Validating a framework of the integration of Corporate Social Responsibility and Culture: The Case of Hotel Industry

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Abstract: Although Corporate Social Responsibility (hereafter CSR) concept has been introduced for decades, it has only recently been acknowledged and implemented by most companies throughout the world. This is triggered by the need for sustainability and created competitive advantage. CSR is originated from Western countries which have cultural and national differences from Eastern countries. In fact, the majority of empirical studies of CSR had been conducted in Western countries. The generalization then becomes inappropriate. Thus, it is a must to study the diffusion of the local culture with CSR. CSR has increasingly received attention from hotel management as one of its marketing strategies for dealing with the fierce competition in the hotel industry. In addition, culture and tourism are regarded as one entity that link to and influence each other. Part of Balinese culture is Tri Hita Karana which is widely accepted as a way of life to preserve a harmonious relationship between human with God (parahyangan), human with human (pawongan), and human with the environment (palemahan). Therefore, the purpose of this paper is to validate a framework of the integration of CSR and culture particularly in the hotel industry in Badung regency, Bali. The framework had been drawn from previous research and needs to be validated utilizing quantitative research since the framework had been developed using qualitative research. A Confirmatory Factor Analysis is a method used to test the validity of the factors in the framework. The findings revealed that the factors in the framework are confirmed. The reasons for implementing CSR based on Tri Hita Karana are: (1) CSR as philanthropy; (2) CSR as risk management; and (3) CSR as value creation. These three are intended to build the company’s reputation and earn the trust from society, which in turn would increase the company’s value in society. The CSR programs are the collaboration between hotel and stakeholders such as customers, shareholders, employees, partners, communities and organizations (e.g., educational institutions, associations, governments, foundations and NGOs). Hotel and stakeholders are in constant communication to improve their relationship.

Keywords: Corporate Social Responsibility (CSR), Tri Hita Karana, Framework, Hotel

INTRODUCTION

CSR is an important concept applied by small and large companies in different industries as an alternative to improve value proposition (Yu, Day, Adler & Cai, 2012). CSR was originally developed in the Western countries and has been embraced worldwide. Currently, there is growing interest of a company to implement CSR as a strategy to sustain its business (Luna & Sharmin, 2015). A company concerns about the impact of its operation on community and environment. CSR then becomes the center issue of sustainability as the World Business Council of Sustainable Development (WBCSD) defined CSR as The commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life (WBCSD, 2002). A company should put an effort to consider its stakeholders on the operation at the profit beside the core competence of the company.

Nowadays, customers are being more critical and sensitive towards societal and environmental issues. They concern about the ethical production process and prefer to relate with a company which has no harm to society and environment. This trend is holding true, specifically in the hotel industry which has close relation with local community and environment. CSR has been given enormous attention by
hotel managers from chain hotels to local hotels (Khunon & Muangasame, 2013). Hotels implement CSR in every sector of business. CSR is a form of sustainability in tourism-related industries (Cherapanukorn & Focken, 2014; Golja & Nizic, 2010; Hidayati, 2011; Inoue & Lee, 2011; Punitha & Rasdi, 2013; Yu et al., 2012). CSR also often relates to the local culture where the hotel establishment is located. This phenomenon has drawn attention from the Eastern scholars in terms of exploring the unique implementation of CSR embedded with local culture. Wang and Juslin (2009) discussed the impact of Chinese culture on CSR. They refer it into the harmony approach of CSR in which companies should apply the concept of harmony to their business and run their business in harmonious way both man and man and man and nature. Further, they state that the western CSR concept did not fit with the Chinese market properly, because: (1) western CSR concepts have rarely defined the primary reason of CSR and (2) the ethical approach to CSR concepts did not take the Chinese reality and culture into consideration (Wang & Juslin, 2009). Therefore, culture inevitably influences CSR to certain extent.

