Stakeholders approach in influencing corporate social responsibility: a case study at two hotels in Jordan

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Abstract: This study aims to investigate the influence of the stakeholder’s approach on the corporate social responsibility (CSR) adopted by hotels. This study uses Edward Freeman’s stakeholder theory (1984). The stakeholder theory explains organisational management and business ethics that deals with values and morals in management and organisation. The research questions involve both aspects of internal and external CSR. The main concerns are primary and secondary stakeholders, which are based on Carroll’s three-domain approach, as well as factors that influence CSR practices in hotels within each stakeholders group. Two five-star hotels in Jordan were chosen for the case studies and the data were analysed through both within-case and cross-case analysis. The main aim of the case analysis is to thoroughly describe and understand the practices through supervision and investigation. On the other hand, the cross-case helps the researcher make comparison between cases and determine how the policy and overall policies can be modified. This study illustrates the influence of integrating the stakeholder theory into CSR practices by employing a specific group of stakeholders. The findings suggest that the hotels are encouraging new methods to implement both internal and external aspects of CSR. Nonetheless, the stakeholders want the hotels’ business model to be economical and ethical. There are many factors that influence CSR practices within each stakeholders group in the hotels with regards to the availability of services offered. Finally, this study reveals that the stakeholders’ relationship with the CSR approach supports the stakeholder theory.

Keywords: corporate social responsibility; CSR; hotels; Jordan; stakeholders management.
1 Introduction

The importance of tourism is highlighted through its role in revenue generation, foreign exchange, preservation of cultures and historical heritage, and promotion of national development and employment opportunities. Jordan has become a major destination for international tourists for several reasons and is ever growing and tourists are becoming more demanding. Overall, hotel quality is very important to tourists, and therefore they require exceptional service. Additional resources are needed to meet this demand. This requires the hospitality industry to consider social responsibility role in society as well as the environment. The definition of corporate social responsibility (CSR) has many similar elements to sustainable tourism in that both focus on how stakeholders’ should be identified and engaged, and that initiatives should be measured to determine their impact on others.

2 Research objectives

This study seeks to provide an in depth understanding of how the stakeholder’s relationship is incorporated into CSR approach in hotels in Jordan. Specifically, the objectives of this paper are:

1 To establish the aspects of CSR (internal and external) that stakeholders are interested in.

2 To explore the concerns of primary and secondary stakeholders based on Schwartz and Carroll (2003) three-domain CSR approach.
3 To determine the factors that influence CSR practices within each stakeholders group.

3 Research questions

This study asks the following research questions:
1 What are the internal and external aspects that are of interest to stakeholders?
2 How can the concerns of CSR for primary and secondary stakeholders based on Schwartz and Carroll (2003) three-domain approach be described?
3 How can the factors that influence CSR practices in hotels in Jordan within each stakeholders group be explained?

4 Literature review

All organisations most often have social responsibility toward the surrounding society. However, not all of them will undertake their social responsibility in the same manner. Generally, the manner in which the organisations fulfil their social responsibility becomes part of a practice known as CSR, which seeks to achieve a common good (Valor, 2005). CSR was originated in 1953 with the publication of Bowen’s book *Social Responsibilities of Businessmen*. Oppewal et al. (2006) defined CSR as the duty of the organisation to respect individuals’ rights and promote human welfare in its operations.

According to Hitt et al. (2001, p.190), the use of the term *stakeholder* emerged in the 1960s from pioneering work at Stanford Research Institute, which argued that managers “needed to understand the concerns of shareholders, employees, lenders and suppliers, in order to develop objectives that stakeholders could support”. Freeman (1984, p.46) defined a stakeholder in an organisation as ‘any group or individual who can affect, or is affected by the achievement of the organisation’s objectives.

Mitchell et al. (1997) offered a theory of stakeholder identification and salience that suggests managers’ perceptions of three key stakeholder attributes as:
1 power to influence the company
2 legitimacy of the relationship with the company
3 urgency of the claim on the company affect the degree to which managers give priority to competing stakeholder claims.

