

ARTICLES

**CORPORATE SOCIAL RESPONSIBILITY PRACTICES IN SMALL AND MEDIUM SIZED TOURISM ENTERPRISES: THE CASE OF SLOVENIA**

*AUTHORS*

**Marko Kukanja, Tanja Planinc**

*Faculty of Tourism Studies - Turistica, University of Primorska, Obala 11a, 6320 Portorož, Slovenia, e-mail: marko.kukanja@fts.upr.si; e-mail: tanja.planinc@fts.upr.si*

UDK: 911.3 : 338.48 (497.4)

*ABSTRACT*

***Corporate Social Responsibility Practices in Small and Medium-Sized Tourism Enterprises: The Case of Slovenia***

*The objective of this study is to analyse the adoption of different corporate social responsibility (CSR) practices in small and medium-sized (SME) tourism enterprises in a small transitional economy. Based on literature review, motives for responsible business behaviour and several industry-specific CSR practices, that belong to four CSR dimensions were identified – local community, environment, marketplace policy, and human resources. The study was conducted by direct interviews with managers' of tourism SMEs. Results reveal that the most significant CSR dimension is the Environmental dimension. The identified CSR practices are implemented through different operational mechanisms and according to the factor analysis, they embrace all four CSR dimensions (respectively): Environmental policies, Company values – workplace policies, Company values – marketplace policies, and Community policies.*

*KEY WORDS*

*corporate social responsibility, small and medium tourism enterprises, Slovenia, sustainable management.*

## **1. Introduction**

This study analyses corporate social responsibility (CSR) practices of small and medium-sized (SME) tourism enterprises in the Republic of Slovenia. Recently, a considerable body of literature has grown up around the theme of CSR measurement. The literature has reviewed CSR practices extensively for the large manufacturing companies (Juščius and Snieška, 2015; KPMG, 2017; Rahman and Post, 2012), yet there is less evidence from the service sector (Kang, Lee and Huh, 2010; Tsai, Tsang and Cheng, 2012) and even less for tourism SMEs (Garay and Font, 2012; Kukanja, Planinc and Šuligoj, 2016). Previous studies primarily focused to developed economies, whilst there is a lack of empirical findings for tourism SMEs in post-transitional economies (Renko and Peštek, 2017).

The post-transitional economies have undergone a transition from state ownership or workers' self-management to private ownership. This article presents the results of an empirical study on tourism SMEs' CSR performance for the Republic of Slovenia, a post-transitional economy, which has over the last two decades gone through the process of establishing a full market economy. Slovenia, a former socialist member state of the Socialist Republic of Yugoslavia, was one of the most economically developed economies in South-eastern Europe (SEE). Although it comprised only about one-eleventh of Yugoslavia's total population, it was the most productive of the Yugoslav republics, accounting for one-fifth of its Gross Domestic Product (GDP).

Today Slovenia enjoys economic stability as well as a GDP per capita by purchase power parity at 83% of the European average (SURS, 2018). Statistical and financial data show that tourism is one of the most important parts of Slovene national economy. In 2017, tourism offered employment to 13% of all employees in the country and contributed 12.7% to the Slovenian GDP (SURS, 2018; WTTC, 2018). Tourism industry (mostly composed of accommodation and food and beverage (F&B) facilities) in Slovenia has a number of industry specific characteristics: the vast majority of providers are classified as small and medium sized enterprises (SMEs), tourism SMEs are mostly small family run business, and the tradition of entrepreneurship is not more than 25 years of business activity (AJPEŠ, 2018). In addition, tourism industry significantly boosts business activities that are losing their competitive advantage on the global marketplace (e.g. agriculture, local food production etc.) and has an important multiplier effect on several economic activities in the country (e.g. transport, trade, construction etc.) (SURS, 2018). Despite its considerable economic importance, tourism industry has also a significant impact on natural environment and society. Therefore, it is especially important to have more information about CSR practices in the tourism industry, if we really want to know if any transformation towards sustainability is taking place.

In the last two decades (since 2000) a considerable amount of literature (Golob and Bartlett, 2007; Reverte, 2015; Renko and Peštek, 2017) has grown up around the theme of promoting strategic (general) guidelines for implementing CSR practices in the tourism industry. This issue was also recognised by the European (EU) Commission, which only in 2011 launched the official EU agenda for action to support the CSR approach. According to Commission, CSR should be seen as part of the modern model of business excellence for all EU SMEs. While the debate on the EU level about the best strategies for successful CSR implementation continues (EU Commission, 2018), no study has empirically analysed tourism SMEs' sustainability practices for a EU post transitional economy.

To fill this research gap, the current study analyses how tourism SMEs in Slovenia accept responsibility towards sustainable management. The main objective of this study is to empirically investigate the adoption of different CSR practices in Slovene tourism SMEs. Based on literature review, several industry-specific CSR practices and motives for responsible business behaviour were identified. In the second part of the study, the adoption of CSR practices in SMEs was analysed based on the CSR self-assessment questionnaire issued by the EU commission.