Regarding this, Balinese also has similar philosophy called Tri Hita Karana which is a way of life of Balinese people. Tri Hita Karana is the harmonious relationship among the three causes of prosperity; they are the relationship between man and the creator; man and man; and man and nature. Thus, it is interesting to unfold the role and impact of Tri Hita Karana on CSR initiatives since this phenomenon has not been explored by many scholars. The preliminary research concerning this topic has been conducted previously and produced a conceptual framework of the CSR based on Tri Hita Karana. This conceptual framework is derived from a qualitative research by interviewing the hotel managers in Badung Regency. However, it is acknowledged that the limitation of qualitative research is lack of generalization. In this light, further research needs to be done to validate this conceptual framework. Thus, the purpose of this research is to validate the conceptual framework of CSR based on Tri Hita Karana whether this concept reflects the reality and can be generalized. This paper begins with the discussion of the literature review of CSR, CSR programs, culture and CSR, the Tri Hita Karana concept and the framework. The research methodology will be explained followed by research findings and will be concluded by offering the conclusions emerging from the study and proposing suggestions for future research.

LITERATURE REVIEW

Corporate social responsibility

Although CSR as a modern term has been introduced during the 1950s (Bowen & Johnson, 1953), it has been only recently recognized and supported by most companies worldwide. CSR implies that the company is not only to contribute or perform social services to the community but companies should also have a social responsibility towards society and the environment (Waldman, Kenett & Zilberg, 2010). Until now there is no agreed definition of CSR. Kotler and Lee (2005) state that CSR is “a commitment to improve community well-being through discretionary business practices and contributions of corporate resources”. This quote implies that CSR is a voluntary commitment to implement programs focusing on the community and the environment using the resources of the company for the welfare of the community.

Jamali (2006) states that CSR is “a comprehensive set of policies, practices and programs that are integrated throughout the business operation and decision-making processes and intended to ensure the company maximizes the positive impacts of its operation on society”. Numerous definitions of CSR have been proposed stating different CSR activities such as incorporating social features into products and manufacturing processes, adopting progressive human resource management practices, achieving higher levels of environmental performance through recycling and pollution abatement, and advancing the goals of community (McWilliams, Siegel & Wright, 2005).

Dahlsrud (2006) classified five dimensions of CSR that are stakeholder dimension, social dimension, economic dimension, voluntariness dimension, and environmental dimension. With this regards, CSR is targeting to build stronger recognition of the role of business in society, advocate the good governance of business practices, and contribute to the respective stakeholders (Jamali & Keshishian, 2009).
Corporate social responsibility programs

Kotler and Lee (2005) state that there are six alternative CSR programs that can be selected by the company which are cause promotions, cause-related marketing, corporate societal marketing, corporate philanthropy, community volunteering, and socially responsible business practice. Cause promotion includes activities to gauge public awareness of social and environmental problems by supporting fundraising, participating in the community events, and recruiting volunteers. Cause-Related Marketing covers the commitment of the company to donate a certain percentage of income to a social activity based on the amount of sales. Corporate Societal Marketing focuses on campaigning to change people’s behavior with the goal of improving public health and safety, preserving the environment, and improving the welfare of society. The CSR program is more focused on encouraging behavioral change related to some of the issues such as health, protection against accidents/losses, environmental and community involvement. Corporate Philanthropy is charity activities in the form of cash grants, scholarships and foster parent. Corporate Philanthropy is the act of the company to give back to the community as an expression of gratitude to the community. Meanwhile, Community Volunteering includes activities supporting and encouraging employees, shareholders or associates to spare their time voluntarily to help organizations, local communities and other targeted communities. Socially Responsible Business Practice is the effort of the company to support solving a social problem to improve the welfare of the community and protect the environment (Alshannag, Basah & Khairi, 2017; Na Ayutthaya, Tuntivivat & Prasertsin, 2016).

Culture and CSR

The importance of culture in the business practice has been proved by a significant number of scholars. Culture can be defined as the collection of behaviors, customs, attitudes, beliefs, and values that distinguish the society (Yu et al., 2012). Traditional values have direct influence on behavior, thinking and motivation. This unconsciously affects the business operations in different countries. CSR activities thus inevitably are influenced by local culture. Balinese culture has rooted from Hindu religion which originated from India, however, Hinduism in Bali has very different practices. It is deeply influenced by a unique blend of Hindu, Buddhist, Javanese and ancient indigenous beliefs (Bali Directory, 2012). Balinese culture is rich with the combination of spirituality, religion, tradition and art (Bali Tourism Board, 2012). The balance among these to formulate harmonious relationship is the foundation of Balinese culture. The Tri Hita Karana concept is one of the Balinese philosophies that are acknowledged widely in the hotel industry as the main consideration for business practices. Bali Government through Bali Tourism Board issues the Tri Hita Karana certificate as a tool to measure the implementation of local culture (Tri Hita Karana philosophy) into business practices. Hotels should have this certificate to comply with government regulation and also ensure their reputation. Additionally, the Tri Hita Karana Award is given by Bali government to appreciate hotels that implement Tri Hita Karana philosophy in ethical ways toward stakeholders.