Evan and Freeman (1983, p.166) suggested two simple principles:
1 principle of corporate rights, which demands that the corporation has the obligation not to violate the rights of others
2 principle of corporate effect, which states that companies are responsible for the effects of their actions on others.
In the light of these two basic principles, a stakeholder can be defined in the following way, “A stakeholder of a corporation is an individual or a group which either is harmed by, or benefits from, the corporation; or whose rights can be violated, or must be respected by the corporation”.

A stakeholder mapping by Freeman (1984) shows that stakeholders comprise “government, political group, owners, financial communities, activist group, customers, customer advocate groups, unions, employees, trade associations, competitors, suppliers and the government”.

Basically all these groups are interlinked with the company either directly or indirectly. The corporation is thus situated at the centre of interdependent two-way relationship (Crane and Matten, 2004).

The approach of CSR is based on the stakeholders’ perspective and discussion of the debate on business and social relationships. In fulfilling their CSR obligations, organisations are expected to engage with their stakeholders through various CSR initiatives and activities. Stakeholder theory typically focuses on the attributes of the actors in the relationships of the firm and the stakeholder (Wong, 2009).

5 Stakeholders engagement in CSR

A business does not exist in isolation, but it relies on a multitude of relationships with the stakeholders (Andriof and Waddock, 2002). CSR is deeply intertwined and can be seen as trust-based collaborations between organisations with its stakeholders on objectives that can be achieved together.

A stakeholder-oriented approach to CSR emphasises that organisations exist within large networks of stakeholders, all of which concentrates on organisations (Theaker, 2004). Within the organisation, the interests of these various stakeholders meet and interact with one another and with the interests of the organisation. When organisations face demands from stakeholders to recognise the importance of CSR, they generally translate such demands into CSR objectives and develop CSR policies, organisations attempt to change their stakeholders’ expectations. Managers of organisations must integrate stakeholders into the decision-making process, convince them to support the corporate strategic course, and facilitate multi-parties participation (Glicken, 2000).

Responsible corporations tell consumers that their products are free from pollutant, sweatshop labour or animal testing, and trust that the consumer is willing to contribute to CSR by choosing the greener product. Stakeholders have to play an active role to ensure that socially desirable objectives are met. Other groups who are non-traditional decision makers in business are engaged in exceptional collaborations between the organisation and the stakeholders (Foo, 2007).

People stand for all social and labour issues both inside and outside the organisation, including employee support and compensation, gender and ethnic balance of the workforce. Planet refers to the responsibility of organisations to integrate ecological care into its business operations. Profits involve the conventional bottom-line of manufacturing and selling products so as to generate financial returns for the organisation and its shareholders (Mittal, 2008).
Stakeholders approach in influencing corporate social responsibility

6 The major stakeholders of hotels in Jordan

This study uses the three domain CSR approach of Schwartz and Carroll (2003) to analyse and assess the economic, legal and ethical concerns of two case studies. According to Schwartz and Carroll (2003), the economic domain captures those activities which are intended to have either a direct or indirect positive economic impact. The positive impact is based on two distinct but related criteria:

1. the maximisation of profits
2. the maximisation of share value.

It also stems from the recognition that, unless a business is profitable, it is not sustainable and thus is incapable of helping society by providing further goods or services, by providing jobs to a community, or through other methods such as charitable donations. When long-term viability is sacrificed for short-term profits, the results are self-destructive and in fact counter to the corporation’s actual economic responsibility (Marks and Rapoport, 2009).

Schwartz and Carroll (2003) recommend a three-domain approach comprising ethical concern, economic concern and legal concern. They argue that the ethical concern of the three-domain approach refers to the ethical responsibilities of businesses as expected by the general population and stakeholders. The ethical concern component recognises that corporations should act above bare legal obligations. Ethical concern entails being moral, doing what is right and fair, respecting people’s moral rights; and preventing harm or social injury caused by Smith and Quelch (1993). The ethical concern also recognises that corporations should act morally, as judged by how society views their actions.

Schwartz and Carroll (2003) point out that legal concern of CSR pertains to the business firm’s responsiveness to legal expectations expected by society in the form of federal, state and local jurisdictions. As Carroll (1991) has summarised, this part of this ‘social contract’ is that businesses in turn have an obligation to operate within the legal framework that society has created. Legal responsibility is much more nuanced than mere legal compliance, as it also entails the possible avoidance of litigation (which also clearly overlaps with the economic and ethical responsibilities) as well as shaping the law through lobbying efforts (Marks and Rapoport, 2009).