## **2. Theoretical background**

### **2.1. Post-transitional economies**

The theoretical claim that the ownership structure has a strong influence on firms' performance was most visibly confirmed in the South-eastern Europe – SEE and the Central and Eastern Europe – CEE countries during and after the process of transition which begun with political, economic and social changes in the early 1990s. According to Stubelj et al. (2017) these historical events have had a significant influence on the behaviour of managers and on the prospects of firms in post-transitional economies. Consequently, the process of privatisation still draws the attention of academics, policy-makers and business groups interested in its socio-economic development. The basic theoretical assumption behind privatisation was the claim that transitional economies needed to boost competitiveness and innovativeness among firms. The main issue behind the new approach to the free-market economy in SEE and CEE was that it mostly neglected the importance of regulatory institutions which necessarily provide the minimum incentives for the active and successful restructuring of businesses. As a result, too many political reformers in transitional economies viewed the privatisation process as a goal “per se”, rather than as a mean to achieve the necessary long-term economic and social

benefits. Consequently, this process was most often conducted in haste without a proper regulatory and supervisory framework. In this view, Estrin, Hanousek, Kočenda, and Svejnar (2009) performed a study of mass privatisation effects in post-transitional economies and found that after 20 years of privatisation, major sociological and economic differences exist within different post-transitional economies. In case of Slovenia, the privatization process favoured insider (domestic) purchasers. This view was mostly supported by a cultural wariness of being "bought up" by foreigners. The period of transition (also referred to as the decade of transition) officially ended in 2004 when the country signed the accession to the EU. To date, several studies (Renko and Peštek, 2017) have investigated CSR practices for transitional and post transitional economies. Although extensive research has been carried out, no single study analysed tourism SMEs' sustainability practices in an EU post-transitional member state.

## 2.2. CSR definitions

According to Garay and Font (2012) CSR is a complex concept broadly defined as the active (and sometimes voluntary) contribution of enterprises to environmental, social, and economic improvement. The concept of CSR has largely evolved with the historical development of the notion about the role of an enterprise in relation to the broader society and environment (De Bakker, Groenewegen and Den Hond, 2005). Several authors (De Grosbois, 2012; Juščius and Snieška, 2015; Renko and Peštek, 2017) state that the concept of responsibility from an institution towards different social stakeholders (employees, customers, public administration, community etc.) has gradually overcome the traditional "capitalist conservatism" of a corporation having financial (profit-making) responsibility only for its shareholders. During the past 30 years, much more information has become available on CSR and consequently there are plenty of CSR definitions (De Bakker et al., 2005).

In his study, Dahlsrud (2008) counted almost 40 different CSR definitions. According to author (Dahlsrud) the majority of definitions refer to five CSR components (also referred to as CSR dimensions) – voluntariness, stakeholder, social, economic, and environmental dimension. This view was also supported by Turker (2009) who identified a five dimensional structure of CSR, which includes CSR to society, stakeholders, employees, customers, and government. However, other authors (De Grosbois, 2012; Tsai et al., 2012) questioned the usefulness of such a generalized (five dimensional) approach to CSR. According to authors (ibid.) there are several industry specific CSR dimensions (e.g. environment, human resources, local community, employees, production etc.). Collectively, these studies outline a critical role for an industry tailored approach towards CSR. Interestingly, only in 2011 the EU Commission has put forward an official definition of CSR. CSR is defined as "the responsibility of enterprises for their impacts on society" (EU Commission, 2018).

According to the Commission, companies can become socially responsible by following the law, integrating social, environmental, ethnical, consumer and human rights concerns into their business operations and core strategies. While a variety of CSR theories and definitions have been suggested, this paper is based on the official EU definition, as Slovenia is an EU member state.

### **2.3. Motivations behind CSR**

According to Barney (2001) the popularity of CSR in the business arena can most easily be explained by the “traditional” stakeholder theory. Stakeholder theory was put forward in the early 1980s to explain the interaction of the enterprise with different stakeholders’ groups. Barney (2001) states that a key justification for adopting specific CSR practices still lies in the simple fact that the company is responding to different stakeholders’ interests. Academics have developed two general explanations (theories) for this rational choice-making process.

The first is the Resource Based View theory (RBV). A resource-based view of a firm explains its ability to deliver sustainable competitive advantage when productive resources are managed in the way that their outcomes cannot be imitated by competitors, which ultimately creates a competitive barrier (Hooley and Greenley,2005). According to RBV a firm's sustainable competitive advantage is reached by a virtue of unique resources being rare, valuable, inimitable, non-tradable, and non-substitutable. A firm may therefore reach its sustainable competitive advantage through unique resources which it holds, and these resources cannot be easily bought, transferred, or copied. According to Barney (2001) this view offers a useful and practical managerial framework to gain sustainable competitive advantage. In terms of CSR, RBV approach suggests that creating a competitive advantage can be gained by implementing CSR practices that cannot be easily imitated or copied by competitors. Elements within the framework of CSR include several specific practices, such as: adaptation of products and manufacturing processes (e.g. eliminating excess packaging, plastic materials etc.), valuing human resources (e.g. personnel development programmes, trainings and health programmes, scholarships etc.), improving environmental performance through recycling and pollution abatement (e.g. emission reductions), and supporting community organisations (e.g. sponsoring local clubs, donations etc.).

The second explanation for the rational choice-making process is the Transaction Cost Economics approach (TCE). TCE is a central theory in the field of business strategy. It addresses questions about why firms exist in the first place (i.e. to minimize transaction costs), how firms define their boundaries, and how they ought to govern their business operations. According

to Williamson (2005) economic transactions do not refer only to the obvious cases of buying and selling, but also to day-to-day emotional interactions, informal gift exchanges, etc. Significant determinants of TCE are frequency, asset specificity, uncertainty, limited rationality, and opportunistic behaviour. In terms of CSR, this concept may help us to better explain firms' rational (opportunistic) business behaviour. The decision to exchange resources with the environment could be reflected by different factors (e.g. environmental uncertainty, opportunism, risk, bounded rationality, core company assets etc.). All of these factors might potentially affect the external transaction cost. Therefore, it may very well be more economic to avoid these activities (e.g. green certificate) or to maintain them in-house (e.g. cost of external supervision). On the contrary, if companies assess their environmental activities as a business opportunity (e.g. donations to local community, scholarships, cooperation with local producers etc.) they might choose to rationally exchange their resources with the external environment. This approach also implies that firms that satisfy different stakeholders' demands (or accurately signal their willingness to cooperate) can often avoid higher costs that result from more formalized contractual compliance mechanisms (e.g. government regulations, union contracts, fiscal obligations etc.) (Aragón-Correa et al., 2008; Williamson, 2005).

