

Service sector in terms of changing environment

## Business ethics and social responsibility in tourist organizations in terms of changing environment

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### Abstract

Businesses cannot be isolated because employees depend on the business. Customers, suppliers and local community are also under the influence of the organizations, inclusively the tourist ones. The services that the tourist organizations offer are the ways they are conducted have their impact on the vicinity. These aspects are part of the social responsibility of an organization i.e. the corporate social responsibility.

Corporate social responsibility means taking responsibility for all the activities and following the principles that can be modified and applied regardless of the size of the business. Every organization has its own characteristics. Leaders form the characteristics by shaping the organizational goal i.e. organizational mission and basic organizational values that are transferred to the employees and by which their behaviour influenced. The management of the organization must be certain that the goal, mission and basic organizational values that have already been approved in the tourist organization, will be accepted by all those that will influence or will have any benefit from it.

Tourist agencies social responsibility can be defined as “success in the business activities that is gained not only by adhering the laws and regulations, but by approach that accomplishes balance between economic, ecological and social goals, on a way that is useful for the citizens, community and society”. Tourist agencies in order to deal with the social needs have to decide how to outrun the minimal conditions and responsibilities that are part of the law and labor agreement. That is another argument for the social responsibility of the tourist organizations as a concept with worldwide meaning connected to the maintainable development, competition initiation, economy development and creation of new working positions

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Introduction

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## 1. Ethical norms

“State or organized immorality” – it was written in the famous Friedrich Nietzsche book called “Will to power”. This quote was acceptable once upon a time, but not nowadays when every state is facing with the rapid changes.

Many people from the private and public sector are more and more aware that by emphasizing the assets and the different ways of work, tourist organizations have the opportunity that will take them to longed-for destinations if they want successfully to be competitive on the global market in the complex world. For the people who are aware of the meaning of the ethics regarding the progress in the determination and quality of work.

Every employee in the beginning of its career, through the process of its first employment gets clear directions about the ongoing rules for the work in the organization, especially about those connected to his workload. This explanation is given in order to alleviate the employee’s system entry as well as to deal with the organizational culture. It is done from the organizational aspect, because every organization has its own value system and culture and that is why every organization is different from another. The value systems may look alike because of the same organizational field of work, but each one is different and special.

Even though it seems awkward, the process of work implementation is connected with ethics. When the employee in introduces to the way of work manners, he is alerted of the work ethics. Working manual make the employee’s work beginning easier because they contain ethical directions, rules, norms and value systems that are approved and used in the organizations he works for. Usually the working manuals for the new employees instead of full description of the value system and ethical norms, give one sentence explaining the ethics in the working process. The new employee should follow that sentence not only for his good, but for the good of the organization, and all of that has its implications in the environment.

To create and establish ethical consciousness we should start from the beginning - the first employment; but to establish ethical environment we should pay attention to the managers, especially to<sup>1</sup>:

- **Ethical behaviour of the manager** – value systems of the managers are crucial for the establishment of an ethical organizational environment, because they should be accepted from the other employees. If some of them are not in the organization interest, it is a good thing to be revised, especially the managers’, before he has influenced the other and the organization itself.
- **The time that the manager has taken for ethics** – if we want to talk about a manager that is really devoted to organizational ethics, we need to talk about a man that has taken enough time to think, observe and decide. That is not simple because of the tight schedule of the manager daily agenda (obligatory commitments, telephone calls, meetings etc.)
- **Thinking about the ethical norms in the organization** – Time devoted to thinking is crucial for the managers. It has its own meaning when we talk about the ethical questions in the organization. Many managers have a lot to do when they face the ethical questions in the organization. They do not have or simply do not want to take time to think about ethics and values. That is why managers neither

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<sup>1</sup> Tierney Elizabeth, p., *O poslovni etiki*, Gospodarski vestnik, Ljubljana, 1997, str. 19

know how to give directions to its employees, to which they are ethically responsible, nor do they know how to support them when they are face to important ethical dilemmas.

## 2. Ethical dilemmas

Ethical dilemmas are routine to all employees, especially to the tourism ones, because they have serious problems when they have to make a decision for which they are no rules or laws. Here are some of them:

- Should all clients be informed about all the information regarding the tourist offer or only those that are in our favor to convince them?
- Should the tourist offer be organized only to get us bigger profit or to satisfy the needs and the demands of the clients?
- Should the agreement be written correctly without hidden costs?
- Should we ask from the rest of the employees to keep some information as a secret?

