to obtain the individuals' own interpretations, perceptions, experiences and practices in the form of transcripts.

Chapter 9
QUANTITATIVE ANALYSIS

9.1 Introduction

This chapter examines and analyses the gathered quantitative data. The survey questionnaires' responses were imported directly into PASW17 (SPSS) in order to reduce coding error (Argyrous, 2005). A list of all the variables which were used in the survey instrument is illustrated in Table 10.1. Reliability and appropriate validity tests have been carried out in the analytical process. Cronbach's alpha was calculated, to test for the level of consistency among the items. Alpha was 0.85, which indicated an acceptable level of reliability. The first part of this chapter presents a description of the socio-demographic profile. In addition, the univariate statistics representing the owner-managers' attitudes and perceptions on CSR are tabulated in Appendix 2. The correlations of the variables were carried out using Spearman's Rank Correlation Coefficient and presented in Appendix 4. Afterwards, principal component analysis has been used to reduce the variables to a set of similar latent factors. Finally, the use of regression analysis, using the stepwise procedure has examined the hypothetical relationships between Strategic CSR (in terms of organisational performance components) against the firms' commitment, behaviour and slack resources, as stated in Chapter 4. This thesis' ultimate objective is to formulate a plausible theory which sheds light on the causal mechanisms which are responsible to determine the firms' performance. Moreover, this study will suggest the direction this causation runs, as it will reveal the main factors which seem to affect the organisations' performance.

Table 9.1 The Variables in the Survey Instrument

Socio-demographic Variables 'Gender', 'Age', 'Role', 'Level of Education', 'Industry Experience', 'Organisation Size', 'HR Department'.
Organisational Commitment 'Mission Statement', 'CSR Ethos', 'Period of CSR Engagement', 'CSR Future Intentions', 'Staff dedicated to CSR', 'Money devoted to CSR', 'CSR Expenditure Scale'
Organisational Behaviour 'Training Employees', 'Consulting Employees', 'Health and Safety', 'Work-life balance for Employees' 'Environment Conservation', 'Waste Minimisation', 'Pollution Prevention', 'Environmental Protection', 'Sustainable Transport', 'Procurement Policy', 'Supplier Relations', 'Customer Relations', 'Community Dialogue', 'Community Support'.
Strategic CSR (benefits) 'Employee Loyalty', 'Employee Morale', 'Job Satisfaction', 'Less Staff Turnover', 'Attracting Quality Employees'. 'Maximise Efficiency', 'Investor confidence', 'Brand Image', 'Customer Loyalty', 'Reputation', 'Competitive Advantage', 'Increase Sales', 'Increase Market Share', 'Enhance Marketplace Relations'.
Creating Shared Value (benefits) 'Legal Compliance', 'Third Party Pressure', 'Ethical and Philanthropic Reasons', 'Community Relations', 'Lower Criticism from the Public', 'Minimise Regulatory Relations'
Organisational Resources (costs) 'Financial Resources', 'Human Resources', 'Time', 'Training and Awareness', 'Economic Short-termism'.

9.2 Profile of the Surveyed Population (The Socio-demographic variables)

As described in the methodology chapter, this study has targeted all the licensed accommodation establishments in Malta. A list of all the 92 Hotels ranging from 1 to 5 star rating has been drawn from Malta Tourism Authority's database. Hence, the survey was distributed by email to the owner-managers of all the accommodation establishments. Subsequently, the completed surveys were personally collected. Initially, seventy four responses were received, but missing data reduced the number of valid

surveys to 72 observations. This represented a usable response rate of 78%. The surveyed respondents gave their socio-demographic details about their 'role', 'age', 'gender', 'education' and their 'experience in the hospitality industry' in the latter part of the survey questionnaire. The objective of this designated profile of owner-managers was to gain an insight into their ability to make evaluative judgements in taking strategic decisions in their hospitality enterprise.

There was a high standard deviation (**σ**) of 38.58 for the 'organisational size' variable. This variation meant that this study involved different types of hotel enterprises. The survey respondents hailed from many different backgrounds. The smallest licensed accommodation establishment employed just 4 people and the largest hotel engaged up to 172 full time staff, at the time of the study. On average the mean number ($\bar{x}$) of 'employees per firm' was 41 (standard deviation (**σ**), 38.58). Subsequently, the 'organisation size' variable was recoded in three clusters (1-10, 11-50 and 51-250). This categorisation is consistent with the European Union's definition of small and medium sized enterprise (which was duly covered in this study's literature review). The study revealed that there were twenty five hotels (36%) which did not have more than 10 staff. Half of the respondents (47%, n=33) indicated that their staff-count did not exceed fifty employees. Whereas, almost a fifth of the respondents (17%, n=12) employed between fifty one and two hundred fifty members of staff. 'Gender' was almost represented evenly with thirty four males and thirty eight females (n=72). The youngest respondent was twenty six years old and the eldest one was 64 years of age. Again, the respondents' 'age' varied quite a lot, and this was evident in the standard deviation (**σ**) of 10.24. The mean ($\bar{x}$) age of the respondents was 42. Respondents were also classified into five age groups (16-25; 26-35; 36-45; 46-55 and 56-65). The majority of the respondents were

aged between 36 and 45 years of age (37%, n=26), followed by those aged between 26 and 35 years (26%, n=18).

The designation / 'role' of the 72 respondents taking part in this study consisted of hotel owners or held senior managerial positions of directors, chair persons or chief executives of the enterprise (58%, n=41), human resources managers (17%, n=12), marketing managers (13%, n=9), a finance manager (1%, n=1) and front office and /or house keeping managers (11%, n=8). All the respondents held a managerial post at the time of the survey. Therefore, the respondents' opinions were likely to reflect their hotels' stated philosophies. The characteristics of the surveyed respondents suggest that the respondents have the attributes to be involved in strategic decisions. The respondents' mean ($\bar{x}$) 'work experience in the hospitality sector' was approximately thirteen years. The responses ranged from a minimum of four to a maximum of thirty one years of relevant industry experience. Eleven percent had a basic secondary 'level of education' (11%, n=8), nearly two thirds of the respondents (63%, n=45) had attended post-secondary / vocational courses, and a quarter of the respondents pursued university degrees (26 %, n=18). Table 10.2 shows that there were no marked differences in the respondents' level of education among different firm sizes.

Table 9.2 Cross Tabulation: Owner-managers Level of Education across Different Firms

Level of Education	Organisation Size			Total
	1-10 Employees	11-50 Employees	51-250 Employees	
Secondary or Junior College	5	3	0	8
Diploma or equivalent	15	24	7	46
Undergraduate Degree	4	7	4	15
Postgraduate Degree	2	0	1	3
Total:	26	34	12	72
Total *N*	**72**			
No Response	**0**			

9.3 Respondents' Attitudes and Perceptions of Corporate Social Responsibility

The survey questionnaire sought the respondents' views about corporate social responsibility policy and practices. Of course, the availability of slack resources is very important for the consideration of the discretionary CSR investment (Álvarez Gil et al. 2001). The availability of resources drives management's interest to finance CSR activities (Bird et al., 2006). Moreover, the organisational behaviour may be affected by competitive pressures and influences from the market. The organisational commitment (and culture) including the presence of an HR Department, the characteristics of the owner manager (i.e. the socio-demographics which were covered earlier) are also important predictor variables. A literature review has revealed a business

case of CSR across all types of enterprises, including the small and medium-sized businesses (see Perrini et al. 2007; Jenkins, 2006). Therefore, the organisations' size will be considered as an important variable. Jenkins (2006) held that there are 'inevitable challenges for SMEs undertaking CSR', yet she claimed that 'by their nature they have many characteristics that can aid the adoption of CSR'.

The owner-managers were required to indicate their level of agreement with the survey questionnaires' statements. In the main, the responses were coded using the Likert Scaling mechanism (except for the variables, 'HR department' and 'Stakeholders requesting data about CSR' - which were measured by dummies). There were different scales for the variables; 'CSR expenditure', 'period of CSR engagement' and 'enterprise future intentions', as reported in Appendix 1. For all the other variables, the values ranged from 1 (strongly disagree) to 5 (strongly agree) with 3 signalling indecision. Descriptive statistics have been presented for each variable in Appendix 2. Alpha was 0.85 indicating an acceptable level of consistency and reliability.

9.3.1 Organisational Commitment

Constructs were built from the responses about the investigated organisations' cultures and values. It was hoped that the constructs will mirror the enterprises' CSR commitment. The variables adopted sought information about the enterprises' 'mission statement'; 'CSR ethos'; 'period of CSR engagement'; 'enterprise future intentions'; 'dedicated staff for CSR'; 'money devoted to CSR'; and 'CSR expenditure scale'. The majority of the owner-managers have indicated their agreement with having a defined 'mission statement'. This was evidenced in a mean score ($\bar{x}$) of 4.44 and a

standard deviation (**σ**) of 0.648. This meant that most of the hospitality enterprises were eager to communicate their values to their stakeholders. Moreover, the results have shown that CSR was considered a central component of the hotels' 'business ethos', which was reflected in a standard deviation (**σ**) of 0.63. Interestingly, there was some high variance in the responses about the period of CSR engagement (Standard Deviation, **σ** = 1.43).

Table 9.3 Cross Tabulation: Period of CSR Engagement against the Enterprise Future Intentions

Period of CSR Engagement	**Enterprise Future Intentions**		
	To continue as it is	To increase participation	**Total**
Never	13	0	13
Less than 2 years	16	0	16
Between 2 to 5 years	14	0	14
Between 5 to 10 years	11	2	13
More than 10 years	9	7	16
Total	63	9	72
Total *N*	**72**		
No Response	**0**		

These responses suggested different shades of opinions about the organisations' commitment for CSR. Perhaps, the respondents' CSR credentials is better explained through a cross tabulation between the 'Period

of CSR Engagement' and 'Enterprise Future Intentions' as reported in Table 9.3. The frequency of responses demonstrated that the greater part of enterprises wanted to keep undertaking their current CSR policy rather than to increase their participation. Interestingly, the enterprises with the longest history of CSR practices were keen to increase their CSR engagement. The hotels' organisational culture and their workplace standards may be influenced by their external stakeholders. The respondents were questioned if they had ever received any information requests about their social and/or environmental performance. It transpired that 58% (n=42) of the respondents admitted that in the past they were asked for details about their responsible behaviour. The respondents who answered 'yes' have then indicated that shareholders (n=20), media (n=23), the tourism ministry (n=8), customers (n=9) and academics (n=38) were among those stakeholder groups who asked them about their CSR activities. This study revealed that almost two thirds 64% (n=46) of the investigated hospitality enterprises had a human resources department. Interestingly, close to half of the hotels, i.e. 48% (n=35) affirmed that they even allocated a specific budget for CSR purposes.

Afterwards, these hotels were requested to indicate how much they were spending on 'CSR' every year. There were 40% (n=29) of the respondents who have answered the question about their expenditure on CSR as featured in Table 9.4.

Table 9.4 Organisational Expenditure on CSR

CSR Expenditure	Frequency
Less than EUR 9,999	7
Between EUR 10,000 – EUR 49,999	5
Between EUR 50,000 – EUR 99,999	6
Between EUR100,000-EUR 199,999	7
More than EUR 200,000	4
Total *N*	**29**
No Response	**43**

There was high standard deviation (**σ)** of 1.67 which was reported within the expenditure scale variable. Curiously, there were four of the respondents who declared that they were spending more than EUR 200,000. Subsequently, in the qualitative phase of this study the informants were be given the opportunity to explain how they have spent their money on CSR. The questionnaire's first part was aimed to identify and define the values underlying the Maltese hospitality enterprises. The variable 'mission statement' portrayed the businesses' values and normative behaviour. It may be argued that there are opportunities for businesses to enhance their organisational performance, if they are truly committed to their stated vision and values. This leads to the next organisational behaviour variables:

9.3.2 Organisational Behaviour

In this case the variables which sought relevant attitudinal information pertaining to the respondents' organisational behaviour addressed; the human resources management matters, sustainable environmental management, marketplace and community policies.

This study is consistent with the literature in the field of 'training and development'. As a matter of fact, there was a particularly high mean score ($\bar{x}$) of 4.28, which reflected the enterprises' stance on 'training and skill development'. Moreover, the respondents have conveyed their strong agreement with 'health and safety' issues with a mean score ($\bar{x}$) of 4.49 and a standard deviation (**σ)** of 0.503. Unsurprisingly, there was no disagreement whatsoever, regarding these issues. The majority of respondents confirmed that they had suitable arrangements in place with regards to their 'health and safety' measures and welfare programmes for their employees. When the respondents were to indicate whether they consulted regularly with their employees on matters of importance to the business, only 10% (n=7) have shown in their responses that they have never resorted to consultation with their subordinates. A mean score ($\bar{x}$) of 3.57 has been registered for the variable, 'employee consultation', which was reflected in 24% (n=17) of responses signalling an indecision. Interestingly, this study has shown that only 25% (n=18) answered that they agreed or strongly agreed to the statement about the good 'work-life balance', which involves flexible working policies. In this case there was a low mean score ($\bar{x}$) of 2.90 and a standard deviation (**σ)** of 0.754.

Generally, many respondents seemed genuinely concerned about the natural environment. There were moderate mean scores ($\bar{x}$) which ranged from 3.25 for the variable 'energy and water conservation' up to 4.31 which was recorded in 'sustainable transportation options'. Admittedly, the results were not as high as expected. Numerous responses regarding the 'energy and water conservation' were returned as undecided. Perhaps, the hotel owner-managers were aware of the legal and regulatory implications, which may possibly trigger their compulsory compliance to standards in 'energy and

water conservation' in the foreseeable future. There were more than 38% (n=27) who have agreed to increase the usage of renewable energy and water conservation within their premises. Similarly, 51% (n=36) agreed with using and reusing policies, in their 'waste minimisation and recycling' programmes'. Interestingly, there were 89% (n=63) of the respondents who have agreed, at least in principle to 'prevent pollution' (e.g. emissions to air and water, effluent discharges in the sea, noise and the like). Additionally, there were 67% (n=47) of the positive responses in favour 'protecting the natural environment'. The hotels also affirmed that they were reducing their environmental impact by providing 'sustainable transport options'.

Generally, the respondents have shown a high level of agreement with the statements concerning the marketplace relationships. In this case the mean ($\bar{x}$) was well above 4, with a standard deviation (**σ**) of less than 0.6. The respondents indicated that they intended to maintain continuous feedback, 'consultation and / or dialogue with suppliers'. In the main, the respondents agreed with fair practices which ensure honesty and quality in their provision contracts, dealings and advertising (e.g. a fair purchasing policy, provisions for consumer protection and the like). Interestingly, the questionnaire results revealed that 57% (n=41) of the hospitality enterprises, have regularly given 'financial support or donations to community activities' and / or sponsorships in the past. As anticipated the respondents have revealed that it was their intention to maintain 'good relations with their local community'. The respondents have frequently resorted to open dialogue and met with their neighbours on adverse controversial or sensitive issues. This was reflected in a mean score ($\bar{x}$) of 4.47 and a standard deviation (**σ**) of 0.503.

9.3.3 Organisational Resources

The respondents were requested to indicate their reservations about CSR policy and practices. The constraints of CSR engagement were reported as organisational resources variables which were represented by 'time', 'financial resources', 'human resources', 'economic short-termism' and 'lack of training and awareness'. There was a staggering response of 85% (n=61) who admitted that that they lacked the 'time' available at their disposal to carry out CSR activities with a standard deviation (**σ**) of 0.467. Almost two thirds of the respondents 64% (n=46) with a mean attitudinal score ($\bar{x}$) of 4.06 and a standard deviation (**σ)** of 0.787, declared that they did not have the 'financial resources' to carry out CSR. Evidently, another constraint for CSR engagement was the 'lack the human resources'. The majority of respondents with a mean score ($\bar{x}$) of 4.03 have indicated that they needed to dedicate more staff on CSR activities. By and large, 91% of the respondents with a mean score ($\bar{x}$) of 3.57 and a low standard deviation (**σ)** of 0.688 indicated that they were focusing their energies on maximising their 'short term financial results', rather than their long term wealth. Half of the respondents 54% (n=39) indicated that they 'lacked adequate training and awareness' on the subject of CSR. Here the mean ($\bar{x}$) was much lower at 3.57 with a standard deviation (**σ)** of 0.688. This study has evidenced the strategic importance of identifying, managing, and leveraging "core competencies" rather than focusing only on products and markets in business planning (see Ulrich and Lake, 1991). Arguably, the resource-based view (Barney, 1986) takes this reasoning one step ahead. This theory assumes that the competitive advantage may be sustained if the capabilities are supported by the resources, which are not easily duplicated by competitors.

9.3.4 Strategic Corporate Social Responsibility (SCSR)

The motivations behind CSR practices were represented in the strategic CSR variables. The respondents were requested to indicate their level of agreement with given statements which highlighted the benefits of adopting CSR behaviour. Competitive advantage may be based on either the effective minimisation of costs, or through differentiated products and services, or both (Porter, 1980). In general, employers tend to respond to their human resources basic needs as they seek to improve their working environment (Jenkins, 2006, Dahlsrud, 2008). Valentine and Fleischman (2007) argued that businesses social policies should be drawn up around their employees in their endeavour to improve job satisfaction, whilst enhancing their career development (Turker, 2009), progression and personal welfare (Brammer et al., 2007 and Wilcox, 2006). This study is consistent with previous studies as the respondents indicated their agreement in creating a better workplace for their employees. There were high means scores ($\bar{x}$) ranging from 3.19 for 'attracting quality employees' to 4.14 in 'employee job satisfaction'.

The hospitality entrepreneurs like other businesses were envisaging benefits in their environmental policies (see Bohdanowicz and Zientara, 2008; Jones et al., 2006), which lead to market differentiation due to environmentally friendly products (see Han et al., 2010). The innovative environmental practices are often the result of increased technologies and creativity. Environmental responsibility correlates to improved staff morale (Kaptein and Wempe, 2002; Branco and Rodrigues, 2006); lower turnover rates (Murillo and Luzano, 2006 and Cornelius et al., 2008), a better work place environment, customer satisfaction and retention (Lee and Heo, 2009; Weber, 2008), lower costs for the business including energy and water tariffs, lower transport costs and the like (Eichholtz et al., 2009, Lloyd and Subbarao, 2008;

Cetindamar and Husoy, 2007). Moreover, the respondents indicated their agreement with practices which bring operational benefits to their business. The variable entitled, 'maximising efficiency and cost saving' has resulted in a high mean score ($\bar{x}$) of 4.49 and a standard deviation (**σ)** of 0.503.

The company's market value is determined by various intangible factors such as the public image and the brand. For instance, this study has indicated that the respondents strongly agreed that CSR enhanced their 'reputation' and standing, as there was a high mean score ($\bar{x}$) of 4.54 and a standard deviation (**σ)** of 0.502, in this regard. Similarly there was a strong agreement that CSR increases the 'brand image' (mean, ($\bar{x}$) = 4.49; standard deviation, (**σ)** = 0.769). It can be argued that such firms' social and environmental practices stand a better chance of attracting individual and institutional investors, including access to new markets for a socially responsible investment (see Nilsson, 2009 and Sandberg et al., 2008). The respondents have agreed with a mean score ($\bar{x}$) of 3.59 and a standard deviation (**σ)** of 0.748 with the statement, 'CSR improves market share'.

> "In order to maintain the enterprises' reputation, it's important to consistently do the right thing", (Porter and Kramer, 2006).

In practice, all organisations can possibly boost their reputation by satisfying their customers. This seems very relevant in this study's outcome, as there was a high mean score ($\bar{x}$) of 4.26 and a standard deviation (**σ)** of 0.556, which was reported for the variable named, 'customer retention and loyalty'. Inevitably, the next variable described the respondents' attitude towards their marketplace stakeholders. In this case, there was a high mean score ($\bar{x}$) of 4.32 in the responses to this variable. Many academic writers including Fombrun (2005) as well as Roberts and Dowling (2002) have shown that there

were advantages in keeping good marketplace relations. For example, this is evidenced when businesses settle their invoices on time. Reputation is fundamental to ensure success within the marketplace (Orlitzky and Swanson, 2012). Auger et al. (2003) suggested that business firms who are enjoying favourable reputations among consumers may be able to charge higher prices and even premiums for their products or services. The results here have shown that the hospitality entrepreneurs have widely agreed that CSR 'increases sales and profits' (mean, ($\bar{x}$) = 4.08, standard deviation, (**σ)** of 0.667).

The community variables have been inspired by the stakeholder theory (Andriof et al., 2002). The underlying objective of the stakeholder theory is value creation. This theory describes how stakeholders may develop long-term mutual relationships, rather than focusing solely on the immediate profit. With a mean score ($\bar{x}$) of 3.90 and a standard deviation (**σ)** of 0.613, this study suggests that the respondents seemed to agree in principle, at least; that it is in their interest to forge 'good community relationships'. Of course, this does not imply that profit and economic survival are unimportant. The argument is that businesses need to engage with a variety of stakeholders, upon whom dependence is vital. The businesses' closer interaction with their stakeholders is based on a relational and process-oriented view (see Andriof and Waddock, 2002; Morsing and Schultz 2006). With a mean score ($\bar{x}$) of 3.77 and a standard deviation (**σ)** of 6.80, the respondents have shown that they wanted to 'minimize regulatory problems'. This was also reflected in the mean value ($\bar{x}$) of 3.65 and a standard deviation (**σ)** of 0.776 for the variable entitled 'legal compliance'. The hospitality entrepreneurs admitted that they experienced 'third party pressure' as there was a mean score ($\bar{x}$) of 3.78 and a standard deviation (**σ)**

of 0.562 in the responses. On a similar note, the respondents revealed that they pursued CSR activities to 'lower criticism from the general public'. The mean score ($\bar{x}$) of 3.75 and a standard deviation (**σ**) of 0.687 were registered here.

9.4 Correlations

Spearman's rank correlation coefficient indicated that there were some interesting positive and significant relationships between the constructed variables. In general, the hypothesised correlations were significant as their p values were close to zero, and predominantly did not exceed the 0.05 benchmark. The significance levels were not surprising, given the sample size. This section is devoting attention to examine the magnitudes of the correlation coefficients. The causation hypotheses shall be dealt with through the multivariate regression analysis, which will be covered in the latter part of this chapter. In the matrix which is featured in Appendix 4; the highest correlation coefficient (ρ) of 0.948 indicated a substantial relationship between a strategic CSR variable and an organisational behaviour variable. There was a strong relationship (ρ = 0.742) between the 'financial resources devoted to CSR' (Organisational Commitment variable) and the Organisational Behaviour variable entitled, 'waste minimisation and recycling'. Similarly there were substantial correlations between 'period of CSR engagement' and energy and water conservation (ρ = 0.683) and procurement policy (ρ = 0.647).

The results from the first hypothesis regarding a positive relationship between organisational commitment and strategic CSR has revealed positive correlation coefficients, particularly between 'financial resources devoted to CSR' and 'attracting quality employees' (ρ = 0.708). Another substantial

correlation has been registered between 'period of CSR engagement' and 'attracting quality employees' (ρ = 0.700); 'increasing sales' (ρ = 0.635). There was a moderate relationship between 'period of CSR engagement' and 'improving market share' (ρ = 0.488). Similarly, there was covariance between 'CSR expenditure' and an 'increase in sales' (ρ = 0.505) and market share improvement (ρ = 0.572). A moderate relationship has been found between 'staff dedicated to CSR' and 'increasing sales' (ρ = 0.434) and 'improvement in market share' (ρ = 0.459).

