

## IMPORTANCE OF CORPORATE SOCIAL RESPONSIBILITY IN TOURISM INDUSTRY

### ZNAČAJ KORPORATIVNE DRUŠTVENE ODGOVORNOSTI U TURISTIČKOJ INDUSTRIJI

mr Irena Toleska<sup>288</sup>  
dr Sreten Miladinovski<sup>289</sup>

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**Abstract:** *Healthy economy, cultural and natural heritage are curtail factors in tourism industry. Therefore, companies should understand and accept CSR philosophy, by investing in the local community and environment would help them create and sustain good relations, which in long terms will reflect on company's success. "The long-term success of tourism companies depends on the ability to address the needs of those affected by the operations of a tourism company" (Golja & Krstinić-Nižić, 2010). Tourism has direct impact on the people, environment, culture and society, which is bringing many economic and social benefits if managed properly, if it is not managed properly tourism can have negative effects on the local environment and host community. Because of that tourism companies are obliged to adopt CSR in their corporate strategy. In order to completely fulfill their corporate social responsibility, enterprises should have in place processes for integrating social, environmental, ethical, human rights and consumer concerns into their business activities and core strategy in close cooperation with their stakeholders.*

**Key Words:** *Corporate Social Responsibility, Motivation, Implementation*

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**Sadržaj:** *Zdrava ekonomija, kulturna i prirodna baština su ključne pretpostavke turističke industrije. Stoga, kompanije treba da razumeju i prihvate CSR filozofiju, a ulaganje u lokalnu zajednicu i životnu sredinu pomoći će im da kreiraju i održavaju dobre odnose da okruženjem, koji u dugom roku može da utiče na uspeh same kompanije. "Dugoročni uspeh turističkih preduzeća zavisi od sposobnosti zadovoljavanja potreba svih korisnika poslovanja turističke kompanije" (Golja & Krstinić-Nižić, 2010). Turizam ima direktan uticaj na ljude, životnu sredinu, kulturu i društvo, te donosi mnoge ekonomske i socijalne beneficije ako se njime pravilno upravlja, međutim, ako se njime ne upravlja pravilno turizam može proizvesti negativne efekte na lokalnu sredinu i zajednicu. Zbog toga turističke kompanije su u obavezi da implementiraju principe društveno odgovornog poslovanja u njihovoj korporativnoj strategiji. Da bi u potpunosti ispunili svoju korporativnu društvenu odgovornost, preduzeća treba da poseduju procese kojim integrišu socijalna, ekološka, etička, ljudska prava i prava potrošača u poslovne aktivnosti i ključnu poslovnu strategiju i to u bliskoj saradnji sa svojim stekholderima.*

**Ključne reči:** *Korporativna društvena odgovornost, motivacija, implementacija.*

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<sup>288</sup> Ministry of Economy Sector of Tourism, Ul. Bul. Ilinden br. 105/3/4

<sup>289</sup> MIT University, Skopje, Macedonia

## INTRODUCTION

Corporate Social Responsibility (CSR) has long history and various definitions describing the concept. Bowman (1953), stated that business people have responsibilities towards society when making corporate decisions, indicating that responsibility towards society should be putted in the same line with profit maximization, even in some cases suggesting its bigger

importance than profit. Additionally, Eilbert & Parket (1973, p. 7) are suggesting that “perhaps the best way to understand social responsibility is to think of it as ‘good neighborliness.’ The concept involves two phases. On one hand, it means not doing things that spoil the neighborhood. On the other, it may be expressed as the voluntary assumption of the obligation to help solve neighborhood problems. Those who find neighborliness an awkward or coy concept may substitute the idea that social responsibility means the commitment of a business or Business, in general, to an active role in the solution of broad social problems, such as racial discrimination, pollution, transportation, or urban decay”.

Furthermore, Carroll’s (1999) pyramid gave visual explanation of CSR concept, dividing it into four layers of economic, legal, ethical and philanthropic responsibilities, which turn into famous viewpoint for this concept. However, in 2005 European Commission created new definition, stating that a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis. The European Commission definition for CSR in the most commonly accepted in the literature.

As well as CSR, also the definitions for tourism are various and numerous that authors cannot agree on common one, which is not surprising knowing its “multidimensional, multifunctional activities which touch many lives and many different economic activities” (Cooper, 2005, p. 11). Some authors include day visitors in the definition, whereas others argue against that; some include business trips while others exclude them; whether the distance and purpose of the visit should be included in the definition has also been a topic of debate (Pender & Sharpley, 2005). Still, World Tourism Organization describes tourism as social, cultural and economic phenomenon which includes the movement of people to places outside their usual environment in order to finish some personal or business activities (UNWTO, 1999). However, WTO’s definition of tourism is commonly accepted in the world and it defines tourists as people traveling to and staying in places outside their usual



**mr Irena Toleska**

*WORKING EXPERIANCE*

**Agency for Promotion and Support of  
Tourism in Republic of Macedonia**

*Associate in Promotion Department*

*September 2012 – present*

**AIESEC Slovenia**

*President of AIESEC in Slovenia*

*July 2011 – June 2012*

**AIESEC Macedonia**

*Vice President International Cooperation*

*July 2010 – June 2011*

**AIESEC Skopje**

*Vice President of Exchange*

*June 2009 – 2010*

environment for not more than one consecutive year for leisure, business and other purposes, while usual environment is consider the one that is around the residence of the person and all other places that are frequently visited (UNWTO, 1995).