Stakeholders

Stakeholders are individuals and groups that affect or are affected by corporate activities such as employees, suppliers, contractors, customers, shareholders, government, community, community leaders and non-governmental agencies (Crowther & Aras, 2008; Waldman et al., 2010). Hadi (2011) classifies stakeholders into: (1) internal and external stakeholders; (2) the primary stakeholders, secondary and marginal; (3) the traditional and future stakeholders; (4) proponents, opponents, and uncommitted; and (5) silent majority and a vocal minority. Crowther and Aras (2008) divide stakeholders into internal versus external and voluntary versus involuntary. Internal stakeholders are those included in the organization of the company as employees and managers, while external stakeholders are suppliers or suppliers and consumers.

The Philosophy of Tri Hita Karana

Tri Hita Karana is a philosophy or concept of a harmonious relationship of man with the creator, man with man, and man with nature or environment for gaining prosperity which is reflected in Balinese way
of life (Pitana, 2010). Tri Hita Karana is based on the Balinese culture and rooted from Hindu religion. This concept is purely unique local wisdom in Bali. The implementation of this concept helps the island as a famous tourist destination to prevent negative impact of tourism business such as modernization. Literally, Tri Hita Karana is composed of: Tri means three, Hita means prosperity, and Karana means cause (Parma, 2010; Dalem, 2010; Windia & Dewi, 2007). In this regards, Tri Hita Karana means three causes of prosperity or happiness. Tri Hita Karana consists of: (1) Parahyangan represents the relationship between man and God as creator; (2) Pawongan represents a respectful relationship between man and man; and (3) Palemahan represents the relationship between man and nature (Parma, 2010; Dalem, 2010; Windia & Dewi, 2007).

The implementation of Tri Hita Karana concept in the hotel industry could be: (1) Parahyangan refers to the availability of supporting activities and facilities related to the relationship between man and God such as providing shrine for worshiping the deity and praying facilities for other religions, conducting religion ceremony, and giving donation; (2) Pawongan refers to preparing programs with the consideration of well-being of others such as donation, scholarship, training and fair compensation; and (3) Palemahan means that those who are involved in tourism business should love and preserve nature (in harmony with nature). Alignment and harmony in life (in this case tourism industry) is believed to be well-maintained when following this concept.

The Conceptual framework of CSR-based Tri Hita Karana

The preliminary research had been conducted using qualitative research approach with case study of hotels in Badung Regency, Bali, by conducting in-depth interview with hotel managers, observation in hotels and documents’ review. The result is the conceptual framework of CSR based on Tri Hita Karana as demonstrated in Figure 1. This conceptual framework will be validated with the purpose of generalization; therefore, the concept can be adapted in different context.

Figure 1. Conceptual framework of CSR based on Tri Hita Karana

METHODOLOGY

In order to validate the conceptual framework of CSR based on Tri Hita Karana, the quantitative research is applied by utilizing Confirmatory Factor Analysis (CFA) with the purpose to examine the nature of and relations among the latent construct (Suhr, 2006). CFA is used to study the relationship between a set of observed variables and a set of continuous latent variables. CFA in this particular study was used to determine whether the conceptual framework drawn from the preliminary research is valid and reliable. The data collection method was survey method by administering a questionnaire to 80 hotels in Badung Regency. Badung Regency was chosen as the location of the research because most of hotels in Bali reside in this particular area about 146 starred hotels to 227 starred hotels in 2013 (Bali Statistical Bureau, 2015a, 2015b).

The questionnaire consists of the questions developed from the framework. The questionnaire is divided into three question groups. The first group is the questions regarding the role of CSR based on
Tri Hita Karana. The second group is the questions regarding the benefit of implementing CSR based on Tri Hita Karana. The third group is related to the main stakeholders of hotels. From 80 questionnaires, however, in fact only 77 questionnaires were returned. The respondents were hotels’ managers or staff who were in charge of planning and executing CSR programs located in Badung Regency. The reason for choosing them was because they have reliable information regarding this specific topic. The sampling technique then was a purposive sampling technique (Bungin, 2012; Saunders, Lewis & Thornhill, 2012). The CFA was using IBM SPSS Statistics v21 software. The result from the quantitative research was used to revise the framework, and further consulted with the expert of CSR and Tri Hita Karana to finalize the framework.