The covariance in the second hypothesis has reached the highest levels between organisational behaviour and strategic CSR, were it has already been stated that the highest correlation coefficient of (ρ = 0.948) indicated a substantial relationship between 'competitive advantage' and 'procurement policies'. Additionally, very high correlation coefficients were registered between 'competitive advantage' and the organisational behaviour's variables entitled, 'sustainable transportation option' (ρ = 0.908), 'energy and water conservation' (ρ = 0.861) and 'community support' (ρ = 0.844). As anticipated, there were strong relationships between 'attracting quality employees' (Strategic CSR variable) with 'community support' (ρ = 0.799) and 'environmental protection' (ρ = 0.747).

It was anticipated that the third hypothetical relationship between the firm's organisational resources and strategic CSR would be characterised by negative relationships. For instance, the relationship between the constraint variable entitled, 'lack of money' was inversely related to 'attracting quality employees' (ρ = -0.871), 'competitive advantage' (ρ = -0.705), 'increasing sales' (ρ = -0.629), 'discretionary spending in ethical and philanthropic causes' (ρ = -0.611) and 'market share' (ρ = -0.547). Similarly, there were

negative correlation coefficients between 'lack of staff' and 'attracting quality employees' (ρ = -0.462) and also in 'discretionary spending in ethical and philanthropic causes', (ρ = -0.425). Nonetheless there were some substantial to moderate positive relationships, particularly between 'economic short-termism' and the variables; 'increasing market share' (ρ = 0.435), 'competitive advantage' (ρ = 0.435), 'minimise regulatory problems'(ρ = 0.421) and 'discretionary spending in ethical and philanthropic causes' (ρ = 0.380).

9.5 Data Reduction

The Principal Component Analysis (PCA) has been purposely chosen to obtain a factor solution of a smaller set of salient variables, from a much larger dataset. Moreover, this approach was considered appropriate as there were variables exhibiting an underlying structure, as many variables shared close similarities and highly significant correlations. Therefore, PCA has identified the patterns within the data and expressed it by highlighting the relevant similarities (and differences) in each and every component. In the process, the data has been compressed as it was reduced in a number of dimensions without much loss of information. The rationale for the data reduction was to have in place the factor components for the subsequent multivariate regression analysis. From SPSS; the principal component analysis has produced a table which illustrated the amount of variance in the original variables (with their respective initial eigenvalues) which were accounted for by each component. There was also a percentage of variance column which indicated the expressed ratio, as a percentage of the variance (accounted for by each component to the total variance in all of the variables). The sum of the eigenvalues equalled the number of components. Only principal components with eigenvalues greater than 1 were extracted. The factors accounted ranged between 64–85% of the variance before

rotation. A summary of the results is given here, but the complete results from the factor analysis are reported in full, in Appendix 5.

Table 9.5 Data Reduction through Principal Component Analysis

Original Number of Variables		Cumulative Percentage of Variance %	Loss of Information %	Components Extracted
Org. Commitment	7	76	24	3
Org. Behaviour	14	76	24	4
Org. Resources	5	85	15	3
Strategic (SCSR1)	8	72	28	3
Strategic (SCSR2)	6	75	25	3
Creating Shared Value (CSV)	6	64	36	2

Table 9.5 illustrates the number of extracted components from the original number of variables and presents the resulting cumulative percentage of variance for the group of variables (and also reports the related 'loss of information').

The reliability measure was computed using Cronbach's Alpha. The Kaiser Meyer Olkin which measures the sampling adequacy was acceptable, as it was well above 0.5 (Field, 2005). The components were labelled following a cross-examination of the variables they contained. The extracted factor components reflected the properties of those variables with the higher loadings. Typically, the variables with the highest correlation scores had mostly contributed towards the make up of the respective component. The underlying scope of combining the variables by using component analysis

was to reduce the data and make it more adaptable for regression analysis. A brief description of the extracted factor components, together with their eigenvalue and their respective percentage of variance is provided hereunder in Table 9.6.

Table 9.6 The Extracted Factor Components

Org. Commitment Factors	Eigenvalue	Var. Explained %	Alpha 0.884
Enterprise Intentions	2.64	37.675	
Staff Dedication (CSR)	1.6	22.893	
CSR Ethos	1.07	15.213	(KMO 0.656)

Org. Behaviour	Eigenvalue	Var. Explained %	Alpha 0.831
Innovative Environmental Practices	6.747	48.193	
Human Resources Policies	1.545	11.039	
Training and Development	1.247	8.909	
Marketplace Policies	1.055	7.534	(KMO 0.854)

Org. Resources	Eigenvalue	Var. Explained %	Alpha 0.823
Money	2.001	40.014	
Time	1.204	24.076	
Economic Short-termism	1.026	20.512	(KMO 0.510)

SCSR1: Firm's Performance	Eigenvalue	Var. Explained %	Alpha 0.901
Financial Performance	3.306	41.319	
Market Standing	1.879	16.631	
Reputation	1.114	13.928	(KMO 0.688)

SCSR2: HR & Operations MGT	Eigenvalue	Var. Explained %	Alpha 0.891
Employee Motivation	1.879	31.31	
Effective HRM	1.463	24.389	
Operational Efficiency and Cost Saving	1.162	19.365	(KMO 0.535)

CSV: Societal Relations	Eigenvalue	Var. Explained %	Alpha 0.765
Community Relations	2.651	44.191	
Regulatory Relations	1.173	19.553	(KMO 0.628)

9.6 Multivariate Regression Analysis

This section explains some of the relationships between the key variables by using the regression analysis. A stepwise procedure was purposely carried out to select the relevant predictive variables in the regression models (Hu and Ansell, 2007; Draper and Smith, 1981). The *p*-value was less than the 0.05 benchmark and there were adequate F-ratios, implying that significant amount of variation in regression was accounted for. More importantly, in the stepwise procedure the insignificant variables are excluded without appreciably increasing the residual sum of squares. The regression models produced the regression coefficients which represented the strength and significance of the relationships. Moreover, the control variables, namely 'organisation size' and 'HR department' were also entered into the equations. It has been hypothesised that organisational commitment, behaviour and slack resources may generate both external and internal effects; as responsible behaviour in the social, environmental, marketplace and in the community may possibly generate an increase in organisational performance (See Factor Components: SCSR1-6).

9.6.1 Organisational Commitment

9.6.1.1 Organisational Commitment and Financial Performance

One of the outcomes of the first hypothesis (H1) indicated that there was a positive and significant relationship between the firm's organisational commitment and financial performance (adj r^2=0.680). This relationship was highly significant at ($p < 0.01$). It transpired that the 'financial performance' is dependent on the firm's 'Size' (t-value = 4.626), 'CSR intentions' (t-value = 3.627), and 'staff dedicated to CSR' (t-value = 3.007). The following equation

describes the relationship between financial performance and organisational commitment.

Regression equation 1.

H1: 'Financial Performance' = β_0 + β_1 'Size' + β_2 'CSR Intentions' + β_3 'Staff devoted to CSR'

9.6.1.2 Organisational Commitment and Effective Human Resource Management

There was a positive and significant relationship between effective HRM and the firm's organisational commitment (adj r^2=0.481) at a 99% confidence level. Again, the stepwise procedure has excluded the insignificant variables from the model. When testing for this hypothetical relationship, it transpired that the firms' human resources management is dependent on the 'HR Department' (t-value = 5.174) and the 'staff devoted to CSR' (t-value = 2.841). This result indicated that the presence of an 'HR department' has positive effects on 'human resources management'. Interestingly, it also emerged that there are HRM benefits if there are staff within the firm who are specifically dedicated on CSR duties and responsibilities. The following equation describes the relationship between effective human resource management and organisational commitment.

Regression equation 2

H1: 'Effective Human Resource Management' = β_0 + β_1 'HR Dept' + β_2 'Staff devoted to CSR'

The results suggest that there is scope for organisational commitment in CSR strategy. The findings indicate that the firms (particularly the larger ones),

should encourage their staff to involve themselves in CSR practices. This is consonant with the literature review. Jenkins (2009:31) proposed that the operationalisation (for CSR) may be performed from a change agent, i.e. a business champion. Alternatively it may be delegated to a team of employees with the support of their senior managers. Grey and Smeltzer (1989) have referred to champions; the individuals within the organisation who pioneer new products or concepts, who are given the freedom to try out these ideas.

9.6.1.3 Organisational Commitment and Operational Efficiency and Cost Savings

The empirical results which emerged from this study suggest that there were positive and significant relationships between operational efficiency and cost savings and the firm's organisational commitment (adj r^2=0.259). The findings indicate highly significant relationships (where $p < 0.001$). It emerged that the firms' 'operational efficiency' is dependent on 'CSR intentions' (t-value = 5.043). The following equation describes the relationship between effective operational efficiency and organisational commitment.

Regression Equation 3

H1: 'Operational Efficiency' = $\beta_0 + \beta_1$ 'CSR intentions'

As management becomes more efficient in using and allocating resources within the organisation, the firm enhances its internal operational efficiencies. Efficiencies often translate into savings (Holliday et al., 2002). Cost and risk reduction may be considered as a form of balancing interests among the social, environmental and economic concerns. Interestingly, some studies under this approach have also identified a relationship which suggests that there is an optimal level of environmental and social

performance beyond which the corporation incurs unnecessary costs and reductions in profitability (Salzmann et al., 2005).

9.6.2 Organisational Behaviour

9.6.2.1 Organisational Behaviour and Financial Performance

The findings from the second hypothesis (H2) yielded a positive and significant relationship between financial performance and the firm's organisational behaviour (adj r^2= 0.676). The measurement of significance with organisational behaviour indicated a confidence level of 95% (where $p < 0.05$). The 'financial performance' is significantly and strongly correlated to 'organisational size' (t-value = 2.660), 'innovative environmental practices' (t-value = 4.096); and 'training' (t-value = -2.015). As expected, 'HR Training' had a significant and negative effect on financial performance. The following equation describes the relationship between Financial Performance and Organisational Behaviour.

Regression equation 4.

H2: 'Financial Performance' = β_0 + β_1 'Size' + β_2 'Innovative Environmental Policies' + β_3 '<HR Training>'

This model has confirmed that the hotel guests value the innovative environmental practices. This finding reflects the academic literature in this area of research. Customers are willing to pay more for products and services from socially and environmentally responsible companies (see Laroche et al., 2001). This may be also attributed to the firms' communicating their sustainability initiatives to their different stakeholder groups. Nowadays, the hotels have become well accustomed in reporting their social, environmental, marketplace and community policies. It has become a normal practice for

many hotel firms to issue sustainable reports along with their financial statements, on an annual basis. Evidently, they are recognising that there are good opportunities to increase their market share relative to competitors which are lacking behind in CSR engagement (Miller, 1997). CSR is a leveraging opportunity to attain competitive advantage (Porter and Kramer, 2006). This occurs when the businesses can afford to raise their prices, or simply by having a larger customer base. Therefore, the corporate social responsibility practices increase sales revenue (Lindgreen et al., 2009).

9.6.2.2 Organisational Behaviour and Human Resource Management

There was a positive and significant relationship between effective HRM and the firm's organisational behaviour (adj r^2= 0.488). The 'effective HRM' was significant (where $p < 0.05$) and strongly correlated to 'HR dept' (t-value = 2.601), 'innovative environmental practices' (t-value = 2.664); and 'marketplace policies' (t-value = 2.347). The following equation describes the relationship between effective operational efficiency and organisational commitment between Effective Human Resource Management and Organisational Behaviour.

Regression equation 5.

H2: 'Effective Human Resource Management' = β_0 + β_1 'HR Dept' + β_2 'Innovative Environmental Policies' + β_3 'Marketplace Policies'

As expected, the presence of an 'HR department' has a significant and positive affect on 'effective HRM'. Curiously, the significance of the variables 'innovative environmental practices' and 'marketplace policies' in the model may suggest that there are many HRM benefits as a result of CSR behaviour. The results indicate that the employees may be committed to their hotels'

sustainable environmental practices and marketplace policies. The staff's involvement in CSR engagement can lead to boost their morale, job satisfaction and loyalty to their firm. In Freeman's stakeholder model (1984, 2004) employees represent one of many other stakeholders groups addressing the company with their own demands. In the literature review it has been reported that employees play a double role. On the one hand they are the beneficiaries of their organisation's internal CSR policies; on the other hand they represent their company towards other stakeholders in their role as part of the enterprise. This double position explains their crucial role of employees, where the human resources are considered the most valuable resource of the firm (Klein and Vorbohle 2008, Sneep, 2007). Firms adopting adequate CSR policies may also attract better employees (Davies and Crane, 2010) and minimises staff turnover (Backhause et al. 2002; Turban and Greening, 1997). CSR may serve as a positive signal to potential applicants that the organisation has high credentials. Alternatively, businesses which are not so responsive about CSR may unintentionally restrict their labour pool from which they may recruit. Such organisations may risk appearing unattractive to the prospective job applicants and thus are at a human resource and economic disadvantage relative to similar companies which are successfully engaging in CSR practices. The selection of new recruits is not just important for embedding the triple bottom line philosophy, but it is essential for business survival (Davies and Crane, 2010).

9.6.2.3 Organisational Behaviour and Operational Efficiency and Cost Savings

The empirical results have suggested that there are positive and significant relationships between the firm's organisational behaviour and operational efficiency and cost savings with an adj r^2= 0.326. The 'operational efficiency' is equally correlated to 'organisational size' (t-value = 3.636), and 'HR

policies' (t-value = 3.635). The following equation describes the relationship between Organisational Behaviour and Operational Efficiency.

Regression equation 6.

H2: Operational Efficiency = $\beta_0 + \beta_1$ 'Size' + β_2 'HR Policies'

How businesses respond to the expressions of ethics and morality in markets may be triggered by a desire to avoid unnecessary costs. The different demands of stakeholders may present potential threats to the business organisation. Therefore, this cost and risk reduction perspective of the CSR business case provides a plausible explanation of why businesses may try to mitigate and alleviate the threats through a threshold level of satisfactory social and environmental performance.

9.6.3 Organisational Resources

9.6.3.1 Organisational Resources and Financial Performance

The results from the third hypothesis (H3) have produced a positive and significant relationship (where $p < 0.05$) between financial performance against the firm's organisational resources (adj $r^2 = 0.634$). With a correspondingly high t-value of 10.026, 'organisational size' has emerged as a very significant in modelling the relationship between organisational resources and financial performance. Moreover, the stepwise procedure has picked up the predictor variable 'economic short-termism constraint' (t-value = 2.162). The significant t value of 'economic short termism suggests that the organisations are not investing in their long term capital investment (which comprises discretionary expenditure in CSR). Of course, this may result in more liquidity and financial resources in the short-run. The following

equation describes the relationship between Organisational Resources and Financial Performance.

Regression Equation 7.

H3: 'Financial Performance' = β_0 + β_1 'Size' + β_2 'Short-termism'

Past empirical evidence has proved that CSR engagement boosts sales and profits, as it increases the market share. At the same time, the organisations' multiple stakeholders are satisfied. McWilliams and Siegel (2001) and Orlitzky et al. (2011) have suggested that there is an ideal level of CSR, which may be evaluated through substantive cost-benefit analyses. They held that there is an optimum level of CSR, where profit maximisation can be attained. The increased revenue equals the higher cost of using resources which is necessary to provide CSR. By doing so, the firm meets the demands of its distinct stakeholders. Previous studies have shown that firms which are attaining an excellent reputation for their CSR practices may be able to charge premiums for their products and services (Lindgreen et al., 2009; Maloni and Brown, 2006; Auger et al. 2003). This study is suggesting that CSR engagement leads to increased revenue. The available slack resources theory (Waddock and Graves, 1997) also assumes a trade-off view of CSR and financial performance, by suggesting that when organisations are enjoying superior performance, they are able to dedicate additional resources to CSR activities. Arguably, the implication here is that the firms might perceive CSR as an additional cost. Businesses can only afford to pursue these discretionary activities when they are not in a situation where they need to minimise costs.

9.6.3.2 Organisational Resources and Effective Human Resource Management

A positive and significant relationship has emerged between effective HRM and organisational resources (adj $r^2 = 0.458$). In this case, the measurement of significance has indicated a confidence level of 95% (where $p < 0.05$). 'Effective HRM' was significantly and strongly correlated to 'HR dept' ($t = 3.337$) and negatively correlated to 'Financial Resources' (t-value = -2.202). The following equation describes the relationship between Organisational Resources and Effective Human Resource Management:

Regression equation 8.

H3: 'Effective HRM' = $\beta_0 + \beta_1$ 'HR Dept' + β_2 '<Financial Resources>'

The literature review in this field suggests that the organisation's internal resources and skills are an important mediator between social performance and financial performance. Advocates of this internal resources theory claim that CSR policies increase managerial competencies (Orlitzky et al., 2003). CSR helps to develop better skills and abilities to adapt to changes in the challenging business environment. Appropriate knowledge of the social and environmental performance is becoming indispensable in the hospitality industry (Tsai et al., 2010). The internal skills perspective is substantiated empirically to some extent, as evidenced in this study.

9.6.3.3 Organisational Resources and Operational Efficiency and Cost Savings

The findings have indicated a positive and significant relationship (where $p < 0.05$) between operational efficiency and cost savings and the firms' resources (adj $r^2 = 0.213$), where 'size' with a t-value of 4.176 and 'HR department' (t-value = -2.201) were the predicting variables. Surprisingly, the

presence of an HR department was significant and it transpired that it has negatively affected operational efficiency. The following equation describes the relationship between Organisational Resources and Operational Efficiency and Cost Savings.

Regression Equation 9.

H3: 'Operational Efficiency' = $\beta_0 + \beta_1$ 'Size'+ β_2'<HR Dept>'

9.6.4 Does CSR engagement bring economic value?

The next model attempts to explain the causal mechanisms which determine financial performance. This time, a myriad of variables (and factor components) have been taken into account, in order to come up with a plausible 'causal path' (Granger, 1980). Therefore, 'organisational commitment', 'organisational behaviour', 'organisational resources', the 'societal engagement' components, 'Size' and 'HR Department' were inserted in the regression model. Again, a stepwise entry procedure ensured the selection of the significant predictor variables which exhibited the highest bivariate correlation with 'financial performance' (and excluded other insignificant variables). The fourth hypothesis (H4) yielded a strong correlation coefficient (adj r^2= 0.769) and this relationship was significant (where $p < 0.05$ level). According to this model it emerged that the 'financial performance' is preceded by 'size', 'community relations', 'innovative environmental practices' and 'regulatory relations'. The following equation features the antecedents for 'Financial Performance'.

Regression Equation 10

H4: 'Financial Performance' = $\beta_0 + \beta_1$ 'Size' + β_2 'Community Relations' + β_3 'Innovative Environmental Policies'+ β_4 'Regulatory Relations'

It transpired that the financial performance is dependent on the firms'; 'size' with a t-value = 2.535, 'societal relations' (t-value = 5.764), 'innovative environmental practices' (t-value = 3.388) and 'regulatory relations' (t-value = 2.347). Interestingly, the organisations' ability to build stakeholder relationships has resulted as a precursor for the organisations' financial performance. Such empirical studies were carried out in the past to investigate the relationship between CSR (corporate social performance or corporate citizenship) and financial performance. The results have ranged from negative relation (Wright and Ferris, 1997), to no relation at all (Mc Williams et al., 2000), to showing a positive relation (Orlitzky et al., 2012; Waddock and Graves, 1997). Apparently, there was little or no consistency in the past empirical findings.

9.6.5 What Creates Shared Value?

The fifth hypothetical model features the societal relations (CSV1) as the dependent variable. This model has produced a strong correlation coefficient (adj $r^2 = 0.645$) which was statistically significant ($p < 0.05$). The independent variables which have significantly explained a large portion of this variation consisted of the organisations' 'financial performance' (were t = 7.206), 'financial resources' (t = 5.117), 'training' (t = -3.720), 'marketplace policies' (t = -2.878) and 'time resources' (t = 2.457). Interestingly, the organisational behaviour explanatory variables have resulted in a negative effect on societal relations. The reason for this is that businesses may devote their slack resources on training their staff and on marketing and promotion activities. It seems that businesses may want to enhance their existing relationships with customers and suppliers, rather than forging good societal relationships. It is anticipated that these issues are dealt with in the qualitative research context;

as the selected owner-managers were asked to shed some light about their regulatory and community relationships. The following equation describes the causal model for societal relations.

Regression Equation 11.

H5: 'Societal Relations' = β_0 + β_1'Financial Performance' + β_2'Financial Resources' + β_3 '<Training>'+ β_4 '<Marketplace Policies>'+ β_4 'Time'

There was also a positive and significant relationship when regulatory relations was the response variable. In this case, there was a moderate correlation coefficient with an adj. $r^2 = 0.423$ at a highly significant level ($p < 0.001$). This second H5 equation shows that the 'regulatory relations' are dependent on the 'organisation size' ($t = 7.138$). It transpires that the larger firms tend to build closer relationships with the government and its agencies. This finding was also reflected in the literature review (see Albareda et al., 2004, 2008). Moreover, this will also be resonated in the qualitative study as well. The following equation features the regression equation for regulatory relations

Regression Equation 12.

H5: 'Regulatory Relations' = β_0 + β_1 'Size'

9.6.6 Is Reverse Causation Possible? Does Successful Financial Performance Lead to CSR engagement?

So far the findings indicated that organisational commitment, behaviour, the slack resources and size are the causal determinants. Therefore they are the temporal antecedents of financial performance. Curiously, there are many theoretical arguments in literature which suggest that financial performance

can be the precursor of organisational behaviour (for CSR). The rational for reverse causation may be triggered from the firms' availability of slack resources. Orlitzky et al. (2003) have supported this view of reverse causality from financial performance to CSR (they used the notion Corporate Citizenship). Similarly, Waddock and Graves (1997) found that Corporate Social Performance (CSP) depends on financial performance, and that the sign of the relationship was positive. The sixth hypothetical relationships between the four organisational behavioural components against 'financial performance' have been tested using regression analysis. There was a strong correlation coefficient (adj r^2= 0.603) and it was highly significant (where $p < 0.001$) between 'innovative environmental practices' (dependent variable) and 'financial performance' ($t = 10.291$). This strong relationship suggests that when an organisation achieves sound financial results it tends to invest in innovative environmental practices, such as 'energy and water conservation', 'environmental protection' measures, 'waste minimisation' and the like (see Dodds and Kuehnel, 2010; Graci and Dodds, 2009; Merwe and Wöcke, 2007). The following regression equation describes the causal model where Financial Performance is the antecedent of Organisational Behaviour:

Regression Equation 13.

H6:'Innovative Environmental Behaviour'= $\beta_0 + \beta_1$ 'Financial Performance'

In good economic times, the high levels of 'financial performance' may provide the slack resources which are required to successfully engage in CSR (refer to Ullmann, 1985). The availability of excess funds will determine whether there is the 'initiation and maintenance of voluntary social and environmental policies' (McGuire et al, 1988). If the firm has experienced low profits and has scarcer resources at its disposal, then the firm may not engage

itself in CSR activities and investments. On the other hand, if the organisation has gone through a period of consistent satisfying results with good financial performance, businesses may exhibit a sense of obligation to give something back to the community (Economist, 2006). The relationships between 'financial performance' as a predictor variable against the other behavioural outcome variables (namely, 'HR policies'; 'Training' and 'Market relations') did not yield any positive and significant relationships, when using the stepwise procedure. In this case, the findings suggest that successful financial performance, does not necessarily translate in significant improvements in the businesses' human resources and marketplace policies; such as training and development of staff, better customer services and fruitful relationships with suppliers and the people they do business with. Perhaps there is scope for further research opportunities in this area.