Surprisingly, till 2001 CSR practices were also neglected by the EU politicians. Only in 2001 the EU officially recognized the importance of CSR and in the same year the EU Commission issued a discussion document (also referred to as the EU Green paper) on CSR with the aim of launching a wide debate on this subject at national and international level. According to this document (the Green paper) CSR activities importantly influence national economies. Direct impacts arise from a better working environment, whilst indirect impact mostly arise from the growing attention of consumers. In addition, the EU Commission officially recognized internal (human resource management, health and safety at work, adaptation to change and management of environmental impacts and natural resources), and external (local communities, business partners, suppliers and consumers, human rights and global environmental concerns) dimensions of CSR (Kurek and Rachwał, 2011).

## **2.4. Reporting on CSR**

However, to date there is still no general agreement about a uniformed(standardised) reporting system on CSR. In 2017 the KPMG International (a global network of professional firms providing Audit, Tax, and Advisory services) conducted a comparative international study on CSR reporting practices (KPMG, 2017). The study investigated a reporting system of 4.900 companies in 49 countries. Results show that around three quarters of companies report on CSR and two thirds of reports are based on GRI G4

Standards. According to the study, legislation is the main driver for CSR reporting (KPMG, 2017). Although there have been several attempts to uniform the CSR reporting system (Dhaliwal et al. 2012) one of the most well-known international initiatives is the Global Reporting Initiative (GRI). GRI promotes the use of sustainability reporting and has developed a sustainability reporting framework that is widely used around the world (Golob and Bartlett, 2007; GRI, 2018). In 2013 GRI released their fourth generation of guidelines – the G4 Sustainability Reporting Guidelines. The guidelines propose three categories of reporting – economic, environmental, and social (Fernandez-Feijoo, Romero and Ruiz, 2014). CSR reporting is on the rise as more and more stakeholders demand information on companies' CSR activities (De Grosbois, 2012). In 2014, the Council of the EU has adopted a directive on disclosure of non-financial information and diversity information. In Slovenia the Companies Act in its article 70 states that a company should include information regarding environmental and workers protection into their annual report (IRDO, 2018). Tourism SMEs in Slovenia are mostly small family run businesses and therefore don't have to report on their CSR activities.

## **2.5. CSR practices in tourism SMEs**

To date, the issue of CSR in tourism SMEs has received considerable critical attention in scientific literature. A considerable amount of literature has grown up around the theme of explaining the relationship between CSR and SMEs' financial performance (Garriga and Melé, 2004; Kang et al., 2010, Kukanja et al., 2016). According to Kang et al. (2010) in most studies research results determined a positive relationship between CSR activities and companies' financial performance. Research findings into CSR have also confirmed that if SMEs adopt and integrate CSR into their organizational strategies, they can facilitate innovativeness (Čivre and Gomezelj Omerzel, 2015), increase and/or improve organizational competitiveness and brand image (Garay and Font, 2012), boost employees' and customers' loyalty (Lee, 2016), preserve environments (Rahman and Post, 2012), while at the same time contributing to solving problems in society that may arise. This view is also supported by Chen (2015) who states that travellers are progressively more concerned with how tourist companies make their money and are expecting tourism businesses to engage in CSR activities.

According to El Dief and Font (2010) tourism researchers analysed reasons for implementing CSR practices in tourism SMEs at two levels – the organizational and individual one (both approaches are in line with previously presented RBV and TCE theories). The first (organizational) level aims to explain motives for CSR engagement through organizational reasons which are often related to companies' business motives and/or financial pragmatism (e.g. market

competitiveness, easier access to financial support etc.), and organizational and ethnics values (e.g. family or Eco-friendly company). CSR management systems introduce different operational “mechanisms” which help to improve company’s environmental performance. This operational practices involve systematic modifications in production systems and are most often industry-specific. Garay and Font (2012) state that the most commonly used organizational approaches to CSR engagement are related to the concepts of competitiveness, legitimacy, and altruism. Competitiveness aims to explain firm’s environmental behaviour as a result of believing that environmental protection may favour the development of some valuable business capabilities (e.g. continuous innovation) and/or financial opportunities (Juščius and Snieška, 2015), the legitimacy approach views CSR as a manner of bondage with the commonly accepted social norms and values (e.g. not serving alcohol to minors etc.) (Lim, Chong and Sutjipto, 2012), and finally, organizational altruism aims to explain enterprises’ behaviour as the “doing the right” environmental friendly business (e.g. recycling, buying local products etc.) (El Dief and Font, 2010). According to De Grosbois (2012), Tsai et al. (2012) and Kukanja et al. (2016) there are also other (less tangible) organisational approaches towards CSR, which are most often related to local community, human resources, and marketplace policies. According to these authors (ibid.) the underlying reasons associated with these approaches have rarely been investigated.

On the other hand, the individual level aims to explains reasons for CSR behaviour based on managers’ personal values and beliefs (Reveland Blackburn, 2007) and demographic characteristics (Kukanja et al., 2016). According to these authors (ibid.) CSR research in SMEs is limited by some industry specific limitations, such as: the lack of structured decision-making process and information control, financial instability and financial risk exposure, importance of owners’ personal values and beliefs, and a strong identification of entrepreneurs with their enterprises. In his study Sampaio (2009) found that SMEs' managers couldn't identify their CSR benefits as they didn't possess any methods for monitoring them. Similarly, De Grosbois (2012) came to the conclusion that a large number of entrepreneurs had recognized the importance of CSR, but only few managers were able to disclose which practices had been undertaken in order to achieve CSR goals. As noted by Sampaio (2009), Revel and Blackburn (2007), and Kukanja et al. (2016) owners’ views, self-efficacy beliefs, mastery goal orientation, and demographic characteristics (and not necessarily the business case) were critical in guiding the level and type of CSR practices chosen for adoption in different tourism SMEs.



