



A Theoretical Frame Work on Responsible Business; A Proposal for Tourism Hospitality Business

Vijay Kuriakose

Research Scholars, School of Management Studies, Cochin University of Science and Technology (CUSAT)

Paul V Mathew

Research Scholars, School of Management Studies, Cochin University of Science and Technology (CUSAT)

ABSTRACT

The objective of sustainable development can be achieved only through synergizing actions of community, government and business. Sustainable actions of business in its micro and macro activities to positively influence planet, people and economy which is voluntarily and not emerged from vested interests is a need of this hour to expedite inclusive growth and effective Public Private Participation Projects (PPPP). Albeit Responsible Business practices have a key role in organization performance, it creates more meaning while adopt triple bottom line approach. The proposed Responsible Business Indicator Framework (RBF) provides a roadmap for establishing and maintaining a pattern of behavior that can help demonstrate a company's values as part of its day to day operations.

KEYWORDS

INTRODUCTION

Business has a crucial role in development of nations and the emergence of buoyant economies. The economic and industrial growth of India after its neo liberal policies is suffice to substantiate this argument. Even though we achieved myriad milestones during this period, the matter of inclusiveness and economic equality are debating everywhere (Pradhan and Ranjan, 2010). The looming issues like global warming, climate change, environmental pollution, eco degradation etc. have devastating effects on the lives of people (Dunning, 2003). At the same time lack of will of government to regulate business and to protect citizens and the evil nexus between industry and politics make the crisis more worst. It is hard to accept the fact that present economic growth favors the strong and deprives the weak (Murthy, 2009). Comparing different industries, this issue is very prevalent in the case of tourism sector which totally depends on nature and the host community (Kim and Gray, 2011). Any action that disturbs the balance of environment and people causes severe repercussions. Similar incidents like environmental destructions and community displacement made several destinations abandoned. While accepting the limitations of capitalism and socialism, we should make an effort to strike a balance between these two popular ideologies (compassionate capitalism). William Ford Jr said, "A good company delivers excellent products and services. A great company does all that and strives to make the world a better place". In order to achieve sustainable and inclusive growth, the entire edifice of business development should be built on the principles of sustainable development. It is not charity, but affirmative actions in operations and earnest effort to protect planet and people make difference in the society. In this scenario, rather than mandatory regulations; more efforts to promote responsible practices that encourage corporation to practice self-regulation and voluntary actions are becoming a vital need.

1. OBJECTIVES OF THE STUDY

- To study about the sustainability indicators of tourism
- To develop an indicator frame work on responsible Business for Tourism Hospitality Business

2. METHODOLOGY

As the prime objective of the study was to analyze sustainability indicators, more focus was on secondary data. Indicators have been identified through a rigorous literature review and

expert opinion survey. Indicator selection was based on the Environmental Performance Index (EPI), (2010) methodology that considered official reports of governments and international organizations, data compiled by research or international organizations, and observations from veteran authors for the indicator analysis. Researcher also conducted in-depth interview and administered questionnaire to identify latent variables. The identified indicators again distributed among the experts to measure its relevance and for the purpose of content validation. Based on these methods, researcher developed an indicator framework on Responsible Business for tourism hospitality business in Kerala.

3. RESPONSIBLE BUSINESS

Irrespective of developed and developing countries business plays a crucial role in employment creation and the enhancement of livelihood of common people. It is apparent that the prime objective of the business is profit (Amato, 2009). But, amidst competition and crisis, corporate sector around the world is striving to strike a balance between business and society (Simon, 2012). This is from the realization that responsible business practices have a significant impact on business performance, profitability, brand image development, employee satisfaction, customer loyalty and many other performance related factors (Bansal and Roth, 2000; Jackson, 2004; Sen and Bhattacharya 2001; Vidaver-Cohen, 2007). This positive correlation between social responsibility and business performance reiterates that stake holders of business are closely watching their actions and the general public are concerned about negative social and environmental consequences of business (The AMA/HRI Business Ethics Survey, 2005).

