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wobec interesariuszy

*Business responsible
to stakeholders*

redakcja naukowa

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*(Implementacja podejścia społecznej odpowiedzialności
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Key words: corporate social responsibility, total quality management, hotel
Słowa kluczowe: społeczna odpowiedzialność biznesu, totalne zarządzanie
jakością, hotel

Introduction

Contemporary market can be described as highly globalized, interlinked, competitive and dynamic. In order to survive, companies' management needs to follow and analyze changes, trends, arising needs and problems, as well as to react promptly with innovative solutions. Beside a high responsiveness to changes, companies are also focused on ensuring a high quality of their products and services. A quality concern initially had a form of *inspection*. The appearance of massive production had brought about a need to ensure that produced components were identical. Therefore, the quality inspection consisted of checking the compliance of product's characteristics with previously determined norms. The next stage of quality concern evolution was a *quality control* – an attempt to determine the causes of bad performance by monitoring the entire process of production. *Quality assurance* has emerged later as a wider concept – it ensures systematic quality control by checking the accuracy of project development, production, installing, as well as checking the correctness of a quality system. In the 80's of the XX cen-

ture it has gradually developed into an approach called a *TQM (Total Quality Management)*, which describes a quality as the component of competitiveness, and it suggests that the quality management should be applied to all company's processes and all employees should strive towards the quality. TQM is perceived as an integrative management system, which extends the traditional focus of companies to internal operations into an external focus on the customers' needs and expectations. Originally, the quality had been seen as a set of characteristics that comply with a producer specification. Today it means a possibility to satisfy the specific needs in a given price range. Therefore, a customer is the one who determines the level of quality, not the producer¹. It is then necessary to determine customer needs by conducting a market research. Further development of TQM concept indicates that quality can also be evaluated by other stakeholders apart from customers. Having this in mind, companies have been increasing their concern about employees, shareholders, customers, suppliers, local communities and especially about the natural environment. By fostering the relationship with stakeholders and showing the care for environment a company differentiates from the competition and enjoys a good reputation. This has served as a powerful tool in the time of recent financial and economic crisis when there were no many other means available for the market battle. Such company's behaviour was named a *Corporate Social Responsibility (CSR)*. Some studies that have already been conducted to discover the impact of a company's social responsible behaviour on its performance show the positive correlation. Although this concept was broadly accepted, it still has not been implemented in each business area since it takes time for some industries or countries to adopt new patterns. The aim of this work is to present the level of CSR implementation in Serbian hotel industry and the general opinion from the standpoint of hotels management regarding the benefits they have obtained from this concept implementation.

1. The concept of CSR

Natural and social environment are surroundings in which every organisation operates and with which it necessarily interacts. Corporate Social Responsibility (CSR) is a relatively new approach, which appeared in academic literature in 1950s. It is defined by the Commission of the European Communities (2001) as "a concept whereby companies integrate social and environmental concerns in their business operations...on a voluntary basis". CSR means commitment to ethical and transparent business actions for the "common good" and avoidance of

¹ N. Đuričin, S.Janošević, M.Kaličanin, *Menadžment i strategija*, Ekonomski fakultet, Beograd 2010, p. 612.

harm to human beings and nature². According to A.B. Carroll³, there are four dimensions of CSR: economic, legal, ethical, and philanthropic. Economic dimension of CSR means that the company has a responsibility towards its stakeholders regarding the operating efficiency, profitability, competitiveness, and other economic goals accomplishment. The legal dimension is concerned with the extent to which a company respects the rules and regulations established by the lawmakers. The ethical dimension is related to company's fairness and justness beyond its legal obligation. The philanthropic dimension refers to the company's responsibility to engage in activities that promote human welfare or goodwill. Companies are in some way obliged to be socially responsible, as sophisticated stakeholders are becoming aware of numerous problems that are the consequence of economic activity (pollution, resource excessive usage, workforce exploitation, nature degradation, etc) and demanding regarding the company's responsibility. Media play an important role in raising the awareness about this issue among public, provoking customer responses through demand function and encouraging authorities to include social responsibility into the law⁴. Socio-environmental context is seen as a strategic variable for the hotel firm, which is strongly consumer oriented and whose quality is directly linked to the quality of the environment and social context, which ensure survival in increasingly competitive conditions⁵.

