

## HOW CORPORATE SOCIAL RESPONSIBILITY CAN CONTRIBUTE TO GROWTH STRATEGY

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**Abstract:** *The slow growth of the economy requires an adequate response, even from companies in the hotel industry. In order to achieve an increase in turnover, they can react with a change of strategy, or cost cutting. The use of corporate social responsibility has been identified as one potential strategy of growth. Corporate social strategy is based on three traditional crucial factors that include social, economic and ecological values. The authors of this contribution analyse the possibilities to achieve an outstanding reputation of a company in the field of corporate social responsibility in order to gain the support of the public and stakeholders. They refer to the fact that corporate social responsibility is one possible way to achieve long-term profitable growth in the field of the hotel industry, even in a complex economic development.*

**Keywords:** corporate social responsibility, growth strategy, hotel industry, strategic management, strategy

### 1. Introduction

The first theoretical concept of Corporate Social Responsibility (CSR from now onwards) was created in the second half of the 20<sup>th</sup> Century in the USA. The European Union started working on the issue in the 90s. In July 2001 the European commission issued the Green Paper: Promoting a European Framework for Corporate Social Responsibility [1]. This document brought the first general definition of CSR, whose goal is to start a discussion about CSR and the possibilities of its propagation measurement and evaluation. It summaries basic information and contacts in the area of CSR and offers a more specific concept about what CSR is, and what individual parts it has, but does not bring specific rules. The CSR topic can even be found in the recommendations of International Labour Organisation (ILO) and Organisation for Economic Co-operation and Development (OECD).

Philip and Milton Kotler in their book “8 strategies of development“ [2] have described 8 methods leading to sustainable corporate growth, even in the conditions of a slowly growing economy. They emphasise that for company growth it is important not only to be profitable in the long term, but to be also sustainable. One of the ways of achieving company growth is an expansion through achieving an excellent reputation in the area of social responsibility. In this context, management should ask how the social status of the controlled company could be improved so it could gain greater respect and support of the public and its stakeholders. Even among companies in the hotel industry there is a growing understanding that sustainable business success and growth of shareholder value cannot be achieved only by maximising short-term profits, but that above all it is necessary to rely on long-term and responsible business behaviour.

Management of these firms perceive the importance of triple-bottom-line business, which consists of company focus not only on economic growth but also on environmental and social aspects of their activities.

Most new companies in the hotel industry start their activities by focusing on providing services fulfilling specific customer needs, while being convinced that they will satisfy the needs better than other businesses in the area. Firms will not concern themselves with social responsibility immediately after being founded because at first they will have more pressing short-term priorities. These companies will grant more attention to the social responsibility later in their life cycle – in the growth phase. They can start to react to requests for financial contributions to charitable organisations, or if they realise that financial contributions provided by them will bring good public opinion they can start to influence the targeted area themselves in an active and positive manner.

## **2. Corporate Social Responsibility**

CSR represents company's code of conduct and functioning which respects interests of various subjects which are in relationships with the company, so-called stakeholders – individuals, groups or organisations which affect company operations or are affected by them. Modern companies can no longer afford to ignore social responsibility. More and more consumers and shoppers mutually share information on the impact of company products on the environment, health and welfare of the people, families and communities. Availability of electronic media has enabled people to comment on the quality of products and services of the company as well as its social initiatives. As competition intensifies in the hotel industry, it increases the importance of differentiation. Interest of the company in the state of society and the world can be therefore seen as a competitive advantage on the issue of social value for the customer.

There are various opinions on the CSR among individual managers, but it can be concluded that today it represents integral part of the development strategy. Managers

should consider it as a possible management style even if the result is not immediate. Nevertheless it creates preconditions for positive perception of the company and attitudes towards it. CSR is in reality an investment, which in the long-term brings stability and prosperity which could not be called directly prosperity in a financial form [3]. According to the association Business Leaders Forum of the Czech Republic [4], the CSR is manifested in the internal company environment by compliance between the declared values and rules of actual behaviour. With regards to the external environment of the company, it is necessary to unite these rules and values with the social values.

The CSR expects not only fulfilment of contractual obligations but also responsible and voluntary behaviour in:

- economic area - business code;
- social area - human resources development;
- environmental area - improving environmental profile;
- relevant society - be a good neighbour and support the region in which the company operates [5].

The non-governmental non-profit organisation Social Accountability International (from now on SAI) has created the standard SA8000 [6] to prove that a company behaves in accordance with social responsibility. The standard is composed with the requirements of the internationally accepted labour law and requirements for management system known from ISO 9001 [7] or 14001 [8], emphasising a compliance with regulations and creating an environment for improvement. The standard is divided into nine thematic sections that relate to child labour, forced labour, health and safety, freedom of assembly, and rights for collective bargaining, non-discrimination, discipline, working hours, remuneration and management system.

International Standards Organisation (ISO) has created an international standard for Social Responsibility (SR) which is designated as ISO 26000 [9]. The standard provides individual instructions for individual

key areas of SR and provides practical guidance for SR implementation and integration in the organisation, including reporting and communication. The International Organisation for Standardisation to the rules of social responsibility includes:

- environment;
- human rights;
- working conditions;
- consumers' issues;
- organisation management;
- fair trade practices;
- community engagement / company development.

The Corporate Responsibility and Sustainable Development section is a part of the Governmental Quality Assurance Policy department and its gestor is the national Quality Policy of the Czech Republic. Their objectives are to harmonise international standards and Czech conditions. In 2015 the section commented on the strategic document, National Action Plan of the Corporate Social Responsibility in the Czech Republic, which was approved by the Czech government resolution from 2 April 2014, number 199 [10]. The goal is to put the concept of corporate responsible behaviour into the cognisance of all companies and organisations and lead them to responsible entrepreneurship, as well as a responsible provision of services. Another Czech organisation, the Association of Corporate Social Responsibility, is getting involved in a significant way as well. A mutual objective is to establish a national net of the UN Global Compact in the Czech Republic.