9.7 Summary

Initially, this chapter has provided an extensive list of the constructed variables which were used in this quantitative research. A summary of the statistics have described the socio-demographic profile of the respondents, as the descriptive statistics have unfolded the owner-managers' attitudes and perceptions about the costs and benefits of strategic CSR. Principal component analysis had been employed to reduce the data, as there were variables exhibiting an underlying structure, as they shared close similarities. Hence, this study investigated the relationship between Strategic CSR (in terms of the organisational performance components) against the firms' commitment, behavioural practices and slack resources. Bivariate analyses were carried out using Spearman's rank correlation coefficient and step-wise regression analysis. The results have indicated that there were positive and significant relationships between; financial performance, effective human

resources management and operational efficiency against the organisations' social and environmental behaviour. As expected, the slack resources were also positively and significantly correlated to financial performance. This quantitative study has shown that the larger organisations were capable of enhancing their organisational performance through laudable CSR engagement.

Chapter 10
QUALITATIVE ANALYSIS

10.1 Introduction

The rationale for the qualitative study is to achieve a greater validity and reliability in the conclusions. In addition to the quantitative findings; in-depth, semi-structured interviews together with the telephone interviews, observations of the research setting and relevant documentation have produced additional impetus for this research project. This qualitative study addresses the knowledge gaps of the quantitative fieldwork, as there is an explanation, directly from the central actors.

The main themes which were discussed in the interview were essentially drawn from the survey questionnaire. Firstly, this chapter will be presenting the findings from the face-to-face interviews, observations and documentation from the hospitality enterprises. These interview questions sought information about the companies' cultures and values, their commitment and behaviour for CSR. The interviews were conducted in such a way to uncover the hotel's policies and practices. An effort has been made to induce the informants to talk freely and openly in order to gain a good understanding of the informants' perspectives of responsible behaviour. Secondly, telephone interviews were carried out with officials from the Maltese regulatory authorities. These interviews have provided a better understanding about the existing relationships between the hospitality businesses and the tourism authorities, from a regulatory point of view. The interview guiding questions are reported in Appendix 8.

10.2 Interviewing the Hotel Owner-managers

The interview meetings have provided an opportunity to observe the environmental setting of the investigated accommodation establishments. In the process, the behavioural patterns of the members of staff, their place of work, the hotel guests' amenities and any other occurrences were recorded without questioning or communicating. The observations have surely enhanced the reliability and validity of the qualitative data. All observations were recorded immediately on the spot or after the meeting. Later, all the annotations and observations were electronically recorded and documented for each accommodation establishment. Such observations featured the following aspects of the hotel enterprises:

- The general physical setting - including guest amenities, the front office department, the lobby, the restaurants, the recycling areas and staff work stations;
- Human resources communication tools – internal newsletters, employee boards, training, social events, seminars;
- Marketing and public relations promotional materials – hotel websites, media releases, posters, brochures, printed information in rooms and public areas;
- The level of information communications technology in operations;
- Employees' behaviour.

The interview meetings provided an opportunity to supplement the documentary sources. In accordance with Travers (2001), a great deal can be learned about the organisation's ethos, just by looking at the documents and even by studying the messages pinned on their notice boards. Strauss and Corbin (1998) suggested the use of a guided principle for document

analysis where the researcher produces a summary that describes the purpose of the document, how it relates to his/her own work and why it is significant. Following the interview meetings, many of the informants have voluntarily provided the following documentation; company annual reports (e.g. CSR reports, sustainability reports); case study reports prepared by third parties (e.g. local councils, pressure groups, environmental NGOs); brochures showing activities in the area of sustainable development and news releases; and internal corporate newsletters. These documentary sources were rich in information about responsible behavioural practices among hospitality establishments. They also highlighted the hotels' approach in implementing their environmental and sustainable development programmes. Such artefacts often portray how staff perceives their management's programmes internally, and may possibly shed light on how the business is promoting its CSR agenda to the general public.

10.2.1 The Face-to-face Semi Structured Interview

Following a brief introduction, the informants were invited to give details of the history of their business and about their individual experience in the hospitality industry. Afterwards, the questions sought to reveal the business ethos of the investigated hotel. The interviewees were asked about their company's articulated vision or mission statement. There were open questions about the organisations' social and environmental practices and whether their business had any written policies. The interviewees were asked to describe their relationship with their internal stakeholders, particularly with reference to their organisation's employees. The informants were requested to elaborate about their human resources policies and

practices. There was a short discussion about the organisations' environmental awareness. In this case, the informants were given relevant examples of energy conservation, waste minimisation and recycling initiatives. Subsequently, the conversation was devoted to the external stakeholders. The informants were requested to describe their relationships within the marketplace (which include customers and suppliers) and with the community around the hospitality organisation. The informants were required to describe their business practices. The interviewees were also asked to give information about their purchasing policies, provisions for consumer protection and the like. Later, the informants commented about their community involvement and whether they were supporting any activity and / or project. Generally, there were very interesting conversations about the hospitality organisations' policies and practices. A trusting rapport was being established with the informant, as the small talk progressed into a dialogue.

10.2.1.1 Organisational Culture, Values and Norms

Values nourish the organisation and enhance the spirit of entrepreneurialism (Lamont, 2002). The corporate social responsibility activities often reflect the organisational ethos. Normally, it was the owner-manager who is both the driver and implementer of values. Managers tend to exhibit their personal values through their exercise of managerial discretion (Jenkins, 2009; Hemingway and Maclagan, 2004), whereas the SME owner-managers have the autonomy to exercise such discretion. In this qualitative study the six owner-managers or directors were all involved in setting the agenda for CSR. All interviewees revealed that their personal values and beliefs were mirrored in their firms' business ethos and company vision (and CSR credentials).

Some informants have expressed difficulty in understanding the concept of CSR. It transpired that not all the informants seemed familiar with the CSR notion, policies and practices. Nonetheless, the informants have eventually defined what it meant to them, in the context of their company. The companies, who initially revealed that they did not know the meaning of CSR have later confirmed that they were effectively engaging in responsible practices. Obviously, they had never referred to the CSR notion. Two hotel owners, SC1 and SC3 had associated CSR with philanthropy and charity principles. They suggested that CSR was an activity which was independent of their business operations. Both informants seemed genuine in their belief in stewardship principles. Their responses affirmed that they felt a responsibility to give something back to society. For instance, SC1 indicated that she had setup a philanthropic fund which organised various activities for children with special needs. She alleged that in the last 5 years her organisation had managed to collect and distribute over € 55,000. This informant went on to say that every year, her employees donated part of their salary to 'Dar Tal-Providenza', with her enterprise matching up the employees' contribution.

SC3 admitted that in the past his enterprise has often contributed to the community, through financial donations to charitable institutions. Moreover, the informant mentioned a recent example where his enterprise has been closely involved in an environmental project. The hotel owner confirmed that he had personally sponsored his employees to take part in a clean-up campaign, as part of the "Clean-up the World" activities. Such an activity raised awareness of the environmental issues. Ten employees have joined forces and dedicated some of their time to clean part of the promenade which is situated close to the hotels' premises. The informant of the youngest enterprise, SC2 held that his hotel enterprise was innovative in its

approaches. In the informants own words; "Our hotel aims to differentiate itself by looking after the human element… We really care for our staff", (SC2). This owner said that he often consulted with his employees on important issues. However, he stressed that his focus was to improve his human resources' competencies. He went on to say that his firm organises frequent on-the-job training sessions and courses to all employees. Past training had been carried out in customer services, language skills and food and beverage operations.

The Director of Human Resources of a five star hotel, MC2 had clearly elaborated and explained her organisation's commitment for CSR. She started by referring to the 140 families who depend on her company's success for their living. She implied that CSR is primarily aimed towards the enterprise's internal stakeholders; in that, her hotel wanted to improve the level of job satisfaction and employee morale. She went on to suggest that the hotel's strategy intended to instil 'a sense of belonging' among the employees. ''CSR means doing things right, in a responsible manner", (MC2). The informant provided details about her hotel's 'employee reward schemes', which were aimed at incentivising employees' productivity. Throughout the years she alleged that her hotel had also assisted various external stakeholders, which comprised environmental causes, heritage protection, philanthropic activities as well as cultural and sport related initiatives. MC2 and MC3 informants suggested that their CSR engagement was motivated by their economic responsibility (towards achieving profitability, increasing their sales, improving reputation et cetera).

Another aspect which emerged was the impact of shift work on health. In this regard, it was important to recognise that the hotels' owner-managers were also responsible to manage the safety and well-being of staff within

their premises' dangerous environments. Generally, this study indicated that the hotels already had suitable arrangements in place for the health, safety and welfare issues. Of course these businesses are always expected to comply with the relevant legislation in this regard. MC3 pointed out that it was his duty in his capacity as general manager to make sure that his hotel complies with the relevant laws, rules and regulations (whilst referring to the Maltese 'Employment and Industrial Relations Act'). He declared that his hotel enjoyed a high reputation, as it had shown its CSR credentials among its various stakeholders. Afterwards, this informant provided some interesting details about his hotel's innovative environmental management. He pointed out that his hotel adheres to ethical norms and international standards. In his own words;

> "We do what is right, fair and just, …in fact we are one of the few Maltese Hotels which has been awarded the 'Eco-certification' by the Malta Tourism Authority", (MC3).

Generally, the informants often resorted to cite their mission statements which inspired their guiding values, often relating to: "collaboration, trust and trustworthiness, duty, caring, identity, honesty, respect, friendliness, civic engagement, integrity, and legitimacy". MC1 has admitted from the outset that he was not fully conversant on the notion of CSR. However, he confirmed that his hotel had suitable arrangements for health, safety and welfare, and is in line with internationally recognised standards. Later on, he stated;

> "My firm strives to build good relationships with both customers and employees"; "…continuous communication and dialogue with workers and in-company training are the key elements in my hotel", (MC1).

Clearly, MC2 and MC3 have developed their own CSR policies which were clearly reflected in their existing operations and business practices. It transpired that the first step towards developing a CSR mentality is to re-define the values and principles of the company. Arguably, the role of the business owner/s and or directors is crucial in aligning the company's ethos to CSR strategy.

10.2.1.2 Organisational Commitment

Generally, this qualitative fieldwork has shown that the investigated firms were very successful in implementing their social and environmental practices. Interestingly, the larger enterprises seemed very successful in integrating their CSR policies in their internal and external activities. MC2 and SC1 claimed that they were truly committed to be as transparent and accountable as possible. In this sense, they reiterated the importance of communicating what they are doing. SC1 held that his enterprise is open and transparent about its social performance, with all its stakeholders. Similarly, MC2 acknowledged the impacts of her firm's actions on a variety of stakeholders. She emphasised that her organisation goes beyond the traditional role of providing a financial account to the owners of capital. Other informants from the smaller enterprises, namely SC2 and SC3 have also affirmed that legitimacy was their motivating principle. It seemed that they had a genuine desire to provide their share of reciprocal benefits and investments to the communities in which they operate:

> "Social responsibility initiatives give me and my employees a sense of job satisfaction. We all feel responsible to give something back to society", "…I am proud of leading an organisation, which frequently engages in CSR behaviour", (SC3).

> "We stand to do the right thing" "…We are fair in our internal and external practices, these values have been guiding our social involvement from day one", (SC2).

10.2.1.3 Organisational Behaviour

The informants were asked to give concrete examples about their past organisational behaviour (vis-à-vis CSR) in human resources management; environment; marketplace and the community. They were asked whether they were envisaging more CSR activities in these areas for the foreseeable future. The informants were requested to elaborate about their past CSR engagement and whether it was related or unrelated to their business strategy, and if it had created value to the firm itself.

10.2.1.3.1 Human Resources Management

Arguably, the hospitality industry is characterised by a number of contentious issues which are absent in other sectors of employment. The hospitality industry's human resources are often required to work for very long hours. The food and beverage operations and the front office staff are usually required to work on varied shifts and extended hours; including the weekends and public holidays, often without being able to take time-off during tourism's high season. This study has shown that a major concern in the Maltese hospitality industry is attracting quality employees, employee retention, training, and maintaining high staff morale. The long working hours may possibly hold back the employees' taking up training courses. In a similar study, Davidson et al. (2010) have also noted that because of high staff turnover rates in the hospitality industry; there is an increasing pressure for ongoing training in order to maintain the high levels of service. MC3, SC2 and MC2 revealed that relevant courses were offered in customer service, food and beverage preparation and language skills. Such courses may

obviously improve the hotels' performance levels. Evidently, considerable financial and human resources were being devoted to train employees to perform at the required service standards. For instance, MC3 declared;

> "Appropriate human resources management involves continuous training and development programmes, performance appraisals, employee involvement in decision making and the list goes on", (MC3).

Moreover, an interesting fact that came out of this project was that the larger hotels (e.g. MC2) were often delivering education and training programmes about their environmental awareness and sustainable development practices along other operational courses and training. MC2 asserted that she also inspired her employees and guests to implement given initiatives at their own homes. Another relevant subject was about the work-life balance of the interviewees' human resources. The question asked the employers whether they were sensitive to the personal circumstances of their employees (for example children of staff, family members in need of care and volunteering activities). MC2 responded that in the past, two of her members of staff were sponsored to pursue professional training courses. Their studies had necessitated their temporary absence from work. Yet, in general the informants did not elaborate much further about considering the adoption of flexible working hours or reduced hours from work for their employees. Unfortunately, the work-life balance is not a viable option in the hospitality industry, due to the particular nature of work where at times the employees are required to work unsocial hours.

Generally, the interviewees in this study have agreed that employee involvement allowed them to get more from their staff in terms of ideas, commitment and loyalty. In their own words MC2 and MC3 admitted that

there needs to be more trust in their employees; "CSR creates a good working atmosphere, where there are better relationships and trust among staff", (MC2).

> "Indeed, employees can contribute with their innovative ideas, as they will help to bring in better value as our enterprise evolves"; "Our intention is to enhance our trust through internal participation, motivation and employee morale"; "…CSR can improve the workplace performance and productivity levels", (MC3).

In the main, the interviewees argued that their social policies were drawn up around their employees. The hotels affirmed that they strived in their endeavour to improve their employees' job satisfaction and personal welfare. The hotel owner-managers were willing to demonstrate that they cared for their employees. One of the main results of this study underlined the employees' exposed role within the CSR agenda. MC1 declared that he needs to build good internal partnerships with his employees. In a similar vein, Pedersen (2009) remarked that, "managers need to express their broader responsibilities in treating employees with dignity and respect and stimulate an inspiring, fun and dynamic workplace".

10.2.1.3.2 *<u>The Environment</u>*

Generally, the firms recognised that there are benefits in engaging in responsible environmental initiatives. It has been widely agreed that some environmental practices may contribute to the long-term success and sustainability of the enterprise itself. The larger hotels were publishing their annual environmental reports along with their financial statements. On the other hand, the smaller firms within the hospitality industry did not always report their environmental performance. However, the interviews have shown that they were carrying out responsible entrepreneurship practices, often without communicating what they do. As it is the case in

other businesses the hotel enterprises can cause positive and negative impacts on their surrounding environment. The informants were asked whether they were trying to reduce their enterprise impact in terms of their environmental performance. MC3 and MC2 affirmed that their CSR behaviour led to an increased productivity and efficiency. MC3 explained how his hotel recycled green waste from their gardens, and also used a biological fertiliser instead of using hazardous chemicals.

> "Through reusing, reducing and recycling policies there was a significant reduction in waste". "…we are trying to minimise our landscape watering in our premises by contributing to bio-diversity", "The Hotel's commitment to the green policies brought added value and mutual gain to the business and the external environment", (MC3).
>
> "Environmental performance often makes financial sense as well. Energy efficiency, waste minimisation, pollution prevention and recycling have resulted in significant cost-savings for us", "…well, it seems that it has also enhanced our reputation and market standing", (MC2).

Most of the informants maintained that they were aiming to increase their environmentally responsible behaviour through: (i) the usage of renewable energy in their facilities; (ii) increasing the current reuse and recycle; (iii) water conservation and waste minimisation programmes. The informants came up with very interesting, yet innovative environmental ideas. For instance, the MC3 maintained that his enterprise recycled green waste from the hotel's gardens; other hotels were limiting the usage of disposable packaging. The majority of the hotels claimed that they are reducing their environmental impact by providing sustainable transport options. Some of them have formed partnership and collaboration agreements with the local coach transportation company and with some car hire companies for the

provision of sustainable transportation options. MC2 and MC3 were currently developing and drafting their first carbon offsetting programmes.

The literature review as well as the research fieldwork has covered certain aspects involving sustainability instruments such as the codes of conduct, best environmental practices, eco-labels, environmental management systems (EMS) and environmental performance indicators. Such instruments represent the most commonly applied self regulation methods which are frequently used by hotels in the international arena. Past research has indicated that environmental programs are an effective means of generating enthusiasm and motivating staff to work as a team to achieve a common purpose (Ayuso, 2007). However, it transpired that there were just a few of these instruments which were being implemented in the Maltese hospitality context. Ayuso (2003) had reported similar findings in her study featuring the Spanish hotels. Curiously, Graci (2002) reported that guests tend to base their decision on where to stay according to the hotel's location, amenities and service. However, she also found out that the returning customers often base their decision on the level of the hotel's environmental commitment. Table 10.1 illustrates the most common advantages and disadvantages for environmental engagement in hotels. Some of theses issues were also mirrored in this thesis.

Table 10.1 Advantages and Disadvantages of Innovative Environmental Practices

Advantages

- Cost reduction,
- Increasing operational efficiency,
- Responding to customer demands,
- Improved image and reputational effects of the firm.

Disadvantages

- Investment costs (initial capital outlay, running costs and maintenance costs),
- Lack of time,
- Lack of expertise,
- Difficult to involve staff,
- Apathy to environmental responsibility

(Adapted from Ayuso, 2007, Bohdanowicz 2005)

Many informants have indicated that energy usage was one of their main operating costs, which necessitated careful consideration. Currently there have been some recent spikes in energy tariffs and charges in Malta. Moreover, there were campaigns which have heightened the awareness for more energy efficiency. The Malta Resources Authority has even offered grants and subsidies to commercial entities to engage in renewable energy sources (see Malta Resources Policy Review, 2009). Generally, the hotel enterprises recognised that it was in their interest to prevent pollution (e.g. emissions to air and water, effluent discharges, noise et cetera) as they were committed to protect their natural environment. Better resource management is enabled though improved technologies. Sometimes, good practices spread across the value chain to suppliers, customers and competition.

10.2.1.3.3 <u>The Marketplace</u>

The informants agreed that good relationships with stakeholders spurred their activities across the value chain. Social networking is always a very basic requirement for business. Normally, the firms' fair policies and practices are valued by the marketplace stakeholders. Business activities such as marketing and public relations, advertising, pricing and selling practices should mirror the company's commitment to responsible entrepreneurship (EU, 2003). There are various examples of responsible behaviour in the marketplace that can help towards achieving businesses' objectives. MC2 admitted that her firm has a process to ensure that there is dialogue with customers and suppliers. In the main, the informants maintained that they wanted to keep good relationships with the people they do business with.

> "Firms are similar to humans, as they rely on creating relationships which are crucial for our success", (MC2).
>
> "We have a dialogue with our customers and suppliers". He went on to say, "…our aim is to retain our existing customers and attract new ones", (SC2).
>
> "…if we deliver good customer service to our guests, our customers will be our ambassadors", (MC1).

There are four critical external stakeholders in the value chain who include: (i) the customers and consumer associations, (ii) the suppliers and business partners (iii) the investors or shareholders (Hart and Christensen 2003; Morsing, 2006). The business partners and suppliers are also a very important part of the marketplace, as responsible enterprises assess their potential impact in their business operations. Marketplace policies can lay down criteria of how to select prospective business partners. They can possibly favour and support local suppliers (Porter and Kramer, 2006;

Jenkins, 2006). MC1 highlighted that in line with their procurement policy, they try to purchase locally produced products and fresh organic products, as much as possible. He suggested that his hotel even stimulates its suppliers to adopt sustainability initiatives. Interestingly, all of the informants maintained good business relations with their suppliers, as they claimed that they pay their bills when due. Many informants agreed that there are reputational gains, often resulting in stronger partnerships, increased efficiency and better mutual understanding in marketplace relationships. The organisations can boost their reputation by satisfying their customers (see Orlitzky and Swanson, 2012; Spence and Bourlakis, 2009; Van Riel and Fombrun, 2007), and by settling their invoices on time and remaining committed to their corporate social responsible practices. Reputation is fundamental to ensure success within the marketplace.

> "…it's important to consistently 'do the right thing' with our business partners… we try to minimise problems with our suppliers by keeping good relations. This way, we are keeping up our reputation", (SC3).

> "Of course, our restaurants' food and beverage products and service have to be of a high standard, as we have a duty to satisfy the needs and expectations of our valued hotel guests", (MC3).

It transpired that many Maltese hotels were priding themselves in procuring fresh products, which are usually locally-sourced. They argued that such responsible procurement practices often result in significant cost savings**.** The strong relationships with the marketplace stakeholders often leads to better quality products (fresh organic products) which are sustainable and of a high quality (Wheeler et al., 2003). On many occasions, the hotels held that they ensured effective feedback, consultation and dialogue with the suppliers and the other people they do business with. It

is in the businesses' own interest to forge closer ties with their suppliers. In this regard, Porter and Kramer (2011) have commended;

> "…sharing technology and providing financing to improve supplier quality and productivity, while ensuring access to growing volume"; "…by improving productivity, the procurement will result in lower prices. Moreover, as the suppliers get stronger, their environmental impact often falls dramatically, which further improves efficiency and shared value is created" (Porter and Kramer, 2011).

10.2.1.3.4 The Community

Generally, many managers are convinced that they create value to the wider society simply by providing employment, paying taxes, and providing job security to their employees (Schau et al., 2009). Surprisingly, there were just two hotel owners (SC2 and SC1) who have admitted that they had actively volunteered for noble causes in the past. MC2 advocated that there is further potential for her hotel staff to get involved in societal and community activities. There is scope for the provision of support to social cases, environmental causes, heritage protection, philanthropic activities as well as cultural and sport related initiatives (Carroll and Shabana, 2010; Scholtens, 2009).

> "…it is very difficult to understand what they (the neighbouring community) are expecting from my enterprise". "I realise that the responsibilities towards society stem from my actions not from meagre statements", (SC2).

> "…in the past we have given financial support to community activities and sponsorships", (MC3).

> "…we donated computer equipment, food and / or furniture to charitable and philanthropic institutions", (MC1).

The interviewees' responses suggested that to some extent, there is some external pressure which is triggering their CSR behaviour. Generally, the interviewees reiterated the importance of maintaining good relations with the local community and society at large. SC3 revealed that he frequently met with representatives from the local community. Interestingly, this same informant was also working as a councillor in the same locality of his hotel premises.

> "We try to keep an open dialogue on adverse, controversial or sensitive issues that involve my enterprise. In the past, there were some hot issues about waste accumulation outside my hotel, vehicles obstructing the roads or footpaths. Unfortunately, such matters are typical examples which can possibly create nuisance and exasperation in the community", (SC3).

> "…it is in our own interest to foster and keep a safe and healthy environment around our business", "…we keep good relations with the community to avoid criticism from the public", (MC2).