Resource-based theory suggests that the environmental protection can help ensuring sustainable competitive advantages. Sustainable development nowadays attracts a special attention of companies and communities. The European Union puts a great emphasis on sustainable development, striving to integrate and reconcile the economic, social, and environmental dimensions of sustainability in its sustainable strategy⁶. In the hotel industry, sustainability plays a key role among corporate travellers, a third of whom look for hotels that are environmentally conscious. A survey⁷ reports that 28% of asked businessmen declare a willingness to pay up to 10 percent more for green accommodation, which is an important fact for hotel managers who struggle with profitability. Not only customers are

² J. Campbell, *Why would corporations behave in socially responsible ways? An institutional theory of corporate social responsibility*, "Academy of Management Review" 2007, Vol. 32, No. 3, p. 946–967.

³ A.B. Carroll, *A three dimensional conceptual model of corporate social performance*, "Academy of Management of Review" 1979, Vol. 4, No. 4, p. 497–505.

⁴ J.S. Harrison, Y.R.E. Freeman, Stakeholders, social responsibility and performance: empirical evidence and theoretical perspectives, "Academy of Management Journal" 1999, vol. 42, No. 5, p. 479–487.

⁵ J. Felipe., *Gestio' n de hoteles. Una nueva vision*. Thomson-Paraninfo, Madrid 2001.

⁶ O. Delbard, *CSR legislation in France and the European regulatory paradox: An analysis of EU CSR policy and sustainability reporting practice*, "Corporate Governance" 2008, Vol. 8, No. 4, p. 397–405.

⁷ A. Stark, *Communicate your green commitment*, "Hotel & Motel Management" 2009, Vol. 8 (1), p. 224.

expecting companies to be socially responsible, but also law has begun to regulate those practices. Denmark was the first country to write CSR into law, requiring from the largest companies to include CSR information in annual reports, starting from January, the 1st 2009⁸.

CSR is seen today as a tool for dealing with the dilemma of maximizing the shareholders value and satisfying the stakeholders' expectations. This concept recognizes that companies beside their primary goal of creating the profit for shareholders also have responsibilities towards their stakeholders⁹. Freeman¹⁰ has developed the 'Stakeholder Theory' whereby he defines stakeholders as internal and external groups that are affected by or affect the organisation. Some authors¹¹ propose four stakeholder categories: organizational stakeholders (customers, employees, shareholders, and suppliers), community stakeholders (residents), regulatory stakeholders, and media stakeholders. Friedman¹² declared that managers' responsible behaviour concerns the best allocation of scarce resources and revenues maximization. Based on this view and Freeman's Stakeholder Theory from 1984, a group of scientists argued that companies expand their scope of interest from shareholders only to various groups including customers, employees, suppliers, community and natural environment. Jensen¹³ states that a firm cannot maximize its long-term value if it ignores the interests of diverse stakeholders. It is therefore necessary to implement different policies to meet needs of each stakeholder, which represent the distinct dimensions of CSR, namely the employee relations, product quality, community relations, environmental issues and diversity issues. Employee relations imply the extent to which a company respects employees' rights required by law and expected by the society (e.g. ensuring health and safety, retirement benefits, working conditions, etc.). Product quality dimension supports the customer relations via ensuring the quality and safety of products and services. Community relations consider a company's involvement in volunteer programs, charity, and education. Environmental issues include a company's contribution to natural environment preservation by implementing recycling programs, resource savings, reducing pollution, etc. Diversity dimension stands for a company's ap-

⁸ *Reporting on corporate social responsibility*, Danish Commerce and Companies Agency, May 2009

⁹ L. Moir, *What we mean by corporate social responsibility*, "Corporate Governance", 2001, Vol.1, 2, p. 16–22.

¹⁰ R. Freeman, *Strategic Management: A stakeholder perspective*, Pitman.I., Boston, USA 1984.

¹¹ Henriques, P. Sadosky, *The relationship between environmental commitment and managerial perceptions of stakeholder importance?*, "Academy of Management Journal" 1999, Vol. 42, No. 1, p. 89–99.

¹² M. Friedman, *The Social responsibility of business is to increase its profits*, "New York Times Magazine", 1970, September 13.

¹³ M.C. Jensen, *Value maximisation, stakeholder theory, and the corporate objective function*, "European Financial Management" 2001, Vol. 7, No. 3, p. 297–317.

proach towards the rights of women and minorities as employees or suppliers¹⁴. Some empirical studies have found that each dimension has a different effect on corporate outcomes, such as improved profitability, employer attractiveness and shareholder value. While employee relation and product categories are the only two dimensions that impact the profitability positively, company's involvement in environmental issues, diversity and community relations have a greater positive effect on employer attractiveness, as well as on shareholders value¹⁵.

