



Corporate social responsibility and sustainability balanced scorecard: The case study of family-owned hotels



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ABSTRACT

This research aims to find empirical support for the benefits of Corporate Social Responsibility (CSR) to family-owned hotels by identifying paths through which CSR influences business. The Sustainability Balanced Scorecard (SBSC) concept is used to assess the perceived importance of relationships between CSR and business performances to support the goals of the case hotels. SBSC breaks the business down into five dimensions namely; Financial, Customer, Internal Business, Learning & Growth and Non-Market Perspective, which is CSR in this study. The results of partial least squares (PLS) regression using the sample consisting of three stakeholders (i.e., two hundred customers, seventy employees and thirty managers) of family-owned hotels delivered several findings: (i) both the employee and manager group shows that CSR has a significant influence on BSC dimensions with variance (ii) all of the stakeholder groups support the significant relationship between CSR and goals and (iii) all of the stakeholder groups confirm the causal relationship among BSC dimensions with variance. Lastly, we conclude the paper by discussing implications for family-owned hotels as well as addressing limitations.

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1. Introduction

On December 26, 2004, the Indian Ocean Tsunami severely hit Phuket, Thailand. In total, 5395 lives were lost, 2817 people went missing, and 8457 people suffered injuries. During the devastating storm, 6791 homes were destroyed, 315 hotels and resorts were damaged, and 9407 rai (3719 acres) of agricultural land were wiped out. The catastrophe brought attention to the importance of various forms of Corporate Social Responsibility (CSR) in a region that was an unlikely place for CSR before the disaster. A prominent venue for CSR initiatives in the wake of the storm was the hospitality sector, yet such efforts were limited to big hotels and hotel chains from developed countries (Henderson, 2007). The local privately-owned hotels accounting for 90% of the hotels in Phuket (National Statistics Office) still appear indifferent or unwilling to incorporate CSR into their business strategies and operation.

In the first decade of the 21st century, there has been a growing interest in CSR within the hospitality sector; however, the liter-

ature on linkages between CSR and firm financial performance lacks empirical support (Godfrey and Hatch, 2007; Margolis and Walsh, 2003; McWilliams and Siegel, 2000). In the field of hospitality, early empirical studies examining the relationship between CSR and financial performance found varying results focused on the large hotels in the Western context, including Europe (Claver-Cortes et al., 2007; Kirk, 1995; Nicolau, 2008; Rodríguez and del Mar Armas Cruz, 2007) and the USA (Kang et al., 2010; Lee and Park, 2009). Recent studies investigated the influences of CSR on the financial performance of small and medium accommodation enterprises (SMAEs) in developed tourist destinations (Garay and Font, 2012). However, varying, even conflicting, results as well as various methodological issues suggest the need to refine the theory with a more appropriate model for the relationship between CSR and CFP, considering possible mediating or moderating mechanisms (Pivato and Misani, 2008). Furthermore, the extant literature provides little empirical insight into how SMAEs in areas like Phuket, Thailand, where the emphasis of CSR is still minor, can incorporate CSR into their business to achieve their overall goals and contribute to their sustainability. Thus, this study attempts to fill the existing gap by exploring how CSR influences a firm's performance and affects the accomplishments of its goals from the perspective of SMAEs (family-owned hotels in this study) in developing countries (i.e., Phuket, Thailand in this study).

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To assess the performance of hotels, this study employs the balanced scorecard (BSC) which has become popular in the hotel industry as an attempt to develop a systematic tool for business management (Chen et al., 2011; Denton and White, 2000; Fisher et al., 2010; Huckestein and Duboff, 1999; McPhail et al., 2008; Sainaghi, 2010; Sainaghi et al., 2013). These studies generally support that BSC is a satisfactory performance measurement; however, they involved mainly large hotels. For SMAEs, Bergin-Seers and Jago (2007) explored performance measurement of small motels in Australia; however, their measurements are rather segmented ones with difficulties drawing linkages between the performance measurements. Academics in the field acknowledge the challenges of performance measurement for SMAEs due to the difficulties related to defining key performance dimensions (Hudson et al., 2001; Garengo et al., 2005). In particular, BSC further requires the use of vision or goals, which are often overlooked or ignored by SMAEs. However, SMAEs are exposed to a greater risk than big enterprises in terms of structured decision-making, information control, and financial instability, which brings our attention to the need of a systematic management tool for them (i.e., BSC) to survive in a rapidly changing competitive environment.