The informants pointed out that their employees and customers gain direct benefits through community philanthropy. The enterprises' voluntary intervention in the community often results in strengthening the ties with the local economic and social fabric. Therefore community policies increase the corporate image and reputation of the enterprise (Moon and Chapple, 2007). Some examples of community interventions comprise better living conditions for the neighbouring inhabitants, social integration, education and economic regeneration of the enterprises' surrounding environment (Jamali and Keshishian, 2009). The community policies are considered essential and an integral part for responsible entrepreneurship (see Fuller and Tian, 2006; Nelson, 2006).

10.2.1.4 Organisational Resources

SC2 felt uncomfortable with 'boasting' about his social involvement in the community. He asserted that his firm's CSR practices were genuinely carried out for philanthropic reasons. Generally, there was a wrong belief among the smaller hotels that the large companies carry out CSR practices for public relations (PR) benefits. The literature review suggested that it is highly unlikely for the smaller firms to employ individuals in marketing or PR roles. Normally, such enterprises do not pursue CSR activities for commercial exploitation. On the other hand, the bigger companies particularly, MC2 and MC3 were very happy to promote their CSR agenda. There are significant differences between large companies and smaller ones (as reported in chapter 5) when it comes to their impact on society. The smaller businesses tend to believe that they may have no impact whatsoever. Holland and Gibbon (1997) have shown that many small and medium sized enterprises (SMEs) are simply not aware of the impact that they might have on social and environmental issues.

Arguably, when the negative externalities of the business are perceived as small, there may be no ethical imperative to restore them. This factor has been identified as one of the most crucial barriers to CSR among SMEs in Europe (Observatory of European SMEs 2002). Similarly, SMEs might assume that any positive effect about their CSR activities is minimal, as they think that they are unable to make much of a difference (Lepoutre and Heene, 2006). One can easily notice this sort of reasoning from many individuals' attitudes towards charities or voluntary work. Moreover, it may seem that SMEs are less scrutinised by interest groups and the media, than the larger corporations. Of course, it is also logistically difficult to monitor the larger number of SMEs. Any findings on SMEs may be given

less weight than similar findings among the larger corporations (Graafland and Smid, 2004). Therefore as SMEs seem less visible, it transpires that they are often overlooked by communities and interest groups. There is little external pressure on them to behave responsibly (Lynch-Wood et al., 2009).

This study has shown that the hotel enterprises, especially the larger ones can differentiate themselves in their environmental-friendly measures to raise their rivals' costs. Then competing firms will have to cope to adapt themselves to such policies and standards in their activities. The strategic actors will adopt successful responsible practices which make their businesses' specific resources valuable, rare and costly to imitate in order to render the company's competitive advantage more durable and sustainable (Porter and Kramer, 2006).

10.2.1.5 Strategic CSR

By and large, all the informants perceived a business case in CSR engagement. They mentioned numerous benefits which were either internal (e.g. effective HRM and operational efficiency and cost savings) or external (marketplace or community related). MC1 admitted that to some extent, his hotel had responded to external pressures (from competition) to undertake CSR initiatives. Whereas, MC2, SC2 and SC1 revealed that they were willing to undertake CSR practices, as they referred to intrinsic motives which triggered their CSR activities. It transpired that morality and ethics were considered very important to them. Curiously, many of the smaller hotels seemed uncomfortable with the idea of communicating their CSR activities. Apparently, the investigated hotels do not measure the outcomes of their CSR activities. The informants described their CSR programs in relation to the amount of resources they spend on CSR (in financial, time and human

resources terms). The informants suggested that they were devoting their intangible inputs, when they spoke about their involvement, participation and volunteering. However this study suggests that the Maltese hotels were not measuring the outputs of laudable CSR behaviour.

10.2.1.6 Organisational Learning and Innovation

Apparently, there is a potential for the hotel firms to acquire organisational capabilities through networking events, where they may learn about sustainable environmental innovation. SC2 and SC3 suggested that more seminars and courses should be organised to raise awareness about CSR practices. The researcher believes that this is a key area where policy makers and regulatory authorities could provide further assistance. Perhaps there is scope to channel resources (financial resources in the form of grants) to firms which demonstrate high CSR credentials. Organisations may be encouraged to improve their capabilities. A supportive framework can possibly foster the right environment, where enterprises can learn from each other in order to develop their CSR strategies. This leads to the next phase of this research project, where semi-structured telephone interviews were held with three civil servants; who were responsible in implementing sustainable tourism policy.

10.3 Interviewing Informants from the Civil Regulatory Authorities

The rationale for conducting the interviews with the government officials was to gain a better understanding about the existing relationship between the hospitality businesses and the tourism authorities, from a regulatory point of view. Moreover, an extensive desk research was carried out on relevant government policies and academic contributions in this area (see Albareda et al., 2008, Zadek et al., 2001). The public policies for CSR are

developed in the context of a changing set of exchange relationships between business, government and the civil society (Albareda et al., 2006a, 2006b; Midttun, 2004). At both international and national level, CSR policy is developed in the context of an acceptance of CSR as an important contribution to the wider goal of sustainable development (EU, 2002, 2011). The telephone interviews have surely provided additional insight about the related areas of tourism sustainability, responsible tourism and ecology.

10.3.1 The First Regulatory Informant (MTEC)

The first informant worked in the Ministry for Tourism, Environment and Culture as Head of Tourism and Sustainable Development (MTEC). After an introduction and an outline of the research project's objectives, the informant was asked to provide some details about his role and function in tourism and sustainable development.

> "This department formulates Malta's position on legislative and non-legislative proposals relating to tourism. We have recently unveiled Malta's tourism policy, which outlines our strategy for the next five years. We are also responsible to implement the Grant Scheme for Tourism Projects by Enterprises which is co-financed through the EU's Structural Funds", (MTEC).

An excerpt from Malta's Tourism Policy (2012-2016) is featured in Table 10.2. MTEC declared that his department coordinates the EU funding (covering the period 2007-2013) on programmes and projects in liaison with many tourism and hospitality enterprises including, hotels, tour operators, travel agencies, restaurants et cetera. He explained how the current EU funds are being spent. He maintained that current funds were devoted to tourism zone upgrades (e.g. St. Paul's Bay, Qawra and Bugibba); to improve the landscaped urban spaces and other facilities and in sponsorships for ongoing

training of staff in the tourism industry. MTEC stated that direct funding in the tourism industry was available from various sources including;

- EDEN - Destinations of Excellence,
- Networks for the competitiveness and sustainability of EuropeanTourism,
- LEONARDO DA VINCI Programme,
- CORDIS

Table 10.2 Excerpt from Malta's Tourism Policy (2012-2016)

Economic Goals

We want tourism to:

- Remain a fair, robust and widespread economic activity;
- Sustain existing jobs, and create more sustainable all year round jobs;
- Increase foreign income and value added into our economy;
- Provide a fair return on investment to private investment contribute to public finances;
- Sustain air links between Malta and other countries;
- Deliver economic growth in Gozo.

Environmental Goals

The quality of the environment both natural and man made is essential to safeguard sustainable tourism and to maintain the attractiveness of Malta and Gozo. Evidently, a destination's competitiveness is increasingly dependent on the quality of its environment. Tourism's relationship with the environment is rather sensitive as the industry itself runs the risk of having a number of activities that lead to adverse environmental effects.

- We will ensure that tourism and the environment not only coexist but actually complement each other and contribute to each other's well being;
- We will achieve a better quality of life in our urban areas (including through improving aesthetics) as this has a major influence on the quality of the tourist experience;
- We will minimise resource use and contribute to a low carbon, eco efficient and resource efficient economy.

Social Goals

Tourism was and remains a main driver of social change in Malta. It connects Malta to other countries and reduces insularity. We want tourism to continue to be a bridge whilst ensuring however that we do not lose our defining characteristics. We therefore want:

- To have a trained and multi tasked workforce that contributes to and enjoys a fair return from sustainable economic activity;
- To provide a forum for the exchange and sharing of ideas and cultural attitudes, which remain an essential ingredient for future economic growth and social development;
- To protect and conserve local craft and traditions and enhance Malta's intangible cultural sector;
- To manage tourism growth and change within the limits of what is socially tolerated and acceptable.

(Source: The Ministry for Tourism and Culture in Malta)

10.3.1.1 Eco-Gozo

The informant was asked to give particular examples about how the policy translated to sustainable tourism activities which increased the sector's contribution to the economy. MTEC referred to a recent sustainability plan for Gozo (which is the second largest island of Malta). An innovative concept, dubbed as 'Eco-Gozo' was aimed to increase tourism earnings, per capita expenditure, in the island. He suggested that this Eco-Gozo concept can generate multiplier effects, as it increases Gozo's competitive advantage. In MTEC's own words;

> "…Whilst retaining Gozo's characteristics and adopting responsible practices and processes, we will support the development of tourism related activities that contribute to support the principles of responsible travel and sustainable development such as the green passport for tourists (green awards for those hotels attracting the highest amount of green tourists), the generation of employment such as green tourism jobs, awareness about the industry and eco principles";
>
> "…It is our policy to support investment which is in line with the development of Gozo as an eco-island; respecting the island's built and natural heritage and its people, generating benefits on the basis of sustainable development", (MTEC).

Finally, the informant suggested that contact should be made with his colleague at the Malta Tourism Authority (MTA). He implied that MTA has forged closer relationships with the hospitality enterprises.

10.3.2 The Second Regulatory Informant (MTA1)

The second interviewee was the manager of Human Resources at the Malta Tourism Authority. Again, the research project's aims and objectives were reiterated with MTA1. Surprisingly, the informant had a vague idea of this

research. It transpired that he was informed by the previous informant (MTEC). MTA1 started the conversation by giving some background information about the functions of his organisation. Essentially, MTA is Malta's regulatory authority for tourism. Table 10.2 provides an explanation of the role of MTA. However, the informant held;

> "Our duty is to strengthen the (tourism) industry's human resources"; "…we want to make sure that businesses have really high standards and quality in their tourism product", "More importantly, we are like a one stop shop, as we provide assistance and advice on any tourism-related issues", (MTA1).

Table 10.3 Excerpt from the Malta Tourism Authority's Url Site

The Role of MTA is:

- To promote and advance Malta as a tourism destination,
- To advise Government on tourism operations and to issue licences under the Act.
- To contribute toward the improvement of the level of human resources in the tourism industry.
- To advise government on the planning and development of the tourism industry as well as on the infrastructure supporting the industry.

(Source: MTA, 2012)

Later on, MTA1 mentioned Malta Tourism Authority's 'Eco- certification scheme', which has been successful in encouraging the hotels' engagement in responsible practices. The informant explained that the 'Eco- certified' hotels come from the 5-star, 4-star and 3-star categories. He remarked that at the time of the interview there were approximately 15% of the hotels in Malta which had achieved the 'Eco-certification' mark. This translated to almost 30% of all hotel rooms. Interestingly, one of the interview respondents which was featured earlier (i.e. MC3), had revealed that his hotel was 'Eco-

certified'. MTA1 affirmed that the hotels must comply with a number of criteria to be eligible for 'Eco-certification'.

> "The set criterion is aimed at improving the hotels' environmental performance and to increase their environmental awareness". "…There are many benefits for them (Hotels), as they will improve their corporate image, tap into the growing market of environmentally-conscious travellers, and more importantly, they will be reducing their own operational costs", (MTA1).

MTA1 asserted that an added benefit of forming part of the 'Eco-certification' scheme is that hotels were gaining MTA's technical support on environmental issues, especially through their annual training seminars on sustainability and responsible tourism. Therefore, MTA also facilitates the sharing of positive experiences in environmental management. The informant held that recently there was a seminar which took place the previous month. A number of guest speakers contributed to this well-attended half-day seminar, including representatives of government entities, environmental NGOs and also two 'Eco-certified' hotels. Finally, MTA1 quoted a recent research which was conducted by the Malta Tourism Authority (2009). The study revealed that 68% of the surveyed tourists have expressed high levels of interest in environmental issues, whilst 57% were even willing to pay an average of 8% more for their hotel accommodation.

10.3.3 The Third Regulatory Informant (NLC)

The third informant, worked as a mayor in one of Malta's tourist areas, Mellieha. He was democratically elected in the local residential councils. Initial contact was made by email asking for a telephone interview with the mayor. In the email; details were given about the research project. Subsequently, focused questions were addressed during the telephone interview. The informant was asked to give some details about his

relationship as mayor with the tourism and hospitality stakeholders in his locality. NLC alleged that there was good communication and dialogue going on between the local council and the hotel businesses. Unexpectedly, he reported a list of projects which ranged from building a family park to the restoration of historic buildings. Additionally, he remarked that there were several embellishment projects in the pipeline, as there will be new parks and roads, environmental initiatives and the like. He reiterated that such projects would help to bring more tourists in his locality.

The mayor (NLC) declared that his town has been awarded the European Destination of Excellence (EDEN). He also announced that he had recently been appointed as a member of EDEN's Steering Committee in Brussels. He was asked to shed some light on EDEN's initiatives. The mayor explained that the EDEN project sought to promote sustainable tourism development models across Europe. The key feature of the selected destinations was their commitment to social, cultural and environmental sustainability. It emerged that the recipients of the award were little-known European destinations located within the EU Member States (and candidate countries) participating in the project. NLC asserted that the EDEN initiative helped to spread the sustainable practices in winning locations across Europe, as it was hoped that this initiative promotes these places into all-year-round tourist destinations. The mayor stated that his locality has been chosen as an EDEN destination, and that he was involved in drafting the urban and rural regeneration plan for the town of Mellieha.

The mayor explained that the sustainable development plan rested on four main pillars: (i) tourism and culture, (ii) transport and mobility; (iii) urban regeneration and restoration of historical and cultural heritage; and (iv) the

ecological protection and landscaping. The mayor affirmed that his council strived to address the holistic economic, social and demographic environment. He held that his council had clear strategies, and that relevant decisions were taken on the basis of the formulated strategies.

> "We aim to improve the quality of life of our fellow citizens through our commitment to the environmentally sustainable practices", "…in our case (Mellieha Local Council) we are responsible for a very large territory comprising a large stretch of countryside and many beaches". "…Regardless of the season, we are attracting a large number of Maltese and tourists alike who enjoy our locality's landscape. Of course, this leads to demands on our precious resources", "…Unfortunately visitors will generate waste as well" (NLC).

Interestingly, the council had also drafted a comprehensive strategy to address the different challenges facing the tourism industry. The mayor affirmed that;

> "A step in the right direction has been taken with regards to developing sound sustainable initiatives in our Local Council", "Of course the hotel businesses will benefit from the infrastructural developments in our locality" (NLC).

10.4 The Relational Framework

Albareda et al. (2008) came up with relevant recommendations for government's consideration. They suggested that governments should focus on taking a multi-stakeholder approach and build partnership strategies with businesses. The authors recognised that the development of a CSR policy is a learning process for the governments themselves, as they strive to build a new relational paradigm. Often academia held that CSR is seen as businesses' contribution to sustainable development (Moon, 2007). Evidently, this is not always reflected in the way governments' structure and implements their CSR and sustainable development policies (Zadek et al.,

2001). Apparently, there is some conviction regarding the positive financial benefits of CSR at the micro, meso and macro levels (EU, 2007; Aupperle et al, 1985; Waddock and Grave, 1997; Orlitzky et al., 2001). As a result, the European Commission including the Maltese government is actively promoting this relational approach to encourage the acceptance and application of CSR. The Maltese government affirmed that CSR can be mutually beneficial to the organisation and to the society in which it operates (EU, 2007). The qualitative interviews with the regulatory officials have also confirmed that the Maltese government is making an effort to raise awareness of CSR initiatives; to promote a culture whereby even its public entities are promoting the best practices of CSR (EU, 2007).

10.5 Summary

This qualitative research has reinforced the quantitative results, in a triangulated approach. Firstly, this chapter has presented the findings from the semi-structured face-to face interviews with the hospitality enterprises. Secondly, telephone interviews were carried out with officials from the Maltese regulatory authorities. The in-depth interview questions sought information about the hotels' cultures and ethos for CSR. These interviews were conducted in such a way to unravel the hotel's CSR behavioural policies and practices. On the other hand, the telephone interviews have provided a better picture about the existing relationships between the hospitality businesses and the tourism authorities; from a regulatory point of view. This qualitative study has shown that there is scope for the hotel enterprises to engage themselves in societal relationships. It transpired that the CSR activities which were directed towards the community and society at large often brought significant cost and risk reduction opportunities to the

firm itself. It was reported that CSR also led to a favourable climate of trust and cooperation within the company. Generally, the informants declared that they have noticed increased job satisfaction levels and high morale amongst staff. In the main, the hotel owner-managers admitted that CSR brought reputational benefits as it enhanced their firms' image among their stakeholders.

Chapter 11
INTERPRETATION OF THE FINDINGS

11.1 Introduction

This chapter reports the key findings of this research. This study investigated the insights and perceptions of responsible entrepreneurship among the Maltese hotel owner-managers, as it explored their business case for CSR engagement. The focused research objectives together with the six hypotheses have determined the conduct of this study's mixed research techniques. The empirical results as well as an extensive literature review suggest that laudable CSR behaviour can be used as a leveraging strategic process. Evidently, strategic CSR practices led to the firms' financial performance and market standing through effective human resources management, cost reduction and operational efficiencies. Following the findings of this thesis; a model representing the 'synergistic value creation' for business and society is being put forward. This model integrates insights from the stakeholder's theory and the resource-based views to sharpen the strategic base for CSR investment.

11.2 Leveraging Opportunities from Strategic CSR

The research techniques which were employed in this study have reconfirmed that businesses may benefit if they engage themselves in responsible behavioural practices. This thesis has particularly focused on how hotel enterprises use CSR practices to differentiate themselves from their competitors. A strategic approach to CSR may lead towards a competitive advantage for the business in the long run. The broad view of strategic CSR enables the firm to enhance its competitive advantage and

create win–win relationships with stakeholders. In a survey among business executives 'competitive advantage' was cited as one of the top two justifications for CSR (Fortune, 2003). This strategic view justifies the acceptance of the business case for CSR, because it acknowledges the complex and interrelated nature of the relationship between CSR and the firm's financial performance (see Carroll and Shabana, 2010). This thesis suggests that the firms which are adopting strategic CSR initiatives are more effective than their rivals, as they become more effective, efficient and economic in their practices. The research fieldwork revealed that there are numerous hotels that were seeing the benefits in socially and environmentally responsible practices (e.g. energy and water conservation; recycling garden waste, employee consultation and involvement, enhancing the skills of their employees by delivering on-the-job training courses et cetera).

11.2.1 Effective Human Resources Management

The quantitative findings indicated that when CSR duties and responsibilities were delegated to staff, it resulted in positive effects on HRM. In practice, socially responsible behaviour can raise the status of jobs. There can be scope in providing alternative models of apprenticeships in the hospitality industry. Perhaps the hotel enterprises can improve job matching and address any generational gaps in their workforce by engaging young and older workers. The hotel enterprise may choose to carry out continuous performance appraisals and implement employee retention strategies. They can offer incentives and reward schemes to their hard working staff (see Malta Tourism Policy, 2012-2016; Service Skills Australia, 2010). There are opportunities for a sustainable competitive advantage if the human resource management is innovative in its approaches. Enz (2009) remarked that the

hospitality industry and the academic research in this area have not yet addressed the impact of social media on human resources practices and training. For instance, there are many ways in which social media may be used to enhance employee motivation and morale. An organisation's internal web site may possibly encourage employees to give their opinions and suggestions on any matters which concerns them and on issues which can improve their workplace. The internal website can be used to trigger organisational performance by communicating the incentives and perks to the employees. Moreover, this internal website can be employed by management to disseminate corporate information; as organisational values, norms and policies. Undoubtedly, the employee involvement will influence the organisations' commitment and behaviour in CSR. Nowadays, the employees themselves are increasingly becoming acquainted to current thinking in responsible practices. As a result, they are far more likely to identify with an employer whose principles and practices are in tune with the current trends.

11.2.2 Operational Efficiencies and Cost Reduction

In the quantitative study it emerged that there was a significant relationship between operational efficiency and CSR commitment, HR policies and staff devoted to CSR. In a sense the qualitative study has reinforced the quantitative findings with regards to the argument for cost and operational efficiencies through sustainable environmental practices. This study is also consistent with the contentions of other authors (e.g. Orlitzky et al., 2012; Smith, 2007; Berman et al., 1999). In a survey of business executives by PricewaterhouseCoopers cited in Fortune (2003); 73% of respondents indicated that 'cost savings' were one of the top three reasons why companies were becoming more responsible. Arguably, cost savings

obviously attract top management attention as a specific bottom-line benefit to socially and environmentally responsible practices.

This was reflected in the quantitative findings were a positive and significant relationship between effective HRM and the firm's organisational behaviour indicated that innovative environmental practices was an important control variable. This thesis has shown that there were an increasing number of Maltese hotels (particularly the larger ones) who are formalising their best environmental practices by means of an eco-label. The Malta Tourism Authority's internationally accredited eco-label has turned out to be an appropriate instrument which measures the environmental performance of hotel enterprises. This study has shown that environmental responsibility usually arises from the personal awareness of the hotel owner-manager or from the hotel's organisational culture. Often, the informants admitted that there were cost saving opportunities (in the medium to long term) in engaging in environmentally responsible practices (such as energy and water conservation, waste minimisation and recycling). The technology advancements in this regard catalyse new approaches for economy and efficiency (such as water conservation practices, how to use raw materials and recycling, reducing and reusing practices). Such practices can create value for the firm, as they often result in significant cost savings. Apparently, the hotels who were displaying their eco-labels were responding to the demands of their customers and tour operators. This thesis suggests there is scope for more environmental management systems (which may possibly be based on ISO14001); (i) Where relevant information about the environmental sustainability should be conveyed in a prominent area on the hotel's web site, (ii) The hotels should communicate their environmental policies or strategy statements (concerning the environment), (iii) There is scope in

promoting past environmental initiatives, (iv) The hotels should keep monitoring their environmental credentials (source: ISO 14001, 2010).

11.2.3 Organisational Reputation and Legitimacy

In the main, the hotel informants have recognised that their social and environmental commitment will improve their reputation and standing amongst stakeholders. The firms, 'focus on value creation by leveraging gains in reputation and legitimacy made through aligning stakeholder interests' (Kurucz et al., 2008:90). For instance, Pivato et al. (2008) have shown that CSR initiatives enhance brand loyalty. The qualitative fieldwork has shown that the owner-managers seemed to agree that their enterprises' social and environmental practices have enhanced their firms' image and reputation among the stakeholders they do business with. Admittedly, the results from the quantitative study were inconclusive with regards to the much anticipated reputational effects and their perceptions of market standing (customer loyalty and brand image) resulting from strategic CSR engagement. Reputation and legitimacy arguments maintain that there are possibilities for firms to strengthen their legitimacy and enhance their reputation by engaging in CSR behaviour. Morsing and Perrini (2009) held that businesses are gaining a good reputation and improving their environmental credibility with their appropriate behaviour.

Arguably, the hotel enterprises already provide direct and indirect employment opportunities in the tourism sector as they generate economic invigoration and development to the local economies. This study indicated that there may be scope for the hotel enterprises to have a policy to ensure honesty and quality in all their procurement contracts, dealings and advertising. The traditional marketplace approach calls for hotels to exert

their bargaining power on suppliers to drive down their prices, even when purchasing from small businesses (such as subsistence level farmers). Good relationships with capable local suppliers foster greater dependability, logistical efficiency and ease of collaboration. "Local capabilities in such areas as training, transportation service can boost productivity", (see Porter and Kramer, 2011).