It is important that a company recognizes those societal problems. Being equipped to help resolve them, it can gain the greatest competitive advantage¹⁶. That is a way to harmonize the interests of different stakeholders. In order to ensure the best allocation of resources and satisfaction of both society and shareholders, companies should examine various interdependent factors among CSR programs, because some investments (e.g. in customer satisfaction) may be shared among several CSR programs. There is a study from 2010¹⁷ offering an integrated approach to help the hospitality industry solving the problem of selection decisions and costs evaluation of CSR initiatives, taking into account hotel's competitive advantage, interdependent criteria, limited resources, and cost factors under different cultures and local needs.

2. Impact of CSR on CFP

Investments in socially responsible activities have to be considered in the form of company financial performance (CFP), because if they do not enhance a firm's bottom line, such investments may not be considered sustainable in a long run. The effect of CSR activities on financial performance was the subject of numerous researches. Their results were different – some have proven the positive and other the negative relation between mentioned variables. The results vary considerably from sector to sector due to sector-specific variables¹⁸. Because each industry faces unique social interests and issues based on internal and external environments, financial returns from investment in a certain dimension of CSR activity may dif-

¹⁴ KLD. (n.d.). *Rating indicators*. <http://www.kld.com/research/stats/indicators.html>.ackhaus.

¹⁵ K.B. Backhaus, B.A. Stone, K.Heiner, K., *Exploring the relationship between corporate social performance and employer attractiveness*, "Business & Society" 2002, Vol. 41, No. 3, p. 292–318.

¹⁶ M.E. Porter, M.R. Kramer, *Strategy and society: the link between competitive advantage and corporate social responsibility*, "Harvard Business Review" 2006, Vol. 84, No. 12, p. 78–92.

¹⁷ W.H. Tsai, J.L. Hsu, C.H. Chen, W.R. Lin, S.P. Chen, *An integrated approach for selecting corporate social responsibility programs and costs evaluation in the international tourist hotel*, "International Journal of Hospitality Management" 2010, Vol. 29, p. 385–396.

¹⁸ A.J. Barbera, Y.D. McConnell, *The impact of environmental regulations on industry productivity: direct and indirect effects*, „Journal of Environmental Economics and Management" 1990, Vol. 18, No. 1, p. 50–65.

fer depending on the specific industry¹⁹. Regarding the hotel sector, one study has been conducted based on Spanish hotels and it has confirmed the existence of a positive relation between the hotel's economic performance and its responsibility to the social and natural environment in which it operates²⁰.

Corporate financial performance can be evaluated through accounting-based measures and market based measures to reflect the short-term profitability and market evaluation of future profitability. For instance, accounting-based measurement tool, ROA (return on assets) shows a company's short-term profitability and the contribution of certain resources allocation to the current profits²¹, while the market-based measures (Tobin's q) indicate the investors evaluation of company's capability to create future profits²². Some studies²³ have found a stronger effect of CSR on company's short-term profitability than on market evaluation of the future profitability, while some other²⁴ prove the opposite. The results of one research from 2011, regarding five CSR dimensions impact on short-term profitability and market evaluations of future profitability in hotel industry, show that CSR activities concerning community and product dimension increase both short-term and future profitability, and diversity dimension positively affects future profitability²⁵.

CSR strategy becomes successful, sustainable and profitable when it is in lockstep with a company business model. Porter and Kramer have classified CSR into strategic and responsive CSR, depending on the degree of connectedness between a firm's business operation and a given social issue. Strategic CSR refers to activities addressed at social issues that are closely connected to company's operational contexts, which at the same time enables a company to generate competitive advantages, while responsive CSR refers to corporate actions designed to improve indirectly-related social issues and are less likely to have a positive effect on company's performance²⁶. Having this in mind, it can be concluded that hotel

¹⁹ P.C. Godfrey, N.W. Hatch, *Researching corporate social responsibility: an agenda for the 21st century*, "Journal of Business Ethics" 2007, Vol. 70, No. 1, p. 87–98.

²⁰ F.J.G. Rodriguez, Y. Cruz, *Relation between social-environmental responsibility and performance in hotel firms*, "Hospitality Management" 2007, Vol. 26, p. 824–839.