### 3. Methodology

#### 3.1. Variable identification

In order to identify CSR practices relevant for tourism SMEs, a literature review on CSR in tourism was needed. Based on literature review (Aragón-Correa et al., 2008; De Grosbois, 2012; DiPietro, Cao and Partlow, 2013; EU Commission, 2018; Fernandez-Feijoo et al., 2014; Golob and Bartlett, 2007; GRI, 2018; Rahman and Post, 2012; Sanchez-Gutierrez et al., 2011), 28 CSR indicators belonging to four generic CSR dimensions (local community, environment, marketplace policy, and human resources) were identified. Special attention was paid to indicators included in the G4 sustainability reporting guidelines (46 general guiding aspects of CSR included in three categories – economic, environmental, and social) and the EU awareness raising questionnaire for CSR (26 generic questions included in four CSR dimensions - local community, environment, marketplace policy, and human resources) (EU Commission, 2018; GRI, 2018). The self-assessment questionnaire was launched by the EU Commission in order to raise SMEs' general business awareness on CSR topics (EU Commission, 2018). When considering which indicators should be included in the questionnaire, we tried to take into consideration all CSR dimensions that had been identified through literature review. Interestingly, we noted that the majority of identified CSR indicators were repetitive. In order to enable a better understanding of CSR practices and facilitate the follow-up benchmarking process with other sectors and/or countries we have decided to use the generic questionnaire issued by the EU Commission. The questionnaire is presented in Table 2.

The studies presented thus far provide evidence that SMEs' physical characteristics and managers' demographic characteristics also have a significant impact on the ability and willingness to engage in CSR. Therefore, the following demographic variables were included in the study: gender, age, years of experience, and ownership structure (Kukanja et al., 2016). The selected physical variables were: type of facility, location, number of employees, and years of business operation (Aragón-Correa et al., 2008).

#### 3.2. Research process and sample description

Our empirical research was conducted during a four-month period, from March to June 2018. The research was performed by students of the Faculty of tourism studies–Turistica under strict supervision of lecturers in different tourism SMEs in Slovenia. According to the official (national) classification the following types of SMEs were included in the research: F&B facilities (restaurants and inns – I56.101), snack bars and similar – I56.102) and accommodation facilities (hotels, hostels, motels, and bed and breakfast –

155.100). In 2017, there were 7.633 SMEs operating in the field of tourism and hospitality. Other types of facilities (e.g. Coffee shops, Bars, camping areas, private rooms etc.) were omitted from research as their offerings primarily base on beverages (bars) and/or basic infrastructure (camping areas). Based on convenience sampling a total of 200 tourism SMEs were included in the study representing 2,62 % of the tourism SMEs population in Slovenia (SURs, 2018).

The study was conducted by direct interviews with restaurant managers regardless of their current level of CSR engagement, as previously done by Garay and Font (2012). Prior to data collection, the participants received a detailed explanation of the project and questionnaire was pretested on two restaurant and two hotel units. During the field work some managers refused to participate in the research for a variety of reasons. Consequently, out of a total of 200 collected questionnaires, the final analysis is based on 145 valid questionnaires (73 F&B and 72 accommodation facilities). The first part of the questionnaire measured managers' usage of CSR practices on a five point Likert-type ordinal scale ranging from 1 (never used) to 5 (always). In case the practice didn't correspond to SME's CSR activities the respondent was offered a sixth option – not applicable. In the second part of the questionnaire the sociodemographic data about respondents and general information on restaurants were collected. Descriptive statistics analysis was used to analyse respondents' and F&B and accommodation facilities' characteristics. The SPSS program was used for the analysis of results. The table below (Table1) illustrates some of the main sociodemographic characteristics of respondents.

*Table 1: Sociodemographic profile of respondents.*

Variables		Frequency(s)	Percentage (%)
Gender	Female	54	37.20
	Male	91	62.80
Age	16-25	5	3.44
	26-35	28	19.31
	36-45	59	40.68
	46-55	39	26.89
	more than 55	14	9.65
Years of experience	0-10	40	27.58
	11-20	50	34.48
	21-30	43	29.65
	more than 31	12	8.27
Ownership structure	Manager	44	30.34
	Owner and manager	101	69.65

*Source: authors' own research*

As can be seen from the table above, the vast majority of respondents were male (62.80%), while female respondents represented a little over one third (37.20%) of the collected sample. The highest proportion of respondents fell into the 36-45 years age group (40.68%), followed by 46-55 and 26-35 years age group (26.89% and 19.31%, respectively). As far as years of experience (career) in the industry are concerned, the highest proportion of respondents fell into the 11-20 years group (34.48%), followed by 21-30 years group (29.65%). Only 8.27% of respondents had more than 31 years of experience in tourism industry. The ownership structure analysis reveals that the majority of respondents (69.65%) owned and managed restaurant facilities, while 30.34% of respondents were employed as managers (external experts). The vast majority of SMEs (66.89%) had 10 workers or less and only 33.11% of SMEs had more than 10 employees (interestingly none of them had more than 14 employees). The collected sample closely reflects the profile of the tourism industry in Slovenia in terms of the number of employees. Namely, in 2016 more than 84% of all tourism SMEs in Slovenia had less than 10 employees (SURS, 2018). Research data also show that 45.51% of SMEs had less than 10 years of business activity and only 6.20% SMEs had a business tradition longer than 30 years.