According to Henderson (2007), tourism industry and CSR are very closely related due the direct relationship with its society and environment. Healthy economy, cultural and natural heritage are curtail factors in tourism industry. Therefore, companies should understand and accept CSR philosophy, by investing in the local community and environment would help them create and sustain good relations, which in long terms will reflect on company's success. "The long-term success of tourism companies depends on the ability to address the needs of those affected by the operations of a tourism company" (Golja & Krstinić-Nižić, 2010). Tourism has direct impact on the people, environment, culture and society, which is bringing many economic and social benefits if managed properly; if it is not managed properly tourism can have negative effects on the local environment and host community. Because of that tourism companies are obliged to adopt CSR in their corporate strategy.

As tourism can have direct impact on destinations economies, societies, cultures and environments, it can also have negative consequences (Tourism Concern, 2005). Nevertheless, tourism can supply the needed infrastructure, income and jobs which are benefiting the growth of a country's economy and raise standards of living. Because of this close relation with the operating environment, companies have an obligation to adopt corporate social responsibility. Tourism can help in protection of threatened resources and their conservation (Henderson, 2007, p. 231). This thesis attempts to understand the importance of corporate social responsibilities in tourism industry. Carroll's pyramid will be used as guidance during this research.

## **METHODS**

The main goal of this paper is to understand the importance of CSR in tourism industry. By analyzing the opinions of tourism industry representatives from organizations such as travel agencies, tour operators and hotel companies, regarding corporate social responsibility the



### **Sreten Miladinoski**

#### **WORKING EXPERIANCE**

##### **MIT University**

*Full professor*

*September 2010 – present*

*Vice rector 2011-2015*

##### **University of tourism and management**

*2008-2010 Dean of faculty for international marketing management*

*2006-2008 Vice-dean of Faculty for tourism*

##### **European University**

*Assistant of the group of Marketing 2004 – 2006*

##### **FON Skopje**

*Assistant 2003 – 2004*

##### **Education**

*- 2005 Doctor of Economics*

*- 2003 Master of Business administration*

*- 2002 Bachelor of business administration*

*- 2002 Bachelor of costumes and forwarding*

purpose of this study will be achieved. Primary and secondary sources were used during this study. Firstly, various documents, journals, magazines, books and internet websites were used in the area of tourism and corporate social responsibility. Secondly, a questionnaire survey was sent to travel agencies, tour operators and hotel companies, aiming to collect data on the tourist companies' attitude towards in CSR in targeted countries. During this study quantitative analysis was used due the fact that in the last years this method has been encouraged in tourism studies of tourism (Dwyer, Gill & Seetaram, 2012), and with this method the reality is emphasized upon which people agree (Newman & Benz, 1998). "Quantitative research falls under the category of empirical studies, according to some, or statistical studies, according to others" (Newman & Benz, 1998, pp. 10). This type of research, "in this case simply means research based on evidence from the real world" (Balnaves & Caput, 2001, pp. 29).

Survey was sent to targeted companies, which is considered as the tool that is most applied in studies of tourism industry where statistics is mostly used as quantity of respondents agreeing with certain stance (Dwyer, Gill & Seetaram, 2012). Scale questions are used in order respondents to rate how strongly they are agreeing with the given statement (Saunders, Lewis & Thronhill, 2003), known as "Likert scale", which is measuring the attitude of respondents and how strongly they agree or disagree with the given statements. The answers most used are 'strongly agree', 'agree', 'disagree' and 'strongly disagree' and in the middle of the two sides there is a midpoint which is labeled as 'neither agree nor disagree', assumed to represent a respondent's position that is exactly in equal distance from 'disagree' and 'agree' (Baka & Figgou, 2012, p. 247). Twenty agree or disagree questions are used from previous United Nations Industrial Development Organization (UNIDO) research which carried out a survey for SMEs in Central, South and Eastern Europe for collecting information and understanding the current state of Corporate Social Responsibility.

## **RESULTS**

From the total target of 370 companies involved in the tourism industry, 82 companies responded to the given survey. The percentage of hotels participating in the survey is 24% of the total target pool, travel agencies/tour operators make up to 32%, percentage of the public sector is 22%, NGO 8.6% and restaurants make up 7.4%. "A key objective of survey research is to obtain data which is representative of the population" (Finn and Elliot-White, 2000, pp. 87). Therefore, in this study the number of companies representing the tourism industry is representative.

