SWOT Analysis of Corporate Social Responsibility in Hotel Industry

Rajesh Sharma¹ Dorsa Heidari²
¹ Bharati Vidyapeeth (Deemed to be) University
² Bharati Vidyapeeth (Deemed to be) University
¹ r.sh22745@gmail.com ² dheydaree@gmail.com

Abstract

In today’s business atmosphere, there are concepts as important as profit, which are business’s role and responsibility in society and corporation itself. As per Corporate Social Responsibility, apart from customers, company also has responsibility against environment and its employees. Among various industries, hotel industry was one of the pioneers of implementation of CSR practices in terms of recruitment and taking care of natural resources in order to lessen the negative influences of the business on the environment and increases the positive impacts on community and its workforce with the help of employment practices [12].

Keywords: CSR, Corporate Social Responsibility, Hotel Industry

1. Introduction

CSR practice was initiated from 1850 in favor of society in various forms such as charity and Philanthropy. After that, In Mahatma Gandhi time duration, “Trusteeship” concept helped to the development of the society by the help of wealthy people and contribution of their wealth in order to activities conduction.

Years of 1960-80, the period of mixed economy in India, were a strong platform for the CSR due to assessment of standards related to labors [1].

The most of changes in liberalization, globalization in economy and so on, took place after 1980 till now, with help of which, vast majority of companies applied CSR practices for country’s development. Therefore, it was an initiation for India to make compulsory under New Company Law that each and every public and private sectors should cooperate for development of country [1].

While the nature of CSR practices is voluntary, the concept of cost goes out of image specially when there is no expectation of financial return. Hence, it seems more important when it comes to the service-sector industries specially hotel industry where social-based activities can bring desirable outcomes. Due to the intangible products of hotel industry which are customer satisfaction, high quality services and so on, a hotel’s investment on
social activities has a positive influence on brand, loyalty of customers, differentiation, brand image which makes the hotel a winner in the highly competitive industry. Therefore, in industries like hotel industry, the chance of earning of stakeholders through CSR is also high [12]. Moreover, when hotels follow the CSR Practices, employees also get motivated and would have more tension to stay and continue their job in the same hotel, because working in a reputed hotel with a positive image brings more job satisfaction and has a high impact on the resume [12]. In addition, as there are many hotels all around the world which are implementing these activities, such as Marriott and Sodexo, with direct and indirect influences on reputation of the firm, CSR activities, shows the modern human capital management with special focus on financial aspects [12].

2. Definitions:
Corporate Social Responsibility (CSR) means a responsibility of the Corporate world to contribute for the development of the welfare of the society by contributing out of certain profits earned by the organizations with a view to sustain the balance among Economic, Environmental and Social Imperatives in the country [1]. According to [8], responsibility works as a tool of evaluation (for acceptance or rejection) against the various effects of a decision, either positive or negative. It is usually up to the manager of that company to whether contribute those decisions to employees or the environment. From definitions above, it can be said that being responsible in a business is a strategic and long term way of survival in the society in order to give benefit by fulfillment of society’s expectations and take benefit by making a relationship with stakeholders [2]. As per J. Adamczyk definition, CSR activities focuses on labor law and standards. From the other hand, according to [7] CSR activities are the new approach in management with special attention to various aspects such as economics, finance, ethics and etc. One of the most reliable definitions of CSR relates to the International Organization for Standardization (ISO). As per this definition by ISO 26000, CSR is “a Company’s responsibility for better influence through is activities and decisions in favor of the society. These activities can be related to the health, environment, community welfare through lawful channels [5].

3. Literature Review:
3.1. Corporate Social Responsibility and its Importance:
It is not only company’s profit, for which they utilize CSR activities, but there are various reasons which make companies responsible to implement CSR activities. These reasons are as follow:
- First reason: Philanthropist behavior and feeling of having responsibility against society.
- Second reason: It is an eye-catching activity to attract stakeholder’s attention.
• Third reason: It helps in reputation of company from candidate’s points of view (i.e. recruitment, selection, motivation, retention and etc.)
• Forth reason: Customer satisfaction which motivates them to buy from that company’s products in order to encourage them for more productions and services [3].
• Fifth reason: Reduction in production costs especially in case of environmental subjects.
• Finally, CSR may be viewed as an integral part of a company’s risk management efforts [3].