11.2.4 Financial Performance

This study indicated that strategic CSR engagement translates to better organisational performance. It has been reported that there is more to CSR behaviour than its intangible benefits such as boosting the employee morale and increasing employees' job satisfaction. The hotel enterprises engage in innovative environmental practices as they realise that there are cost saving opportunities for them. It has been demonstrated that CSR engagement improves the financial performance of the business. In addition, the quantitative study indicated that CSR (when manifested as environmental behaviour) is dependent on the firm's financial performance and vice-versa. Both relationships CSR→FP and FP→CSR were strong and significant, when tested statistically. Therefore, this study has shown that CSR behaviour causes financial performance. In turn, financial performance creates the opportunity for CSR behaviour.

The qualitative study has confirmed that customers value the firms' commitment for sustainable environmental practices. The hotel owner-managers alleged that the customers were willing to pay more for products and services from socially and environmentally responsible companies. Perhaps, this may be also attributed to the firms' communicating their sustainability initiatives to their different stakeholder groups. Nowadays, the

hotels have become well accustomed in reporting their social and environmental behaviour. It has become a normal practice for many hotel firms to issue sustainable reports along with their financial statements, on an annual basis. Evidently, the hotel owner-managers recognise that there are good opportunities to increase their market share relative to competitors which are lagging behind in CSR engagement (Bhattacharya et al., 2009). CSR is a leveraging opportunity to attain competitive advantage (Porter and Kramer, 2006). This occurs when the businesses can afford to raise their prices, or simply by having a larger customer base. Therefore, the corporate social responsibility practices increases sales revenue (Lindgreen et al., 2009).

11.3 The Stakeholder Engagement

Both the quantitative and qualitative studies have shown that there is scope for the hotels to engage themselves in societal relationships. Strategic CSR initiatives can contribute towards strengthening a firm's competitive advantage through enhancing its' relationships with stakeholders. Inevitably, as it has also been reported in the literature review (see Andriof and Waddock, 2002; Freeman, 1984) that different stakeholder demands will present potential threats to the viability of any organisation. Of course, the economic interests are served by mitigating these threats through a threshold level of social or environmental performance (Kurucz et al., 2008:88). This thesis' empirical results have indicated that responsible behaviour leads to better stakeholder relationships. The stakeholder theory reveals how businesses may develop long-term mutual relationships with their stakeholders, rather than simply focusing their attention on short term profitable measures (Russo and Perrini, 2010; Jamali, 2008). Of course, the authors did not imply that profit and economic survival were unimportant. They reiterated that businesses rely on a multitude of stakeholders. Other

authors maintained; "The businesses' closer interaction with their stakeholders is based on a relational and process-oriented view", (Alberada et al., 2008; Morsing and Schultz, 2006). "Firms build a competitive advantage by engaging in those CSR initiatives that meet the perceived demands of stakeholders", (Kurucz et al., 2008:89). Corporate social responsibility activities which are directed towards the community relations may also bring cost and risk reductions (see Berman et al., 1999). This study has shown that fruitful relationships with stakeholders lead to improvements in the firms' financial performance.

In a similar vein, Carroll (2010) held that positive community relationships decrease the amount of regulation imposed on the firm, because the firm is perceived as a sanctioned member of society. In other words, the stakeholders will prefer the firm over its competitors because of its engagement in CSR initiatives. For instance; the qualitative interviews revealed how discretionary expenditure in training courses improves the levels of knowledge and skills of the workforce, as well as the infrastructural investments in the neighbourhood can possibly lead to long term wealth. Such resource allocations may be strategically linked to improvements in long term relationships with the communities, with which the firms interact. Therefore, it is suggested that such CSR practices are beneficial for the firm's organisational performance. This research project has shown that investments in laudable CSR behaviour have improved financial performance, human resources management, operational efficiency and cost reduction. It was also predictive of important outcomes like societal relationships including the regulatory one.

11.3.1 Regulatory Relations

The quantitative study indicated that the businesses' regulatory relations are dependent on their size. Therefore, the larger firms tend to build closer relationships with the government and its agencies. Moreover, this finding was also mirrored in the qualitative study as well. Dahlsrud (2008) held that CSR goes beyond compliance with laws and regulations. Recently, Bramwell and Lane (2012) held that is important that the government stays back and avoids stifling the energy, creativity and innovation in businesses and stakeholders. Governments must ensure that the desired resolution of collective problems is achieved, whilst also enabling other actors to play a full part in reaching for the solutions to those 'problems' (Giddens, 2009). Ayuso (2007) argued that the tourism sector's voluntary instruments can be more successful than the traditional compulsory regulation and planning; because voluntary instruments encourage more motivation, flexibility and innovation. It transpires that many academic contributors' reasoning is also reflected in this thesis' findings. Interestingly, the interviewed regulatory experts affirmed that the role of Malta's Ministry of Tourism and Culture was to safeguard sustainable tourism and to ensure the attractiveness of Malta as a tourism destination. These informants advocated their principles-based regulation rather than prescribing any stringent rules for the small tourism businesses. As reported in the literature review about the relational framework, the right kind of government approach may possibly encourage companies to embrace socially and environmentally responsible practices (see Albareda et al., 2009). This study has shown that the Maltese government is pushing the agenda for responsible organisational behaviour, as this leads to the goals of economic growth, social cohesion and sustainable environmental practices.

Porter and Kramer's (2011) shared value proposition advocated that the government is responsible in setting clear and measurable goals; whether they are social and/or environmental targets or performance standards (e.g. health and safety matters). They suggested that appropriate regulations may require efficient and timely reporting of responsible behaviour. They implied that the businesses' sustainable/CSR reports can be "audited by the government" itself. Porter and Kramer (2011) held that businesses should not have any expensive compliance procedures imposed on them. This thesis commends that synergistic value can be attained when businesses and government become more aligned on regulation. Hence, regulation has a vital role to play in improving the environmental and social practices of enterprises (Williamson et al., 2006: 326). Valor (2008:323) proposed that there should be 'mandatory reporting on social and environmental performance and the development of a comprehensive social or CSR label'. Graci and Dodds (2008) predicted that there will be regulatory pressures for mandatory changes in the environmental sector, in the foreseeable future. Such pressure will inevitably respond to energy crises and address issues such as resource deficiencies including water shortages. The authors referred to some examples where firms were 'mandated to implement certain environmental initiatives', (e.g. the hotels in Florida were required to reduce their waste levels). In addition, they also mentioned the new carbon emissions tax in the Canadian hospitality industry context. They implied that such legislation will result in negative consequences. Arguably, it is in the hotels' interest to anticipate such regulatory changes and implement sustainable environmental initiatives to mitigate the effects of regulation (Moon and Richardson, 1985).

This thesis has shown that there were still some Maltese hotels which are lagging behind, in this respect. On the other hand, some hotels were successful as they were displaying their environmental credentials (as proven by their eco-label). The findings in this thesis and the existing literature review have indicated that the environmental regulations may stimulate innovation, which offsets the cost of compliance. Arguably, any compulsory enforcement of the regulatory measures may result in challenging opportunities, which will eventually bring substantial cost savings and operational efficiencies. Of course, the businesses should be given sufficient time) to comply themselves with any regulatory changes. Curiously, during the qualitative interviews it has emerged that the hotel owner-managers were expecting further assistance from the Maltese government; possibly through (financial) resources which may be given in the form of grants and / or tax relief in order to improve upon their existing socio-environmental practices.

11.4 The Availability of Slack Resources

This study supports the resource based view theory (Orlitzky et al., 2011; Barney, 1991). This study has shown that when the businesses have available slack resources they are in a better position to spend on discretionary activities. Interestingly, this has also been reflected in both the quantitative and qualitative findings. The quantitative study has shown that effective human resources management was significantly dependent on whether the firm possesses an HR department, and also on its staff dedicating themselves to CSR behaviour. Of course, the firms who are doing well financially have the resources to spend. Conversely, when the firms find themselves in financial trouble they will not have any scarce resources for discretionary investment. This study found that there is no detrimental impact or penalty

from allocating slack resources towards strategic CSR. Strategy must go beyond best practices. It is about doing things differently from competitors in a way that reduces the costs of the firm or better serves a particular set of customer needs. According to the resource based view; "…if organisational resources and capabilities are valuable, rare, inimitable, and non-substitutable, they will form the source of an organisation's competitive advantage", (Barney, 1991). Huselid and Becker (2011) found that a quality workforce may result in a competitive advantage. Larger organisations tend to have more slack resources (Bradley et al., 2010). For this reason they may find themselves in a better position to dedicate more resources to laudable CSR activities. Moreover, they usually have financial and human resources which may be devoted to marketing their CSR engagement (Orlitzky et al., 2011).

This study has reinforced the resource based view of the firm as it has been proved that the larger firms were capable to improve upon their financial performance through CSR engagement. Similarly, Luo and Bhattacharya (2006) and McWilliams and Siegel (2001) found that large firms are more likely to engage in CSR initiatives than the small firms. Bayo-Moriones and Merino-Diaz de Cerio (2001) held that there are differences in firms' resources, which explained how small and large companies are managed. Several authors maintained that smaller companies generally disposed of fewer resources than their larger counterparts (Bacon et al., 1986). Substantial research has also demonstrated that firm size significantly influences financial performance measures (Orlitzky et al., 2003). It seemed that there is no agreement in the direction of its effects (McWilliams et al., 2001, 2006). This thesis' quantitative study has consistently shown that size had a significant effect on the tested relationships between organisational

performance (strategic CSR outcomes) and its responsible behaviour. The qualitative study has also reconfirmed the quantitative findings in this regard. The smaller hotel enterprises were not successful as their larger counterparts in implementing strategic CSR practices, which are related to their business activities.

A thorough literature review has suggested that those companies which are faring poorly in CSR may inadvertently limit themselves in the choice of prospective job applicants (Davies and Crane, 2010; Orlitzky, 2007). Successful firms strategically manage their resources to meet these demands and exploit the opportunities associated with them, for the benefit of the firm (Kurucz et al., 2008). McWilliams and Siegel (2010) and Orlitzky et al. (2011) used the resource based framework to construct a formal model of a 'profit maximising' CSR. Bhattacharya and Sen (2004:10) held that, "there was a positive link of CSR to consumer patronage, in spurring companies to devote greater energies and resources to CSR initiatives"." Typically the more closely tied a social issue is to the company's business, the greater, the opportunity to leverage the firm's resources and capabilities and benefit society", (Porter and Kramer, 2006).

In conclusion, this research has reported numerous benefits of social and environmental engagement. It has been proven that strategic CSR optimises the organisational performance of the firm:

- Increases the financial performance,
- Minimises costs through operational efficiencies,
- Boosts employee morale and job satisfaction,
- Increases the businesses' reputation and image among customers,
- Leads to better societal and regulatory relations.

11.5 A Proposed Conceptual Model for Synergistic Value Creation

This thesis found that the firm's financial performance is dependent on the firm's organisational resources and on its stakeholder relations. The quantitative study in particular, revealed that the financial performance is dependent on the firm's size and with its capability to forge good community and regulatory relationships. The availability of slack resources was also correlated to financial performance. It transpired that the larger organisations were capable of enhancing their performance through laudable CSR engagement and this was evidenced in positive and significant relationships between 'financial performance', 'effective human resource management' and 'operational efficiency and cost savings' against the organisations' social and environmental behaviours.

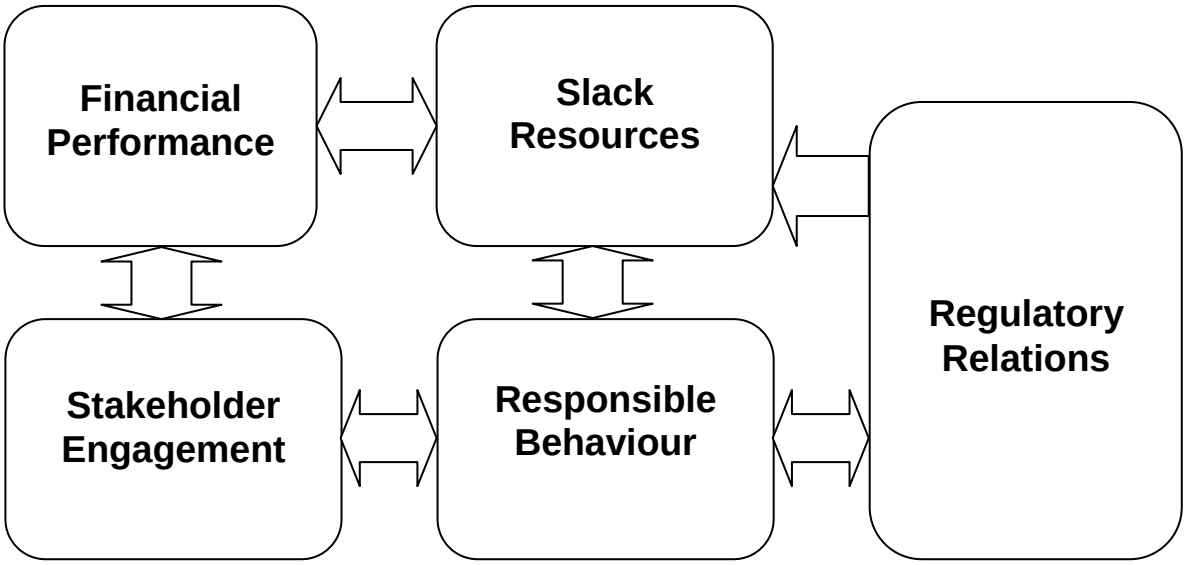
The results of the qualitative study reinforced the quantitative findings as both techniques complemented each other; like a complex puzzle into a coherent whole. The in-depth interviews sought information about the hotels' cultures and ethos for CSR. These face-to-face interviews were conducted in such a way to unravel the enterprises' behavioural policies and practices. Whereas the telephone interviews provided a better picture about the existing relationships between the hospitality businesses and the tourism authorities, from a regulatory point of view. The qualitative study has shown that there is scope for the hotel enterprises to engage themselves in societal relationships. It was reported that CSR also led to a favourable climate of trust and cooperation within the company. In the main the hotel owner managers admitted that strategic CSR brought reputational benefits as it enhanced their firm's image among their stakeholders.

The empirical results found in this thesis are supported by an extensive literature which is delineated here: There are win-win outcomes when businesses connect with their stakeholders (Freeman, 1984; Andriof and Waddock, 2002). Firms create simultaneous, pluralistic definitions of value whilst targeting their multitude of stakeholders (Kurucz et al., 2008; Wheeler et al., 2003). In a similar vein, the resource based view (RBV) theory suggests that resources of the firm affects it activities and growth, profits and the level of sustained competitive advantage (Orlitzky et al., 2011; Collis and Montgomery, 2008; Hart, 1995; Barney, 1991). Significant areas of study which are synonymous with this approach to the business case of CSR include: 'the Virtuous Circles' (Pava and Krausz, 1996; Preston and O'Bannon, 1997; Waddock and Graves, 1997; Stanwick and Stanwick, 1998); 'The Sustainable Local Enterprise Networks' (Elkington, 1998), 'Positive Synergy' or; 'Societal Learning' (Brown and Ashman, 1998); 'The Triple Bottom Line Approach' (Elkington, 1998); 'The Supply and Demand Theory of the Firm' (Mc Williams et al. 2001); 'The Value Based Networks' (Wheeler et al., 2003); 'The Base of Pyramid Approaches' (Anderson, 2006; Landrum, 2007) and 'the Win-Win Perspective for CSR practices' (Falck and Heblich, 2007). The most recent value creation propositions include; 'Creating Shared Value' (Porter and Kramer, 2011; EU Commission 2011); 'Value in Business' (Lindgreen et al., 2012); 'Value Creation through Social Strategy' (Husted et al., 2012) and 'The Stakeholder Approach to Maximizing Business and Social Value' (Bhattacharya et al., 2012). The fundamental motivation of such approaches is the view that creating connections between stakeholders will open up unseen opportunities for value creation.

Following this study's empirical findings, this thesis is proposing a conceptual model representing the 'synergistic value creation' as depicted in

Figure 11.1. Business models may lead towards achieving a competitive advantage of the firm, if the model is sufficiently differentiated (see Teece, 2009).

Figure 11.1 'The Synergistic Value' Model



(Compiled by the author)

This synergistic value model integrates insights from the stakeholder theory and the resource based view theory. This thesis evidenced how the stakeholder theory provides opportunities to align business practices with societal expectations and sustainable environmental needs. The stakeholder relationships supports the principle of inclusivity, as the business practitioners strive in their endeavours to strike a balance between conflicting demands of different stakeholders. Inevitably, businesses will have to reconcile disparate stakeholders' wants and needs (e.g. employees, customers, investors, government, suppliers et cetera). Therefore both internal and external stakeholder relationships are consonant with the concepts of Strategic Corporate Social Responsibility and Creating Shared

Value. The Strategic Corporate Social Responsibility outcomes featured in this empirical investigation suggested that fruitful and collaborative working relationships with external stakeholders lead to an improvement in mutual trust and understanding. As a result there are also benefits for the businesses' reputation, its brand image, customer loyalty and investor confidence. This synergistic value model suggests that stakeholder engagement leverages the organisational performance resulting in a better market standing and financial performance. At the same time businesses are forging community and regulatory relationships for their own interest. The rationale of societal engagement is to respond to third party pressures, lower the criticisms from the public and to minimise the regulatory problems by anticipating legal compliance. The captioned model features direct links between responsible behaviour and societal relationships, as it also depicts the potential effect of the government's relationship on the organisation's slack resources. This thesis suggests that there is scope for governments in their capacity as the regulators to take a more proactive stance in promoting responsible behaviours. They can possibly raise awareness of sustainable practices through dissemination of information as well as provide training and development programmes for entrepreneurs. They may assist businesses by fostering the right type of environment for responsible behaviours; through various incentives (e.g. grants, tax relief, sustainable reporting guidelines, frequent audits et cetera).

Moreover, this synergistic value model features the resource-based view of the firm. This thesis posited that social and environmental behaviours will ultimately bring financial results, as it suggests that organisational capabilities are positively linked to organisational performance and that slack resources are a facilitator for quality and innovation. It has been

reported that discretionary expenditures in social and environmental practices result in strategic CSR outcomes. Effective human resources management, employee motivation as well as operational efficiencies and cost savings will translate to healthier financial results. It goes without saying that slack resources are highly required for appropriate investments in human resources and sustainable environmental solutions. Evidently, the smaller organisations may have less available scarce resources when compared to their larger counterparts. Of course, the social and environmental behaviours consistently demand monetary resources as well as a number of staff (and management) being redeployed to carry out responsible policies and practices.

The synergistic value model features multiple links (in both directions) between responsible behaviour and stakeholder engagement and between responsible behaviour and the availability of slack resources. The responsible behaviour is primarily directed at the organisation's stakeholders' comprising its human resources, suppliers, customers and the community at large. The responsible behaviours which were covered in this thesis included training and development opportunities for employees, employee consultation and dialogue, health, safety and security issues as well as measures for work-life balance. Apparently, business organisations are increasingly pledging their commitment for more sustainable environmental investments. For instance, energy and water conservation, waste minimisation and recycling, pollution prevention, environmental protection as well as sustainable transport options are bringing strategic CSR benefits such as operational efficiencies and cost savings.

11.6 Summary

Strategic CSR unlocks synergistic value, as the business and the community become mutually reinforcing. The value creation arguments focus on exploiting opportunities that reconcile differing stakeholder demands. It has been demonstrated in this study that hotel enterprises were doing this by connecting with their multiple stakeholders. The quantitative and qualitative research findings have yielded a full range of strategic and financial benefits of in laudable CSR behaviours. Finally, the Synergistic Value Model illustrated the relationships between responsible behaviour and stakeholder engagement, slack resources and regulatory intervention. It was demonstrated that laudable investments in strategic CSR brought shared value opportunities for business and society; which led to optimal financial performance in the long run.

Chapter 12
CONCLUSIONS AND RECOMMENDATIONS

12.1 Introduction

This thesis has shown that discretionary investments in CSR lead to strategic and financial benefits for the businesses. This study reinforced the literature surrounding the stakeholder theory and the resource-based view of the firm, in addressing the research objectives and its implicit hypotheses. This final chapter considers the implications of this research for academia and for the business practitioners. It also discloses the limitations of this enquiry, as it proposes avenues for further study.

12.2 Implications and Limitations of this Study

The generalisability of this research project is limited by the nature and the size of the sample due to the small population of accommodation establishments in Malta and Gozo. This research project has investigated the hotel owner-managers' opinions and perceptions about their responsible entrepreneurship practices. Low-level employees did not take part in this study. Although the response from the quantitative study (78% of the population) was sufficient in drawing conclusions about the Maltese hotel enterprises this study is not amenable in drawing general conclusions in other contexts. In addition, the researcher believes that there is scope in undertaking more in-depth face to face interviews with hotel owner-managers, as they will have the opportunity to raise different concerns. Of course, there can be different practices across other industries. Moreover, if

this study had to be replicated in other countries there is a possibility to come up with different findings.

The extensive literature review has revealed that there are wide set of definitions of CSR. There is still no consensus on an appropriate definition which encapsulates CSR. Admittedly, this lack of uniformity and consistency in the use of the CSR term, at times makes it difficult to compare results across previous studies. In addition, previous studies have considered different sampling frames, research designs, methodologies and analyses which have obviously produced different outcomes (e.g. Waddock and Graves, 1997; Margolis and Walsh, 2001; McWilliams et al., 2006; Orlitzky et al, 2012). The methodological debates confirm that the research on CSR is still somewhat embryonic. Moreover, it seems that this research area is attracting researchers from heterogeneous backgrounds; bringing different values, ideologies and perspectives in shaping and formulating CSR theory. This problem becomes even more evident when CSR raises the normative issues related to power and politics (Orlitzky, 2008). Yet, some literature review suggests that CSR may no longer bring the same reputational benefits that were reported in earlier studies (see Bird et al., 2007). For instance, laudable CSR activities in philanthropic activities and stewardship practices may no longer differentiate the companies and lead them to a sustainable competitive advantage, because the public may have become increasingly acquainted with such practices.

12.3 Conclusions

The research techniques which were employed during this study have raised awareness about possible responsible entrepreneurship practices in the hospitality industry. The benefits which are attributed to strategic CSR were

communicated in the survey questionnaire and in the interview sessions. In the main, the informants have indicated that strategic corporate social responsibility resulted in substantial benefits to the firm itself, as it supports their core business activities. Despite the owner-managers (in both quantitative and qualitative studies) were seeing the benefits of CSR strategy, they still did not commit themselves towards improving their CSR performance any further. The results suggest that the firms were adamant in maintaining their status quo. The researcher believes that there is scope for the Maltese hoteliers to consider the results of this thesis. The discretionary spending in CSR whether it is driven from a strategic intent or from 'posturing behaviour' often results in improved relationships with internal and external stakeholders. This thesis has reported numerous benefits of CSR engagement: It has been shown that strategic CSR increases the organisational performance of the firm. This study concluded that strategic CSR increases the financial performance; minimises cost through better operational efficiencies, boosts employee morale and job satisfaction, increases the businesses' reputation and image among customers, along with other benefits. Strategic CSR can also lead to better societal and regulatory relations, which is always beneficial for the firms. It has been argued that as firms engage themselves in strategic CSR, they are creating shared value. This thesis has explored the business case for CSR across the hospitality industry. It has shown that there is more to CSR, than 'doing well by doing good'.