To this and similar questions we come across every working day. Maybe because of our decision some will be hurt or will suffer damage. Therefore, when we have ethical dilemmas, we cannot make decisions and think black and white. Anyway, we should choose some of the grey variations that are not simple. Everything would be easier if decisions were made by the book and the law, statute etc. Then, we should not think about like this: what if...; if I do that..., and if I do not do that.... Etc.

Not only in the tourism industry, but in the business world, ethical dilemmas are routine. Here are some of them:

- If the worker knows that his colleague heist the organization, should he be the one to report it or he should give him advice?
- If the new employee does not know how to work or simply make a lot of damage, should he be reported and fired from its workplace or should we wait until he in the account of the organization learns and make himself a better worker? etc.

## 3. Organizational ethics and management

We are talking about business ethics and the employees share in it. Each one of them as professionals work in an organization, that is why we have to answer the following question: Is it possible to talk about organizational ethics and if yes what is that?

**Organizational Ethics** is the ethics of an organization, and it is how an organization ethically responds to an internal or external stimulus. Organizational ethics is interdependent with the organizational culture. Although, it is akin to both organizational behavior (OB) and business ethics on the micro and macro levels, organizational ethics is neither OB, nor is it solely business ethics (which includes corporate governance and corporate ethics). Organizational ethics express the values of an organization to its employees and/or other entities irrespective of governmental and/or regulatory laws.

Organizational ethics is usually connected to the existence of organizational culture. As a famous concept, organizational culture is a subject of interest in many experts thesis and in each one of them is referred to as a main factor for the organizational success or failure. The most common slogan that explains the organizational culture is “*the way we do it*”. Whilst it is emphasized *how* the things are done and not *why* are they done.

Organizations with strong organizational culture have the tendency to change. However, in order to exist and serve to those that work and live in the organization, it must be in a condition to change. The change of the culture is difficult and serious process. In order it to be conducted in a proper manner, it must get in the process of ethics, because that is the only way we can explain the *way we do the things*. The organization affects according to the decisions that are made by its employees. There from the dilemma that theorists have for the existence of organizational ethics. For some of them it is a good thing to recall to ethical responsibility, while for the others to give ethical justice for the organization is the same as to talk about certain individuals in that organization<sup>2</sup>.

#### 4. Social responsibility

*What is social responsibility?*

The term corporate social responsibility can be defined as a corporate initiative to assess and take responsibility for the company's effects on the environment and impact on social welfare. The term generally applies to company efforts that go beyond what may be required by regulators or environmental protection groups. The phrase “Corporate Social Responsibility” originates with H. Bowen, who wrote “Social Responsibility of Businessmen” in 1953. Corporate Social Responsibility (CSR) is used to describe businesses’ integration of social and environmental issues into decisions, goals, and operations. Other terms for CSR and are:

- Corporate Responsibility
- Sustainability
- Corporate Citizenship
- Ethical Business Practices
- Social/Environmental Responsibility
- Triple Bottom Line
- Environmental and Social Stewardship

Corporate Responsibility is actualized in the last decades of the 20<sup>th</sup> century with the internationalization and globalization of the organizations. Big companies, spreading its business in many countries and continents, fighting the competition, started to introduce “innovations” in the work, as follows: protection of the human environment, employees’ health and safe insurance, customers care, community care etc. This is done by keeping certain funds in order to invest them for maintain and improving the work conditions (example: installing cooling systems, securing facilities, payed vacations etc.), investing in the community (construction of parks, investing in social, ecological and other projects etc.), protection of the human environment (installing filters, garbage treatment etc).

Citing global climate change, resource constraints and growing population pressures, more organizations actively embrace the “new reality” of so-called ESG risks – environmental, social and governance – in both their actions and required investor disclosures. Environmental and social sustainability issues can no longer be considered off-balance sheet issues. Rather they are material, financial issues posing both risks and opportunities to the long-term success of corporations. Ceres is an organization that leads a national coalition of investors, environmental groups and other public interest

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<sup>2</sup> Velasquez, Manuel, “*Who Corporations Are Not Morally Responsible for Anything They Do*”, *Business and Professional Ethics Journal* 2: Spring 1983, p.1

organizations working with companies to address sustainability challenges such as global climate change and water scarcity.

The Green Meeting Industry Council is an important source of knowledge and expertise about sustainability in the meetings, incentives, events and conference industry. GMIC helps its members and the industry understand and achieve the benefits of sustainable practices by increasing the environmental performance, social value and business impact of their events and meetings. The Council is comprised of individual members and supporting businesses seeking to transform the meetings market to support green meetings.