### 3.3. Results

The next section was concerned with the evaluation of the usage of different CSR practices in tourism SMEs. Results presented in Table 2 show that all practices were evaluated relatively highly (average mean value 4.16). Among the 26 CSR practices the highest-rated practice was V4 “suitable arrangements for health, safety and welfare that provide sufficient protection for your employees” (mean 4.82), whilst the lowest usage was related to V20 “regular financial support to local community activities and projects”(mean value 3.45). According to the value of standard deviation (0.541) we can assume that respondents were quite unanimous when it comes to providing sufficient protection for employees. Regarding different groups of CSR policies (CSR dimensions) the highest rated dimension was Marketplace policies (mean value 4.46) and the lowest rated CSR dimension was Community policies (mean value 3.85).

Table 2: Analysis of CSR practices (descriptive statistics).

CSR practices		Mean	Standard deviation
<b>Workplace Policies</b>			
V1	Do you encourage your employees to develop real skills and long-term careers?	3.87	1.006
V2	Is there a process to ensure adequate steps are taken against all forms of discrimination, both in the workplace and at the time of recruitment?	3.96	1.291
V3	Do you consult with employees on important issues?	4.06	0.926
V4	Does your enterprise have suitable arrangements for health, safety and welfare that provide sufficient protection for your employees?	4.82	0.541
V5	Does your enterprise actively offer a good work-life balance for its employees?	3.88	1.146
<b>Environmental Policies</b>			
V6a	Have you tried to reduce your enterprise's environmental impact in terms of: - Energy conservation?	4.14	0.894
V6b	- Waste minimisation and recycling?	4.33	0.793
V6c	- Pollution prevention?	4.22	0.920
V6d	- Protection of the natural environment?	4.33	0.854
V6e	- Sustainable transport options?	3.87	1.078
V7	Can your enterprise save money by reducing its environmental impact?	4.21	0.975
V8	Do you consider the potential environmental impacts when developing new products and services?	4.01	1.075
V9	Does your enterprise supply clear and accurate environmental information on its products, services and activities to customers, suppliers, local community, etc?	3.73	1.304
V10	Can you think of ways in which your enterprise could use the sustainability of its products and services to gain an advantage over competitors?	3.70	1.078
<b>Marketplace Policies</b>			
V11	Does your company have a policy to ensure honesty and quality in all its contracts, dealings and advertising?	4.73	0.600
V12	Does your enterprise supply clear and accurate information and labelling about products and services, including its after-sales obligations?	4.76	0.511
V13	Does your business ensure timely payment of suppliers' invoices?	4.75	0.549
V14	Does your company have a process to ensure effective feedback, consultation and/or dialogue with customers, suppliers and the other people you do business with?	4.47	0.805
V15	Does your enterprise register and resolve complaints from customers, suppliers and business partners?	4.46	0.814
V16	Does your company work together with other companies or other organisations to address issues raised by responsible entrepreneurship?	3.62	1.162
<b>Community Policies</b>			
V17	Does your company offer training opportunities to people from the local community?	3.95	1.203
V18	Do you have an open dialogue with the local community on adverse, controversial or sensitive issues that involve your enterprise?	3.92	1.009
V19	Does your enterprise try to purchase locally?	4.10	0.934
V20	Are your employees encouraged to participate in local community activities?	3.45	1.155
V21	Does your enterprise give regular financial support to local community activities and projects?	3.85	1.149
<b>Company Values</b>			
V22	Have you clearly defined your enterprise's values and rules of conduct?	4.45	0.829
V23	Do you communicate your enterprise's values to customers, business	3.91	1.016

	partners, suppliers and other interested parties?		
V24	Are your customers aware of your enterprise's values and rules of conduct?	4.14	0.842
V25	Are your employees aware of your enterprise's values and rules of conduct?	4.54	0.676
V26	Do you train employees on the importance of your enterprise's values and rules of conduct?	4.44	0.769

*Source: authors' own research*

Following the descriptive statistics, an exploratory factor analysis was performed to assess the factor structure of CSR practices. The first step in this process was to check whether the answers to the above 29 quality indicators were normally distributed. Because we could not confirm a normal distribution for any of the selected quality indicators of the first set (Kolmogorov-Smirnov test was used), it was necessary to use the Principal Axis Factoring method for the exploratory factor analysis. Based on the results of the first test, we evaluated the suitability of the information for inclusion in the factor model. Thus, on the basis of the value of the Kaiser-Meyer-Olkin (KMO) measure of Sampling Adequacy (0.852), and the outcome of the Bartlett Test of Sphericity ( $\chi^2=825.311$ ; degrees of freedom=190; sig.=0.000) we estimated that all included variables are suitable for performing the factor analysis. The majority of factors had satisfactory communalities ( $> = 0.50$ ), suggesting that the greater part of their variability can be explained by the influence of common factors.

Ten variables with too low communalities (V3, V5, V7, V8, V10, V13, V14, V15, V19, and V26) were excluded in the next step from the evaluation process of the factor analysis. After a few successive iterations of the factor model evaluation, we finally selected as most appropriate the model with 20 indicators. The suitability of the information for inclusion in the final factor model is also supported by the high value of the KMO indicator (0.908) and the outcome of the Bartlett test ( $\chi^2=1769.452$ ; degrees of freedom=185; sig.=0.000). Based on a rotated factor solution, we have decided to include four factor groups, which explained 62.56% of total variance. The final (rotated) factor model is presented in Table 3. Factor weights with factor loadings above 0.3 and factors that contain more than three items were retained. Indicators belonging to the CSR dimensions company values were logically merged with indicators belonging to CSR dimensions workplace and marketplace policies into two new common CSR dimensions: company values–workplace policies and company values – marketplace policies (see Table 3).