### **3. Corporate Social Responsibility and Growth Strategy**

According to Kotler et al [11] there can be five social initiative categories identified within a company:

- Cause Promotion – company provides resources or material support to raise awareness of the public about a specific social issue.
- Cause-Related Marketing – the amount of financial or material support for the specific charity organisation by the

company depends on the quantity of the product type sold during given timeframe.

- Social Marketing – company supports campaign aiming for a specific change in behaviour which would improve public health, safety, environment or the community welfare.

- Corporate philanthropy – company decides to directly give monetary grants, gifts or material support to a charity or good cause.

- Employee volunteering – company supports its employees or franchisees members to work as volunteers for organisations supporting local communities or good cause.

- Socially responsible business practices – company decides to financially donate to good cause, improve conditions for local communities and environment protection.

The company can gain an excellent reputation by implementation of the stated social initiatives in the area of corporate social responsibility. According to Philip and Milton Kotler [2], CSR can be considered to be one of the possible strategies which will enable the company to achieve long-term and sustainable growth. The customers want the company to be socially engaged and more interested in communities, as well as in the environment, and to reflect the customer's values. The demands of customers in the future may even increase. Today it is not enough to compete only in the matters of quality, pricing and product or services innovation, the reputation and credibility of the brand which a customer buys, or by which the customer is provided requested services, is also important. This means that quality products, good service and company brand contributes to a company's renown. Improvement of reputation allows the firm to be different for a customer, to get new customers who condemn the wasting of the planet's resources, and customers who are interested in environmental sustainability and harmony in society. A company can get socially conscious suppliers and in the area of human resources it can attract young talented employees who reflect society's values.

#### **4. Corporate Social Responsibility in the hotel industry**

CSR in the hotel industry would be also applied in the following areas – economic, social, environmental, and relevant community. According to Merhaut [12], hotels and hotel chains must set as an objective in the economic area not only permanent profit gains, but also some other goals and activities in the area of CSR, such as the following:

- avoiding corrupt and unethical behaviour;
- accepting and applying the principles of good management;
- credible and transparent business and providing information about society;
- long-term building of relations with clients and suppliers;
- monitoring the interest of main owners and their knowledgeableness;
- respecting and protection of intellectual property;
- innovation and maintenance of the development;
- respecting the principles of honest competitive fight.

Hotels and hotel chains joined in the Czech Association of Hotels and Restaurants in the Czech Republic (AHR CR from now onwards) set themselves a goal not only to advance their own professional interest but also to lead their business activities in accordance with generally respected ethical rules as well as with human relations of the democratic society. These principles are specified in the Ethical Code [13]. A consistent observance of hygienic standards both in boarding and accommodating areas is obvious.

The activities of a company in the hotel industry are related to social areas, especially to solicitude of a company about its employees and their working conditions. Companies create adequate working conditions for their employees according to particularities of their employee ratings and job specifications. They also create conditions for their qualification enhancement and enable their career development, eliminate

discrimination at the workplace, pay heed to fair remuneration, respect social dialogue together with preserving economic stability and company development, respect principles of equal job opportunities, fight against mobbing, and sexual harassment. They also put emphasis on a job humanisation, health care, employees' security, healthy company culture, respecting human rights, and on assessment of social consequences of managerial decision-making. They pay attention to adjusting the operating conditions of work as well as to the comfortable accommodation of handicapped people. In environmental areas these companies carry out their business transactions in accordance with the tourism programme, together with preserving their natural and cultural heritage. These companies create not only appropriate conditions under the terms of their own business activities but also impact by their behaviour other subjects in their surroundings. For companies in the hotel industry this is an area of great significance because tourists visit tourist destinations purely because of their climate, beauties of nature, local sights of interests and cultural heritage. The capability of companies to carry out accommodating activities within the framework of ecological politics that include waste disposal and protection of natural resources by decreasing energy and water consumption contribute to their preservation. Ecologically friendly companies in the hotel industry can obtain a certificate of "Green Hotel". In future, some further precautions to protect the environment are possible. They include for example the usage of solar cells, central switch of lights, or intelligent systems of measuring and regulation for buildings. Companies can care for their clients' health with a selection of building materials, painting materials and other materials without or with a lower content of volatile organic substances. Selection of cleaning agents as well as restriction the chemicals' usage is another example of contribution to the health care of clients.

In the area of a relevant community the companies in the hotel industry support local

culture and social traditions. In this way the hospitality and accommodation facilities create prerequisites for the development of tourism. A possible tool can also be providing information about local traditions, cuisine, sights of historical interest, and about the natural curiosities of a place and its surroundings.

## 5. Conclusions

In a global entrepreneurial environment the CSR is gaining more and more significance. The CSR will bring a company adequate benefits only if it prepares and carries out meaningful and credible projects. Credibility of socially liable activities of companies supports in public their individuality, originality, personal involvement and conviction that they take these activities seriously. The public expects socially

answerable behaviour from companies. Companies in the hotel industry are aware of the fact that the best marketing results come from satisfying the customer's needs in order to return to their catering and accommodating services and to pass on good references to his/her acquaintances. Public opinion turns against a company which refuses to take on social responsibility and due to negative publicity in the media; a company can quickly lose its position. This is why a number of companies comprehend how important it is to search for and use possibilities that present their social responsibility, whilst at the same time allowing them to gain their set economic objectives. A company can especially provide relevant information by social media and web presentations.

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