Responsibility towards the local community and the environment is the top driver for responsible business: 80% of respondents answered that taking care of the environment is the main motivator behind implementing CSR in their organization, while responsibility towards customers, employees and shareholders is in second place as a motivator for CSR with 75% agreeing, and 72% stated that companies should act ethically. The profit motive was lowest on the scale with only 52% of companies agreeing that being profitable is the top driver for responsible business.

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Responsibility towards customers, employees and shareholders	0.02	0.05	0.07	0.51	0.24
Being profitable	0.01	0.13	0.21	0.40	0.12
Responsibility towards local community and the environment	0.01	0.01	0.06	0.52	0.28
Acting ethically	0	0.02	0.12	0.39	0.33

**Table 1.** Agreement with statements on the top driver for responsible business

The statements from Carroll's pyramid (1991) were used as an indicator to measure the attitude towards corporate social responsibility. As it is a draft with repeated measures, in order to determine whether there are differences in the importance that tourism companies attribute to the economic, legal, ethical and philanthropic activities direct, ANOVA was applied with repeated measures.

Huizingh (2007, *Applied Statistics with SPSS* p. 268) states, "the T-Test always involves the means for an interval or ratio variable, with the assumption that the cases belong to random samples from a normally distributed population."

Before the test began, the second, third and fourth hypothesis were calculated in summative scores of the importance of economic, legal, ethical and philanthropic activities. Internal consistency was examined using Cronbach's  $\alpha$  and the following coefficients were obtained:  $\alpha = .76$  (the importance of economic activities);  $\alpha = .71$  (the importance of legal action);  $\alpha = .85$  (the importance of ethical activities), and  $\alpha = .91$  (the importance of philanthropic activities). Among the factors dependent on the magnitude of the coefficient of Cronbach's  $\alpha$  is the number of items which are calculated in summative score. Conventional values for Cronbach's  $\alpha$  in the range of .80- .90 indicate a good internal consistency as one of the forms of reliability of the measure. Considering that the economic, legal, ethical and philanthropic activities number only four items, the derived figures indicate a solid internal consistency.

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
It is important to perform in a manner consistent with maximizing earnings per share	0.06	0.17	0.11	0.51	0.09
It is important to be committed to being as profitable as possible	0.02	0.17	0.15	0.42	0.16
It is important to maintain a strong competitive position	0	0.7	0.11	0.46	0.27
It is important to maintain a high level of operating efficiency	0.01	0.01	0.10	0.54	0.26

**Table 2.** Agreement with statements of economic responsibility (CSR)

That high levels of operating efficiency are maintained is of the greatest importance for Macedonian tourism companies – 80% believe so; 73% believe that having a competitive position on the market is an important factor and 60% agree that it is important to act in a manner consistent with maximizing earnings per share. The statement that it is important to be committed to being as profitable as possible is ranked lowest in this cluster, with 58% agreeing.

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
It is important to perform in a manner consistent with the provisions of government and law	0.01	0.01	0.07	0.37	0.44
It is important to comply with various state and local regulations	0	0.04	0.07	0.46	0.34
It is important for a successful firm to be defined as one that fulfills its legal obligations	0.01	0.09	0.16	0.42	0.23
It is important to provide goods and services that at least meet minimal legal requirements	0.01	0.21	0.11	0.49	0.10

**Table 3.** Agreement with statements of legal responsibility (CSR)

In the group for legal responsibilities, performance in a manner consistent with the provisions of government and law (81%) and compliance with various state and local regulations (80%) is regarded as the most important; 65% of respondents believe that it is important for a successful firm to be defined as one that fulfills its legal obligations, while 59% agree that providing goods and services that at least meet minimal legal requirements is an important factor in company operations.

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
It is important to recognize and respect new or evolving ethical and moral norms adopted by society	0,01	0,05	0,1	0,57	0,17
It is important to prevent ethical norms from being compromised in order to achieve corporate goals	0	0	0,15	0,57	0,2
It is important that good corporate citizenship be defined as doing what is expected morally or ethically	0	0,02	0,18	0,54	0,17

It is important to recognize that corporate integrity and ethical behavior go beyond mere compliance with laws and regulations	0,01	0,01	0,11	0,52	0,26
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**Table 4.** Agreement with statements of ethical responsibility (CSR)

It is interesting that ethical responsibility was essential to utmost number of respondents as all statements had roughly the same percentage of agreement and importance. The recognition of and respect for new or evolving ethical and moral norms adopted by society was important to 74%, the importance of preventing ethical norms from being compromised in order to achieve corporate goals was relevant to 77%, defining good corporate citizenship as doing what is expected morally or ethically was important to 71% and acknowledgment that corporate integrity and ethical behavior go beyond mere compliance with laws and regulations was important to 78% of respondents.