Table 3: Rotated factor solution.

CSR indicators	CSR dimensions			
	Environmental policies	Company values – workplace policies	Company values – marketplace policies	Community policies
V6d	.789			
V6e	.749			
V6c	.701			
V6b	.663			
V6a	.569			
V16	.411			
V24		.674		
V23		.640		
V1		.632		
V20		.581		
V9		.578		
V2		.513		
V4			.771	
V22			.644	
V25			.616	
V11			.580	
V12			.531	
V17				.388
V18				.465
V21				.422
Explained variance %	38.28	10.48	7.93	5.87

Source: authors' own research

Based on the rotated matrix of factor weights presented in the table above, it is clearly evident that according to managers' responses, the following CSR practices best reflect tourism SMEs' CSR performance: environmental policies (38.28%), company values and workplace policies (10.48%), company values and marketplace policies (7.93%), and community policies (5.87%). Based on the presented CSR dimensions and the values of their total explained variances, it is evident that according to F&B and accommodation facilities managers' beliefs indicators reflecting practices belonging to CSR dimensions environmental policies and company values – marketplace policies have by far the greatest importance in determining CSR orientation of Slovene tourism SMEs.

#### 4. Analysis and findings

This study shows how tourism SMEs in Slovenia are performing in terms of CSR practices. As mentioned in the literature review, no evidence was found on the association between CSR practices and tourism SMEs in transitional economies. Research results reveal that the most significant CSR dimension is the environmental dimension. This means that tourism SMEs are primarily focusing on environmental practices. According to research results we might also suppose that managers of tourism SMEs mostly perceive CSR performance through the prism of environmental protection. This result is likely to be related to high environmental awareness, as Slovenia was awarded as the best sustainable destination in EU (STO, 2018).

The most obvious finding to emerge from the analysis is that company values, as a CSR dimension, are not performed as a single dimension. These findings also suggest that tourism enterprises don't communicate and clearly promote their companies' values with the external stakeholders (customers, business partners, suppliers, etc.) and internal audience (employees). Practices belonging to this dimension are rather expressed through different workplace and marketplace policies. Although SMEs don't clearly communicate their values they seem to express them through community and marketplace practices. Another important finding was that managers on the one hand evaluated CSR dimension Community policies (mean value 3.85) with the lowest average score (low-usage), yet according to the factor analysis this dimension is crucial in explaining SMEs' overall CSR performance. Similarly, the highest rated dimension was Marketplace policies (mean value 4.46), although in the final factor solution this dimension was merged with the CSR dimension Company values. It is difficult to explain this results, but they might be related to managers' (un)awareness of the company's values and its CSR policy. This results may also be explained by the fact that managers are clearly not able to express companies' CSR values, but they rather reflect them through different CSR practices.

Some of the issues emerging from this finding relate specifically to the use and importance of specific CSR practices. One unanticipated finding was that 10 relatively highly ranked CSR practices (see Table 2) were omitted from the final factor analyses (see Table 3). For example, V3 "Do you consult with employees on important issues" (mean score 4.06), V13 "Does your business ensure timely payment of suppliers' invoices?" (Mean value 4.75), V19 "Does your enterprise try to purchase locally?" (Mean value 4.10), and V26 "Do you train employees on the importance of your enterprise's values and rules of conduct?" (Mean value 4.44) were excluded from the final factor solution due to too-low communalities. It is interesting to note that according to factor analyses these practices don't really influence tourism SMEs' CSR

performance although they were evaluated relatively highly. In terms of V19 (local purchasing), this finding is also relevant because previous literature (Revell, Stokes and Chen, 2010) has emphasized the importance of environmental issues (especially local food production) for national economies, but also because the findings of our study don't support the importance of performing this practice. It can therefore be assumed, that the main motivation behind the decision to buy locally is driven by managers' cost saving motivations (price).

Similarly, SMEs managers' stressed the importance of V13 (timely payment of suppliers' invoices) as it is somehow publicly expected that the "good" and socially responsible firms' pay their financial liabilities on time. These findings are rather disappointing as they are likely to reveal managers' "promotional" intentions for highlighting the importance of different CSR practices. Although managers' evaluated the eliminated practices relatively highly, it is clearly evident that these practices don't influence on the overall CSR engagement of tourism SMEs. The presented results can also be interpreted as a pragmatic (and cheap) method for creating a good public image of socially responsible management. However, more research on this topic needs to be undertaken before the association between CSR practices and managers' behaviour is more clearly understood.

## 5. Conclusion

This paper contributes to the understanding of CSR practices in a transitional economy. Most literature has analysed large manufacturing enterprises while both, the tourism sector (especially SMEs) and the transitional economies have received scarce attention.

This study presents how CSR practices in tourism SMEs are performed in a small transitional economy. The identified practices are implemented through different operational mechanisms and they embrace four main CSR dimensions(respectively): Environmental policies, Company values – workplace policies, Company values – marketplace policies, and Community policies.

Responsibility actions, practices, and measures are becoming more and more important for tourism enterprises (Kukanja et al., 2016). The results of this study indicate that the vast majority of SMEs included in the study reported the introduction of different CSR practices in their daily business operations. The highest rated dimension was Marketplace policies (mean value 4.46) while the lowest rated CSR dimension was Community policies (mean value 3.85). One of the most significant findings to emerge from this study is that CSR practices in the tourism industry (especially the ones related to Community policies) still



remain in their early operational stages - –the lowest usage is related to CSR indicator V20 “employees’ active participation in local community activities”.