Lisanne Heemskerck states that the concept of Responsible Business emerged during the last decade. It is noted that there is neither a globally or nationally accepted definition of responsible business, nor broadly accepted guidelines. He defines Responsible Business as

'The formal and informal ways in which business, next to making a profit, consistently creates shared value in society through economic development, good governance, stakeholder responsiveness and environmental improvement of the developing countries in which they operate, through their business model and activities, while remaining sensitive to prevailing religious, historical and cultural contexts'

(Visser, 2011)

Ministry of Corporate Affairs (MCA) in its policy documents for corporations defines Responsible as,

“the commitment of an enterprise to operating in an **economically, socially and environmentally sustainable manner** while balancing the interests of diverse stakeholders” (IICA, 2012).

Responsible Business encompasses a set of policies, practices and programs addressing social, environmental, legal and ethical concerns of society in business. An ideal Responsible Business aims at attaining sustainability through imbibing ethical values and respect people, communities, and the natural environment. A Responsible Business practice is that businesses should not only be responsible in business operations but they should also be seen as socially, economically and environmentally accountable (Green Paper on CSR, 2010). Definition by the Responsible Business Initiative (RBI) is that

“responsible business is simply a company acting as a conscientious citizen, conducting its affairs accountably in the public eye, making decisions that do not harm, and reaping fair profits that do not come at an irreparable cost to nature, society, or government”. (RBI, 2012).

According to Infosys founder, Narayan Murthy, ‘social responsibility is to create maximum shareholders value working under the circumstances, where it is fair to all its stakeholders, workers, consumers, the community, government and the environment’. Commission of the European Communities 2001 stated that being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing ‘more’ into human capital, the environment and the relation with stakeholders (KPMG, 2001). Davis (1973) argues that CSR begins where legal compliance ends.

While considering the current views and practices, the concept CSR is only a part of Responsible Business. Beyond CSR, Responsible Business considers employees, customers, communities, competitors, business partners, investors, shareholders, governments and others (stakeholders). Even though the term Corporate Social Responsibility (CSR) is a widely used term especially in nexus with big corporate, the term ‘Responsible Business’ now is on the way to substitute CSR to give more meaning and a holistic approach for business (IICA, 2011).

In this scenario the notion Responsible business envisions a concept that goes beyond the traditional walls of a business organization and all the way across the value chain emerges as an ideal model (MCA, 2012).

In nut shell, Responsible Business approach is the 3P’s (people, planet, profit) or triple bottom line (TBL) approach. This perspective considers the social (people), environmental (planet) and economic (profit) costs and benefits of companies on their surroundings (UNEP, 2009). Hence Responsible business can be concluded as “the overall voluntary responsibility exhibits by an organization in micro and macro activities which is not emerged from vested interests but derived by intrinsic motives that that positively influence planet, people and economy”.

4. RESPONSIBLE BUSINESS AND TOURISM INDUSTRY

Tourism is the world’s largest industry provides employment for approximately 15% of the world’s economically active population (Faulkner, Mascardo, & Laws, 2000). According to the World Travel and Tourism Council (WTTC) the combined direct and indirect economic contribution of tourism generates almost 11% of global GDP and employs over 200 million people (World Travel and Tourism Council 2004). WTTC predicts that tourism will, by 2021, contribute 9.6% of the world’s gross domestic product (GDP) and employ over 120 million people (WTTC, 2011a). The context is not different in Kerala, where tourism is a major contributor to the state’s economy

growing at a rate of 13.31%. In 2010, Kerala attracted 0.66 million foreign tourist arrivals.

It is generally believed that tourism can improve the livelihood of local community and eliminate poverty. But different researches proved that while inhabitants of destination lost their existing income sources, very little has been achieved to bring about more balanced development and equitable distribution of income secured from tourism. (Anita Plemoroun, 2011). At the same time tourism creates some negative repercussions like environmental degradation, people displacement, exploitation of local community, unethical practices, and even cultural degradation in many destinations. In the wake of this bad developments global communities urged the authorities to redesign their tourism policies toward a more sustainable and responsible direction (Thibault Michot, 2010).