RESULTS
The role of CSR based on Tri Hita Karana
The CFA is used to analyze the factors of the role of CSR based on Tri Hita Karana as in the following diagram in figure 2.

![Diagram](image)

The Kaiser-Meyer-Olkin (KMO) Measure of Adequacy and Bartlett’s Test of Sphericity of the factors analysis should be between 0.5 and 1 for the role of CSR based on Tri Hita Karana to fit with the requirement of using CFA.

| Table 1: KMO and Bartlett’s test |
|----------------------------------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy | .767 |
| Approx. Chi-Square | 299.286 |
| Bartlett’s Test of Sphericity | df 3 |
| Sig. | .000 |

From the above table, it can be seen that the KMO value is 0.767 meaning that CFA can be pursued. A Bartlett’s test shows the chi square is 299.286 with degree of freedom of 3 and significance of 0.000. Therefore, the correlation between X1, X2, and X3 is 100% reliable. The anti-image matrices demonstrated the value of above 0.5 as the base for factor analysis. The value of X1 is 0.707, X2 is 0.843 and X3 is 0.767 as demonstrated in table 2.

| Table 2: Anti-image matrices |
|------------------------------|
| X1  | X2  | X3  |
|-----|-----|-----|
| X1  | .087| -.058| -.066|
| X2  | -.058| .152| -.029|
| X3  | -.096| -.029| .110|
| X1  | .707a| -.055| .678|
| X2  | -.505| .843a| .224|
| X3  | -.678| -.224| .767a|

a. Measures of Sampling Adequacy (MSA)

The initial communalities value for X1, X2, and X3 is 1.000, meanwhile the extraction communalities of X1, X2, and X3 are 0.961, 0.928, and 0.944 respectively.
Table 3: Communalities

|    | Initial | Extraction |
|----|---------|------------|
| X1 | 1.000   | .961       |
| X2 | 1.000   | .928       |
| X3 | 1.000   | .944       |

Extraction Method: Principal Component Analysis.

Total Variance Explained table shows that there is one component emerging with the Eigenvalues of 2.833 or 94.419% from the Total Communalities of 3 as shown in table 3.

Table 4: Total variance explained

| Component | Initial Eigenvalues | Extraction Sums of Squared Loadings |
|-----------|---------------------|-------------------------------------|
|           | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1         | 2.833 | 94.419       | 94.419       | 2.833 | 94.419       | 94.419       |
| 2         | .111  | 3.714        | 98.133       | 2.833 | 94.419       | 94.419       |
| 3         | .056  | 1.867        | 100.000      | 2.833 | 94.419       | 94.419       |

Extraction Method: Principal Component Analysis.

Component Matrix shows there is one factor emerging with 3 variables that are X1 (CSR as value creation), X2 (CSR as risk management), and X3 (CSR as philanthropy).

Table 5: Component matrix

| Component | 1 |
|-----------|---|
| X1        | .980 |
| X2        | .963 |
| X3        | .972 |

Extraction Method: Principal Component Analysis.
a. 1 components extracted.

Based on the findings it can be summarized that the role of CSR based on Tri Hita Karana has been validated to have the variables of CSR as value creation, CSR as risk management, and CSR as philanthropy.

The benefit of the CSR based on Tri Hita Karana

Benefits of CSR based on Tri Hita Karana

The Kaiser-Meyer-Olkin (KMO) Measure of Adequacy and Bartlett’s Test of Sphericity for the benefits of CSR based on Tri Hita Karana are 0.833 for KMO with chi square of 233.847 and degree of freedom of 10 with significance of 1.000. Therefore, there is a correlation of 100% among variables Y1, Y2, Y3, Y4 and Y5. Details can be seen in table 6.
Table 6: KMO and Bartlett’s test

| Kaiser-Meyer-Olkin Measure of Sampling Adequacy | .833 |
| Approx. Chi-Square | 233.847 |
| Bartlett’s Test of Sphericity | df 10 |
| Sig. | .000 |

The Anti-image Matrices Correlation shows that KMO values are above 0.5 for each variable which means that the CFA can be continued. The values for each variable Y1, Y2, Y3, Y4 and Y5 are 0.807, 0.888, 0.813, 0.888 and 0.793 respectively as demonstrated in table 7.