7 Factors that influence CSR practices within each stakeholder group

Different stakeholder groups are the most significant drivers of CSR for businesses (Warhurst, 2005). Companies understand that they have to respond to stakeholder concerns on how companies have performed against social and environmental criteria and be more open to report such criteria (Zadek, 1998). These stakeholder groups demand what they consider to be responsible corporate practices (Garriga and Melé, 2004). Stakeholders consider their access to timely, comprehensive and accurate information about companies as their right. A study by Windsor (2001) has revealed that CSR is achieved when the corporation conforms to the prevailing norms and expectations of social performance in a given society.

The factors are:
consumer demand for ‘pro-CSR’ goods and services
NGOs increasingly sophisticated, coordinated, challenged and divided
employees as a growing CSR force
increasing investor clout on CSR
the ripple effect up, down and across the supply chain
governments require mandatory disclosure, voluntary compliance
environment, social exclusion, governance, accountability and ethics top CSR issues by CSR activist
partnership and civil society demands.

8 Aspects of CSR

Firms and corporations often adopt and adapt from CSR framework aspects to form the core CSR aspects for themselves (Kok et al., 2001). In this regard, Kok et al. (2001) proposed a framework of CSR aspects which include internal and external aspects of CSR. The internal CSR aspects involve ‘consumer relations, supplier relations, community relations, shareholder relations, natural environment and social responsibility’, whereas the external CSR aspects involve “physical environment, working conditions, minorities/diversity, organisational structure, communication and transparency, industrial relations, and education and training” [Wong, (2009), p.41]. Alternatively, ‘ethics’ is a combination of both internal and external aspects of CSR.

9 Methodology

This study applies the stakeholder theory using a qualitative research methodology on two five-star hotels in Jordan as a case study. The study focuses contemporary events and does not require control over behavioural events. CSR is an issue which has been more debated and investigated in the last few years. In order to provide methodological triangulation, a qualitative approach in the form of interviews was utilised. This would produce a deeper understanding of CSR practices in the two hotels by interviewing the respective personnel on how the stakeholders’ relationship is incorporated into their hotels’ CSR approach.

Documentation study and interviews were used as data collection method for this paper.

10 Sample selection

This study used a purposive sampling (Zikmund, 2000) method since the target of the study is on hotels in Jordan. The selection of these two hotels is also influenced by hotel management’s willingness to be accessible. Both hotels strongly accommodated the case studies and both hoped that this study can help them extend their knowledge and
application of CSR in their hotels. In addition, the hotels’ CSR practices matched the purpose of this study and the research questions.

a InterContinental is a brand of luxury hotels, which was founded by the airline Pan-American World, and now owned by InterContinental Hotels Group chain which operates more than 200 hotels and resorts in nearly 75 countries.

InterContinental Jordan is located atop one of Amman’s seven hills, with the landscape showcasing a unique blend of old and new. The hotel is in the heart of the diplomatic area of Amman, within a walking distance from the old city centre and a short taxi ride from popular sites such as the Citadel.

b Sheraton Amman

With a spectacular hilltop setting, the Sheraton Amman Al Nabil Hotel & Towers echoes the Kingdom of Jordan’s philosophy of hospitality mixed with the amenities of a vibrant, modern nation. Designed in eye-catching white stone, we are located in the heart of Amman’s embassy and business district

11 Selection of respondents

A list of possible respondents was provided by each hotel. The respondents were vetted to ensure that they are the most appropriate people to speak to in the hotels involved in this study. All the respondents were assured that confidentiality will be maintained which made them feel more confident to present truthful information which might be useful for this study. The respondents from both hotels were department managers, public relations managers and their assistants.

In these case studies, theoretical propositions were used from which the three research questions and literature review emerged. The final conclusion was drawn, verified, and then written. The primary research comprised a series of personal interviews with three managers and three assistant managers responsible for CSR matters in their organisations. They represented elite sources which enhanced the likelihood of obtaining most recent and relevant information. Most commonly, case study interviews are focused in nature, and the respondents were questioned for facts as well as opinions. The collection of secondary data in the form of documentation was used in this study because of the explicit importance of documentation as a source of evidence when carrying out a case study (Zikmund, 2000).