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
It is important to assist the fine and performing arts	0	0.04	0.13	0.51	0.20
It is important that managers and employees participate in voluntary and charitable activities within their local communities	0.01	0.02	0.18	0.49	0.21
It is important to provide assistance to private and public educational institutions	0.02	0.04	0.15	0.44	0.24
It is important to voluntarily assist those projects that enhance a community's "quality of life"	0.01	0.01	0.15	0.51	0.23

**Table 5.** Agreement with statements of philanthropic responsibility (CSR)

The importance of voluntarily assisting those projects that enhance a community's quality of life boasts the largest percentage of agreement (74%) among respondents; it is followed by the importance of fine and performing arts (71%) and the importance of managers and employees participating in voluntary and charitable activities within their local communities (70%). Some 68 % believe it is important to provide assistance to private and public educational institutions.

## DISCUSSION

Astonished with the economic benefit that tourism can bring, lot of countries started focusing on tourism development as a tool for economic growth "without adequate appreciation of the associated costs" (Mathieson & Wall, 1982, p. 208). Although tourism can bring numerous benefits in certain destination at the same time tourism "destroyed and polluted pristine environments, threatened local cultures, and frequently devalued just those characteristics of a

place that had made it a desirable tourist objective” (Shaw & Williams, 1994, p. 280). McKercher (1993, p.14) states, “an industrial activity that exerts a series of impacts that are similar to most other industrial activities, consuming often scarce resources, produces waste by-products and requires specific infrastructure and superstructure needs to support it”. Tourism industry is strongly unified together with the host community, so that it is highly depended on the host community for its existence although at same time exerting impacts on their existence. Integration among tourism industry and host community can happen only if there is a comprehensive understanding of the costs and benefits of tourism development.

These days’ organizations are reconsidering the actions they are undertaking in their business due to the global environmental changes such as disappearing of the natural resources, climate change, and considerable differences in socio-economic perspectives which can result in many products that are socially responsible. The strong connection and dependence between tourism industry and the place where it operates has shown lot of positive and negative effects on the environment that need to be taken into consideration. Nonetheless of the positive approach concerning responsible tourism management, companies’ eagerness for investment in needed resources is really small. (Frey and George, 2010).

Sheldon (2011) states that the very close bond between the tourism industry and the environment explains the need to encourage this idea of gaining responsible practice for sustainable tourism. The majority of the travel industry agrees with the importance of CSR now more than ever. Reputation and community-based issues are the main drivers for the travel industry to undertake CSR activities. In addition, environmental CSR projects show a great predominance over sociocultural activities. The author points out the vital need for clear conceptualization and directions for CSR commitment by the travel industry.

Destinations where tourism development is not accurately designed and managed can suffer from cultural and physical consequences. Tourism can destroy the authentic environment of a certain destination, due to the lack of national, regional or local strategy. Thus, officials and private entities are responsible to guarantee the growth, prosperity and the quality of life for the next generations (Dwyer & Edwards, 2010).

## **CONCLUSION**

In 2001, the European Commission issued a document aiming to promote corporate social responsibility in Europe, defining it as a concept where organizations incorporate social and environmental actions in their daily business activities and in their collaboration with their stakeholders on a voluntary basis. Furthermore, the European Commission recognizes that the main role of an enterprise is to generate value by creating services and products that the people want and need and at the same time to create profit for the company and wealth for the society (2002, p. 5). It seems that the new social and market pressures are progressively changing the values on the business horizon. The awareness of enterprises for sustainable business is growing, as shareholders understand they cannot succeed only through profit maximization, but should upgrade to a market-oriented responsible behavior. The perception of environmental protection and promotion of social responsibility, including consumer interests, is commonly accepted among companies, who achieve it by managing their actions in a way that increases economic growth and competitiveness.

However, the global crisis has consequences toward general confidence of the people and the focus has been put on the social performance of the company (European Commission, 2010,

p. 4). Thus, the purpose is to make new auspicious conditions for sustainable growth, responsible behavior and durable employment generation in the medium and long term.

In order to completely fulfill their corporate social responsibility, enterprises should have in place processes for integrating social, environmental, ethical, human rights and consumer concerns into their business activities and core strategy in close cooperation with their stakeholders. Aiming to capitalize on the creation of shared value for their shareholders as well as for society at large should be combined with identifying, prevent. Somewhat surprisingly, it was found that legal, ethical and philanthropic responsibilities were perceived as slightly more important than economic responsibilities in the CSR context in the tourism industry. Furthermore, a negative correlation between economic and non-economic responsibilities was noted, meaning that companies which are more economically focused put a smaller amount of importance on legal, ethical and philanthropic matters.

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