As a result of vehement debates and discussions, some new concepts as “sustainable tourism”, “tourism morality”, “ethics in tourism”, “visiting nature”, “green tourism”, “responsible tourism”, “people-oriented tourism” and “parallel tourism” have emerged in tourism industry (Ali Donyadide, 2010). Among these the themes sustainable tourism and responsible tourism gained wide acceptance. Sustainable tourism development is ecologically sustainable, economically viable as well as ethically and socially equitable.

Responsible tourism is a holistic approach exclusively for tourism to keep tourism development sustainable (Jose and Ravi, 2008). It is about providing better holiday experiences for guests and good business opportunities for tourism enterprises (Harold Goodwin, 2007). Here each stakeholder (tour operators, tourists, property owners, government, local community, and community organizations, tourism enterprises, marketing associations, trade associations, professional associations, local and provincial tourism authorities, parastatals, and tourism support activities) has equal shared responsibility to keep the destination and the industry tourist friendly and host friendly. Responsible tourism enabling local communities to enjoy a better quality of life through increased socio-economic benefits and improved natural resource management (Kerala Declaration, 2008). Responsible tourism also implies the responsibility of both employers and employees in the tourism industry both to each other as well as to the customer (White Paper (1996) South Africa.)

5. INDICATOR FRAMEWORK OF RESPONSIBLE BUSINESS

Literature proves that the indicator framework on Responsible Business is in compliance with sustainable development, Triple Bottom Line (TBL) approach and especially responsibility of business towards its internal and external stakeholders. The Caux Round Table (CRT) Principles for Responsible Business set forth ethical norms for acceptable businesses behavior. It stands on the principles stakeholder respect, socio-economic and environmental development, trust, compliance with global laws, responsible globalization, environmental protection and prohibition of illicit activities. CRT gives specific stakeholder management guidelines that covers customers, employees, shareholders, competitors, and communities (CRT, 2009).

The Responsible Business Initiative (RBI) proposes a 6 Pillar-4P’s grid framework for Responsible Business that envisages step-by-step progress at four levels perception, preparation, practice, and performance. This Responsible Business Framework (RBF) can be illustrated as follows.

Pillars	Perception, Preparation, Practice and Performance
ONE	Governance And Management Accountability Transparency Ethical Values Responsible Management

TWO	Principles and Values Responsible Business Policy Code of Conduct Mission and Vision Adaptation of national and international guidelines Anti Corruption Policy Ethical Behavior and Corrective Actions
THREE	Compliance and Disclosure Legal Compliance Reporting Economic Social Environmental
FOUR	Stakeholder Involvement and Social Investment Share Holder involvement Stakeholder Communication System Grievance Redressal Mechanism
FIVE	Product Integrity and Customer Focus Consumer Rights Products Quality Customer Satisfaction Product Innovation Customer Compliant Resolution Green Products
SIX	Financial Viability and Capitalization Profitability Market Presence Financial Discipline Socially Responsible Investment Performance Evaluation Mechanism

(Prepared by Researcher based on Responsible Business Initiative (RBI) Checklist, (RBI, 2012))

It is vital to note that the proposed study is in the tourism sector; therefore the suitability of indicators in tourism industry needs to consider. Thus, in order to develop a model framework of Responsible Business in tourism hospitality business, researcher analyzed the literature on Responsible Tourism guidelines for industry.

The concept of corporate governance has gained momentum during the last decade in the wake of multiple incidents of corporate frauds that prompted stakeholders to consider topics like board diversity, independence, compensation, and accountability, and different social issues like employment ethics practices, environmental policies, and community involvement (Hurst, 2004). He defines Corporate Governance as

“the broad range of policies and practices that stockholders, executive managers, and boards of directors use to (1) manage themselves and (2) fulfill their responsibilities to investors and other stakeholders (Hurst, 2004)”.