The principal theoretical implication of this study is that 10 relatively highly ranked CSR practices were omitted from the final factor analyses. According to factor analyses these practices don’t influence tourism SMEs’ overall CSR performance. This study has also shown that according to managers’ beliefs (the factor structure) companies’ values are poorly communicated and as such have no direct effect on SMEs’ CSR performance. It is important to note, that evidence from other tourism sectors (hotels and mostly tourism destinations) prove that by introducing a strategic approach to environmental (green) management improves stakeholders’ image and values (J. Apih, personal communication, September 10, 2018).

While tourism SMEs have fewer skills and opportunities to implement CSR initiatives in comparison to larger companies, a strategic approach to CSR can facilitate the introduction of such measures. Emphasis in future studies and CSR strategies should therefore be placed on improving CSR planning, management, and measurement for tourism SMEs. As no previous study analysed CSR practices in tourism SMEs based on the generic EU questionnaire, the comparison of results is limited. A unified methodological approach which enables a better understanding of CSR practices and facilitate the follow-up benchmarking process with other sectors and countries presents the prerequisite for a strategic approach towards a successful CSR management in tourism SMEs. In this view, the generic questionnaire issued by the EU Commission proved to be a valuable and reliable management tool.

Several questions remain unanswered at present. Further research, analysing the self-reported practices with site-based audits coupled with managers’ interviews is needed, in order to better understand the underlying reasons and motivations for managers’ answers. Furthermore, what is not clear from this data is up to which extent the reported CSR practices were explicitly taken for moral reasons (with the purpose of creating the image of the “good management”), habit, and/or other unexplained variables. The study also lacks of an adequate review of altruistic reasons for implementing CSR, such as an in-depth analysis of managers’ values and lifestyle (Sampaio, 2009); analysis of the main motivators behind CSR behaviour – e.g. cost-reduction (Nicolau, 2008), image (Aragón-Correa et al., 2008), legitimization reasons (González-Benito and González-Benito, 2006), stakeholder pressure, and analysis of managers’ capabilities for implementing CSR (Tzschentke, Kirk and Lynch, 2008).

To address these limitations, a variety of further studies are needed, amongst them an international longitudinal study analysing the impact of specific government interventions (especially in the context of transitional economies), sustainability learning processes, and comparative studies between more and less developed tourist destinations. Furthermore, future research should analyse if managers from developed countries are more aware of CSR issues in comparison to their colleagues from underdeveloped countries. This information could provide further valuable explanations for the changing behaviour of tourism managers' towards conducting businesses in a more responsible manner.

## 6. References

- AJPES 2018: Agency of the Republic of Slovenia for Public Legal Records and Related Services. Internet:  
[http://www.ajpes.si/Credit\\_Rating/S.BON\\_Credit\\_Rating/About\\_S.BON](http://www.ajpes.si/Credit_Rating/S.BON_Credit_Rating/About_S.BON)  
(17.9.2018)
- Aragón-Correa, J., Hurtado-Torres, N., Sharma, S. & García-Morales, V. 2008: Environmental strategy and performance in small firms: A resource-based perspective. *Journal of Environmental Management*. Vol. 86, No. 2, 88-103.
- Barney, J. 2001: Resource-based theories of competitive advantage: A ten-year retrospective on the resource-based view. *Journal of management*. Vol. 27, No. 6, 643-650.
- Chen, R.J. 2015: From sustainability to customer loyalty: A case of full service hotels' guests. *Journal of Retailing and Consumer Services*. Vol. 22, 261-265.
- Čivrer, Ž. & Gomezelj Omerzel, D. 2015: The behaviour of tourism firms in the area of innovativeness. *Economic Research-Ekonomska Istraživanja*. Vol. 28. No. 1, 312-330.
- Dahlsrud, A. 2008: How corporate social responsibility is defined: an analysis of 37 definitions. *Corporate social responsibility and environmental management*. Vol. 15. No. 1, 1-13.
- De Bakker, F.G., Groenewegen, P. & Den Hond, F. 2005: A bibliometric analysis of 30 years of research and theory on corporate social responsibility and corporate social performance. *Business & Society*. Vol. 44. No. 3, 283-317.
- De Grosbois, D. 2012: Corporate social responsibility reporting by the global hotel industry: Commitment, initiatives and performance. *International Journal of Hospitality Management*. Vol. 31, No. 3, 896-905.