Companies’ websites, annual reports, CSR and sustainable development reports and other printed sources by the companies are examples of documentation used in this study.

12 Data analysis

The method used to analyse the data collected in this study was adapted from the method utilised by Wong (2009). It included examining, categorising, tabulating and recombining the evidence based on the research questions drawn up for this study. The main strategy is to rely on theoretical propositions and analyse data according to the three research questions and a frame of reference derived from the literature review. The analysis of the
data involved reducing the data through a within-case analysis for each research question and case. After that, cross-case analyses were made, which further reduced and displayed the data. Here, the two cases were compared with each other, which allowed the similarities and differences of the different cases to be identified. Finally, the conclusion was drawn together with the suitable verification.

13 Findings (within-case analysis)

In this study, the data of two hotels (Sheraton Amman Al Nabil Hotel & Towers and InterContinental Jordan Hotel) were compared with the theoretical propositions used in this study.

13.1 Aspects of CSR (internal and external environment)

Both hotels claimed that they practice both internal and external aspects of CSR. Furthermore, they took ethics seriously. In terms of internal aspects of CSR, both hotels paid more attention to working conditions, physical environment, education and training. They attested that they provide good employee benefits including insurances, pensions, health benefits, wages and promotional opportunities. The hotels encourage promotional opportunities for their employees, and thus conduct indoor training and education for them. Apart from these, they also encourage their employees to attend external professional courses or even to pursue their education. They believe that it would be better to groom their own employees into professionals who would return and continue to render better services to the hotels.

As for physical environment, the hotels provide an extremely safe and healthy environment for their employees to work in and for all guests to enjoy their stay. In terms of minorities and diversity, both hotels provide equal opportunities to their employees irrespective of race, national identity, age, colour or religion.

They also encourage their employees to practice their own religion by allowing them to have their own respective prayer area. The hotels also adopted the policy of hiring employees of different religions. They also try their best to accommodate disabled employees but stopped short of providing special privileges so that these employees do not feel belittled.

Both hotels also opted for their own organisational structure and management style to run their businesses. All of their employees are made aware of periodical meetings where they can iron out all challenges faced and to suggest new ideas to further improve on the hotels’ services. Furthermore, the two hotels ensured that all their employees are well-informed regarding all happenings in the hotel or any latest management decisions pertaining to their work or even social well-being. Employees are encouraged to approach their immediate superior or any other heads for any arising concerns or matters. Apart from these, employees are encouraged to use their discretion in handling any situations and may refer any matters which they have less confidence to handle.

The hotels will allocate funds for religious festivals and to help the less fortunate. For instance, during the month of Ramadan, orphans and the elderly from institutions are invited to break their fasting in the hotels. The hotels also have funds for philanthropic activities to help the less fortunate people. This reflected well on the social responsibility of the hotels. Community relations were not neglected as these two hotels also believed
in building rapport with the community and also the concept of ‘prosper thy neighbour’. Here, they provide bakery, cooking and basic hotel management courses for students from schools in the adjacent vicinities. This is meant to enrich the knowledge of the students who may potentially become future staffs. Apart from the courses, the hotels also held environment awareness activities to encourage the communities to take better care of the earth.

The hotels placed great importance on consumer relations. In fact, customers’ satisfaction has become the priority of both hotels. It was found that both hotels ensured that their customers will be given the best services possible to ensure maximum customer satisfaction. All customer feedback is promptly and passionately acted upon. Staff members are encouraged to interact with customers to gauge their needs and demands. Subsequently, supplier relations are also important. This is especially seen in the food and beverage department, where on-time delivery and freshness of food delivered is priority. Moreover, the hotels communicate their needs and demands to the suppliers, and there were also courses and seminars carried out to train suppliers on how to meet the hotels’ needs and expectations. At the same time, this enabled them to identify the potential local suppliers to meet the hotels’ demand. Using local suppliers ensures that food supplies are delivered fresh from the source.