²¹ P.L. Cochran, R.A. Wood, *Corporate social responsibility and financial performance*, "Academy of Management Journal" 1984, Vol. 27, No. 1, p. 42–56.

²² X. Luo, C.B. Bhattacharya, *Corporate social responsibility, customer satisfaction, and market value*, "Journal of Marketing" 2006, Vol. 70, No. 4, p. 1–18.

²³ J.B. McGuire, A. Sundgren, T. Schneeweis, *Corporate social responsibility and firm financial performance*, "Academy of Management Journal" 1988, Vol. 31, No. 4, p. 854–872.

²⁴ A.J. Hillman, G.D. Keim, *Shareholder value, stakeholder management, and social issues: what's the bottom line?* "Strategic Management Journal" 2001, Vol. 22, No. 2, p. 125–139.

²⁵ Y. Inoue, S. Lee, *Effects of different dimensions of corporate social responsibility on corporate financial performance in tourism-related industries*, "Tourism Management" 2011, Vol. 32, p. 790–804.

²⁶ M.E. Porter, M.R. Kramer, *Strategy and society: the link between competitive advantage and corporate social responsibility*, "Harvard Business Review" 2006, Vol. 84, No. 12, p. 78–92.

companies may gain benefit through their community involvement because of the great dependency between their operations and local communities (availability of human resources, local demands, suppliers, attractiveness of the destination). Community dimension of CSR would likely help hotel companies to increase both operational efficiency and competitive advantages, leading to high short-term profitability and positive market evaluations of future profitability.

Some researches²⁷ show that investments in CSR increase during the periods of economic and financial crisis. Although this may seem awkward because companies are rather resistant to undertake investments during the crisis, there are some explanations behind this fact. Namely, besides the usual benefits from CSR implementation including the employee satisfaction, increasing sales, and brand promotion, CSR helps returning the lost trust in business and capital markets^{28 29}. This is important not only from the perspective of customers, but also from the investors' standpoint. There must exist trust in a particular company in order to buy its products or to invest in its assets. Therefore, although crises are generally perceived as threats, some companies see it as an opportunity to regain the lost trust and redefine the relationships between itself and stakeholders in order to differentiate from the competition. Since CSR is understood as a set of ethical actions towards the society, it would be natural to treat it as a cost. However, companies treat CSR as an investment, because there are positive results that overcome costs and create added value for the company. Crisis is not only a threat for the business, but for the society as a whole, and company's ethical behaviour is especially appreciated during the hard times. A study from 2009³⁰ shows that 76% of consumers are willing to pay more for a product of a socially responsible company.

There have emerged many questions regarding the evaluation of the CSR performance. It is a complex task to measure the results of such a broad concept. Since there have not been created any single method for measuring the results of CSR investment³¹, a subjective measurement remains the key tool in this respect³².

²⁷ G. Charitoudi, G. Giannarakis, T. Lazarides, *Corporate Social Responsibility Performance in Periods of Financial Crisis*, "European Journal of Scientific Research" 2011, Vol. 63, No. 3, p. 447–455.

²⁸ S. Decker, C. Sale, *An Analysis of Corporate Social Responsibility, Trust and Reputation in the Banking Profession*, part 1, 2009, p. 135–156.

²⁹ M. Weber, *The business case for corporate social responsibility: A company-level measurement approach for CSR*, "European Management Journal" 2008, Vol. 26, No. 4, p. 247–261.

³⁰ B. Lester, S. Osman, E. Beil, *Corporate Citizenship Study*, Retrieved July 12, 2009, from tripplepundit.com: http://www.burson-marsteller.com/Innovation_and_insights/blogs_and_podcasts/BM_Blog/Documents/Corporate%20Citizenship%20Executive%20Summary.pdf.

³¹ R. Wolfe, K. Aupperle, *Introduction to Corporate Social Performance: Methods for Evaluating an Elusive Construct* [in:] J. E. Post (ed.), "Research in Corporate Social Performance and Policy" 1991, No. 12, p. 265–268.

³² A.B. Carroll, *A Commentary and an Overview of Key Questions on Corporate Social Performance Measurement*, "Business and Society" 2000, Vol. 39, No. 4, p. 466–78.