- Dhaliwal, D., Radhakrishnan, S., Tsang, S. & Yang, Y.G. 2012: Nonfinancial disclosure and analyst forecast accuracy: International evidence on corporate social responsibility disclosure. *The Accounting Review*. Vol. 87.No. 3,723-759.
- DiPietro, R., Cao, Y. & Partlow, C. 2013: Green practices in upscale foodservice operations: customer perceptions and purchase intentions. *International Journal of Contemporary Hospitality Management*. Vol. 25. No. 5,779-796.
- El Dief, M. & Font, X. 2010: Determinants of environmental management in the Red Sea Hotels: personal and organizational values and contextual variables. *Journal of Hospitality & Tourism Research*.Vol. 36,115-137.
- Estrin, S., Hanousek, J., Kocenda, E. & Svejnar, J. 2009: The effects of privatization and ownership in transition economies. *Journal of Economic Literature*. No.47. Vol. 3, 699-728.
- EU Commission 2018: Official website of the European Commission, Corporate Social Responsibility for SMEs: Documentation Centre. [http://ec.europa.eu/enterprise/policies/sustainablebusiness/documents/Corporate-social-responsibility/toolkit/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sustainablebusiness/documents/Corporate-social-responsibility/toolkit/index_en.htm) (17.9.2018)
- Fernandez-Feijoo, B., Romero, S. & Ruiz, S. 2014: Commitment to corporate social responsibility measured through global reporting initiative reporting: Factors affecting the behaviour of companies. *Journal of Cleaner Production*.Vol. 81,244-254.
- Garay, L. & Font, X. 2012: Doing good to do well? Corporate social responsibility reasons, practices and impacts in small and medium accommodation enterprises. *International Journal of Hospitality Management*, Vol. 31.No. 2, 329-337.
- Garriga, E. & Melé, D. 2004: Corporate social responsibility theories: mapping the territory. *Journal of business Ethics*.Vol. 53.No. 1, 51-71.
- Golob, U. & Bartlett, J.L. 2007: Communicating about corporate social responsibility: A comparative study of CSR reporting in Australia and Slovenia.*Public Relations Review*.Vol. 33.No. 1,1-9.
- González-Benito, J. & González-Benito,Ó. 2006: A review of determinant factors of environmental proactivity. *Business strategy and the Environment*.Vol. 15.No. 2,87-102.
- GRI 2018: Global reporting, An introduction to G4, Internet: <https://www.globalreporting.org/standards/g4/Pages/default.aspx> (17.9.2018)
- Hooley, G., & Greenley, G. 2005: The resource underpinnings of competitive positions. *Journal of Strategic Marketing*. Vol. 13. No. 2,93-116.
- IRDO 2018: Inštitut družbene odgovornosti, Internet: <http://www.irdo.si/> (17.9.2018)
- Jušćius, V. & Snieška,V. 2015: Influence of corporate social responsibility on competitive abilities of corporations.*Engineering Economics*. Vol. 58.No. 3,34-44.

- Kang, K., Lee, S. & Huh, C. 2010: Impacts of positive and negative corporate social responsibility activities on company performance in the hospitality industry. *International Journal of Hospitality Management*. Vol. 29.No. 1,72-82.
- KPMG 2018: The road ahead: the KPMG survey of corporate responsibility reporting 2017. Internet: <https://assets.kpmg.com/content/dam/kpmg/xx/pdf/2017/10/kpmg-survey-of-corporate-responsibility-reporting-2017.pdf> (17.9.2018)
- Kukanja, M., Planinc, T. & Šuligoj, M. 2016: Influence of managers' demographic characteristics on CSR practices in the restaurant industry: the case of Slovenia. *Tourism and hospitality management*. Vol. 22. No. 2, 151-172.
- Kurek, S. & Rachwał, T. 2011: Development of entrepreneurship in ageing populations of The European Union. *Procedia-Social and Behavioral Sciences*. Vol. 19,397-405.
- Lee, K. J. 2016: Sense of calling and career satisfaction of hotel frontline employees: mediation through knowledge sharing with organizational members. *International Journal of Contemporary Hospitality Management*. Vol. 28. No. 2,346 - 365.
- Lim, C., Chong, Y. & Sutjipto, M. 2012: Creating value through sustainable business practices. *European Journal of Tourism Research*. Vol. 5.No. 2,118-128.
- Nicolau, J.L. 2008: Corporate social responsibility: worth-creating activities. *Annals of Tourism Research*. Vol. 35.No. 4,990-1006.
- Rahman, N. & Post, C. 2012: Measurement issues in environmental corporate social responsibility (ECSR): Toward a transparent, reliable, and construct valid instrument. *Journal of Business Ethics*. Vol. 105.No. 3,307-319.
- Renko, S. & Pestek, A. (Eds.). 2017: *Green Economy in the Western Balkans: Towards a Sustainable Future*. Emerald Publishing Limited.
- Revell, A., Stokes, D. & Chen, H. 2010: Small businesses and the environment: turning over a new leaf? *Business Strategy and the Environment*. Vol. 19.No. 5,273-288.
- Reverte, C. 2015: The new Spanish corporate social responsibility strategy 2014–2020: a crucial step forward with new challenges ahead. *Journal of Cleaner Production*. Vol. 91,327-336.
- Sampaio, A. 2009: *Environmental engagement and small tourism businesses*. Leeds Metropolitan University. Leeds.
- Sanchez-Gutierrez, J., Gutierrez-Govea, A., Gaytan-Cortes, J. & Garcia-Jimenez, E. 2011: Corporate social responsibility and competitiveness in the restaurant industry in Guadalajara. *Competition Forum*. Vol. 9.No. 1,137-149.
- Slovenian Tourist Board (STO). 2018: I feel Slovenia. Internet: <https://www.slovenia.info/en> (17.9.2018)

- Stubelj, I., Dolenc, P., Biloslavo, R., Nahtigal, M.& Laporšek, S. 2017: Corporate purpose in a small post-transitional economy: the case of Slovenia. *Economic research-Ekonomska istraživanja*. Vol. 30. No. 1, 818-835.
- SURS 2018: Statistical office of the Republic of Slovenia. Internet:<http://pxweb.stat.si/pxweb/Dialog/Saveshow.asp> (17.9.2018)
- Tsai, H., Tsang,N.K. & Cheng, S.K. 2012: Hotel employees' perceptions on corporate social responsibility: The case of Hong Kong. *International Journal of Hospitality Management*. Vol. 31.No. 4,1143-1154.
- Turker, D. 2009: Measuring corporate social responsibility: A scale development study. *Journal of business ethics*.Vol. 85.No. 4,411-427.
- Tzschentke, N., Kirk, D. & Lynch, P.A. 2008: Going green: Decisional factors in small hospitality operations. *International Journal of Hospitality Management*. Vol. 27. No. 1,126-133.
- Williamson, O.E. 2005: Transaction cost economics and business administration. *Scandinavian Journal of Management*. Vol. 21.No. 1,19-40.
- WTTC 2018: World Travel & Tourism Council. Internet:<http://www.wttc.org/> (17.9.2018)