These reasons show that engagement in CSR is a “Give and Take” activity. As much as profit you give to the society through intrinsic activities, you can take it in the form of motivation, legitimacy, customer satisfaction, legal protection and so on [3].

3.2. CSR activities in Hotels:

Table 1. Table of CSR activities in Hotels

<table>
<thead>
<tr>
<th>Name of Hotel</th>
<th>CSR Activities</th>
</tr>
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</table>
| HILTON WORLDWIDE [10]  | • Educational Support  
                       | • Empowerment of Local Economies  
                       | • Supporting Human Rights  
                       | • Restoration of Cultural Places  
                       | • Environmental Impact  |
| OBEROI GROUP [9]       | • Educational support for underprivileged children  
                       | • Common wealth Human Rights Initiative  
                       | • New Delhi: Creation of audio textbooks for Blind Schools  
                       | • Bangalore: providing lunch and entertainment for children and senior citizens of the Cheshire Home Trust on Christmas and Independence Day.  
                       | • Training classes for underprivileged people such as cooking, cleaning, tailoring and etc.  
                       | • Energy saving initiation  |
                       | • Establishment of Green Hotels  
                       | • Consumption reduction  
                       | • Water conservation  
                       | • Energy saving  
                       | • Shelter making and Food donation  
                       | • To provide family-based care for children and orphans through SOS Children’s Villages in Europe, the Middle East and Asia.  |
4. Gap of Study

One of the values and key functions in hotel industry, is engagement in CSR activities. As hotel industry is in its growth phase and day by day we are witness of its progress and development, therefore [1], all branded and reputed hotel chains should get involved in CSR activities in order to maintain natural resources, retain employees, cultivate culture and so on. Public visibility can help to this process, activities such as social and cultural events, gathering with local people to take part in such activities, utilization of modern technologies in order to reduce the energy consumption and financial expenses to create more revenue, changes the image of branded hotels in the eye of public and local people. Although, this fact cannot happen easily due to lack of awareness and interest in getting aware, among local people and companies [1]. Therefore, to solve this issue to enhance the rate of local people cooperation in CSR activities, and to design a strategy, in the first step we need to make a SWOT analysis of the current situation of CSR activities in hotel industry.

5. Objectives

In order to better framing the CSR activities in hotel industry, each hotel needs to pay specific attention in various benefits for the organization and for the society. Therefore, the objectives of the study are as follow:

- To understand the opportunities and threats
- To understand the strengths and weaknesses
- To study the positions of the hotels in society and take proper action
- To explore the impact of CSR activities in hotel industry
- To make a framework for further strategies
- To study the role of CSR activities in service-centered industries

6. Methodology

This study is the effort of secondary data collection through books, conferences, journals, articles, e-sources and various references. The outcomes of the study are analyzed and categorized and have been exposed as recommendations, findings and conclusions.

7. CSR and the hospitality industry

Hotel industry is of those kinds of industries that can have an effective role to mitigate the negative environmental impacts and increase the social influences. Effective CSR activities are financially beneficial because it has direct impact on customer satisfaction which leads to loyalty
and retention. These days CSR activities have become a feature for this industry. Hotels tend to expand their activities to shine their profile among their guests and customers. Even nowadays tourists are more focused on CSR practices of their target hotels and they choose it accordingly, therefore, cost of ignoring CSR is more than benefits of its implementation. Although it is an obvious subject to be discussed in the hotel industry and even most of the international and branded hotels all over the world implement CSR activities in their hotels, but still there are some negotiations among small and medium sized hotels who believe that these activities should be limited to large sized hotels with higher rate of foregone tourists’ flow. By the way, according to [4] CSR is getting applied in almost major hotel groups.

Hotels are one of the most important sub categories of hospitality industry which have direct connection with tourism industry, in the sense that they should give more attention to environmental security and management. As an example, if hotels replace their sources with the local and imported nondurable goods, energy and water, followed by the emissions released to air, water and soil [6] they can have at least 65% positive impact on environment [3].