The green meeting can be defined as a meeting where can't be use methods which are in colision with the environment (for example, using Internet instead of paper documents, using recycled materials, using porcelan made dishes instead of paper made, attention to the energy sources etc.). Three separate and unique voluntary processes and standards are now available to meeting planners, organizers and industry suppliers: BS 8901, APEX and GRI. There are currently other regional green meeting standards in operation or in development around the world, but these are not supported by National or International Standards bodies.

Basic factors that influence the increased organizational interest in corporate responsibility are:

1. **Globalization** – means imposing personal values to multinational organizations outside the mother country;
2. **Customers** – that demand products and services from corporate responsible organizations;
3. **Parties of interest** – put pressure on the implementation of ethical and responsible work in the organizations;
4. **International organizations** – as United Nations (UN), Organization for Economic Co-operation and Development (OECD), International Labour Organization (ILO), have carried declarations, agreements, manuals that express the corporate norms for responsible working and
5. **Sustainable development** is a pattern of resource use that aims to meet human needs while preserving the environment so that these needs can be met not only so that these needs can be met not only in the present, but also for generations to come.

#### *Which are the acquisitions from corporate responsibility in tourism?*

Investing in corporate responsible projects, through keeping fund from the profit, organizations show that they are corporate responsible, and they give new value to the business. The long term gain through this organizational behavior is to enhance its competitiveness and to maintain sustainable development of its business. However, besides the acquisitions for themselves, at the same time they create acquisitions for the clients and the society as a whole.

The acquisitions for the organizations are:

- Better reputation
- Brand creation
- Enhanced competitiveness
- Enhanced productivity
- High employee motivation
- Better relationship between the parties of interest
- Good corporate culture
- Long-term business success

The acquisitions for the society are:

- Better conditions for the target groups
- Identifications of new problem areas
- Creation of new innovative approach to problem solving
- Creating network with specific competencies to problem solving etc.

In order to achieve a proper sustainable tourism development there should be taken into account the following three main initiatives:

- Industrial initiatives for sustainable tourism;
- Influencing consumer behavior to promote sustainable tourism;
- Developing broad-based sustainable development through tourism, while preserving the integrity of local cultures and the environment - community development.

## 5. Developing organizational corporate responsibility

Theoreticians that are interested in corporate responsible organizations say that people and businesses were aiming to be corporate responsible even when they started with the business. It is considered that the distinction of profit divisions and the forest protection law were invented 5000 years ago. In Ancient Mesopotamia, in 1700 BC, king Hammurabi enacted a code. The Code consists of 281 laws (skipping number 13), with scaled punishments, adjusting "an eye for an eye" as graded depending on social status, of slave versus free man. Here are some of them:

- If anyone ensnares another, putting a ban upon him, but he cannot prove it, then he that ensnared him shall be put to death.
- If anyone brings an accusation against a man, and the accused goes to the river and leaps into the river, if he sinks in the river his accuser shall take possession of his house. But if the river proves that the accused is not guilty, and he escapes unhurt, then he who had brought the accusation shall be put to death, while he who leaped into the river shall take possession of the house that had belonged to his accuser.
- If anyone brings an accusation of any crime before the elders, and does not prove what he has charged, he shall, if a capital offense is charged, be put to death.

In the 18<sup>th</sup> century, well known economist Adam Smith wrote the book "Nature and Cause of the Wealth of Nations". This book expounds that the free market, while appearing chaotic and unrestrained, is actually guided to produce the right amount and variety of goods by a so-called "invisible hand".<sup>3</sup>

Karl Marx and Friedrich Engels wrote about corporate responsibility too. Karl Marx explained that those who ignore their history, the history will repeat. In order to obtain further progress to more corporate responsible sustainable business practices, mix of new ideas is needed for the future and the knowledge and understanding from the learnt lessons in the past.

With industrialization, the organizational part is enhanced, as well as its influence to society. In the end of the 19<sup>th</sup> century and the beginning of the 20<sup>th</sup> century, philanthropy is imposed by the rich families and business. From 1920, begins the "new era" of corporate responsible organizations, when they start to recognize and implement social responsible practices.

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<sup>3</sup> Minowitz, Peter (December 2004). "Adam Smith's Invisible Hands". *Econ Journal Watch* 1 (3): 381–412. <http://econjwatch.org/articles/adam-smith-s-invisible-hands>.