13.2 Concerns of CSR based on Schwartz and Carroll (2003) three-domain CSR approach

It was discovered that both hotels address the concerns of legal, ethics and economic aspects in implementing their CSR programs. Legal concerns are given priority since customers comprises the international community. On this basis, the legal concern corresponds to the overall responsibilities for their customers. Here, they ensure that the services rendered comply with international environmental safety and regulatory standards. They also ensure that CSR practices for their suppliers and business partners are within the legal framework stipulated by the law and regulations on CSR practices in Jordan. They maintain that business relations with any supplier is based on CSR aspects. Any supplier who violates local laws pertaining to environmental protection and labour laws will be rejected.

Both hotels adopt the ethical concern of CSR for their customers, staffs, suppliers, natural environment, business partners and the local communities. The allow customers a range of alternatives to choose from when planning their stay, and during their time spent at the hotel. Room packages are given and often customers are permitted to make minor modification to the available packages to suit their needs. Consequently, the hotels’ staff are provided with relevant skills training to provide program improvement, to provide better services, to sustain their continued employment, and to set themselves up for future promotions. The hotels inform their suppliers and business partners of their environmental, health and safety expectations. They provided a set of guidelines for the suppliers and business partners with respect to CSR practices. Another area of CSR concern is the natural environment. The hotels have setup waste disposal systems to ensure solid, liquid and gaseous wastes are disposed according to the environmental laws available in Jordan. This is to prevent excessive pollution to the environment. Apart from this, the hotels are strongly committed to community involvement. Hotel management encourages their staff to get involved in volunteer activities, charity campaigns and also
religious activities. In the past, the hotels have hosted lunches and dinners for the elderly and for orphans. During the month of Ramadan, they also hosted dinners for breaking of fast where people of different faiths are encouraged to eat together to foster the spirit of brotherhood.

14 Discussion and conclusions

This study aimed to provide an understanding of how the stakeholders’ relationship is incorporated in CSR approach in hotels in Jordan. The study’s findings strongly suggest that hotels in Jordan are addressing new ways to incorporate CSR internal and external aspects in their operations. The incorporation of these CSR aspects alters the fundamental process of evaluation among stakeholders. The findings show that the hotels implement CSR practices with regard to legal, ethics and economic aspects.

CSR can be implemented in the hospitality industry by using a stakeholder model. This paper showed the stakeholder methodology for hotels and outlined some of the main important logic supporting the sound implementation of CSR. The overall norms and values at the organisational level drive CSR in hotel and hospitality industry as activities in management and marketing. Because there are conflicting stakeholder demands, the analysis did not state the process for hotel and hospitality industry initiatives. However, the main concern was addressed – to prove that the stakeholder model for organisational encircles functional level of hotel management CSR decisions.

The challenges from the complex quality, and dynamic nature of CSR raised awareness of the importance of organisational commitment, planning and formulating CSR strategies. To invest in CSR means to get real benefits concerning supplier support/partnership, loyalty, commitment of employees, and corporate reputation. More importantly, avoiding the costs of CSR management leads to misconduct the image and existence of the firm. Regarding the stakeholder needs, there are so many organisations that are willing to go beyond the basic regulatory requirements and make a difference by contributing to these needs. CSR has not only been luxurious but it has also become necessary to secure stakeholders’ continued support, and establish a positive reputation among customers, employees, shareholders, NGOs, and governments.

It is obvious that stakeholders’ norms and values play a vital role in making this stakeholder model of CSR provide a foundation for building an organisational identity and reputation. In order for us to know and examine to what extent this methodology of the CSR model has been implemented in corporations as well as alternative approaches for implementation, we need to conduct some more research.

Furthermore, it is important to link the degree of implementation with the desired corporate reputation in order to give evidence of benefits of the methodology. It has been revealed that this methodology has important implications on how marketing is conceptualised and implemented in an organisation. Preliminary findings show that a stakeholder orientation helps with CSR in hotel industry and marketing. Most importantly, the success of the companies in achieving its role in social responsibility depends mainly on three criteria:

1. respect and responsibility towards employees and members of the community
2. support for the community
3 environmental protection regarding the commitment of the product offered by the company to the community, or regarding the initiative to address various environmental problems.

References


Notes

1 CSR, also called corporate conscience, corporate citizenship or responsible business

2 The traditional definition of a stakeholder is “any group or individual who can affect or is affected by the achievement of the organization’s objectives” (Freeman, 1984).