Company governance and management is the face of a company. It is an outsider's window into how ethical and accountable a company's behavior can be (RBI, 2012). Global Reporting initiative (GRI), Dow Jones Sustainability Index (DJSI), Moore et al. (2008) criteria for Responsible business practices etc. consider this elements with high relevance. The principle good governance refers to responsible activities in the form of leadership or strategic commitment to sustainability, transparency and ethical business practices like the prevention of bribes and corruption (Heemskerck, 2012).

Global Sustainable Tourism Criteria (2008), Responsible Tourism Guidelines for South Africa (2008), Cape Town Declaration (2009), Kerala Responsible Tourism Certification (2011) gives importance for socio-cultural responsibilities of business. As an industry specific and sector specific criteria PATA (2011), ISO, Eco Certification Scheme (2009), STEPS (2008) incorporate these indicators.

Human Rights, Consumer Protection, Employee Welfare, Health and Safety incorporated as the main responsibility criteria in different national and international guidelines (UN Charter, SA 8000, MCA (2012), Factories Act (1956), GRI (2009), OECD Guidelines, Millennium Developmental Goals (MDG, 2000) etc.

Based on the analysis of available responsible business//responsible tourism/CSR guidelines and principles, researcher comes out with an indicator framework of Responsible Business in tourism hospitality sector which is as follows. The dimensions stakeholder involvement, compliance and disclosure and financial viability and capitalization of the basic framework have been replaced or integrated with other dimensions, considering its significance and suitability. In compliance and disclosure, RBI states about TBL responsibility of organization that includes social, environmental and economical responsibility of business along with responsibility towards stakeholders, and the dimension financial viability and capitalization suits in the dimension Economic Responsibility. Hence the dimension Compliance and Disclosure categorized in to Social Responsiveness, Environmental Performance and Economic Contribution; ‘stakeholder engagement’ distributed among other dimensions and ‘financial viability and capitalization’ integrated with Economic Performance.

DIMENSIONS AND INDICATORS	REFERENCE
Governance and Management Transparency Accountability Responsible Management Employee Welfare Personnel Development Operations Management	RBI, (2012), Izraeli and Schwartz, (1998), RT Certification(2012), Twining-Ward & Butler (2001), GSTC (2008), Duc (2009), MCA (2012), DJSI (2011), UN Global Compact (1999), GRI (2011), Turker (2008), Geoff et al. (2008), RT Guideline South Africa (2009), Code of Conduct -BP, WTO (1999), Abbott and Monsen (1979) , Manning, WTO (2004), SA (2002), Ontario (2001), CISCO (2011), Lakshman (2008), Hohnen and Potts (2007), CRT (2008),
Principles and Policies Vision and Mission Anti Corruption Policy Compliance Sustainability Training Gender Equality Policy against discrimination and exploitation Mechanism to disapprove unethical behavior	RT Certification(2012), GSTC (2008), Duc (2009), McVey (1993), Bramwell & Henry (1996) Cruz (2003), Mc Kercher (2003), White et al. (2006), Guha, (2011), DJSI (2011), UN Global Compact (1999), GRI (2011), Geoff et al. (2008), IFAT Standards (2005), RT Guideline South Africa (2009), Code of Ethics, UNESCO Mab, (2007) , Abbott and Monsen (1979), RBI (2012), CRT (2008), WTO (2004), SA (2002), Gupta (2007), Sharma (2011), CISCO (2011), Lakshman (2008), MCA (2012), Hohnen and Potts (2007)
Social Responsiveness Community Development Participatory Planning Accessibility Promotion of Art and Culture	Twining-Ward & Butler, (2001), RT Certification(2012), GSTC (2008), Duc (2009), McVey (1993), Bramwell & Henry (1996) Cruz (2003), Mc Kercher (2003), White et al. (2006), Guha, (2011), DJSI (2011), UN Global Compact (1999), GRI (2011), Geoff et al. (2008), IFAT Standards (2005), Cape Town Responsible Tourism Policy (2009), Lakshman (2008), RT Guideline South Africa (2009), WTO (1999), Code of Ethics, UNESCO Mab, (2007) , Abbott and Monsen (1979), RBI (2012), WTO (2004), Manning, WTO (2004), Avignon (2002), SA (2002), Hermann (2011), Spenceley (2011), Ontario (2001), Gupta (2007), Sharma (2011), CISCO (2011), MCA (2012), Hohnen and Potts (2007), CRT (2008)

