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## Corporate Social Responsibility in Tourism: International Practices

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**Abstract:**

*The global trends demonstrate that the environmental and social issues need serious concerns of business and investment societies. This article focuses on the importance of corporate social responsibility (CSR) within the hospitality and tourism industry in Russia. Over the recent several decades, this industry has observed significant changes in business environment that have stressed the role of corporate social responsibility.*

*Recent researches have shown that CSR may determine a company's long-term success and profitability. There are different approaches to explain the nature of CSR influence on the internal and external processes of hospitality and tourism. The article examines the issues related to the best practices of socially responsible corporate behavior of international companies in the Russian tourism sector.*

*These companies have contributed many efforts and resources in solving the environmental and social issues through their CSR policies and make their brand well known. Their best practices can be very useful for the Russian companies in hospitality and tourism to implicate different CSR policies, plans and strategies and having positive results.*

**Keywords:** *Corporate Social Responsibility, tourism and hospitality, hotels, socially oriented behavior, international companies.*

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## **1. Introduction**

Over the recent years the theme of corporate social responsibility (CSR) has become increasingly important in Russia. Russian business community, improving its social strategy, is developing and introducing mechanisms to coordinate "business-society-state" interests, entering the stage of forming a consolidated position of a socially responsible business. This should be the modern style of the Russian business companies, which will impact the process of management decision-making, taking into account the interests of all stakeholders.

The concept of corporate social responsibility has been the subject of active discussions in the global scientific community since the 1950s and has become the centerpiece of the debate about the relationship of business and society (Benabou and Tirole, 2010; Campbell, 2007; Coles *et al.*, 2013). It is notable that at present the corporate social responsibility is understood as the responsibility of an organization to all people and organizations it interacts with in the course of business, and to the society as a whole. This involves a voluntary contribution of the company into various spheres of life, which are directly linked to its main activity (Kotler *et al.*, 2010; Kao, 2010).

Moreover, the hallmark of the CSR concept are the measures that the business voluntarily undertakes, beyond the legal minimum, following its competitive interests and at the same time acting for the public good.

It seems important that the tourist industry should be aware of the economic, social and environmental impacts of its own activities, wherever its place of business (De Grosbois, 2012). Over the recent years, the social responsibility of business has rapidly turned into the key to the company's success and competitiveness.

In our view, this trend is linked to the increase of income and changes in consumer behavior psychology. When the proportions of price and quality of tourism services are fairly similar, the consumers start focusing on the additional criterion of psychological comfort provided by brand. This comfort is made up mainly of two elements, which are the level of its recognizability and the associations generated by the social responsibility of the company's behavior.

The global tourism industry has been faced with the ever-increasing level of competition between countries (Sin, 2014). The elements of corporate social responsibility of tourism organizations are reflected in the actual events organized for the employees and the consumers of tourism services as well as the local population which is directly or indirectly associated with tourism activities. The analysis of several studies enabled the authors to set out the principal spheres where the corporate social responsibility is applied in tourism.

## 2. Literature Review

As the literature study has shown, it is important to distinguish between the internal and the external corporate social responsibility. The internal corporate social policy is the social policy pursued by the company for its employees and, as a consequence, limited to the framework of the company (Romanova, 2015). The external corporate social policy is the social policy pursued for the local community on the territory of the company or some of its subsidiaries. Accordingly, the strategy of the corporate responsibility is used by business to implement corporate programs aimed at human resources development, support for the local community, preservation of natural resources, etc., (Giannakopoulou *et al.*, 2015; Ivanova and Bikeeva, 2016). Ultimately, social and economic stability, social welfare and the quality of life for the citizens of the country depend on the effective business performance.

At the same time, the study underlying this article shows that the degree of involvement of Russian companies and businesses in social activities is currently rather unbalanced. Specifically, if we look at the sectors the socially responsible businesses work in, we will see the first place go to companies and businesses of oil and gas, metallurgical and chemical industries. The enterprises of the tourism industry are at the initial stage of developing and introducing CSR strategies. However, due to the fact that tourism is actively developing and has both positive and negative effects on destinations, the tourism and hotel industry would need to focus on and implement CSR concepts.