Ethical and socially responsible behaviour leads to the stakeholders satisfaction and positive perceptions of the company. The final benefits of CSR engagement include brand awareness, brand preference and brand loyalty, employees loyalty and business partners loyalty towards the company. Through CSR performance, companies create additional resources such as highly qualified job seekers and customer positive evaluations, leading to investors high expectations regarding a company's future profitability, resulting finally in high market value.

Employees are perceived today as an important source of competitiveness, firstly, because they directly impact the quality of product and especially service, and secondly, because their satisfaction increases the rate of job retention and thus, decreases costs of hiring and training. One study³³ shows that CSR lowers the annual quit rate by 3% to 3.5%. Relationship quality determines the employees job performance and thus the success of the entire organisation. It impacts intentions to spread a positive word-of-mouth and willingness to work in/with the organisation, This is a vital component of the success in the service sector, where the quality of customer–employee interaction has a significant impact on the customer's satisfaction. Satisfied staff create a positive working climate which contributes to the internal and external appraisal of the company. This makes jobs within a company more attractive, making employees be more responsible and productive in order to keep the current position. A positive word-of-mouth concerning the organisation is created, so the clients, business partners and a wide community become interested in the particular organisation. This is the reason why companies put strong emphasis on employees satisfaction. Trust plays a significant role in the employees commitment and interpersonal relations, as an outcome of accumulated positive experiences with the organization and it is a more stable construct than satisfaction³⁴.

3. Incompatibility of CSR practices

CSR has raised a question regarding the lack of measurement of CSR performance which leaves enough place for those who claim CSR just for marketing purposes and revenue increase, while not making any steps towards this approach. In this way, CSR can serve as a manipulative tool to mislead the stakeholders. Many scholars therefore question the legitimacy of CSR practice. Although CSR

³³ D.F. Vitaliano, *Corporate social responsibility and labor turnover*, "Corporate Governance" 2010, Vol. 10, No. 5, p. 563–573.

³⁴ Ch. Moorman, G. Zaltman, R. Deshpande, *Relationships between providers and users of market research: the dynamics of trust within and between organizations*, "Journal of Marketing Research" 1992, Vol. 29, No. 3, p. 314–328.

stands for a strong marketing tool for spreading a positive view to the public, it can also be very dangerous and provoke negative effects if the organisation is not consistent with its declarations in reality. A group of social science researches^{35 36 37 38} argued that people place more weight on negative information than on positive one when evaluating a target, while some others have proven that the negative effect decreases with age in all generations while the positive affect remains stable³⁹. A research done in 2010⁴⁰ has found that in hotel industry stakeholders place more weight on positive CSR activities than negative CSR activities, so in establishing a CSR strategy hotel managers should concentrate on increasing positive CSR activities rather than reducing negative ones. Furthermore, it is recommended to focus on long-term positive effects rather than on short-term profitability.

Hotels need to be as committed to CSR implementation as they are to marketing it, and to be transparent about the actual efforts put forth to achieve the results. The management must shepherd the realization of CSR promises by collecting accurate data regularly in order to introduce essential operational modifications. A survey done by IBM shows that hoteliers are aware of CSR as a powerful marketing tool. However, only recently they have begun with implementation of this strategy. In his analysis Hopper⁴¹ points out that 20% of examined hospitality companies have reported that philanthropic activities were part of their CSR strategy. This is perhaps the most sensitive CSR strategy, as it does not mean investment in new technologies, cost-cutting, quality improvement, employee and customer satisfaction, so it is often a subject to the conflict of interests among the stakeholders. Philanthropic activities challenge the primary goal of any company – profit maximization, and thus they are contradictory to the shareholders' goals.

³⁵ D.L. Hamilton, L.J. Huffman, *Generality of impression formation processes for evaluative and nonevaluative judgments*, "Journal of Personality and Social Psychology" 1971, Vol. 20, No. 2, p. 200–207.

³⁶ X. Luo, C.B. Bhattacharya, *Corporate social responsibility, customer satisfaction, and market value*, "Journal of Marketing" 2006, Vol. 70, No. 4, p. 1–18.

³⁷ J.G. Klein, *Negativity in impression of presidential candidates revisited: the 1992 election*, "Personality and Social Psychology Bulletin" 1996, Vol. 22, p. 289–296.

³⁸ A.K. Lampel, N.H. Anderson, *Combining visual and verbal information in an impression-formation task*, "Journal of Personality and Social Psychology" 1968, Vol. 9, No. 1, p. 1–6.