Environmental Performance Environmental Management Sustainable Design Energy Conservation Waste Management Water Conservation Eco friendly Purchasing Policy Eco friendly Practices	WTO, (1996), RBI (2012), Sirakaya, et al., (2001: 415), Twining-Ward & Butler, (2001), McCool, Moisey and Nickerson (2001), RT Certification(2012), GSTC (2008), Duc (2009), McVey (1993), Bramwell & Henry (1996) Cruz (2003), Lakshman (2008), MCKercher (2003), White et al. (2006), DJSI (2011), UN Global Compact (1999), GRI (2011), Turker (2008), Geoff et al. (2008), MCA (2012), Cape Town Responsible Tourism Policy (2009), RT Guideline South Africa (2009), Code of Ethics, UNESCO Mab, (2007), Abbott and Mosen (1979), WTO (2004), Avignon (2002), SA (2002), Vidya Sawhny (2008), Hermann (2011), Spenceley (2011), Ontario (2001), Gupta (2007), Sharma (2011), CISCO (2011), Hohnen and Potts (2007), CRT (2008)
Product and Customer Focus Customer Satisfaction Responsible Marketing Consumer Rights Product Quality	Twining-Ward & Butler (2001), MCA (2012), RT Certification(2012), GSTC (2008), Duc (2009), GRI (2011), Turker (2008), Geoff et al. (2008), Cape Town Responsible Tourism Policy (2009) , RT Guideline South Africa (2009), Abbott and Mosen (1979), Global Code of Ethics - Rolls-Royce, Lakshman (2008), SA (2002), Sharma (2011), CISCO (2011), MCA (2012), CRT (2008)
Economic Performance Profitability Employment creation Skill development Programs Social Investment	Twining-Ward & Butler (2001), McCool, Moisey and Nickerson (2001), RT Certification(2012), GSTC (2008), Duc (2009), McVey (1993), Bramwell & Henry (1996) Cruz (2003), MCKercher (2003), White et al. (2006), Guha (2011), DJSI (2011), GRI (2011), Turker (2008), IFAT Standards (2005)., (cited in Slack and Gibbon, (2008)), RT Guideline South Africa (2009), Lakshman (2008), UNESCO Mab, (2007), Abbott and Mosen (1979), RBI (2012), WTO (2004), Avignon (2002), SA (2002), Hermann (2011), Ontario (2001), Sharma (2011), CISCO (2011)

In order to collect indicators, an open ended questionnaire containing the six dimensions of Responsible Business, each with its definition and example was prepared to generate indices of Responsible Business. The respondents were instructed to "list at least five indicators/descriptors for each dimension" 25 experts (Social Science, Environmental Management, sustainability researches and practitioners) completed the questionnaire. In-depth interview conducted among the industry experts (5 Nos.) for invoking indicators. Each participant was given verbatim explanation of what a particular dimension entailed, with relevant examples.

After redundancy check and discussion with core experts it was again distributed among experts (30 nos.) to assess its relevance. Survey participants (Academicians, practitioners and policy makers) were asked to respond to the listed indicators using a 5-point, Likert-type scale from 1(little importance) to 5 (great importance). The average score is shown in the table below.

Sl. No.	Dimensions and Indicators	Average Significance
I	Governance and Management	
I.1	Transparency	4
I.2	Accountability	3.75

Sl. No.	Dimensions and Indicators	Average Significance
I.3	Responsible Management	3.25
I.4	Employee Welfare	4.5
I.5	Personnel Development	4
I.6	Operations Management	4.25
II	Principles and Policies	
II.1	Vision and Mission	3.5
II.2	Anti Corruption Policy	4.25
II.3	Compliance	4
II.4	Sustainability Training	3.75
II.5	Gender Equality	4.5
II.6	Policy against discrimination and exploitation	4
II.7	Mechanism to disapprove unethical behavior	2
III	Social Responsiveness	
III.1	Community Development	4.5
III.2	Participatory Planning	3.5
III.3	Accessibility	4.25
III.4	Promotion of Art and Culture	4.25