Exploring corporate responsibility issues (illustrated by the experience of tourist organizations) common trends and patterns of the contribution made by international and Russian tourism businesses in Russia were identified (Dedusenko, 2013; Romanova, 2015, Blinova, 2018). Meanwhile, the development of CSR in the tourism sector has become one of the most current trends in the global tourism industry. For tourism businesses and organizations, the Social Responsibility System is of particular importance, which is owing to the dynamic development of this sector within the national economy, its social orientation on meeting the needs of people and improving the quality of life (Kumar and Kumar, 2018). Corporate social responsibility in tourism should encompass a wide range of activities, including:

- the development and improvement of social conditions for personnel (training and professional development, social packages to employees, motivation, favorable conditions for work and leisure etc.);
- health security and safety of employees, safety of tourists (safe workplaces, personnel health care, protection for the consumers of tourism services in places of recreation, compensation for unused tours, etc.);
- the development of local destinations (financial support of cultural and historical objects, educational and sports facilities, charity, etc.);

- environmental protection and sustainability (economical and careful use of natural resources, pollution prevention, efficient environmental management incorporated in the tourism activity).

Thus, a tourism organization may be called socially responsible if it manages its business taking into account the negative and positive consequences of its activities in the field of environmental protection, economy and social sphere (Meyer and Meyer, 2017; Muafi, 2017). CSR is consistent with the concept of sustainable tourism development, which is focused on the long perspective, where a balance is reached in the implementation of economic, environmental, social and cultural development objectives, the interests of all stakeholders (tourists, sending and receiving destinations, local population) are taken into account, all of the above based on the rational use of tourism resources and a comprehensive partnership.

### **3. Research Methods**

Systematic analysis, retrospective analysis, and expert opinions are the general and specific methods chosen to serve as the scientific tools for this study. The information for the study was provided by such sources as statistical data and the analytics of the Russian Federal Agency for Tourism (Rosturizm), the Political and Economic Communications Agency, publications in distinguished domestic and foreign periodicals, the electronic content of Russian and foreign Internet portals.

The article refers to the results of the survey of hotels operating on the territory of the Russian Federation and specifically in Moscow conducted by authors. The survey was targeted large and medium-sized hotel companies of both international (Hilton, Radisson Royal (n/w) Moscow, Renaissance Monarch Moscow, Accor Mercure Hotel Ibis Adagio Paveletskaya Bakhrushina) and Russian (Golden Ring Moscow, Pushkin Moscow, Azimut Moscow) hotel brands. The respondents were the employees who had worked in a hotel for 0.5 to 5 years as line managers and middle managers.

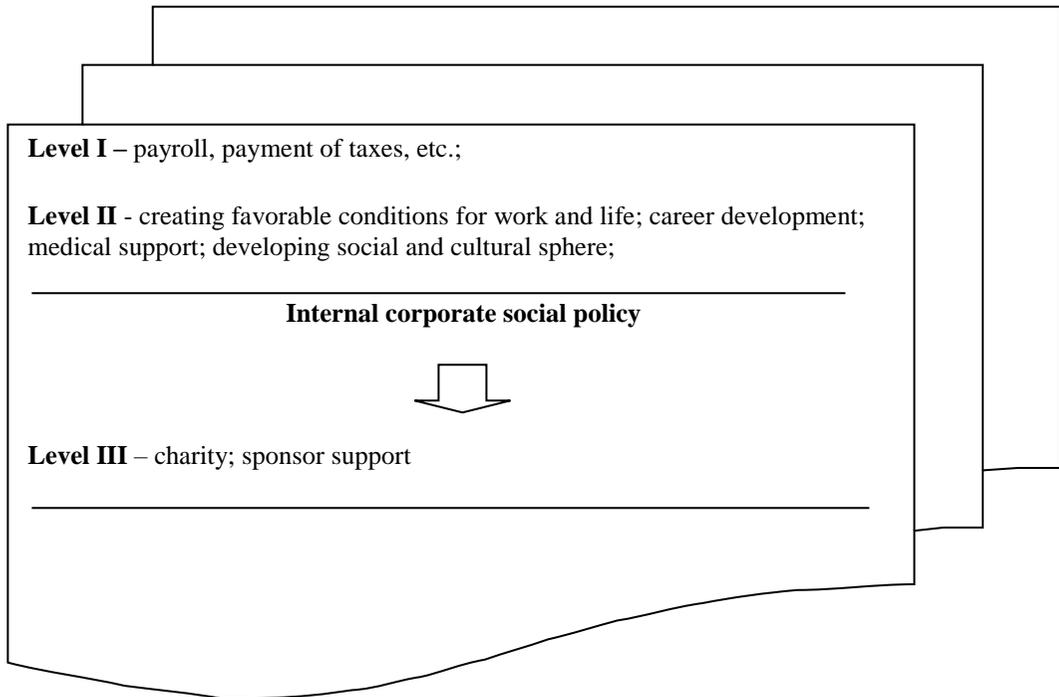
### **4. Results and Discussion**

#### **4.1 Key parameters of corporate social responsibility in Russian and international tourism sector**

Exploring corporate responsibility issues (illustrated by the experience of tourist organizations), the primary objective was set to identify common trends and patterns of the contribution made by international and Russian tourism businesses in Russia. It has been concluded on the basis of the results of this analysis, that the social and economic stability, the welfare and quality of life of the citizens of a country ultimately depend on the effectiveness of business. Accordingly, business implements, within the framework of the corporate responsibility strategy, various corporate programs intended to develop the sector of human resources, to support

the local community, to preserve the natural resources, etc. (Dedusenko, 2013; Romanova, 2015). The levels of corporate social responsibility and policy as an aggregate are summarized below (Figure 1).