³⁹ S.T. Charles, C.A. Reynolds, M. Gatz, M., *Age-related differences and change in positive and negative affect over 23 years*, "Journal of Personality and Social Psychology" 2001, Vol. 80, No. 1, p. 136–151.

⁴⁰ K.H. Kang, S. Lee, C. Huh, *Impacts of positive and negative corporate social responsibility activities on company performance in the hospitality industry*, "International Journal of Hospitality Management" 2010, Vol. 29, No. 1, p. 72–82.

⁴¹ C. Hopper, *Corporate Social Responsibility in the Hospitality Industry: Survey*, 2010, September 19.

A sustainable tourism is a paradox, because sustainable means that the environment has to be preserved, while tourism aims at raising profit from increasing tourists traffic, which destroys the natural environment. Of course, there can be placed more attention to environmental problems occurring as a result of tourism industry, which cannot be eliminated. Negative externalities associated with human traffic in hospitality and tourism industry include solid waste, water consumption, electricity usage, CO₂ emission, etc. Although hoteliers have set sustainability goals, such as reducing water usage, carbon dioxide emissions, electricity, etc, the majority of them are failing to effectively conduct the necessary performance based measurements essential to attaining those goals. Many hotels use CSR as a part of their marketing or revenue generating strategy, but half of them conduct no performance based measurements.

Since CSR is a relatively new set of strategies, it is natural to be imperfect. By time there will certainly be improvements regarding the CSR practices and it will continue to play an escalating role in everyday business. Companies need to improve CSR activities by data collection and processing, promises realization, performance measurement and more frequent communication to shareholders and stakeholders.

4. CSR in Serbian hotel industry

Hospitality business in Serbia has been gaining on importance in the last few years. There was a big time gap in this sector development due to the transition period and a long-term economic crises, political instability, embargo, etc. Serbia was far from attractive place for investment, business and travel, which directly impacts the hotel industry. Unsuccessful privatisations of state owned enterprises including hotels have additionally ruined the economy. Since there was a low demand for hotel services, this industry was waiting for better times to be developed. During the last decade of XX century local hotel industry was functioning at the level of average year utilisation of 20%. It is clear that many hotel companies made loss. The lack of means for investment and current maintenance, low compensations and staff turnover were the main reasons against private capital investment in Serbian hotel industry.

The situation is very different now, when Serbia is opening to the world and especially to the EU. This includes creating business and political favourable environment for cooperation with foreign partners, attracting the foreign investments, improving the tourism offer, etc. Investors have recognised an opportunity for hotel sector development, so we can observe many new hotels opening or restructuring the old ones. In order to be competitive, hotel management follow the new trends in this industry. That includes CSR concept implementation, not only by international hotel chains, but also by domestic hotels.

Conferences and educative forums are regularly organised for those who have serious and responsible approach towards hotel industry, implementing also strategies for a sustainable hotel business development. Although there have been investments in hotel industry even during the crises, Serbia still lacks a high quality hotels. From 249 registered hotels 70% have only two or three stars. In the last three years in Serbia were opened 54 new hotels with three, four and five stars which use new technologies for economising the use of resources.

Socially responsible initiatives are the key activities done by companies to support social goals. This concept has already existed for 40 years, but it is not widely implemented in Serbian hotel system. Social goals are very complex and include security, education, hiring, community and economic development, ecology, ecosystem and environment protection. Investing in any of those fields should not be seen as a cost, but rather as a future benefit. There is an international standard for corporate social responsibility implementation – ISO 26000. It has seven principles: responsibility, transparency, ethical behaviour, respecting the stakeholders, respecting the law, respecting the international codes of conduct, and respecting the peoples' rights. Many hotel chains such as Holiday Inn, Accor, Marriott, Hyatt, InterContinental, and others, have already accepted standards and they are in much better position to make an upgrade for energy savings, recycling, water use and the relationship towards the local community.

Hotel chain InterContinental (IHG) has implemented in 2009 a Green Engage system for evaluation, management and reporting aiming at efficient use of energy, water, quantity of waste, as well as the impact on the local community. Results of some research done on the representative sample show the reduction of energy spending by 10%, and all conditions are created to reduce spending for 25%. The "Green Engage" system needs some data about a hotel, and then compares the data with hotels worldwide, taking into account a particular climate zone. At the end of the process the system recommends activities to be implemented in order to correct factors that negatively impact the observed parameters. The system makes it possible to follow a realized progress and equally supports new and existing hotels.