The contributions of this thesis are fourfold. Firstly, it has given an insight into the mainstream responsible initiatives of the Maltese hotel enterprises. Secondly, it is believed that this thesis has contributed to knowledge by adding a hospitality perspective in the existing literature review surrounding the business case for CSR. Thirdly, it has outlined a model which creates

synergistic value for business and society. Fourthly, it puts forward key recommendations for moving the CSR agenda forward. Without doubt, it was the intention of this thesis to emphasise the importance of the tourism industry. Tourism contributes to 12% of Malta's GDP (EU Commission, 2010). This study presented examples of sustainable practices across different hotel enterprises in Malta. Arguably, the wider political initiatives to increase economic growth, to create jobs, to regenerate tourism destinations may not be realised without the contribution of all hotel enterprises, including the smaller ones.

12.4 Avenues for Future Research

This thesis puts forward Porter and Kramer's (2011) 'shared value' approach. It is believed that since this 'new' concept is relatively straightforward and uncomplicated, it may be more easily understood by the business practitioners. In a nutshell, this shared value proposition requires particular areas of focus within the businesses' context, at the same time it looks after the society's wellbeing. It appears that this notion contributes towards sustainability by addressing societal and community deficits. A longitudinal study in this area of research could possibly investigate the benefits of Strategic CSR and establish its effects in the long term. Presumably, shared value can be sustained only if there is a genuine commitment to organisational learning, and if there is a willingness to forge relationships with key stakeholders, as in the stakeholder theory. In addition this study has shown that slack resources are required for strategic CSR investment, as indicated in the resource-based view theory.

Apparently, there is an increased awareness for strategic CSR, from academics. Nevertheless, further research which links strategic CSR and

tourism subjects is required. In this case, the research fieldwork was carried out in the smallest EU state of Malta. It is hoped that similar studies can be carried out across other jurisdictions. Further empirical studies can possibly uncover what conditions are required to create shared value. Arguably, the organisations should have in place the right culture and values for implementing strategic CSR practices. The capability of continuous innovation may be accompanied by the value of social responsibility orientation (see Husted et al., 2012). This thesis has only hinted about such complementarities. It seems that recent literature in business ethics, implicitly or explicitly is taking a strategic orientation on various components of CSR (Carroll and Shabana, 2010; Orlitzky et al., 2012). Future research may investigate the relationship between organisational resources and strategic CSR investment. The attributes of strategic CSR will possibly help future researchers to identify the broad range of business activities which will bring mutual value to business and society. In this vein, it is suggested that further research can be carried out in the following areas:

- Strategic CSR and Value Creation,
- Auditing and Reporting Strategic CSR practices,
- Strategic CSR and the Regulatory Relations.

12.5 Recommendations

There is continuous discourse in many international fores, conferences, seminars and colloquia about sustainable tourism, responsible behaviour and the related subjects. However, the discussions are usually characterised by presentation of theories which define the concepts, rather than being practical workshops (which involve the businesses themselves) which identify the business case and how to trigger active participation in the hotel industry. Inevitably, there are still some challenging opportunities facing the

hospitality industry, which will have to be addressed in the foreseeable future:

12.5.1 Stakeholder Relations and Collaborations

In this perspective, it is important to understand why different organisations engage in CSR, with varying degrees of intensity and success. In this light, more communication and dialogue is encouraged with all stakeholder groups (including the employees, customers, marketplace and societal groups). The stakeholder relationships are needed to bring external knowledge sources, which may enhance the organisational skills and performance. *A*cquiring new knowledge must be accompanied by mechanisms for dissemination (Jenkins, 2009). There is scope in sharing best practices, even with rival firms. It is necessary for the responsible organisations to realise that they need to work in tandem with other organisations in order to move the CSR agenda forward. The highly acclaimed hotels (for their responsible behavioural practices) should be supported to showcase their best practices. The Malta Hotels and Restaurants Association encourages inter-firm collaboration and networking across different sectors of the tourism industry (MHRA, 2012). Of course, the government may also have an important role to play, in this regard.

12.5.2 Government Regulation for CSR Compliance

The governments may take an active leading role in triggering CSR behaviour among hospitality firms. Governments may give fiscal incentives and enforce regulation in certain areas where responsible behaviour is needed. The regulatory changes may involve the efficient and timely reporting of sustainable (responsible) practices. The reporting may be

primarily aimed at the larger businesses. Of course, the governments will have to provide structured compliance procedures to the hospitality enterprises and explain its objectives. The CSR practices and their measurement, their reporting and accreditation should be as clear and understandable as possible for the businesses. The governments' reporting standards and guidelines may be drawn from the international reporting instruments (e.g. ISO, SA, AA, and GRI). Nevertheless, it must be recognised that the hospitality industry is made up of various ownership structures, sizes and clienteles. In addition, there are many stakeholder influences, which may possibly affect the firms' level of CSR engagement.

In this regard, Van der Woerd and Van Den Brink (2004) have produced a 'sustainable business scorecard' which may be used by governments to measure the hotels' CSR performance. Porter and Kramer, (2011) suggested that the businesses may be audited every year by a government department (or its regulatory authority or agency). There is scope in enhancing the existing relationship between the hospitality industry and the government. Essentially, this thesis reported that the hotel enterprises' behavioural practices were very basic in nature (e.g. solar water heaters, water conservation, recycling garden waste et cetera). Perhaps the Maltese government may possibly increase its threshold of grants and subsidies to businesses. The empirical fieldwork suggested that the responsible behaviour is usually borne out by an enlightened owner-manager. It transpired that the larger hotels were engaging in responsible practices in order to conform to their multinational corporation standards. Interestingly, such corporations have developed very innovative and sustainable global practices. Therefore, it may be argued that any compulsory reinforcement of the regulatory measures may result in operational efficiencies, which will

eventually bring substantial cost savings. Of course, the businesses should be given sufficient time (and resources/grants) to comply with any regulatory changes.

12.5.3 Education and Training in Strategic CSR:

The hotel operators need to realise the potential business case of strategic CSR. The hotels' organisational culture and business ethos should be attuned to embrace the responsible behavioural practices. There is scope in engaging in strategic CSR as it creates shared value to the firm and to society. Therefore more education and knowledge is required in this area of study. Strategic CSR can be taught of as an academic subject. Hoteliers can be educated about the advantages of differentiating themselves. The subject of CSR is related to the resource based views and the stakeholder theory. This thesis has been successful in identifying many cost-effective operations. There was mention of some measures which enhance the human resources' productivity. Other measures sought to reduce the negative environmental impacts. Yet, at the same time it was recognised that it was in the businesses' interest to maintain good stakeholder relations as well. This thesis has shown that strategic CSR may lead to better organisational performance in many ways. The education and training in CSR can address the following issues:

i. The language which is commonly used. The very term CSR should be linked or changed to the notion of 'creating shared value'. Perhaps, the latter term is an easier term, as it may appeal to the business practitioners;
ii. Raising awareness and creating the right environment which encourages responsible behaviour;

iii. Disseminate and present the costs and benefits in the existent best practices; and

iv. Link CSR to improvements in operational efficiency, higher quality, innovation and competitiveness.

12.6 The Way Forward

The concept of shared value is an integral organisational strategy as it reconceives best practices. Shared value is opening up new opportunities for sustainability with its innovative approach to configure the value chain. There are competitive advantages that arise from creating shared value, often resulting in significant cost savings, operational efficiencies and quality improvements. This thesis suggests that the organisations' responsible behaviour can be measured by its ability to create shared value. On a lighter note, it may appear that there is Adam Smith's (1776) 'invisible hand' in force as businesses contribute to society's value creation when pursuing their own interests. As a firm reaps profits and grows, it generates a virtuous circle of positive multiplier effects, as in Ricardo's (1817) 'value theory'. When the organisations are doing well, there are more available jobs in the community; they address the unemployment issues, resulting in more tax contribution to government authorities. In conclusion the objectives for the 'creation of shared value' are:

- Promotion of business processes that bring economic, social and environmental value;

- Encouragement of innovative and creative approaches, which foster the right environment for further development and application of responsible practices;
- Enhancement of collaborations and partnership agreements with governments, trade unions and society in general, including the marketplace stakeholders;
- Ensuring that there are adequate levels of performance in areas such as health and safety, suitable working conditions and sustainable environmental practices;
- Increased awareness, constructive communication, dialogue and trust;
- National governments may create a regulatory framework which encourages and enables the implementation of responsible behavioural practices by business.

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APPENDIX 1:
Descriptive Statistics I

Socio-demographics

Organisation Size		
	Frequency	Valid Percentage
1-10 Employees	26	36.11
11-50 Employees	34	47.22
51-250 Employees	12	16.67
Total	72	100.00
Non Response	0	

Sex		
	Frequency	Valid Percentage
Male	34	47.22
Female	38	52.78
Total	72	100.00
Non Response	0	

Role		
	Frequency	Valid Percentage
Owner / Director / Chief Executive	42	58.33
Human Resources / Training	12	16.67
Marketing	9	12.50
Finance / Accounting	1	1.39
Front Office & Housekeeping Management	8	11.11
Total	72	100.00
Non Response	0	

Age		
	Frequency	Valid Percentage
16-25	1	1.39
26-35	18	25.00
36-45	26	36.11
46-55	19	26.39
56-65	8	11.11
Total	72	100.00
Non Response	0	

Work Experience		
	Frequency	Valid Percentage
Less than 5 years	13	18.06
Between 6 years and 10 years	29	40.28
Between 11 & 20 years	11	15.28
More than 20 years	19	26.39
Total	72	100.00
Non Response	0	

Level of Education		
	Frequency	Valid Percentage
Secondary or Junior College or equivalent	8	11.11
Diploma or equivalent	46	63.89
Undergraduate Degree	15	20.83
Postgraduate Degree	3	4.17
Total	72	100.00
Non Response	0	

Organisational Culture and Values

Clearly Defined Mission Statement	Frequency	Valid Percentage
Strongly Agree	38	52.78
Agree	28	38.89
Indecision	6	8.33
Disagree	0	0.00
Strongly Disagree	0	0.00
Total	72	100.00
Non Response	0	

CSR is a Central Component in Business Ethos	Frequency	Valid Percentage
Strongly Agree	5	6.94
Agree	54	75.00
Indecision	9	12.50
Disagree	4	5.56
Strongly Disagree	0	0.00
Total	72	100.00
Non Response	0	

Period of CSR Engagement	Frequency	Valid Percentage
Never	13	18.06
Less than 2 years	16	22.22
Between 2 to 5 years	14	19.44
Between 5 to 10 years	13	18.06
More than 10 years	16	22.22
Total	72	100.00
Non Response	0	

Human Resources Department	Frequency	Valid Percentage
Yes	42	58.33
No	30	41.67
Total	72	100.00
Non Response	0	

Organisational Commitment

Enterprise Future Intentions (CSR)	Frequency	Valid Percentage
To continue as it is	63	87.50
To increase participation	9	12.50
Total	72	100.00
Non Response	0	

Staff dedicated to CSR	Frequency	Valid Percentage
Strongly Agree	3	4.17
Agree	36	50.00
Indecision	26	36.11
Disagree	7	9.72
Strongly Disagree	0	0.00
Total	72	100.00
Non Response	0	

Money devoted to CSR	Frequency	Valid Percentage
Strongly Agree	0	0.00
Agree	47	65.28
Indecision	22	30.56
Disagree	3	4.17
Strongly Disagree	0	0.00
Total	72	100.00
Non Response	0	

CSR Expenditure Scale (1-5)	Frequency	Valid Percentage
Less than EUR 9,999	7	24.14
Between EUR 10,000 - EUR 49,999	5	17.24
Between EUR 50,000 - EUR 99,999	6	20.69
Between EUR 100,000 - EUR 199,999	7	24.14
More than EUR 200,000	4	13.79
Total	29	100.00
Preferred not to disclose	43	

Motivations for CSR Engagement

Improves Internal Organisational Performance

Employee Loyalty

	Frequency	Valid Percentage
Strongly Agree	7	9.72
Agree	63	87.50
Indecision	2	2.78
Disagree	0	0.00
Strongly Disagree	0	0.00
Total	72	100.00
Non Response	0	

Employee Morale

	Frequency	Valid Percentage
Strongly Agree	5	6.94
Agree	45	62.50
Indecision	22	30.56
Disagree	0	0.00
Strongly Disagree	0	0.00
Total	72	100.00
Non Response	0	

Employee Job Satisfaction

	Frequency	Valid Percentage
Strongly Agree	10	13.89
Agree	61	84.72
Indecision	0	0.00
Disagree	0	0.00
Strongly Disagree	0	0.00
Total	71	98.61
Non Response	1	

Staff Turnover Minimisation

	Frequency	Valid Percentage
Strongly Agree	0	0.00
Agree	57	79.17
Indecision	9	12.50
Disagree	6	8.33
Strongly Disagree	0	0.00
Total	72	100.00
Non Response	0	

Attracting Quality Employees

	Frequency	Valid Percentage
Strongly Agree	3	4.17
Agree	37	51.39
Indecision	21	29.17
Disagree	8	11.11
Strongly Disagree	3	4.17
Total	72	100.00
Non Response	0	

Maximise Efficiency and cost savings

	Frequency	Valid Percentage
Strongly Agree	35	
Agree	37	
Indecision	0	
Disagree	0	83.33
Strongly Disagree	0	16.67
Total	72	100.00
Non Response	0	

Improves External Stakeholder Relations

Legal compliance

	Frequency	Valid Percentage
Strongly Agree	10	14.08
Agree	29	40.85
Indecision	29	40.85
Disagree	3	4.23
Strongly Disagree		
Total	71	100.00
Non Response	1	

Third Party Pressure

	Frequency	Valid Percentage
Strongly Agree	5	6.94
Agree	46	63.89
Indecision	21	29.17
Disagree	0	0.00
Strongly Disagree	0	0.00
Total	72	100.00
Non Response	0	

Community Support

	Frequency	Valid Percentage
Strongly Agree	10	14.08
Agree	44	61.97
Indecision	17	23.94
Disagree	0	0.00
Strongly Disagree	0	0.00
Total	71	100.00
Non Response	1	

Ethical Reasons

	Frequency	Valid Percentage
Strongly Agree	25	35.21
Agree	36	50.70
Indecision	10	14.08
Disagree	0	0.00
Strongly Disagree	0	0.00
Total	71	100.00
Non Response	1	

Lower Criticism from Public

	Frequency	Valid Percentage
Strongly Agree	10	13.89
Agree	34	47.22
Indecision	28	38.89
Disagree	0	0.00
Strongly Disagree	0	0.00
Total	72	100.00
Non Response	0	

Minimise Regulatory Problems

	Frequency	Valid Percentage
Strongly Agree	10	14.08
Agree	35	49.30
Indecision	26	36.62
Disagree	0	0.00
Strongly Disagree	0	0.00
Total	71	100.00
Non Response	1	

Improves the Organisation's Financial Performance and Market Standing

Brand Image

	Frequency	Valid Percentage
Strongly Agree	47	65.28
Agree	13	18.06
Indecision	12	16.67
Disagree	0	0.00
Strongly Disagree	0	0.00
Total	72	100.00
Non Response	0	

Customer Loyalty

	Frequency	Valid Percentage
Strongly Agree	23	31.94
Agree	45	62.50
Indecision	4	5.56
Disagree	0	0
Strongly Disagree	0	0
Total	72	100.00
Non Response	0	

Reputation

	Frequency	Valid Percent
Strongly Agree	39	54.17
Agree	33	45.83
Indecision	0	0.00
Disagree	0	0.00
Strongly Disagree	0	0.00
Total	72	100.00
Non Response	0	

Competitive Advantage

	Frequency	Valid Percentage
Strongly Agree	25	35.21
Agree	46	64.79
Indecision	0	0.00
Disagree	0	0.00
Strongly Disagree	0	0.00
Total	71	100.00
Non Response	1	

Increases Sales

	Frequency	Valid Percentage
Strongly Agree	19	26.39
Agree	40	55.56
Indecision	13	18.06
Disagree	0	0.00
Strongly Disagree	0	0.00
Total	72	100.00
Non Response	0	

Improves Market Share

	Frequency	Valid Percentage
Strongly Agree	10	14.08
Agree	23	32.39
Indecision	37	52.11
Disagree	1	1.41
Strongly Disagree	0	0.00
Total	71	100.00
Non Response	1	

Investor Confidence

	Frequency	Valid Percentage
Strongly Agree	14	19.44
Agree	18	25.00
Indecision	40	55.56
Disagree	0	0.00
Strongly Disagree	0	0.00
Total	72	100.00
Non Response	0	

Improves Marketplace Relations

	Frequency	Valid Percentage
Strongly Agree	32	44.44
Agree	33	45.83
Indecision	5	6.94
Disagree	2	2.78
Strongly Disagree	0	0.00
Total	72	100.00
Non Response	0	

CSR Constraints

Lack of Time		
	Frequency	Valid Percentage
Strongly Agree	5	6.94
Agree	56	77.78
Indecision	11	15.28
Disagree	0	0.00
Strongly Disagree	0	0.00
Total	72	100.00
Non Response	0	

Lack of Financial Resources		
	Frequency	Valid Percentage
Strongly Agree	30	41.67
Agree	16	22.22
Indecision	26	36.11
Disagree	0	0.00
Strongly Disagree	0	0.00
Total	72	100.00
Non Response	0	

Lack of Staff		
	Frequency	Valid Percentage
Strongly Agree	19	26.39
Agree	40	55.56
Indecision	9	12.50
Disagree	4	5.56
Strongly Disagree	0	0.00
Total	72	100.00
Non Response	0	

Lack of Training and Awareness		
	Frequency	Valid Percentage
Strongly Agree	5	6.94
Agree	34	47.22
Indecision	30	41.67
Disagree	3	4.17
Strongly Disagree	0	0.00
Total	72	100.00
Non Response	0	

Desire to maintain the status quo (Economic Short-termism)		
	Frequency	Valid Percentage
Strongly Agree	15	20.83
Agree	51	70.83
Indecision	5	6.94
Disagree	1	1.39
Strongly Disagree	0	0.00
Total	72	100.00
Non Response	0	

APPENDIX 2:
Descriptive Statistics II

Summary of the Socio-demographic Profile

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error
Organisation Size	72	1	3	1.81	0.705	0.294	0.283
Size	72	4	172	41.38	38.576	1.532	0.283
Gender	72	1	2	1.53	0.503	-0.114	0.283
Role	72	1	6	2.01	1.605	1.678	0.283
Age	72	26	64	42.25	10.245	0.247	0.283
Age (recoded 1-5)	72	1	5	3.21	0.992	0.188	0.283
Work Experience	72	4	31	12.51	6.646	0.692	0.283
Work Exp. (recoded)	72	1	4	2.50	1.075	0.210	0.283
Level of Education	72	1	4	2.18	0.678	0.599	0.283
HR Dept (dummy)	72	0	1	0.56	0.498	-0.286	0.283
Valid N (listwise)	72						

Organisational Commitment Variables

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error
Mission Statement	72	3	5	4.44	0.648	-0.748	0.283
CSR Ethos	72	2	5	3.83	0.628	-1.267	0.283
Period of CSR Engagement	72	0	4	2.04	1.428	0.014	0.283
Enterprise Future Intentions (CSR)	72	0	1	0.13	0.333	2.316	0.283
Dedicated staff for CSR	72	2	5	3.49	0.731	-0.395	0.283
Money devoted to CSR	72	2	4	3.61	0.571	-1.155	0.283
CSR Expenditure Scale (1-5)	72	0	5	1.15	1.667	1.139	0.283
Valid N (listwise)	72						

Organisational Behaviour Variables

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error
Develop Skills and Training	72	4	5	4.28	0.451	1.014	0.283
Consulting Employees	72	2	4	3.57	0.668	-1.283	0.283
Health & Safety	72	4	5	4.49	0.503	0.057	0.283
Good Work-life balance	72	1	4	2.90	0.754	-0.446	0.283
Energy & Water Conservation	71	2	5	3.25	0.751	-0.040	0.285
Waste Minimisation and Recycling	70	2	4	3.39	0.708	-0.716	0.287
Pollution Prevention	71	3	5	3.97	0.446	-0.136	0.285
Environmental Protection	70	3	5	3.70	0.521	-0.241	0.287
Sustainable Transport	71	4	5	4.31	0.466	0.840	0.285
Procurement Policy	72	3	5	4.33	0.531	0.129	0.283
Supplier Relations	72	3	5	4.62	0.542	-1.065	0.283
Customer Relations	72	3	5	4.60	0.522	-0.709	0.283
Community Dialogue	72	4	5	4.47	0.503	0.114	0.283
Community Support	70	1	4	2.89	1.136	-0.746	0.287
Valid N (listwise)	70						

Organisational Resources Variables (Costs)

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error
Lack of Time	72	3	5	3.92	0.467	-0.296	0.283
Lack of Money	72	3	5	4.06	0.886	-0.110	0.283
Lack of HR	72	2	5	4.03	0.787	-0.764	0.283
Economic Short-terms	72	2	5	4.11	0.571	-0.453	0.283
Lack of Awareness	72	2	5	3.57	0.688	0.010	0.283
Valid N (listwise)	72						

Strategic CSR Variables (Benefits)

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error
Employee Loyalty	72	3	5	4.07	0.349	1.081	0.283
Employee Morale	72	3	5	3.76	0.569	0.018	0.283
Employee Job Satisfaction	71	4	5	4.14	0.350	2.110	0.285
Staff Turnover Minimization	72	2	4	3.71	0.615	-1.972	0.283
Attracting Quality Employees	72	0	4	3.19	1.070	-1.466	0.283
Legal compliance	71	2	5	3.65	0.776	0.147	0.285
Third Party Pressure	72	3	5	3.78	0.562	-0.020	0.283
Ethical Reasons	71	3	5	4.21	0.674	-0.280	0.285
Community Relations	71	3	5	3.90	0.613	0.054	0.285
Lower Criticism from Public	72	3	5	3.75	0.687	0.369	0.283
Minimise Regulatory Problems	71	3	5	3.77	0.680	0.313	0.285
Maximise Efficiency and cost savings	72	4	5	4.49	0.503	0.057	0.283
Investor Confidence	72	3	5	3.64	0.793	0.748	0.283
Brand Image	72	3	5	4.49	0.769	-1.099	0.283
Customer Loyalty	72	3	5	4.26	0.556	0.023	0.283
Reputation	72	4	5	4.54	0.502	-0.171	0.283
Competitive Advantage	71	4	5	4.35	0.481	0.633	0.285
Increases Sales	72	3	5	4.08	0.666	-0.094	0.283
Improves Marketplace Relations	72	2	5	4.32	0.728	-1.029	0.283
Improves Market Share	71	2	5	3.59	0.748	0.626	0.285
Valid N (listwise)	69						

APPENDIX 3:

The Pearson Chi Square Statistical Test

Socio-demographic Variables	Organisation Size	Sex	Role	Age	Work Experience	Level of Education
Chi-Square	10.333[a]	.222[b]	70.639[c]	27.028[c]	10.889[d]	62.111[d]
df	2	1	4	4	3	3
Asymp. Sig.	6E-03	6E-01	2E-14	2E-05	1E-02	2E-13