**Figure 1.** Levels of corporate social responsibility of a business



*Source:* Authors.

In order for the Russian tourist industry to get closer to the global standards of CSR, the authors compared and analyzed the experience of international and Russian companies in the sphere of tourism, looking at the principles of corporate social responsibility applied by the leading international and Russian companies in the sphere of tourism in Russia. The data provided by the studies helped identify the applications of the principles of corporate social responsibility and sustainability development. The hotel business has the following important areas of applying the principles of corporate social responsibility and developing environmental initiatives:

- responsible investing;
- operations.

Responsible investment is a popular trend in the modern hotel business. Responsible investment may be defined as investment which takes into account environmental

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and social factors, as well as corporate governance (ESG – environmental, social, governance) (In focus: corporate governance and sustainable development, 2013). Furthermore, big investors choose the so-called "impact investing", which is based on "green investment", i.e. the investments that does not damage the environment and help reduce the negative environmental impact. The principles of responsible investment developed by the UN and major investment companies include the following aspects:

- the introduction of environmental and social factors, as well as corporate governance factors, into investment analysis and decision-making;
- active participation in the management of a company and integration of ESG-aspects in the investment management practice;
- commitment to disclose environmental, social and governance factors by the companies which are the objects of investment;
- raising awareness and encouraging the participation of the investment community in the implementation of UN PRI;
- cooperation and collaboration in order to enhance the effective implementation of the Principles;
- accountability of each member of the initiative on the achieved results and progress within the framework of implementing the Principles.

We argue that the principles of responsible investment should be widely used in Russian enterprises of the tourism and hotel industry, as well as by Russian institutional investors in their business, thus developing the socially responsible mentality in a broader population.

Considering the second development aspect of best practices in hotel business, which is operations, it should be borne in mind that international hotel chains, developing its activities in Russia, demonstrate better practice in the field of corporate social responsibility (CSR).

Thus, according to consulting companies, the leading positions in expanding the market of Russia, the CIS countries and Georgia belongs to Carlson Rezidor Hotel Group, Accor Hotels, Marriott, Hilton and InterContinental Hotels Group (International hotel chains in Russia, CIS and Georgia, 2016). The leading international hotel chains use environmental initiatives not only for the purpose of developing the ethical aspects of their activities, but also for the promotion of services, improvement of the brand image and reputation. As we see from the table below, well known international hotel chains in Russia as well as in the world, apply different systems of social accountability which help achieve, for instance, unified ecological standards in the HoReCa business and control the consumption of natural resources by hotels.

**Table 1.** Systems of Social Accountability

<b>Social Accountability System (hotel)</b>	<b>Certification</b>	<b>Purpose</b>	<b>Result</b>
Green Engage Environmental Accountability System (IHG hotel network, includes over 4,500 hotels)	LEED («Leadership in Energy and Environmental Design») certification – a system of a voluntary certification of buildings aimed at “green” construction which rates the ergonomics and sustainability of investment and other projects.	Designed to rate environmentally friendly and ergonomic construction and sustainable investment and other projects	<ul style="list-style-type: none"> <li>- helps to reduce the consumption of energy by network hotels by 15-20 %</li> <li>- helps reduce the annual costs for electricity by up to 90,000\$</li> <li>- the approximate total result is around 300,000,000\$</li> <li>- meets the requirements of sustainable and socially accountable clients of hotels</li> <li>- improves the corporate image management of the hotel network</li> </ul>
Green Key environmental certification body for hotels (Radisson Blu, ParkInn by Radisson Carlson Rezidor in Sochi)	Green Key eco-label	Sustainable energy consumption and waste reduction	<ul style="list-style-type: none"> <li>- high ecological standards</li> <li>- responsible approach to business</li> <li>- active contribution to environmental care at the local, national and international levels.</li> </ul>

**Source:** Authors using <http://prohotelia.com.ua/2011/01/green-engage/> and <http://sochi.prohotel.ru/news-216213/0/>

Such active use of the corporate social responsibility principles can be seen among international tour operators operating in Russia. For example, TUI, a large holding, distinguishes the corporate culture of social accountability at the major holding TUI works in two key areas (TUI tour operator, 2018).