In order to implement the concept of corporate social responsibility it is necessary to study characteristics, mission and values of the hotel, as well as location and environment; then to make a list of negative aspects of hotel's operations and define activities to eliminate or minimize those negative effects. Socially responsible communication and operation is very important for gaining the respect and trust of employees, local community, and especially customers. In the Belgrade Continental hotel gas and smoke emissions are controlled on the day basis. For ensuring the cleanness, hotel uses only non-toxic ecologic products in a form of concentrate. There is a program for rationalization of energy and water use by implementing energy saving bulbs, turning off unnecessary light objects, elec-

tric devices, using the own dump for technical water whose quality is controlled monthly. On the regular basis the Continental hotel recycles paper, plastics, glass, and all types of oil, metal, and technical waste, as well as classifying the natural waste for further processing and producing fertilizers. Hotel Continental regularly uses a questionnaire and a guest book to define the level of guest satisfaction, assess the current and anticipate future needs in order to create an excellent offer. This hotel offers practical lectures for hospitality students, who get the opportunity to apply theoretical knowledge in practice.

In a category of big domestic hotels, the same award was given to hotel “Palas” for teaching generations of students who work today in prestigious Serbian and international hotels on managing positions. They have all passed through a practical workshop in this hotel, while the best students were offered a job in hotel “Palas”. This practical experience have been an excellent reference for employers who had a high professional requirements. In 2009 this hotel was acceded to distance heating and as a result it made workforce and energy savings. Employees are proud of contributing in this way to natural environment protection. Chemicals used must have security certificate, and inputs are preferred from domestic suppliers. The hotel cares about its employees, and insists on learning, improving and continuous education for all the staff.

Thanks to new technologies hotel Hyatt Regency Belgrade has reduced energy use for 20%. This hotel has also implemented a paper recycling process for all printed materials. Cleaning department is using microfiber cloth which reduces chemicals consumption, and further reduces pollution of the natural environment. They use aerosols which reduce dramatically chemicals consumption, while the effect is the same. This hotel has started with a large project for energy saving. There are few CSR projects undertaken by this hotel concerning the community, employees and the environment ⁴².

The first project was named “Selection of the most beautifully decorated Christmas tree for the benefit of UNICEF within the ‘Hyatt community’ program”. The “Hyatt Community“ is a philanthropic program of the “Global Hyatt” Foundation, which strives to provide assistance in resolving problems of the local community and participating in environmental projects. Via this project Hyatt Regency has contributed to increasing social awareness. An amount of RSD 500,000 in contribution fees of participating companies was donated to the UNICEF program, “Violence Free Schools”.

The second CSR program was named “Let’s Recognize and Appreciate our Employees“, regarding the entertaining and educational program for all employees who have the possibility to attend unique training offered by Hyatt Corpo-

⁴² S. Lazarevic (ed.), AmCham Serba Conference “*Corporate responsibility during economic downturn*”, American Chamber of Commerce in Serbia, Belgrad 2009.

ration at the global level and by Hyatt Regency Belgrade at the local level. The training programs are designed in such a way to suit the needs of the local environment. Entertaining program should enhance a team spirit and mutual trust. The most favorable program is position swapping – all the staff change their work position with someone else, so for example, the manager is welcoming guests at the door, while the doorman is performing managerial duties. The Hotel makes it possible for hospitality students to complete their university-required practical work at the Hotel and for good ones there is also a possibility to be employed by the Hotel and to build international experience.

The third CSR project “Hyatt Earth” aimed at creation and implementation of strategies to reduce the consumption of energy and water and curtail emission of CO₂. Firstly, a Green Team was created to monitor and lower environmental pollution through recycling programs. The Green Team created a campaign of cleaning a section of the river bank and planting trees around the Hotel, as well as recycling for all Hotel waste and the use of recycled paper for all printing needs. The Hotel has signed a contract with Toyota Serbia to join forces in protection and conservation of our planet by controlling the environment pollution and CO₂ emission.