8. Stakeholders in Corporate Social Responsibility (CSR)

CSR is a volunteer task which helps a country from various dimensions namely; economy, society and environment. CSR activities done by the companies should be according to ethical values and consider a wide group of stakeholders.

CSR activities are based on the main part “Responsibility”! Which, according to A. B. Carroll is divided into various parts? He categorized Responsibility into four types in the form of Maslow’s hierarchy of needs, which means in order to achieve to the pick of pyramid, it is compulsory to firstly, fulfill the lower/basic responsibilities in the pyramid. Following, are the types of responsibility as per Carroll’s classification:

Table 2. Carroll’s Classification of Types of Responsibility

<table>
<thead>
<tr>
<th>Type of Responsibility</th>
<th>Desired by</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal</td>
<td></td>
<td>Labor Law</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Customer Rights</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Environmental Activities</td>
</tr>
<tr>
<td>Ethical</td>
<td>SOCIETY</td>
<td>Proper Leadership</td>
</tr>
<tr>
<td>Philanthropic</td>
<td></td>
<td>Local people Benefits</td>
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<tr>
<td></td>
<td></td>
<td>Charitable Activities</td>
</tr>
<tr>
<td>Economic</td>
<td></td>
<td>Profit Making</td>
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<tr>
<td></td>
<td></td>
<td>Cost Reduction</td>
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</tbody>
</table>
One of the main targets of the CSR activities are “Stakeholder”. They can be individuals or the organizations [2] which have direct impact or are directly influenced by CSR activities. Stakeholders are of two types:

- **External Stakeholders**: People working in an organization (Employees), the main owners of a company and people who brought their money to be shared (Shareholders)
- **Internal Stakeholders**: Buyers, Sellers, institutions, competitors and etc.

### 8.1. Tools for the implementation of the concept of CSR

There are various tools and practices under the concept of CSR, choosing of which requires specific criteria, i.e. size of company, the number of employees, the number of markets it operates on, quantity of products, quality of services, Vision, Mission and Objectives of the company to be achieved by CSR activities [2]. Therefore, choosing correct tools helps the company to achieve its objectives and getting appeared in this competitive area:

- Practices with direct impact on local communities like institutes, individuals, children, youth and so on.
- Social campaigns with the goal of increasing information about specific problems among people. This campaigns are more effective when combined with company’s activities.
- Activities related to empowerment of organizational culture. With the help of this tool, which is implemented through courses, trainings and etc., working condition get balanced like Maintenance of Work-Life balance for working women in the organization, providing equipment for disable people, elimination of various types of discriminations (Sex, Color, Religion…). Of these kinds of actions, we can point out to voluntary works i.e. Engagement into the social projects.
- Taking care of environment for having a better nature, and Going Green can be another activity by implementation of related policies, training programs to stakeholders.
- Last but not the least tool, is way of managing company and its CSR strategies. Social and Eco-friendly are helpful strategies.
- The mentioned activities help the company to design better strategies for CSR [2].

### 9. SWOT Analysis on CSR:

The study could identify some of the strengths, weakness, opportunities and threats as mentioned below:

#### 9.1. Strengths:

The points mentioned below are the facts which gives power to the organization for surviving in the competitive environment. Strengths are as below[12,1]:


• Utilization of various theories in CSR such as Utilitarian Theory, Managerial Theory, Relational Theory, Political Theory, Instrumental Theory, Ethical Theory and Integrative Theory has become an effective trend in the society which helps industry to reduce operational costs and provides the easy accessibility to the resources that leads to improvement n financial performance.

• Sustainable community development is one of the most important effects of CSR which empowers stakeholders either external or internal.

• Paying specific attention to the environmental concepts such as “Green Hotels”, production and utilization of “Recyclable Products” and “Echo-Friendly Products” which help society to control pollution to reduce the damages to the environment.

• Implementation of CSR activities enhances the reputation of company/hotel and helps in making a brand image in the mind of customers which easily leads to customer satisfaction and loyalty and improves the sale.

9.2. Weaknesses:

Weaknesses are the points if get sufficient focus will become to opportunities, otherwise they will be the organization’s future threats. List of weaknesses are as follow:

• Lack of proper awareness and knowledge about CSR activities among local communities which leads to lack of interest in participation.