Sl. No.	Dimensions and Indicators	Average Significance
IV	Environmental Performance	
IV.1	Environmental Management	5
IV.2	Sustainable Design	3
IV.3	Energy Conservation	3.75
IV.4	Waste Management	5
IV.5	Water Conservation	4.25
IV.6	Eco friendly Purchasing Policy	3.5
IV.7	Eco friendly Practices	4
V	Product and Customer Focus	
V.1	Customer Satisfaction	4.25
V.2	Responsible Marketing	4.25
V.3	Consumer Rights	4.5
V.4	Product Quality	3.75
VI	Economic Performance	
VI.1	Profitability	2.75
VI.2	Employment creation	3.75
VI.3	Skill development Programs	4
VI.4	Social Investment	4.5

<p>A 70% threshold (3.5) means that it is essential to consider for Responsible Business measurement. It is consistent with common instrument development practice (Schwartz et al. 2006).</p>		
--	--	--

From the analysis, it is evident that indicator II.7 (Mechanism to disapprove unethical behavior) scores 2 points and indicator VI.1 (Profitability) scores 2.75 are below the threshold limit (3.5). Hence these indicators will be eliminated from the Responsible Business Indicator frame work.

6. CONCLUSION

A business which embraces triple bottom line principles along with effective governance and management principles can make difference in the society that will doubtlessly contribute for local economic development and overall well being. Ethical guidelines, benchmarking mechanisms and responsibility measurement tools have significant role in building ethical foundations of corporations. In order to achieve inclusive and sustainable growth of the society and economies, business, government and community need to work together for sustainable development. In this context, every endeavor to promote Responsible Business will encourage, enable and empower business sector with diversity in form and function.

REFERENCES

1. Alessia D'amato Sybil Henderson Sue Florence (2007), Corporate Social Responsibility and Sustainable Business, A Guide to Leadership Tasks and Functions Centre For Creative Leadership. | 2. Bansal, P. and K. Roth: 2000, 'Why Companies Go Green: A Model of Ecological Responsiveness', *Academy of Management Journal* 43(4), 717–736. | 3. Caux Round Table Conference (2008), U.K. | 4. Dunning, J. H. 2003. The moral imperative of global capitalism: an overview. In J. H. Dunning (Ed.), *Making globalization good: the moral challenges of global capitalism*: 11-40. Oxford: Oxford University Press. | 5. Global Sustainable Tourism Criteria (2008), GSTC | 6. Jose U. and Rabeendran G. (2009), Responsible Tourism – Kerala Model, GITPAC | 7. Jung Eun Kim and Lori Pennington-Gray, Corporate Social Responsibility and Ethics in the Tourism Industry: Using a Survey of Managers, University of Florida, Gainesville, FL, *The Business Review*, Cambridge * Vol. 18 * Num. 2 * December * 2011 | 8. Marquis, C., Glynn, M. A., & Davis, G. F. 2007. Community isomorphism and corporate social action. *Academy of Management Review*, 32(3): 925-945. | 9. Murthy Narayan (2009), A Better India A Better World, X Publications, p 62. | 10. Responsible Business Initiative (RBI), 2011 | 11. Responsible Tourism Certification, Kerala (2011), Kerala Tourism | 12. Sanjay Pradhan, Akhilesh Ranjan (2010), Corporate Social Responsibility in Rural Development Sector: Evidences From India, School of Doctoral Studies (European Union) Journal, 2010 | 13. Sen, S. and C. B. Bhattacharya: 2001, 'Does Doing Good Always Lead to Doing Better? Consumer Reactions to Corporate Social Responsibility', *Journal of Marketing Research* 38(2), 43–62. | 14. Vidaver-Cohen, D.: 2007, 'Industry Legitimacy and Organizational Reputation: A Model of Reciprocal Processes', Paper Presented at Faculty Research Colloquium, Department of Management and International Business, Florida International University, March 16.