The roots of the CSR movement trace back to the early years of the Cold War. Led by Donald K David, Dean of the Harvard Business School and supported by other academics and executives given voice on the pages of the *Harvard Business Review*, advocates urged expanded business social responsibility as a means of aligning business interests with the defense of free-market capitalism against what was depicted as the clear-and-present danger of Soviet Communism. Today's enthusiastic calls for business to “do well by doing good” could benefit from a similar critical analysis not just of the goals of CSR but also the ideological assumptions, often unacknowledged, that underline those goals.

In the 1970 starts more intensive development of social organizational responsibility. Milton Friedman, American economist in his famous article, published 1970 in *The New York Times Magazine*, declares that the only social responsibility for the business is to increase the profit for shareholders.

In the United Nations (UN) with this concept more seriously was started in the 1995, when leading business network CSR Europe is formed. This network includes many companies from Europe. CPR Europe network mission is to help companies to integrate the CSR concept in every day work.

In 1999, general secretary of United Nations Kofi Annan proposed network formation on a global compact (UN Global Compact). This network started working with leading multinational companies' registration and is world wide spread every day.

Globalization is creating deeper and deeper space between the rich and poor in the world. On one hand, there are the industrial developed and rich countries, which companies work in many continents, and, on the other hand, there are developing countries and the non developing countries, which resources are cruelly used and which are left with nothing far from the developing countries. Business, like the international organizations conduct developing projects, to help the countries from the third world to alleviate the repercussions.

Technology development highly influences the creation of new brands and changes in the business and in the society. The evolution of the internet, telecommunications and information technology created new space for misuse of information. The development of biotechnology, genetic engineering and cloning opened many questions of the moral and ethics in their usage. It is more that obvious that nowadays those organizations are faced to many more challenges in the community and in the society, that in used to be. That is why those organizations that have reputation as a corporate responsible organizations, have to have highly developed level of business performance, ethics and community relation. That involves change of the motives for work, from financial to moral and ethical.

In tourist industry, the corporate responsibility is highly regarded. The countries themselves are trying to develop consciousness in all the areas of business sector, as well as in tourism.

The project “Introduction of corporate responsibility in organizations (CSR) in southeast Europe” was conducted in more countries in southeast Europe, in order to give awards to those companies that corporate responsibility is part of their work. The project represents an important initiative of the European Bank for Reconstruction and Development (EBRD) to better understand legal developments in countries of operations by gauging the status of their corporate governance-related laws and regulations. Through this project, the EBRD aims to encourage, influence and provide guidance to governments, policy-makers and all those in charge of promoting new legislation for the development of corporate governance-related legal reform in the region.

In the process of award election 73 corporate responsible organizations applied. Fifty of them applied with projects from the SCR. From all of them 15 were selected as good practices of implementation of the SCR principles. Each project of these organizations represented a model of previously applied strategies

and SCR principles that had influence both to the business and to the society. These organizations were competing in two categories: (small and middle organizations) and large organizations. From total 73 organizations, 28 are large and 45 small to medium. Most of them (35) are manufacturing, 11 from the sector of marketing and tourism, 7 from each transport and shipping and IT sector, 6 from banks and , 4 form service sector and insurance organizations and 3 constructional companies.

One of the awarded organizations is “Exploring Macedonia”. This organization works on on-line tourism and has applied with already tested project for international presentation of the Republic of Macedonia as a tourist destination with its own natural capacities, beauties and tourist attractions.

The organization “Tourist- Kocani” that is interested in hotelier- tourist services and fishing is awarded for the project for stimulation of the process of fish production with modern approaches and tourist development.

## **6. Principles of Corporate Responsibility**

It was already determined that the term corporate responsibility is defined in many different ways but one is certain and same for every organization – the principles of corporate responsibility. These principles are applicable to the tourist organizations too. Here are the three main principles:

- Sustainability
- Accountability
- Transparency

**Sustainability** is fulfilling the activities that have effect on the future, the same moment as you think about them. In tourism that means that the services we offer on the market today, will be with the same quality and quantity at least five more years. However, if the raw materials and other resources that we use today are getting smaller and smaller and they will be out of stock in future, we will not be able to offer our services and they will not be with the same quality and quantity. Every one of us is aware of the resource limitation in the world, which means that it is necessary to think about their replacement in certain time in future. This process needs constant researches for finding out alternative ways for replacement. Organizations as part of the society have to take into consideration this problems, not only from economic point of view, but from the aspect of sustainability and improvement of their business. It is important to mention the National Recycling Coalition which is a national non-profit advocacy group; a professional membership organization. NRC members span all aspects of waste reduction, reuse and recycling (local recycling coordinators, state and federal regulators, corporate environmental managers, environmental educators, consumers and waste management professionals). NRC provide their members with the tools and resources they need to convey to their community members, decision makers, and the news media the important benefits that recycling provides to our economy and environment. Recycling programs must be designed to minimize contamination in consideration of the needs of upstream users. Recyclables are substitutes for virgin materials. Recycling is a shared responsibility and requires citizen engagement.