Table 7: Anti-image matrices

| Y1 | Y2 | Y3 | Y4 | Y5 |
|----|----|----|----|----|
| Y1 | .391 | -.145 | -.140 | -.084 | .066 |
| Y2 | -.145 | .418 | -.065 | -.018 | -.078 |
| Anti-image Covariance | Y3 | -.140 | -.065 | .271 | -.032 | -.148 |
| Y4 | -.084 | -.018 | -.032 | .486 | -.154 |
| Y5 | .066 | -.078 | -.148 | -.154 | .351 |
| Y1 | .807a | -.358 | -.358 | -.194 | .179 |
| Y2 | -.358 | .888a | -.194 | -.040 | -.204 |
| Anti-image Correlation | Y3 | -.4307 | -.1947 | .813a | -.088 | -.478 |
| Y4 | -.194 | -.040 | -.088 | .888a | -.373 |
| Y5 | .179 | -.204 | -.478 | -.373 | .793a |

a. Measures of Sampling Adequacy (MSA)

The communalities values for Y1, Y2, Y3, Y4 and Y5 are 1.000 each. The extraction for Y1 (CSR to improve reputation) is 0.687 meaning 68.7% variance from CSR to improve reputation can be explained from the extracted factor. For the rest Y2 (CSR to improve trust), Y3 (CSR for sustainability development), Y4 (CSR for improving value) and Y5 (CSR for communication), the values of extraction communalities are 0.709, 0.822, 0.645 and 0.719 respectively with the same explanation of Y1. The values can be seen in table 8.

Table 8: Communalities

| Initial | Extraction |
|---------|------------|
| Y1 1.000 | .687 |
| Y2 1.000 | .709 |
| Y3 1.000 | .822 |
| Y4 1.000 | .645 |
| Y5 1.000 | .719 |

Extraction Method: Principal Component Analysis.

The Total Variance Explained is 1 factor with the Eigenvalues of 3.582 or 71.637% from total communalities of 5 (shown in Table 8).

Table 9: Total variance explained

| Component | Initial Eigenvalues | Extraction Sums of Squared Loadings |
|-----------|---------------------|-------------------------------------|
|           | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1         | 3.582 | 71.637 | 71.637 | 3.582 | 71.637 | 71.637 |
| 2         | .546 | 10.928 | 82.565 |
| 3         | .385 | 7.708 | 90.273 |
| 4         | .307 | 6.143 | 96.416 |
| 5         | .179 | 3.584 | 100.000 |

Extraction Method: Principal Component Analysis.
From table 10, the factor emerging is 1 with the values between 0.5 and 1 meaning that the factor emerge is 1 with the components or variables of Y1 (CSR to improve reputation), Y2 (CSR to improve trust), Y3 (CSR for sustainability development), Y4 (CSR for improving value) and Y5 (CSR for communication).

| Component | 1 |
|-----------|---|
| Y1        | .829 |
| Y2        | .842 |
| Y3        | .907 |
| Y4        | .803 |
| Y5        | .848 |

Extraction Method:
Principal Component Analysis.
a. 1 components extracted.

The stakeholders of hotels as CSR based on Tri Hita Karana partners

The Kaiser-Meyer-Olkin (KMO) Measure of Adequacy and Bartlett’s Test of Sphericity are shown in Table 11. The overall KMO is 0.810 meaning that CFA can be proceeded to the next test. The Chi Square of Bartlett’s test is 232.748 with degree of freedom of 15 and 0.000 significance. Therefore, there is trusted correlation of 100% among Z1, Z2, Z3, Z4, Z5 and Z6.

| Table 11: KMO and Bartlett’s test |
|-----------------------------------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy | .810 |
| Approx. Chi-Square                  | 232.748 |
| Bartlett’s Test of Sphericity       | df 15 | Sig. .000 |

From the Anti-image Matrices in table 12, the values of KMO are between 0.5 and 1; therefore, the CFA can be proceeded. The correlation values for Z1, Z2, Z3, Z4, Z5 and Z6 are 0.821, 0.750, 0.762, 0.869, and 0.873 respectively.
The Communalities value for Z1, Z2, Z3, Z4, Z5 and Z6 is 1.000 each. The values for each variable Z1, Z2, Z3, Z4, Z5 and Z6 are 0.545, 0.291, 0.736, 0.682, 0.654 and 0.716 respectively. The meaning is 54.5% of Z1, 29.1% of Z2, 73.6% of Z3, 68.2% of Z4, 65.4% of Z5, and 71.6% of Z6 are explained by emergence factors as seen in table 13.