Organisational Culture and Commitment Variables	mission statement and vision	CSR Ethos	Period of CSR Engagement	Enterprise Future Intentions	Dedicated Human Resources	Dedicated Monetary Resources	CSR Expenditure Scale (EUR)	CSR Expenditure (EUR)
Chi-Square	22.750[a]	6.083[a]	.639[c]	40.500[b]	33.000[d]	57.028[c]	96.667[e]	6.690[f]
Df	2	2	4	1	3	4	5	22
Asymp. Sig.	1.14789E-05	0.0477552	0.95864575	1.96616E-10	3.2207E-07	1.2207E-11	2.6622E-19	0.999289121

Organisational Behaviour Variables	Develop Skills and Training	Consulting Employees	Health & Safety	Good Work-life balance	Energy Conservation	Waste Minimisation and Recycling	Pollution Prevention
Chi-Square	25.750[a]	53.083[a]	25.083[a]	28.083[a]	48.083[a]	45.583[a]	42.250[a]
Df	2	2	2	2	2	2	2
Asymp. Sig.	2.56129E-06	2.972E-12	3.5746E-06	7.97594E-07	3.6211E-11	1.2639E-10	6.6916E-10

Organisatioal Behaviour Variables	Environmental Protection	Sustainable Transport	Procurement Policy and fair trade	Supplier Relationship	Customer Relationship	Community Dialogue	Community Support
Chi-Square	52.750[a]	72.583[a]	32.250[a]	45.083[a]	37.556[b]	78.250[a]	95.583[a]
Df	2	2	2	2	1	2	2
Asymp. Sig.	3.51142E-12	1.733E-16	9.9312E-08	1.62285E-10	8.8846E-10	1.0191E-17	1.7553E-21

Organisational Resources	Lack of Time	Lack of Money	Lack of Human Resources	Economic Short-termism	Lack of Awareness and Training
Chi-Square	30.083[c]	18.139[c]	10.778[c]	5.083[c]	23.417[c]
Df	4	4	4	4	4
Asymp. Sig.	4.70692E-06	0.0011593	0.02917834	0.278853356	0.00010453

APPENDIX 4:
Correlation Matrices

Spearman's rho Correlation Coefficient							
	Mission Statement	CSR Ethos	Period of (CSR)	Intentions (CSR)	Alloc. staff (CSR)	Fin. Res (CSR)	CSR Exp. Scale
Mission statement	1.000						
CSR ethos	0.436**	1.000					
CSR period	-0.269	0.191	1.000				
Intentions	-0.141	0.230	0.460**	1.000			
Dedicated staff for CSR	0.080	0.288*	0.374**	-0.006	1.000		
Money devoted to CSR	0.043	0.369**	0.475**	0.106	0.480**	1.000	
CSR expenditure	0.003	0.285*	0.489**	0.273*	0.202	0.253*	1.000
Training	0.293*	0.389**	0.136	0.047	0.232*	0.324**	0.202
Consulting employees	0.268*	0.445**	0.463**	0.075	0.333**	0.526**	0.308**
Health & Safety	-0.224	-0.060	0.441**	0.221	0.168	0.108	0.429**
Work-life balance	0.134	0.400	0.594**	0.221	0.459**	0.538**	0.413**
Environment conservation	-0.117	0.377**	0.683**	0.244*	0.423**	0.595**	0.511**
Waste Minimisation	-0.018	0.442**	0.601	0.175	0.420**	0.742	0.372**
Pollution prevention	0.029	0.183	0.430**	0.215	0.335**	0.361**	0.458**
Environmental protection	0.059	0.340**	0.561**	0.067	0.278*	0.454**	0.375**
Sustainable transport	-0.111	0.384**	0.634**	0.294*	0.416**	0.474**	0.507**
Procurement Policy	-0.161	0.363**	0.647**	0.271*	0.428**	0.562**	0.515**
Supplier policies	0.010	0.036	0.164	0.018	0.216	0.218	0.019
Customer relations	0.040	-0.060	-0.089	-0.292	0.080	0.019	-0.052
Community dialogue	-0.298	0.266*	0.614**	0.231	0.265*	0.572**	0.393**
Community support	-0.073	0.355**	0.680**	0.233	0.488**	0.561**	0.460**
Employee loyalty	0.072	0.063	0.302**	0.044	0.240*	0.330**	0.231
Employee morale	-0.228	0.196	0.386**	0.300*	0.038	0.267*	0.392**
Kob satisfaction	0.000	0.249*	0.093	0.089	0.131	0.124	0.283*
Less Staff turnover	0.173	0.194	0.300*	-0.017	0.485**	0.351**	0.079
Attract employees	-0.001	0.321**	0.700	0.220	0.419**	0.708**	0.353**
Legal compliance	0.113	0.167	0.229	0.027	0.122	0.029	0.060
Third Party pressure	-0.167	-0.008	0.015	0.153	0.005	-0.227	0.159
Ethical reasons	-0.056	0.245*	0.441**	0.141	0.389**	0.377**	0.418**
Community relations	-0.051	0.261*	0.430**	0.261*	0.223	0.273*	0.445**
Public criticism	0.017	0.189	0.351**	0.305**	0.322**	0.068	0.344**
Regulatory relations	-0.087	0.290*	0.417**	.298*	0.291*	0.252*	0.330**
Maximise efficiency	0.000	0.151	0.383**	0.221	0.010	0.275*	0.408**
Investor confidence	-0.173	0.127	0.466**	0.248*	0.319**	0.130	0.453**
Brand image	-0.199	0.058	0.474**	0.126	0.096	0.432**	0.286*
Customer loyalty	-0.131	-0.142	0.326**	0.201	0.008	0.145	0.048
Reputation	0.003	0.127	0.125	0.095	0.215	0.118	0.157
Competitive advantage	-0.174	0.404**	0.652	0.340**	0.423**	0.523**	0.491**
Increases sales	0.003	0.285*	0.635	0.205	0.434**	.362**	0.505**
Marketplace relations	0.089	0.223	0.375**	0.330**	0.049	0.137	0.397**
Market Share	-0.020	0.310**	0.488**	0.195	0.459**	0.363**	0.572**
Lack of Time	-0.013	-0.050	0.224	0.245*	0.035	0.041	0.193
Lack of Money	0.051	-.320**	-0.657	-0.212	-.390**	-0.660	-0.420
Lack of HR	-0.124	-0.217	-0.321	0.017	-0.162	-0.292	-0.282
Short-termism	-0.094	0.206	0.199	0.245*	0.122	0.289*	0.265*
Lack of Awareness	-0.019	0.317**	0.396**	0.074	0.144	0.515**	0.085
**p <0.01, *p<0.05; n=72							

Spearman's rho Correlation Coefficient									
	Training	Consultation	Health & Safety	Good Work-life Balance	Environ. Cons.	Waste Minimisation	Pollution Prevention	Environ. Protection	Sustainable Transport
Mission statement									
CSR ethos									
CSR period									
Intentions									
Dedicated staff for CSR									
Money devoted to CSR									
CSR expenditure									
Training	1.000								
Consulting employees	0.176	1.000							
Health & Safety	-0.107	0.076	1.000						
Work-life balance	0.138	0.725**	0.111	1.000					
Environment conservation	0.021	0.680**	0.368**	0.740**	1.000				
Waste Minimisation	0.348**	0.705**	0.103	0.645**	0.808**	1.000			
Pollution prevention	0.250*	0.493**	0.378**	0.478**	0.489**	0.357**	1.000		
Environmental protection	0.227	0.817**	0.223	0.623**	0.705**	0.713**	0.540**	1.000	
Sustainable transport	0.054	0.457**	0.394**	0.636**	0.787**	0.630**	0.452**	0.506**	1.000
Procurement Policy	-0.032	0.552**	0.385**	0.640**	0.898**	0.724**	0.459**	0.582**	0.862**
Supplier policies	0.072	0.263*	0.008	0.126	0.058	0.066	0.178	0.177	0.034
Customer relations	-0.007	0.028	-0.179	0.009	-0.051	0.015	-0.152	-0.121	-0.093
Community dialogue	-0.028	0.357**	0.416**	0.446**	0.749**	0.614**	0.377**	0.494**	0.719**
Community support	0.081	0.758**	0.341**	0.718**	0.842**	0.753**	0.527**	0.733**	0.804**
Employee loyalty	0.052	0.341**	-0.035	0.387**	0.421**	0.310**	0.305**	0.273*	0.485**
Employee morale	0.062	-0.050	0.347**	0.168	0.446**	0.289*	0.174	0.100	0.538**
Kob satisfaction	0.287*	0.198	-0.064	0.271*	0.245*	0.206	0.208	0.228	0.342**
Less Staff turnover	-0.047	0.675**	0.017	0.511**	0.409**	0.429**	0.208	0.461**	0.259*
Attract employees	0.297*	0.769**	0.188	0.665**	0.744**	0.892**	0.460**	0.747**	0.609**
Legal compliance	0.156	0.310**	0.130	0.248*	0.160	0.125	0.279*	0.334**	0.218
Third Party pressure	-0.205	-0.421	0.180	-0.030	0.066	-0.160	-0.082	-0.333	0.405**
Ethical reasons	0.145	0.484**	0.352**	0.485**	0.533**	0.467**	0.460**	0.577**	0.578**
Community relations	0.242*	0.193	0.285*	0.310**	0.419**	0.350**	0.250*	0.330**	0.443**
Public criticism	0.141	0.001	0.284*	0.291*	0.242*	0.066	0.274*	0.058	0.464**
Regulatory relations	-0.003	0.163	0.302*	0.390**	0.491**	0.323**	0.323**	0.175	0.653**
Maximise efficiency	0.141	0.147	0.333**	0.232*	0.269*	0.151	0.315**	0.281*	0.253*
Investor confidence	0.233*	0.089	0.363**	0.309**	0.305**	0.272*	0.309**	0.183	0.552**
Brand image	0.133	0.318**	0.166	0.288*	0.369**	0.395**	0.273*	0.309**	0..416**
Customer loyalty	0.118	-0.017	0.134	0.040	0.068	0.065	0.198	0.073	0.178
Reputation	0.259*	-0.037	-0.053	0.095	0.070	0.072	0.068	-0.033	0.178
Competitive advantage	-0.003	.0503**	0.335**	0.623**	0.861**	0.694**	0.439**	0.546**	0.908**
Increases sales	0.259*	0.572**	0.222	0.591**	0.505**	0.518**	0.448**	0.565**	0.559**
Marketplace relations	0.039	0.189	0.144	0.308**	0.372**	0.276*	0.221	0.183	0.279*
Market Share	0.152	0.440**	0.311**	0.550**	0.653**	0.567**	0.413**	0.485**	0.577**
Lack of Time	0.099	0.094	0.228	0.232*	0.224	0.184	0.113	0.186	0.239*
Lack of Money	-0.253	-0.753	-0.219	-0.641	-0.765	-0.811	-0.469	-0.782	-0.654
Lack of HR	-0.126	-0.649	-0.143	-0.461	-0.555	-0.502	-0.253	-0.607	-0.327
Short-termism	0.079	0.177	0.315**	0.212	0.397**	0.327**	0.322**	0.205	0.508**
Lack of Awareness	0.155	0.664**	0.018	0.462**	0.441**	0.603**	0.226	0.628**	0.285*
**p <0.01, *p<0.05; n=72									

Spearman's rho Correlation Coefficient					
	Procurement Policy	Supplier Relations	Customer Relations	Community Dialogue	Community Support
Mission statement					
CSR ethos					
CSR period					
Intentions					
Dedicated staff for CSR					
Money devoted to CSR					
CSR expenditure					
Training					
Consulting employees					
Health & Safety					
Work-life balance					
Environment conservation					
Waste Minimisation					
Pollution prevention					
Environmental protection					
Sustainable transport					
Procurement Policy	1.000				
Supplier policies	0.045	1.000			
Customer relations	-0.034	0.120	1.000		
Community dialogue	0.789**	0.101	-0.033	1.000	
Community support	0.841**	0.206	-0.119	0.623**	1.000
Employee loyalty	0.422**	0.278*	0.267*	0.297*	0.396**
Employee morale	0.519**	-0.147	0.069	0.650**	0.269*
Kob satisfaction	0.281*	0.036	0.152	0.191	0.282*
Less Staff turnover	0.374**	0.186	0.059	0.065	0.572**
Attract employees	0.701**	0.207	0.011	0.573**	0.799**
Legal compliance	0.170	-0.057	-0.171	0.085	0.198
Third Party pressure	0.167	-0.267	-0.019	0.168	0.041
Ethical reasons	0.566**	0.132	-0.136	0.457**	0.593**
Community relations	0.447**	-0.017	-0.082	0.425**	0.380**
Public criticism	0.326**	-0.027	0.060	0.271*	0.238*
Regulatory relations	0.643**	-0.045	-0.104	0.521**	0.430**
Maximise efficiency	0.294*	-0.048	-.313**	0.305**	0.279*
Investor confidence	0.375**	-0.041	-0.033	0.301*	0.379**
Brand image	0.390**	0.129	-0.029	0.349**	0.412**
Customer loyalty	0.091	-0.005	-0.165	0.164	0.101
Reputation	0.109	0.222	0.021	0.088	0.146
Competitive advantage	0.948**	0.035	-0.091	0.769**	0.844**
Increases sales	0.525**	0.078	-0.012	0.310**	0.643**
Marketplace relations	0.295*	0.031	-0.203	0.320**	0.257*
Market Share	0.613**	0.131	0.039	0.472**	0.632**
Lack of Time	0.169	-0.008	-0.023	0.222	0.167
Lack of Money	-0.738	-0.142	0.013	-0.626	-0.770
Lack of HR	-0.411	-0.080	0.107	-0.180	-0.551
Short-termism	0.418**	-0.058	-0.269	0.464**	0.348**
Lack of Awareness	0.410**	0.180	-0.130	0.338**	0.507**
**p <0.01, *p<0.05; n=72					

Spearman's rho Correlation Coefficient										
	Employee Loyalty	Employee Morale	Employee Job Satisfaction	Turnover Minimisation	Quality Employees	Legal Compliance	Third Party Pressure	Ethical Reasons	Comm Relations	Public Criticism
Mission statement										
CSR ethos										
CSR period										
Intentions										
Dedicated staff for CSR										
Money devoted to CSR										
CSR expenditure										
Training										
Consulting employees										
Health & Safety										
Work-life balance										
Environment conservation										
Waste Minimisation										
Pollution prevention										
Environmental protection										
Sustainable transport										
Procurement Policy										
Supplier policies										
Customer relations										
Community dialogue										
Community support										
Employee loyalty	1.000									
Employee morale	0.216	1.000								
Kob satisfaction	0.396**	0.346**	1.000							
Less Staff turnover	0.224	-0.288	0.011	1.000						
Attract employees	0.366**	0.187	0.201	0.515**	1.000					
Legal compliance	0.094	0.035	0.194	0.233	0.268*	1.000				
Third Party pressure	0.045	0.439**	0.180	-0.343	-0.309	-0.056	1.000			
Ethical reasons	0.180	0.238*	0.183	0.311**	0.500**	0.256*	0.075	1.000		
Community relations	0.178	0.374**	0.189	0.022	0.316**	0.277*	0.166	0.413**	1.000	
Public criticism	0.232	0.401**	0.110	0.011	0.048	0.084	0.424**	0.267*	0.519**	1.000
Regulatory relations	0.314**	0.470**	0.200	0.162	0.301*	0.366**	0.378**	0.436**	0.337**	0.381**
Maximise efficiency	-0.035	0.295*	0.006	0.003	0.247*	0.123	0.074	0.306**	0.280*	0.148
Investor confidence	0.183	0.362**	0.298*	-0.010	0.243*	0.184	0.403**	0.367**	0.273*	0.404**
Brand image	0.279*	0.265*	0.116	0.171	0.414**	-0.024	-0.039	0.198	0.281*	0.193
Customer loyalty	0.201	0.230	0.168	-0.010	0.134	0.086	0.143	0.105	0.126	0.113
Reputation	0.263*	0.086	0.285*	0.011	0.087	-0.002	0.244*	0.053	0.027	0.137
Competitive advantage	0.446**	0.563**	0.292*	0.295*	0.671**	0.157	0.264*	0.573**	0.443**	0.345**
Increases sales	0.332**	0.182	0.249*	0.482**	0.643**	0.401**	-0.056	0.474**	0.292*	0.349**
Marketplace relations	0.193	0.255*	0.071	-0.064	0.255*	-0.123	0.116	0.145	0.198	0.258*
Market Share	0.312**	0.347**	0.279*	0.323**	0.496**	0.205	0.130	0.487**	0.454**	0.383**
Lack of Time	0.289*	0.238*	0.236*	-0.026	0.160	0.086	0.168	0.135	0.296*	0.199
Lack of Money	-.376**	-0.283	-0.292	-0.481	-0.871	-0.266	0.309**	-0.611	-0.374	-0.127
Lack of HR	-0.111	-0.041	-0.114	-0.363	-0.462	-0.042	0.149	-0.425	-0.263	-0.052
Short-termism	0.101	0.381**	0.226	0.048	0.244*	0.226	0.166	0.380**	0.302*	0.183
Lack of Awareness	-0.030	-0.066	0.053	0.514**	0.699**	0.200	-0.568	0.342**	0.036	-0.262
**p <0.01, *p<0.05; n=72										

Spearman's rho Correlation Coefficient										
	Regulatory Relations	Maximise Efficiency	Investor Confidence	Brand Image	Customer Loyalty	Reputation	Competitive Advantage	Increases Sales	Marketplace Relations	Market Share
Mission statement										
CSR ethos										
CSR period										
Intentions										
Dedicated staff for CSR										
Money devoted to CSR										
CSR expenditure										
Training										
Consulting employees										
Health & Safety										
Work-life balance										
Environment conservation										
Waste Minimisation										
Pollution prevention										
Environmental protection										
Sustainable transport										
Procurement Policy										
Supplier policies										
Customer relations										
Community dialogue										
Community support										
Employee loyalty										
Employee morale										
Kob satisfaction										
Less Staff turnover										
Attract employees										
Legal compliance										
Third Party pressure										
Ethical reasons										
Community relations										
Public criticism										
Regulatory relations	1.000									
Maximise efficiency	0.210	1.000								
Investor confidence	0.462**	0.234*	1.000							
Brand image	0.137	0.301*	0.344**	1.000						
Customer loyalty	0.107	0.241*	0.299*	0.478**	1.000					
Reputation	0.145	0.058	0.217	-0.187	0.173	1.000				
Competitive advantage	0.669**	0.297*	0.448**	0.414**	0.124	0.134	1.000			
Increases sales	0.414**	0.218	0.478**	0.398**	0.185	0.209	0.525**	1.000		
Marketplace relations	0.221	0.210	0.207	0.241*	0.348**	0.047	0.338**	0.206	1.000	
Market Share	0.532**	0.244*	0.479**	0.290*	-0.004	0.019	0.627**	0.506**	0.401**	1.000
Lack of Time	0.165	0.104	0.217	0.091	0.318**	0.127	0.184	0.103	0.216	0.303*
Lack of Money	-0.367	-0.222	-0.274	-0.384	-0.087	0.027	-0.705	-0.629	-0.194	-.547**
Lack of HR	0.020	-0.087	-0.016	-0.190	0.045	-0.022	-0.363	-0.301	-0.202	-0.294
Short-termism	0.421**	.293*	0.387**	0.193	0.030	0.222	0.435**	0.188	0.050	0.398**
Lack of Awareness	0.061	0.065	-0.061	0.251*	-0.049	-0.183	0.371**	0.348**	0.013	0.196
**p <0.01, *p<0.05; n=72										

Spearman's rho Correlation Coefficient					
	Lack of Time	Lack of Money	Lack of HR	Status quo	Lack of Awareness
Mission statement					
CSR ethos					
CSR period					
Intentions					
Dedicated staff for CSR					
Money devoted to CSR					
CSR expenditure					
Training					
Consulting employees					
Health & Safety					
Work-life balance					
Environment conservation					
Waste Minimisation					
Pollution prevention					
Environmental protection					
Sustainable transport					
Procurement Policy					
Supplier policies					
Customer relations					
Community dialogue					
Community support					
Employee loyalty					
Employee morale					
Kob satisfaction					
Less Staff turnover					
Attract employees					
Legal compliance					
Third Party pressure					
Ethical reasons					
Community relations					
Public criticism					
Regulatory relations					
Maximise efficiency					
Investor confidence					
Brand image					
Customer loyalty					
Reputation					
Competitive advantage					
Increases sales					
Marketplace relations					
Market Share					
Lack of Time	1.000				
Lack of Money	-0.181	1.000			
Lack of HR	-0.167	0.478**	1.000		
Short-termism	0.142	-0.367	-0.033	1.000	
Lack of Awareness	-0.135	-0.709	-0.385	0.186	1.000
**p <0.01, *p<0.05; n=72					

APPENDIX 5:
Rotated Factor Components

Rotated Scores of the OC Components

Org. Commitment Factors	Component		
	Enterprise Intentions	Staff Dedication (CSR)	CSR Ethos
Mission Statement	-0.179	0.029	0.908
CSR Ethos	0.277	0.234	0.827
Period of CSR Engagement	0.724	0.495	-0.178
Enterprise Future Intentions (CSR)	0.866	-0.154	-0.004
Dedicated staff for CSR	0.016	0.862	0.147
Money devoted to CSR	0.172	0.808	0.107
CSR Expenditure Scale (1-5)	0.663	0.340	0.205

Rotated Scores of the OB Components

Org. Behaviour Factors	Component			
	Innovative Environmental Practices	Human Resources Policies	Training and Development	Marketplace Policies
Develop Skills and Training	0.106	0.131	0.801	-0.055
Consulting Employees	0.773	-0.036	0.300	0.260
Health & Safety	0.235	0.662	-0.439	-0.001
Good Work-life balance	0.800	-0.001	0.153	0.075
Energy & Water Conservation	0.929	0.144	-0.078	-0.022
Waste Minimisation and Recycling	0.860	-0.095	0.243	-0.065
Pollution Prevention	0.464	0.601	0.206	0.180
Environmental Protection	0.771	0.198	0.275	0.248
Sustainable Transport	0.799	0.271	-0.212	-0.123
Procurement Policy & Fair Trading	0.882	0.193	-0.267	-0.106
Marketplace Relations	0.048	0.006	-0.059	0.937
Customer Relations	0.067	-0.752	-0.170	0.048
Community Dialogue	0.731	0.205	-0.353	-0.044
Community Support	0.841	0.165	0.059	0.298

Rotated Scores of the OR Components

Org. Resources Factors	Component		
	Money	Time	Short-termism
CONSTR - Lack of Time	0.024	0.917	0.151
CONSTR - Lack of Money	0.836	-0.175	-0.330
CONSTR - Lack of HR	0.666	-0.474	0.369
CONSTR - Economic Short-termism	-0.166	0.114	0.918
CONSTR - Lack of Awareness	-0.831	-0.364	0.132

Rotated Scores of the SCSR1 Components

SCSR1: Firm's Performance Factors	Components		
	Financial Performance	Market Standing	Reputation
Brand Image	0.343	0.687	-0.414
Customer Loyalty	-0.036	0.918	0.178
Reputation	0.132	0.024	0.953
Competitive Advantage	0.819	0.155	-0.016
Increases Sales	0.750	0.192	0.097
Improves Market Share	0.885	0.026	-0.081
Investor Confidence	0.726	0.248	0.197
Improves Marketplace Relations	0.336	0.594	-0.018