There are many critiques about BSC and its appropriateness. One of those criticisms is that BSC only recognizes three market stakeholders: shareholders (financial performance), customers (customer relations) and employees (Internal Business Process and Learning and Growth), and ignores two significant non-market stakeholders: environmental and social matters (Brignall, 2002), which are closely related to CSR. CSR is a complex term defined as the active and voluntary contribution of enterprise to environmental, social and economic improvement. By recognizing this issue, Figge et al. (2001, 2002) propose the addition of so called non-market perspective into BSC in order to strategically integrate environmental and social aspects (i.e., CSR) from outside into a firm's business strategies, termed the Sustainability Balanced Scorecard (SBSC). Figge et al. (2001, 2002) proposed a model to incorporate CSR into business performance evaluation; the SBSC not only help detect strategic environmental/social aspects, but also enhance the implementation process of strategy. However, Figge et al. (2001, 2002) only proposed theoretical hypotheses without empirical support. Further studies adopted the SBSC and confirmed the validity of SBSC in the semiconductor industry (Hsu et al., 2011). The SBSC framework could help demonstrate the competitiveness of Taiwanese semiconductor corporations by illustrating their sustainable performance with the incorporation of environmental and social issues. However, there has been little empirical support for SBSC in the field of hospitality, to which this study aims to contribute.

There are several sparse areas in the hospitality literature that this study aims to cover. First, the research intends to identify how CSR affects the business of family-owned hotels in a developing country. This research seeks to discover whether CSR affects the hotel business directly or through indirect paths. If indirect influence is present, through what paths does CSR affect the business? Second, this research is based on the SBSC model from Figge et al. (2001, 2002), in which only theoretical hypotheses were proposed but were not yet supported with empirical analysis. We examine their hypotheses with field data obtained from the case hotels to investigate the applicability of the model in practice. Third, prior research on the BSC has usually been conducted using surveys or interviews from a single group of stakeholders, mostly business owners or individuals from the managers group. Since all of the stakeholders hold different interests on the business, this research aims to capture those differences in perception through separately assessing three groups of stakeholders, namely customers, employees, and managers. By doing so, the authors hope to obtain additional insights about how different stakeholders

perceive CSR, dimensions in BSC, and goals and vision of the family-owned hotels. Overall, the purpose of the research is to encourage CSR among family-owned hotels by providing empirical support for the benefit of CSR to businesses as well as provide a systematic performance management tool for them to incorporate CSR and achieve sustainable development.

2. Theoretical background and hypotheses development

2.1. Corporate social responsibility (CSR) and business performance

Over the past half-century, many different definitions of CSR have appeared; however, the concept remains difficult and complex (Carroll and Shabana, 2010). Dahlsrud (2008) identified thirty-seven definitions of CSR, although that number understates the actual total of proposed CSR definitions due to the omission of definitions with unidentified methodologies (Carroll and Shabana, 2010). Among many definitions, one most popular for both academia and business applications is Elkington (1997) Triple Bottom Line, which states that business is sustainable when it lives up to economic prosperity, environmental quality, and social justice. Marrewijk (2003) clarifies this definition further as economic responsibility, environmental responsibility, and social responsibility. While these generic definitions receive criticism for their failure to capture industry-specific contexts (Maloni and Brown, 2006; Fritz and Matopoulos, 2008; Heikkurinen and Forsman-Hugg, 2011), the industry-specific definitions also lose an appeal for wide-applicability. Ultimately, this study employs Marrewijk's definition of CSR since that version considers stakeholders in its analysis.

There has been growing interest in CSR within the hotel industry; however, the empirical support in the area is limited, mostly focusing on financial performance in a Western context (Claver-Cortes et al., 2007; Kang et al., 2010; Kirk, 1995; Lee and Park, 2009; Nicolau, 2008; Rodríguez and del Mar Armas Cruz, 2007; Garay and Font, 2012). For instance, Kirk (1995), based on a survey in Edinburgh, UK, finds that CSR is acknowledged with less financial benefits than marketing advantages. A recent study based on the hotels in Spain by Rodríguez and del Mar Armas Cruz (2007) contend that hotels with high levels of CSR activities (based on managers' opinions) have higher financial returns. Another study from Spain (Nicolau, 2008) also supports the positive relationship between CSR and financial performance by analyzing the effect of twenty-six CSR activity announcements on stock price. Claver-Cortes et al. (2007), by investigating environmental activities of 153 hotels in Alicante (Spain), support the positive relationship between environmental proactivity and performance level; however, in general, there is no significant relationship between the performance level and their degree of environmental proactivity. The proactivity achieved by these hotels does not strongly impact their organisational performance. To overcome the region-specific factor from the previous studies, Lee and Park (2009), using eighty-five firms from S&P 500, Russell 1000, and Russell 2000, find that aggregate corporate social performance has positive influence on profitability for hotels but no relationship with profitability for casinos. Kang et al. (2010), based on the dataset from S&P 500 and Russell 3000, show that positive CSR activities have a constructive impact on firm values for the hotel and restaurant industry.

Recent studies focus more on SMAEs considering CSR as a strategic path to sustainability, rather than a once-in-a-while philanthropic activity as is common among larger, more capital endowed firms from developed tourist destinations. For instance, Garay and Font (2012) through a survey of about 400 SMAEs in Catalonia, Spain, conclude that CSR indeed has a positive impact

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