Table 14 exposes that the number of emergence factor is 1 factor. The factor or component has total Eigenvalues of 3.624 or 60.395% from the cumulative of 6 (see Table 13).

From table 10, the factor emerge is 1 with the values between 0.5 and 1 meaning that the factor emerge is 1 with the components or variables of consumers (Z1), shareholders (Z2), employees (Z3), suppliers (Z4), community (Z5), and organizations (Z6).
Table 15: Component matrix

| Component | 1          |
|-----------|------------|
| Z1        | 0.738      |
| Z2        | 0.539      |
| Z3        | 0.858      |
| Z4        | 0.826      |
| Z5        | 0.809      |
| Z6        | 0.846      |

Extraction Method: Principal Component Analysis.
a. 1 components extracted.

The results of quantitative analysis confirmed that: (1) the reason of hotels to conduct CSR based on Tri Hita Karana are for acting as a philanthropy, complying to risk management, and creating value; (2) the benefits of implementing CSR based on Tri Hita Karana are for improving reputation, developing trust, participating in sustainable development, improving values, and improving communication; (3) the stakeholders for conducting CSR based on Tri Hita Karana are customers, shareholders, employees, suppliers, community, and organizations.

However, the model still needs to be consulted with the CSR and Tri Hita Karana expert for the final validation. The expert has an academic qualification in this topic and also has real-life experiences as he also has hotels and villas. The finalization step was done in a focus group discussion attended by the research team. The main focus was the conceptual framework model whether the model is easy to understand by the readers and to be implemented in the hotel industry. The expert highlighted that the concept of Tri Hita Karana has been applied and becomes the guidance of Balinese daily life. For example, the concept of Tri Hita Karana is implied starting from building the hotel establishment, recruiting and selecting staff, and running the operational hotels. On the other hand, CSR has financial purpose, not genuinely philanthropic actions, which is also influenced by ethical and regulatory consideration, and depends on availability of resources. Therefore, it is good to look for how to balance these two different perspectives. The valuable feedback from the expert is that the model may bring misunderstanding for the readers, particularly in the part of Tri Hita Karana (parahyangan, pawongan and palemahan).

**DISCUSSION AND CONCLUSION**

The results of CFA analysis have validated the conceptual framework of CSR based on Tri Hita Karana as proposed in the preliminary research. The reasons for hotels to conduct CSR based on Tri Hita Karana are for acting as philanthropy, complying to risk management, and creating value. The goal of CSR as a philanthropy program is to help financially and non-financially community for better quality of life. As per its application in the relationship between man and the creator parahyangan it involves: donation, social activities regarding the holy places (either build or renovate), and in facilitating the praying activities. In terms of pawongan, the activities are offering scholarship, internal training and education (i.e. employee training and education) and external training (i.e. community training and education), house renovation, and providing opportunity for local artists to perform or exhibit their works. The volunteering and donation to activities related to preserve the environment from the damage are activities done by the hotel with the concern of palemahan. These practices are in line with Cherapanukorn and Focken (2014), Levy and Park (2011), and Yu et al. (2012) that stated mostly philanthropy programs are in the connection with social activities, donation, charity and volunteering. The CSR based on Tri Hita Karana programs for the compliance to the risk management includes practices to mitigate the negative impact of hotels’ operations by doing some actions internally and externally (Yu et al., 2012). Parahyangan is manifested by activities to respect other’s religion and beliefs by providing equal opportunity and facilities. Pawongan is related to the activities that are actively involved in building good rapport with local community and employees such as providing entrepreneurship training and business incubator to improve the quality of life. In relation to palemahan, pro-environment activities such as waste management, re-
duce the frequency of changing the linen, avoid using chemical, initiate water recycle program, watch the use of water and energy, control pollution, and the implementation of health and safety regulations (Cherapanukorn & Focken, 2014; Levy & Park, 2011). Thus, hotel activities to mitigate the risk cannot be separated from CSR (Graci & Dodds, 2008). CSR as value creation aims to continuously innovate and promote sustainable development business practices. This is done with the stakeholders’ collaboration. Activities related to parahyangan for creating value include the implementation of Balinese architecture philosophy in the establishment, pawongan includes capacity building training for staff, improve staff welfare, promote internal recruitment, initiate bonus and fair compensation, recruitment and termination of staff, and hire local people. Value creation has become critical for a hotel that relies significantly on the service delivery quality. Palemahan refers to the activities for increasing collaboration with local organizations, such as local villages for supporting CSR activities.