**1. The Green Ideas Factory:** For example, in 2012 TUI held a competition among its employees; the competition was called "The Green Ideas Factory", and the employees were given an opportunity to offer ideas to improve the business from the environmental point of view. As a result, TUI Russia offered to hold a "Green Day", which was held in May 2013;

**2. Differentiated product:** The company differentiates hotels by social and environmental responsibility. The hotels that meet the standards of social and environmental responsibility are given credit on the website of TUI Russia and marked with a "green leaf" in printed materials – a special sign developed by TUI. The division of the holding – TUI Russia – indicates the following objectives in compliance with the principles of corporate social responsibility:

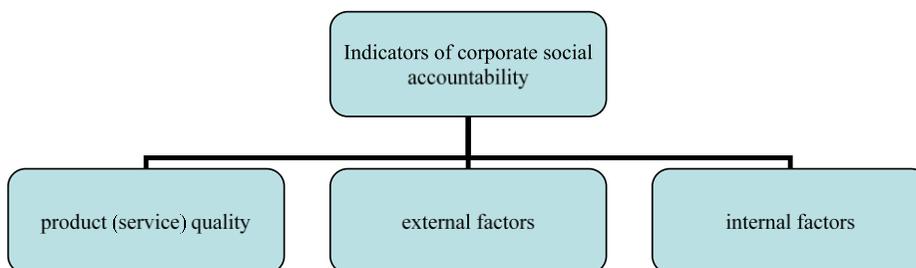
- taking care of tourist destinations;
- reducing carbon emissions;
- involving employees in social and environmental responsibility projects;
- involving clients in social and environmental responsibility projects [www.tui.ru].

TUI experience shows that through the expansion of activities at the global level it is possible to spread information on environmental and social responsibility by opening divisions in other countries, such as TUI Russia. On the other hand, one can be more socially responsible by carefully selecting their partners in business, as TUI approaches the differentiation of the hotels. According to the survey among managers and common population held by the Association of Russian Managers, corporations spend more than 50% of Social responsibility funds on inner development and the rest on external environment (Orehov and Seleznev, 2010).

#### 4.2 Indicators of corporate social responsibility at tourism enterprises

The above analysis of the activities of a number of companies to identify and classify the indicators of a company's corporate social responsibility into three groups was used (Figure 2).

*Figure 2. Groups of corporate social responsibility indicators*



*Source: Authors.*

Within each group, the authors allocate specific factors which were identified on the basis of theoretical and practical studies:

1. The quality of the product (service): high product quality, compliance;

2. External factors: reporting transparency, sustainability, investments in production in Russia, charity, assistance in solving social problems in the Russian regions, creating new jobs;
3. Internal factors: improving working conditions, high salaries, focus on motivating employees, social programs for employees (health insurance, family support, employee training support), career development programs, bonuses for high performance, a favourable psychological climate in the company.

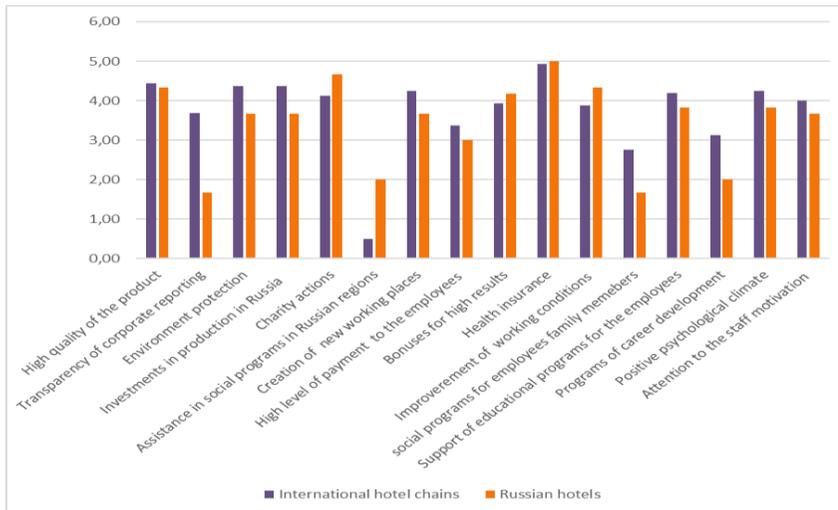
The study focused on hotels that operate on the territory of the Russian Federation and in Moscow in particular. Notably, almost all hotels can be characterized by the factors of corporate social accountability. The survey targeted large and medium-sized hotel companies of both international and Russian hotel brands, which were assigned reference numbers. The respondents were the employees who had worked in a hotel for 0.5 to 5 years as line managers and middle managers. Employees of hotel companies in Moscow were asked to give a rating of 0 to 5. Figure 3 shows the results of the survey of corporate social accountability indicators in foreign hotel enterprises operating in Moscow and in Russian well known hotels of the same category operating in Russia.