Conclusion

It is not surprising that the pioneers in CSR implementation in Serbian hotel industry are hotels belonging to large international hotel chains. Reasons are obvious: CSR concept is already well known and practiced in mentioned hotel chains, so hotels in Serbia simply follow the best practices; such hotels have infrastructure for CSR strategies implementation – they dispose with modern technologies, capital, and know-how. As it was pointed out in this work, international hotel chains present in Serbia have developed different projects to deal with environmental and social problems, as well as to improve relationships with clients and employees. Many local hotels in Serbia, which are smaller and not capable to be socially responsible to the large extent, also implement CSR practices, usually starting from improving the satisfaction of employees and clients, and providing education assistance in hospitality area. This is the cheapest strategy, but very influential – satisfied employees improve the service quality and increase the job retention rate, directly influencing hiring and training costs, as well as customers’ satisfaction and loyalty. Hotels capable of implementing programs for the efficient use of resources and minimizing pollution also experience lower costs in the future. Helping the local community to overcome problems leads to creation of trust and positive brand perception. This obviously increases the value of the hotel in the eyes of stakeholders, motivating

them to stay loyal to the company and the new members to join. As observed, there are many benefits of CSR implementation especially in hotel industry where the quality of service plays a crucial role. Employees therefore must be treated well in order to produce a good service and satisfy the customer. The next direct benefit includes a cost reduction from resources saving program implementation. Finally, instead of spending resources on marketing, CSR programs attract the attention of the media, which publish positive news about the company without compensation. Such objective publicity has a greater impact on the public than propaganda. Hotels that are already implementing CSR programs in Serbia are satisfied with the results claiming that their investments in those projects have a multiple payoff. It impacts costs, quality, working atmosphere, relations with clients, business partners and community, public opinion and brand awareness, trust, loyalty etc. CSR is proved to be a powerful tool for differentiating at the market and gaining the competitive advantage, especially during the crises and increasing globalisation. It is expected that the increasing number of hotel companies in Serbia will follow this trend in the future taking into account low investment in CSR activities compared to important benefits.

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Abstract

Many companies have realised that the current economic and financial crisis is not a short-term appearance but rather a long-term tendency. That conclusion made companies think about strategies for overcoming the hard times. Firstly, it led to costs-cutting through manufacturing and services outsourcing, then changes in the organisational structures. Recently, the idea of corporate social responsibility (CSR) has been born, as an attempt to increase a company's market value by showing the respect and care for environment and public, including consumers, employees, shareholders, business partners, etc. This relatively new approach is a part of Total Quality Management (TQM), a management philosophy that seeks to integrate all organisational functions to focus on meeting customer needs and organisational objectives. Because of the customers' increasing service expectations hotel companies have found the TQM approach to be a vital competitive component. CSR is nowadays seen in hotel industry as a powerful tool for gaining the support of stakeholders and therefore as an important source of competitiveness. The purpose of this paper is to highlight the extent of CSR use in the Serbian hotel industry as well as benefits gained by this approach implementation, including employee satisfaction, customer satisfaction, public opinion, revenue increase, cost savings, and other.

Streszczenie

Wiele przedsiębiorstw uświadamia sobie, że aktualny kryzys finansowy nie jest zjawiskiem krótkotrwałym, ale raczej długotrwałą tendencją. Powoduje to, że przedsiębiorstwa rozważają, jak przezwyciężyć te trudności. W pierwszej kolejności prowadzi to do cięć kosztów poprzez outsourcing produkcji i usług oraz zmiany struktur organizacyjnych. Ostatnio zrodziła się idea CSR traktowana jako próba wzrostu wartości rynkowej przedsiębiorstwa poprzez dbałość o środowisko (naturalne) i sprawy publiczne, włączając w to konsumentów, pracowników, interesariuszy, partnerów biznesowych itd. To relatywnie nowe podejście jest częścią TQM, filozofią menadżerską, w ramach której próbuje się integrować wszystkie funkcje organizacyjne dla spełnienia oczekiwań klientów oraz osiągnięcia celów organizacyjnych. Podejście związane z TQM jest traktowane przez przedsiębiorstwa hotelarskie jako ważny czynnik budowy ich konkurencyjności wobec zwiększających się oczekiwań klientów. CSR jest traktowana przez hotele jako potężne narzędzie do zdobywania wsparcia interesariuszy i dlatego stanowi źródło zdolności konkurencyj-

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nych. Celem opracowania jest naświetlenie zasięgu realizacji CSR w serbskim przemyśle hotelarskim, osiągnięcie korzyści przy wdrażaniu tego podejścia, włączając w to satysfakcję pracowników, opinię publiczną, wzrost dochodów, ograniczenie kosztów i inne.

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