Rotated Scores of the SCSR2 Components

SCSR2: HR & OPS MGT Factors	Components		
	Employee Motivation	Effective HRM	Operational Efficiency
Maximise Efficiency and cost savings	-0.089	0.074	0.918
Attracting Quality Employees	0.181	0.774	0.355
Employee Loyalty	0.760	0.303	-0.131
Employee Morale	0.622	-0.280	0.552
Employee Job Satisfaction	0.821	0.010	0.024
Staff Turnover Minimisation	0.004	0.846	-0.206

Rotated Scores of the CSV Components

CSV: Societal Engagement Factors	Components	
	Community Relations	**Regulatory Relations**
Legal compliance	-0.104	0. 749
Third Party Pressure	0.866	-0.122
Ethical and Philanthropic Reasons	0.195	0.543
Community Relations	0.477	0.587
Lower Criticism from Public	0.815	0.226
Minimise Regulatory Problems	0.598	0.594

APPENDIX 6:
Multivariate Regression Analysis
(Using stepwise procedure)

Hypothesis 1: SCSR - Organisational Commitment									
Dependent	**Independent Variable**	**r**	**r2**	**adj r2**	**F**	**Unstand.**	**Stand**	**t**	**Sig.**
						β	**β**		
Strategic CSR	**Org. Commitment**	.833	.694	.680	50.593				
Financial Performance	Organisation Size					.679	.478	4.626	.000
	Enterprise Intentions					.312	.314	3.627	.001
	Staff Dedication (CSR)					.274	.264	3.007	.004
Dependent	**Independent Variable**	**r**	**r2**	**adj r2**	**F**	**Unstand.**	**Stand**	**t**	**Sig.**
						β	**β**		
Strategic CSR	**Org. Commitment**	.266	.071	.057	5.268				
Market Standing	Enterprise Intentions					.265	.266	2.295	.025
Dependent	**Independent Variable**	**r**	**r2**	**adj r2**	**F**	**Unstand.**	**Stand**	**t**	**Sig.**
						β	**β**		
Strategic CSR	**Org. Commitment**								
Reputation									
INCONCLUSIVE									
Dependent	**Independent Variable**	**r**	**r2**	**adj r2**	**F**	**Unstand.**	**Stand**	**t**	**Sig.**
						β	**β**		
Strategic CSR	**Org. Commitment**	.274	.075	.062	5.617				
Employee Motivation	Organisation Size					.390	.274	2.370	.021
INCONCLUSIVE									
Dependent	**Independent Variable**	**r**	**r2**	**adj r2**	**F**	**Unstand.**	**Stand**	**t**	**Sig.**
						β	**β**		
Strategic CSR	**Org. Commitment**	.704	.496	.481	33.463				
Effective HRM	HR Dept					1.039	.517	5.174	.000
	Staff Dedication (CSR)					.286	.284	2.841	.006
Dependent	**Independent Variable**	**r**	**r2**	**adj r2**	**F**	**Unstand.**	**Stand**	**t**	**Sig.**
						β	**β**		
Strategic CSR	**Org. Commitment**	.519	.269	.259	25.434				
Operational Efficiency	Enterprise Intentions					.517	.519	5.043	.000

Hypothesis 2: SCSR - Organisational Behaviour									
Dependent	**Independent Variable**	**r**	**r2**	**adj r2**	**F**	**Unstand.**	**Stand**	**t**	**Sig.**
						β	**β**		
Strategic CSR	**Org. Behaviour**	.830	.690	.676	48.897				
Financial Performance	Organisation Size					.761	.533	4.096	.000
	Innovative Environmental Practices					.340	.340	2.660	.010
	Training and Development					-.148	-.147	-2.015	.048
Dependent	**Independent Variable**	**r**	**r2**	**adj r2**	**F**	**Unstand.**	**Stand**	**t**	**Sig.**
						β	**β**		
Strategic CSR	**Org. Behaviour**	.260	.068	.054	4.945				
Market Standing	Human Resources Policies					.259	.260	2.224	.029
Dependent	**Independent Variable**	**r**	**r2**	**adj r2**	**F**	**Unstand.**	**Stand**	**t**	**Sig.**
						β	**β**		
Strategic CSR	**Org. Behaviour**								
Reputation									
INCONCLUSIVE									
Dependent	**Independent Variable**	**r**	**r2**	**adj r2**	**F**	**Unstand.**	**Stand**	**t**	**Sig.**
						β	**β**		
Strategic CSR	**Org. Behaviour**	.434	.188	.176	15.788				
Employee Motivation	Innovative Environmental					.429	.434	3.973	.000
Dependent	**Independent Variable**	**r**	**r2**	**adj r2**	**F**	**Unstand.**	**Stand**	**t**	**Sig.**
						β	**β**		
Strategic CSR	**Org. Behaviour**	.715	.511	.488	22.959				
Effective HRM	HR Dept					.678	.353	2.601	.011
	Innovative Environmental Practices					.340	.357	2.664	.010
	Marketplace Policies					.198	.208	2.347	.022
Dependent	**Independent Variable**	**r**	**r2**	**adj r2**	**F**	**Unstand.**	**Stand**	**t**	**Sig.**
						β	**β**		
Strategic CSR	**Org. Behaviour**	.588	.345	.326	17.657				
Operational Efficiency	Organisation Size					.524	.371	3.636	.001
	Human Resources Policies					.367	.371	3.635	.001

Hypothesis 3: SCSR - Organisational Resources

Dependent	Independent Variable	r	r2	adj r2	F	Unstand.	Stand	t	Sig.
						β	β		
Strategic CSR	**Org. Resources**	.803	.645	.634	61.663				
Financial Performance	Organisation Size					1.063	.748	10.026	.000
	Short-termism					.180	.161	2.162	.034

Dependent	Independent Variable	r	r2	adj r2	F	Unstand.	Stand	t	Sig.
						β	β		
Strategic CSR	**Org. Resources**								
Market Standing									
INCONCLUSIVE									

Dependent	Independent Variable	r	r2	adj r2	F	Unstand.	Stand	t	Sig.
						β	β		
Strategic CSR	**Org. Resources**								
Reputation									
INCONCLUSIVE									

Dependent	Independent Variable	r	r2	adj r2	F	Unstand.	Stand	t	Sig.
						β	β		
Strategic CSR	**Org. Resources**	.493	.243	.220	10.890				
Employee Motivation	Time					.388	.391	3.704	.000
	Short-termism					.303	.299	2.837	.006

Dependent	Independent Variable	r	r2	adj r2	F	Unstand.	Stand	t	Sig.
						β	β		
Strategic CSR	**Org. Resources**	.688	.474	.458	30.603				
Effective HRM	HR Dept					.889	.442	3.337	.001
	Money					-.294	-.292	-2.202	.031

Dependent	Independent Variable	r	r2	adj r2	F	Unstand.	Stand	t	Sig.
						β	β		
Strategic CSR	**Org. Resources**	.485	.235	.213	10.451				
Operational Efficiency	Organisation Size					1.042	.733	4.176	.000
	HR Dept					-.776	-.386	-2.201	.031

Hypothesis 4: SCSR - OB, OR, OC, HR Dept, Org size, CSV (Societal)

Dependent	Independent Variable	r	r2	adj r2	F	Unstand.	Stand	t	Sig.
						β	β		
Strategic CSR		.885	.783	.769	57.694				
Financial Performance	Organisation Size					.420	.297	2.535	.014
	Community Relations					.348	.352	5.764	.000
	Innovative Environmental Practices					.348	.351	3.388	.001
	Regulatory Relations					.183	.185	2.347	.022

Dependent	Independent Variable	r	r2	adj r2	F	Unstand.	Stand	t	Sig.
						β	β		
Strategic CSR		.263	.069	.055	4.988				
Market Standing	Human Resources Policies					.262	.263	2.233	.029

Dependent	Independent Variable	r	r2	adj r2	F	Unstand.	Stand	t	Sig.
						β	β		
Strategic CSR									
Reputation									
				INCONCLUSIVE					

Dependent	Independent Variable	r	r2	adj r2	F	Unstand.	Stand	t	Sig.
						β	β		
Strategic CSR		.590	.348	.318	11.571				
Employee Motivation	Innovative Environmental Practices					.643	.645	4.058	.000
	Money					.372	.376	2.459	.017
	Time					.236	.240	2.200	.031

Dependent	Independent Variable	r	r2	adj r2	F	Unstand.	Stand	t	Sig.
						β	β		
Strategic CSR		.730	.533	.511	24.699				
Effective HRM	Innovative Environmental Practices					-.479	-.513	-5.383	.000
	Money					.272	.277	2.927	.005
	Time					.175	.188	2.199	.031

Dependent	Independent Variable	r	r2	adj r2	F	Unstand.	Stand	t	Sig.
						β	β		
Strategic CSR		.637	.406	.378	14.790				
Operational Efficiency	Enterprise Intentions					.389	.395	3.753	.000
	Human Resources Policies					.295	.298	2.829	.006
	Staff Dedication (CSR)					.246	.237	2.480	.016

Hypothesis 5: OB, OR, OC and SCSR lead to CSV

OB + OC +OR+SCSR lead to CSV

Dependent	Independent Variable	r	r2	adj r2	F	Unstand.	Stand	t	Sig.
						β	β		
SCSV1		.819	.671	.645	25.684				
Societal relations	Financial Performance					.637	.631	7.206	.000
	Money					.440	.443	5.117	.000
	Training					-.280	-.279	-3.720	.000
	Marketplace Policies					-.210	-.212	-2.878	.005
	Time					.186	.188	2.457	.017

Dependent	Independent Variable	r	r2	adj r2	F	Unstand.	Stand	t	Sig.
						β	β		
SCSV2		.657	.432	.423	50.946				
Regulatory relations	Organisation Size					.940	.657	7.138	.000

Hypothesis 6: SCSR-FP leads to OB

SCSR (financial Perfromance leads to Organisational behaviour (Reverse causation)

Dependent	Independent Variable	r	r2	adj r2	F	Unstand.	Stand	t	Sig.
						β	β		
Innovative Environmental Practices	Financial Performance	.780	.609	.603	105.907				
						.779	.780	10.291	.000

Dependent	Independent Variable	r	r2	adj r2	F	Unstand.	Stand	t	Sig.
						β	β		
Human Resources Policies	Financial Performance								
INCONCLUSIVE									

Dependent	Independent Variable	r	r2	adj r2	F	Unstand.	Stand	t	Sig.
						β	β		
Training and Development	Financial Performance								
INCONCLUSIVE									

Dependent	Independent Variable	r	r2	adj r2	F	Unstand.	Stand	t	Sig.
						β	β		
Marketplace Policies	Financial Performance								
INCONCLUSIVE									

APPENDIX 7:
The Cover Letter and the Survey Questionnaire

Questionnaire about Responsible Entrepreneurship among Hotels

I am introducing myself through this letter as a postgraduate tourism and hospitality student and academic researcher at the University of Edinburgh's Business School.

Currently, I am investigating Responsible Entrepreneurship among hospitality enterprises in Malta. My Project is carried out in partial fulfillment of the requirements for my Ph.D. Management Degree and satisfying the requirements of the Strategic Educational Pathways Scholarship which is sponsored by the Ministry of Education, Employment and Family in collaboration with the European Social Fund Malta. I strongly encourage you to take part in this Maltese study by completing the attached questionnaire.

Introduction

This study builds on previous studies and research fieldwork about Effective Tourism Management and Tourism Sustainability which were carried out through Maltese academic institutions including, the University of Malta and the Institute of Tourism Studies during those last 20 years.

The Malta Tourism Authority (MTA) has implemented an ECO certification scheme in collaboration with leading Hotels where hotel establishments (from all categories) have been encouraged to deliver a better product to meet the demand of the ever increasing environmentally aware tourist.

Several Hotels are already complying with a number of criteria and initiatives aimed at improving their environmental performance as well

as enhancing responsible behaviour among their own employees.

Objective

The aim of this study is to raise more awareness about your company's potential for responsible entrepreneurship and corporate responsibility. This questionnaire raises questions on the possible ways on how you can improve your business in a more profitable and sensible manner.

There is more to responsible entrepreneurship than an effective human resources management, brand marketing and public relations opportunities. This questionnaire will surely help you identify further actions you can take to strengthen and boost your business, its reputation and performance. Through responsible entrepreneurship businesses may be capable of:

- Attracting, retaining and maintaining a happy workforce and become an Employer of Choice!
- Develop and enhance relationships with customers, suppliers and networks;
- Save money on energy and operating costs and manage risks;
- Differentiating yourself from your competitors;
- Generate innovation and learning and enhance your influence;
- Improve your business reputation and standing;
- Provide access to investment and funding opportunities;
- Generate positive publicity and media opportunities due to media interest in ethical business activities.

You are now kindly invited to participate in my survey questionnaire entitled, Responsible Entrepreneurship. The questionnaire consists of 36 multiple choice questions which are relatively easy and straightforward. This exercise takes no more than ten to fifteen minutes to complete. Please tick the most appropriate responses for you and your enterprise. There is no right or wrong answers, rather the

questions should prompt consideration of actions you can take, at the same time you are contributing to academic research in this field.

Your participation in this study is not compulsory and that you may stop this research tool at any point in time. Any personal details you disclose will be kept anonymous and your identity will never be revealed. Eventually, all respondents and stakeholders within the hospitality industry will be informed about this study's outcome of results and you would be able to benchmark your enterprise against competition.

Whilst thanking you in anticipation as I truly rely on your support to gather sufficient and appropriate evidence and findings in my study.

Yours Sincerely,

Mark Camilleri
PhD Candidate
University of Edinburgh Business School
mob (356) 99458224

Questionnaire

1) Organisational Culture and Values

a) Our enterprise has a clearly defined vision or mission statement	
Strongly Agree	
Agree	
Indecision	
Disagree	
Strongly Disagree	
Total	

b) CSR is a central component in our enterprise business ethos and it is in line with our vision and mission statement?	
Strongly Agree	
Agree	
Indecision	
Disagree	
Strongly Disagree	
Total	

c) In the past our enterprise has received requests for information on its social and/or environmental performance?	
Strongly Agree	
Agree	
Indecision	
Disagree	
Strongly Disagree	
Total	

d) If yes, who asked you for this information? (You may choose more than one item)	
Shareholders	
Media	
Government Entity	
Creditors	
Customers	
Academics	
Non-Governmental Organisations (NGOs)	

e) Our enterprise addresses the following CSR policy/ies Tick as many options as possible.	
Economic Responsibility (achieving Profitability, Lower costs and High Return on Investment)	
Legal Responsibility (abiding by Laws, Rules and Regulations)	
Ethical Responsibility (adhere to ethical norms, do what is right, fair and just)	
Philanthropic Responsibility (contribute resources to the community; e.g. volunteerism, education and	
Charity Principle (obligations towards society, contributions to charitable institutions)	
Stewardship Principle (considering the interest of all groups, business and society are interdependent)	
Environmental Friendliness (natural environment, waste minimisation, recycling programmes)	
None of the above	

2) Social Policies

Employees are encouraged to develop real skills and long-term careers (e.g.via a performance appraisal process, a training plan).	
Strongly Agree	
Agree	
Indecision	
Disagree	
Strongly Disagree	
Total *N*	

1

b) Empoyees are consulted on important issues.		
Strongly Agree		
Agree		
Indecision		
Disagree		
Strongly Disagree		
Total		
c) Our enterprise has suitable arrangements for health, safety and welfare and provides sufficient protection for our employees.		
Strongly Agree		
Agree		
Indecision		
Disagree		
Strongly Disagree		
Total		
d) Our enterprise offers a good work-life balance for its employees, for example, by considering flexible working hours.		
Strongly Agree		
Agree		
Indecision		
Disagree		
Strongly Disagree		
Total		
3) Environmental Policies		
a)Our enterprise reduces its environmental impact in terms of:		
i) Energy and Water Conservation.		
Strongly Agree		
Agree		
Indecision		
Disagree		
Strongly Disagree		
Total		
ii) Waste minimisation and recycling.		
Strongly Agree		
Agree		
Indecision		
Disagree		
Strongly Disagree		
Total		
iii) Pollution prevention (e.g. emissions to air and water, effluent discharges, noise).		
Strongly Agree		
Agree		
Indecision		
Disagree		
Strongly Disagree		
Total		
iv) Protection of the natural environment.		
Strongly Agree		
Agree		
Indecision		
Disagree		
Strongly Disagree		
Total		
		2

v) By providing sustainable transport options for our guests.	
Strongly Agree	
Agree	
Indecision	
Disagree	
Strongly Disagree	
Total	

4) Marketplace Policies

a) Our enterprise has a policy to ensure honesty and quality in all its contracts, dealings and advertising (e.g. a fair purchasing policy, provisions for procurement etc).	
Strongly Agree	
Agree	
Indecision	
Disagree	
Strongly Disagree	
Total	

b) Our enterprise has a process to ensure effective feedback, consultation and/or dialogue with suppliers.	
Strongly Agree	
Agree	
Indecision	
Disagree	
Strongly Disagree	
Total	

c) Our enterprise has a process to ensure effective feedback, consultation and/or dialogue with customers	
Strongly Agree	
Agree	
Indecision	
Disagree	
Strongly Disagree	
Total	

5) Community Policies

a) Our enterprise has an open dialogue with the local community on adverse, controversial or sensitive issues (e.g. accumulation of waste outside your premises, vehicles obstructing roads or footpaths.	
Strongly Agree	
Agree	
Indecision	
Disagree	
Strongly Disagree	
Total	

b)Our enterprise gives regular financial support to local community activities and projects (e.g. charitable donations or sponsorship)?	
Regularly	
Occassionally	
Indecision	
Disagree	
Strongly Disagree	
Total	

3

6) Managing Resources

a) Does your enterprise have a Human Resources Department?	***Yes***
	No
b) Do you have a budget specifically allocated for CSR purposes?	***Yes***
	No
c) If yes, how much are you spending every year?	
Less than EUR 9,999	
Between EUR 10,000 – EUR 49,999	
Between EUR 50,000 – EUR 99,999	
Between EUR100,000-EUR 199,999	
More than EUR 200,000	

7) Managing Organisational Behaviour

a) Indicate your level of agreement with the following motivations for responsible behaviour (1 is somewhat important and 5 is crucial)

Socially related?	
Enhance employee loyalty	1 2 3 4 5
Improve employee morale	1 2 3 4 5
Increase job satisfaction of employees	1 2 3 4 5
Minimise staff turnover	1 2 3 4 5
Attract quality employees	1 2 3 4 5
Legally Related?	
Legal compliance	1 2 3 4 5
Community related?	
Pressure from third parties	1 2 3 4 5
Ethical reasons (mainly altruistic)	1 2 3 4 5
Forge community relations	1 2 3 4 5
Lower criticism from public	1 2 3 4 5
Environmentally friendly?	
Maximise efficiency and reducing costs	1 2 3 4 5
Marketplace related?	
Enhance investors' confidence*	1 2 3 4 5
Increase brand image*	1 2 3 4 5
Increase customer loyalty	1 2 3 4 5
Improve public image/reputation	1 2 3 4 5
Competitive advantage	1 2 3 4 5
Increase sales	1 2 3 4 5
Improve relations	1 2 3 4 5
Improve market share	1 2 3 4 5

Other _____

4

b) Can you please specify for how long your enterprise has been engaged in the activities mentioned above?	
Less than 2 years	
Between 2-5 years	
Between 5-10 years	
More than 10 years	
Total	

c) How often does your enterprise involves itself in corporate social responsible practices?	
Occasional activities, unrelated to business strategy	
Occasional activities, related to business strategy	
Regular activities, unrelated to business strategy	
Regular activities, related to business strategy	
Do not know / No answer	
Total	

d) What are your enterprise's intentions with regards to your participation in corporate social activities for the next three years?	
To increase Participation	
Do not know	
No answer	
To decrease Participation	
To continue as it is	
Total	

e) If you answered yes, in what ways will you increase your commitment in corporate social responsibility?
[You may choose more than one item]

Improving communication of your CSR activities to your stakeholders	
Improving social conditions of your human resources,	
Improving environmental conditions in all your premises,	
Commitment to reducing, reusing and recycling resources	
Improving economy and efficiency in the Hotel's infrastructure	
Reporting and auditing publicly your CSR activities	
Make CSR a board responsibility	
Hire external expertise to advise you on your CSR programmes	

Other_____

f) What do you perceive would be the <u>main reasons and motivations for not carrying out corporate</u>

Lack of Time	
Strongly Agree	
Agree	
Indecision	
Disagree	
Strongly Disagree	

Lack of Financial Resources	
Strongly Agree	
Agree	
Indecision	
Disagree	
Strongly Disagree	

Lack of Human Resources	
Strongly Agree	
Agree	
Indecision	
Disagree	
Strongly Disagree	

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Economic Short-termism (Desire to maintain the status quo)	
Strongly Agree	
Agree	
Indecision	
Disagree	
Strongly Disagree	
Lack of Training and Awareness (Lack of public support)	
Strongly Agree	
Agree	
Indecision	
Disagree	
Strongly Disagree	
Other reasons_____	

7) Demographics

a) How large is your organisation?	
1-10 Employees	
11-50 Employees	
51-250 Employees	
Total	
b) Please tick one category you feel most appropriately describes your role in the enterprise:	
Owner / Director / Chief Executive	
Human Resources, Training	
Marketing	
Finance / Accounts	
Food & Beverage Management	
Front Office and / or Housekeeping Management	
Total	
c) What is your gender?	
Male	
Female	
Total	
d) What is your age?	
16-25	
25-35	
36-45	
46-55	
56-65	
Total	
e) How long have you been working within the Tourism and Hospitality industry?	
Less than 5 year	
Between 6 years and 10 years	
Between 11 years to 20 years	
More than 21 years	
Total	
f) What is your level of education?	
Secondary or Junior College or equivalent	
Diploma or equivalent	
UndergraduateDegree	
Postgraduate Degree	
Total	

6

g) On what employment basis are you engaged with your organisation?	
Full time (Permanent)	
Full Time (Definite Contract)	
Temporary Basis	
Part Time	
Total	

THE END

Many thanks for your participation in this questionnaire.

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APPENDIX 8:
The Interview Questions

Interview Questions with the Owner-Managers of Hospitality Enterprises

- For how long have you been engaged in the hospitality industry?
- Does your enterprise have a clearly defined mission statement, articulated vision and written policies?
- How would you define corporate social responsibility?
- Is CSR a central component in your business ethos, in terms of economic responsibility, legal responsibility, ethical responsibility, philanthropic responsibility, stewardship principles and environmental sustainability issues?
- Does your enterprise possess a Human Resources Department or a manager devoted to human resources issues?
- Do you consider that CSR policy can be directed at your own employees? What are your views in this regard?
- Can you mention some examples of CSR practices which have been carried out by your enterprise?
- Is your enterprise environmentally-sound, in terms of energy and water conservation, waste minimisation and recycling initiatives?
- How would you describe your relationship within the marketplace and with the community around you?
- What are your enterprise's intentions with regards to your participation in corporate social activities for the future?

Interview Questions with the Officials from the Regulatory Authorities

- What is the role and function of your department (agency or council) in advancing the responsible behaviour in tourism and sustainable development in this area?
- How are you promoting the acceptance and application of responsible tourism and the CSR agenda?
- Are there any instruments which set standards for responsible behavioural practices in the tourism sector? If so, what are these? Please provide a copy if available.
- What characteristics of sustainable tourism policy have been particularly successful? Are there any initiatives which are aimed to reduce tourism impacts and promote sustainable tourism?
- What are the key issues and challenges for a sustainable tourism industry in Malta?
- How would you describe your relationship with the tourism industry stakeholders? Please elaborate about the existing channels of communication with the hospitality enterprises.

Consummatum est.