The benefits of implementing CSR based on Tri Hita Karana are for improving reputation, developing trust, participating in sustainable development, improving values, and improving communication. The implementation of CSR ensures firms’ reputation as a key source of competitive advantage (Minor & Morgan, 2011). Bad reputation likely drives a hotel to decrease occupancy rates because customers refuse to repeat their visit (Inoue & Lee, 2011). The implementation of perceived ethical CSR contributes to customers’ loyalty via the mediation of trust, identification and satisfaction (Martinez & del Bosque, 2013). Hotel should build mutual trust of its stakeholders not only customers as a key characteristic of successful social exchanges. The main purpose of a hotel to implement CSR based on Tri Hita Karana is in conjunction with ensuring the sustainability of hotel (Cherapanukorn & Focken, 2014; Golja & Nizic, 2010; Hidayati, 2011; Inoue & Lee, 2011; Punitha & Rasdi, 2013; Yu et al., 2012). Applying CSR brings positive impact on financial performance to improve values and in the long term to sustain the business. CSR based on Tri Hita Karana activities also improve the way of communication between hotels and external stakeholders through reporting by writing a report and updating the website. Communication with internal stakeholders (i.e. employees) effectively will help hotels in communicating to potential employees when attempting to recruit and retain employees (Holcomb, Upchurch, & Okumus, 2007).

However, only big international hotel chains provide detailed reports of the implementation of CSR whereas small hotels only mention their CSR on the vision and mission statement (Durovic, Jakovic & Tubic, 2015; Perez & del Bosque, 2015).

The stakeholders involved in CSR based on Tri Hita Karana programs are customers, shareholders, employees, suppliers, community, and organizations. Abaeian, Yeoh and Khong (2014) proposed that company will get benefits from its CSR in terms of innovation, risk management, financial performance and cost saving, and employee commitment and performance. Meanwhile for employee and community, CSR programs will increase awareness and engagement and enhance quality of life as well. For the society, CSR programs will reduce environmental impact, manage stakeholders’ demands, provide competitive advantage, and bring customer engagement and retention.

Based on the findings and suggestions from expert, the conceptual framework is then finalized as seen in figure 2.

Figure 2. Final model of conceptual framework of CSR based on Tri Hita Karana
To conclude, the model of CSR based on Tri Hita Karana has been structured by conducting multiple steps of research. The first step is a preliminary research utilizing qualitative method for developing the conceptual framework grounded from hotel industry. The second step is a quantitative research with the purpose of validating the model and focus group discussion to enrich the conceptual framework by academician and practitioner. The final model of Conceptual Framework of CSR based on Tri Hita Karana has components as follows: (1) the reason of hotels to conduct CSR based on Tri Hita Karana are for creating value, complying risk analysis, and acting as philanthropy; (2) the benefits of implementing CSR based on Tri Hita Karana are for improving reputation, developing trust, participating in sustainable development, improving values, and improving communication; (3) the stakeholders for conducting CSR based on Tri Hita Karana are customers, shareholders, employees, suppliers, community, and organizations.

The limitation of this research is focusing on the components of CSR based on Tri Hita Karana only. Therefore, it needs to be explored more from different viewpoints to find out the direct benefits of applying this concept. Thus, the suggestions for future research questions are: (1) Does the implementation of the concept of CSR based on Tri Hita Karana have direct impact on increasing the number of tourists to stay in the hotel? and (2) Is there a relationship between an increase in the company’s reputation after the implementation of CSR based on Tri Hita Karana and the increase of the company’s revenue?

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— This article does not have any appendix. —