• Lack of communication between companies/hotels doing CSR activities and general public due to less interest of general public in contributing for society, economy and country [12].

• Lack of NGOs in rural and remote areas.

• Lack of tendency among companies for huge investment.

• Lack of transparency of companies, about their profits, exact information and fund utilization for the welfare of the society [1].

9.3. Opportunities

Opportunities are those key secrets of each organization with the help of which they can easily speed up among their competitors. Opportunities in CSR activities are:

• To have a specific brand image among customers, due to the sharing a portion of benefit with society.

• To provide job opportunities among people especially youth.

• Brand image in the mind of customers has a direct impact on the sale and financial growth of the company [1].

• Contribution of employees and internal stakeholders, make company well-known enough for recruitment, motivation and retention.
• When companies are involved in CSR activities, financial institutions can easily trust them for providing funds [12].
• In general, CSR activities can be seen easily in the society and in all areas of business.

9.4. Threats

These factors are the gaps of the organization either external or internal. If organization works of threats, they can become to the strengths otherwise, they will lead to the failure of the organization. Threats are as:

• Risky nature of collaboration in CSR activities due to the Environmental and Socio-economic condition.
• Lack of policy for CSR activities in the society.
• Initial investment in CSR activities is very expensive and needs a huge outlay.
• Cooperation between NGOs and Companies engaged to CSR activities, due to lack of knowledge is hardly possible.
• Lack of required force from government on the companies/hotels following CSR activities, to consider a portion of their outcome out of CSR as a percentage of their annual profit.
• Lack of proper connections between people and companies to illustrate about the concept of CSR.

10. Findings

The results are based on the three specific objectives of the study: to determine the factors that influence hotel businesses to adopt CSR; to identify the barriers to CSR adoption by the hospitality industry; and to investigate the extent CSR practices are adopted by hotel companies. The study findings indicate that external factors have more influence on CSR adoption than internal factors. On the other hand, the study reveals that the major barriers to the adoption of CSR by hospitality establishments is the lack of financial resources and lack of interest from top management and the owners. As per a model by [4] hotels, motels, hotel apartments (generally hospitality establishments), are on the last stages to complete the CSR activities, because all organizations in this industry should implement CSR activities due to continuation of their business activities [3].

11. Recommendations

CSR activities, their roles, importance and needs are duly known by most the organizations, but the recommendations given, may open more doors for betterment and variation of choice of activities, list of recommendations are as follow:
CSR activities has become compulsory for companies/hotels by government under the specific Law, that companies/hotels share a fixed portion of their profit for the welfare of the society [1].

- Designed strategies and policies regarding CSR can prevent the further negative effects of the Threats and Weaknesses and maximize the positive effect of Strengths and Opportunities.
- To involve public and local people in CSR activities, seminars, conferences and guidelines organized by companies/hotels generate knowledge, awareness and interest among people.
- Strong budgetary support, more Knowledge, skills, professionalism and government regulations will lead to benchmark the CSR activities.
- Hoteliers should involve internal and external stakeholders for better brand image in the eye of customers and satisfaction.
- The companies shall broaden their activities towards local authority, society, stakeholders, suppliers, customers and environment [12].

12. Conclusion

Corporate Social responsibility is an important factor for all industries, especially service sector like hotel industry. CSR activities in hotel industry is one of the best ways for growth and protection of natural resources, community, stakeholders and so on as the speed of hotel industry growth is consequently up. It is also not a one-time-process, but should be a running activity while hotel is doing its day to day activities.

The golden point in CSR activities which helps hotel industry reputation is its service-oriented nature of industry. If hotels attract customer’s satisfaction, then they are winner. This happens through CSR activities [1]. If the hotels do for the benefit of the society, environment government, stakeholders, consumers and suppliers etc. then only it will be able to achieve its goals otherwise it will not survive for long.

Most of the organizations, do their best for implementation of CSR activities in the society, not only as a help for the community, but also for survival and reputation of the company among competitors. CSR now is known in India. Developed and introduced models are working along with activities, even they are shown in annual reports [4].

13. References

13.1. Journal Articles


13.2. Books


13.3. Websites