The analysis of the obtained data leads to the conclusion that, regardless of the size or category of hotel networks, i.e. foreign or Russian hotels, all the respondents rated the quality of the product (service) between 4 and 5 (maximum score), and the highest score prevailed. Such high ratings may be explained by the fact that the respondents worked at the surveyed hotels. Judging by the external CSA factors, Russian hotels demonstrate less reporting transparency (regardless of the size of a hotel and a network) according to the survey.

Regarding investments in production in Russia, the answers of the respondents correlate with the size of the network: large Russian and international networks are characterized as making greater investments in the Russian Federation. Charity involvement, according to the personnel, is rated 3 to 5 in all evaluated hotels, and that indicator does not depend on their size or country identity. The same results were obtained with regard to sustainability programs.

The internal factors of the CSA of companies demonstrate that "high payroll" is rated within the range of 3 to 4 and does not reach 5 even a single time; the situation is identical with the assessment of bonuses for high performance. Thus there are no significant differences between Russian and foreign hotels. Career development programs are more highly estimated by the employees of foreign hotels (from 3 to 5, with the prevalence of higher scores) than those of Russian hotels (from 0 to 5, with the prevalence of low scores). The average scores of social accountability factors of Russian and foreign hotels calculated by the authors are given in Figure 3.

**Figure 3.** Comparison of corporate social responsibility indicators in Russian and foreign hotels



**Source:** Authors.

The analysis of results showed that the average scores of Russian and foreign hotels differ slightly in some indicators of corporate social accountability (high product/service quality, bonuses for high performance, social programs for employees, family support, employee training support). However, in some indicators the difference is significant, for example, charity, assistance in resolving social problems in the Russian regions, improving working conditions; here a higher score went to Russian hotels. International hotel brands were rated best in: 1. external factors: reporting transparency, sustainability, investments in production in Russia, creating of new jobs; 2. internal factors: high salaries focus on motivating employees, medical insurance, career development programs, a favourable psychological climate in the company. Thus, large and medium-sized hotels in Moscow, both of Russian and international brands, can be referred to as socially responsible to some extent. In the future, the authors intend to continue the research, including wide range of companies, which will allow to identify internal and external indicators of CSR parameters, identify their correlation to the size, reputation, localization of the hotel enterprises.

## 5. Conclusion

Corporate Social Responsibility plays a key role in business. Customers are becoming more aware of the environmental issues and they prefer to be clients of eco-friendly businesses, therefore CSR has become a need for any business. There are social, economic and environmental benefits of CSR in business, some of them are: 1. operating in an ethical manner with customers, suppliers, employees, and others; 2. respecting human rights; sustaining the environment for future

generations. We believe that the Russian hospitality and tourism companies need to further implement new strategies, plans and environmentally friendly policies using the best practices of the globe companies in this sector of the economy. These new strategies of the management of the Russian companies in hospitality and tourism industry are a good chance to aim the strategic possibilities and competitive advantages on the international marketplace. On the basis of the research by leading Russian and international tourism companies, the main motivators that have the deepest impact on the level of corporate social responsibility in Russia were identified and classified according to their importance: government, society, civil society, senior manager, consumers.

The results of the study conducted by the authors lead to the conclusion that corporate social responsibility is, on the one hand, the performance by organizations of their social duties prescribed by the law and their willingness to bear the associated obligatory costs. On the other hand, CSR is the willingness to voluntarily bear optional social expenses beyond the limits established by the law, driven by moral and ethical reasons rather than by the requirements of the law. Corporate social programs are a prerequisite for a consistent and continuous business as well as the factor of improving social stability and the quality of life.

Analysis also shows, the important initiating role in spreading the concepts and best practices of corporate social responsibility belongs to the state and public structures (e.g. the Federal Agency for Tourism of the Russian Federation and the Russian Hotel Association) which is supporting raising attention to CSR issues by Russian companies in hospitality sector. At the early stages of social responsibility development in the Russian business, such support would create a favorable information and communication environment, attract the attention of the society to social problems and the possible solutions to the problems with the involvement of business. Additionally, advertisement campaigns distributing socially responsible practices at national and regional levels will help clarify the significant economic and social benefits of such practices to specific tourism and hospitality businesses and increase the competitiveness of the industry on the international market.

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