**Accountability** - An important theme of corporate governance is to ensure the accountability of certain individuals in an organization through mechanisms that try to reduce or eliminate the principal-agent problem. A related but separate thread of discussions focuses on the impact of a corporate governance system in economic efficiency, with a strong emphasis on shareholders' welfare. There are yet other aspects to the corporate governance subject, such as the stakeholder view and the corporate governance models around the world



**Transparency** - Organizations should clarify and make publicly known the roles and responsibilities of board and management to provide shareholders with a level of accountability. They should also implement procedures to independently verify and safeguard the integrity of the company's financial reporting. Disclosure of material matters concerning the organization should be timely and balanced to ensure that all investors have access to clear, factual information.

## 7. Concept of corporate responsibility

Some commentators have identified a difference between the Continental European and the Anglo-Saxon approaches to CSR. And even within Europe the discussion about CSR is very heterogeneous.<sup>4</sup>

In the USA corporate responsibility is considered from a more common approach of CSR i.e. philanthropy. This includes monetary donations and aid given to local organizations and impoverished communities in developing countries. Local organizations think that by paying the taxes they have fulfilled their corporate responsibility. It is the obligation of the society to take care of all the problem that concern the people. Some organizations do not like this approach as it does not help build on the skills of the local people, whereas community-based development generally leads to more sustainable development. Some companies use this approach to their advantage creating a “perfect image”.

Continental European approach to CSR is focused on the community. European organizations invest in activities that are profitable for the society and that are based on their business activities and resources. For example, a tourist organization may be part of a construction of children’s park or offering one of its tourist destinations. This approach provides welfare for both parties. Organizations create consumption, that will reflect their future profit, and the people that live in the area also have advantage of using the park more frequently. In this approach there is connection between the business and the corporate responsibility that leads the organizations to long term development. That is why this Continental European approach is considered to leader to sustainable development both to the organizations and the society There are some more modern approaches:

- to incorporate the CSR into the strategy of an organization and creating shared values.
- to incorporate the CSR strategy directly into the business strategy of an organization.
- garnering increasing corporate responsibility interest. This is called Creating Shared Value, or CSV.

The shared value model is based on the idea that corporate success and social welfare are interdependent. A business needs a healthy, educated workforce, sustainable resources and adept government to compete effectively. For society to thrive, profitable and competitive businesses must be developed and supported to create income, wealth, tax revenues, and opportunities for philanthropy.

All of the approaches are applicable in tourism. They can be part of donations that are not connected to tourism, but usually they are. For example, tourist organization that works with mountain tourism can donate bikes so that tourists can use them. Very good examples are the hotels Odeon in Turkey. From pure ecological reason they use environment friendly products for all the needs in the hotels. Tourists have free bikes so that they can visit the vicinity of the place, and at the same time not to pollute the environment. Acting in this manner, the organization not only is corporate responsible but is eco-friendly and motivates its client to think that way.

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<sup>4</sup> Habisch, André; Jan Jonker, Martina Wegner, R. Schmidpeter (eds.) (2005). *Corporate Social Responsibility across the Europe*. Heidelberg: Springer.

One thing is clear - tourist organizations exist in a flexible environment. What was popular today, tomorrow may not be. So tourist companies need to constantly explore the environment in all areas where they make impact and all areas that influenced on them. In terms of ethics should also follow all internal and external stakeholders reactions. Every tourist company must accept the Heraclitus thought - “Panta Rhei”.

## 8. Conclusion

From all previously written we can conclude that organizational corporate responsibility is a management concept, through which organizations integrate the social and environmental problems in the business operations over the necessary law request.

Corporate responsible organizations are doing everything not only to their favor but for the favor of the society. That is why there is a concept of shared values and advantages, in addition to which the quality of live in the society where they live are work is far much better.

Corporate responsible tourist organizations are far more successful than the others because they know that: ***Leading a business Is more than just making a profit!***

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