

Managing Voluntary Community Investment: Empirical Research in Fiji's Tourism Industry

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This paper presents the findings from a study of 39 tourism firms, which provided voluntary support for indigenous communities in Fiji. As one aspect of Corporate Social Responsibility (CSR), community investment poses particular challenges for business managers given the interests of community members are often more disparate and harder to satisfy than those of internal stakeholders. The findings reveal significant differences between firms in how community expectations, communication, and initiatives are managed. Overall, the findings are consistent with other empirical studies that show the complexity of managing community stakeholders in a developing country context, particularly for small and medium-sized enterprises.

Field of Research: Management, Corporate Social Responsibility (CSR), Community Investment, Developing countries

1. Introduction

Among the various stakeholder relationships that firms must manage, communities pose particular challenges for managers given the interests of community members are often disparate and harder to satisfy than those of internal stakeholders. Yet community involvement is a key theme for firms wishing to adopt the values and practices of Corporate Social Responsibility (CSR), which typically manifest as some form of voluntary community initiative. Drawing on results from a larger study of CSR undertaken by the author, this paper explores how Fiji's tourism firms attempt to address and manage social needs in their local communities. Data on three elements of the community investment task and decision-making process are presented. Firstly, it explains how business managers deal with the often significant expectations of support from community stakeholders, which in the Fijian context mostly comprises indigenous villages. Secondly, it presents evidence on the criteria for firms' decisions about the type and level and support they offer to indigenous communities. Finally, it explains how voluntary community initiatives are managed, monitored, and reported.

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2. Literature Review

Definitions of CSR frequently acknowledge the importance of commitment to communities given that, as an external stakeholder, engagement with and support for communities is often the most visible aspect of a firm's social responsibility. It is therefore not surprising that Kotler & Lee's (2005) definition of CSR places community at the forefront of a firm's social obligations by defining CSR as "...a commitment to improve community well-being through discretionary business practices and contributions of corporate resources" (2005:3).

Views about CSR are underpinned by stakeholder theory, which argues that firms should recognise, and where possible attempt to satisfy, the needs of all internal and external stakeholders. Hence, CSR proponents argue for a new paradigm where legal compliance is no longer enough and with firms striving to be active agents for positive social change. In the case of community stakeholders, firms should engage in initiatives that ensure host communities receive direct benefits rather than "wait for a possible 'trickle-down' effect from governments" (Warhurst (2001:59). CSR is also claimed to foster positive social relationships between firms and their communities, thereby giving legitimacy to the firm's presence in that society (Clary & Snyder, 1999; Aguilera et al., 2007).

However, the above views are not universally accepted. As an external stakeholder, communities are sometimes regarded as less important than other stakeholders due to the absence of a financial interest and having fewer legitimate claims on a firm's resources (Jennings 1999). CSR has the potential to be a costly distraction for firms as they lose sight of their primary commercial objectives by attempting to satisfy wider community interests. From a management perspective, CSR also adds to managerial burden, particularly if managers are not specifically trained to engage with community representatives or if voluntary initiatives require more elaborate monitoring, accounting and reporting systems (Henderson 2001).

Despite the theoretical objections, mounting empirical evidence shows that firms are increasingly supporting communities through social initiatives. For example, in the Western world there is a strong tradition of channelling community investment through donations to non-profit organisations and employee volunteer programs (BSR 2005). Yet the evidence also suggests that the drivers and practices of CSR differ considerably in the developing world. Authors such as Raynard & Forstater (2002), Utting (2003), and Fox (2004) have expressed concern over the contemporary CSR agenda, which they claim is too heavily focused on large enterprises in the West, caused by the high profile of transnational corporations (TNCs) that attract the attention of non-government organisations (NGOs), investors, and regulatory authorities. In contrast, small and medium-sized enterprises (SMEs) represent the mainstay of most economies and cumulatively have significant social and environmental effects.

Despite the apparently weak enabling environment of CSR in many developing countries and low levels of reporting, the growing empirical record suggests that domestic and transnational firms are increasingly engaged in CSR initiatives (Fox 2004; Prieto-Carron et al. 2006). However, there is a greater need for understanding how CSR values are shaping the behaviour of firms in the developing world, including how it is perceived and practiced in different institutional contexts (Aguilera et al. 2007; Jamali 2007; Perrini et al. 2007). As Lee (2008:69) points out, “each country has a distinct social structure, dominant issues, institutions and interests, shaped by its unique history and cultural tradition”. Hence, there is a greater need to understand how CSR, and community investment in particular, is managed within these social and cultural contexts.

3. Research Methodology

In this paper, *community investment* is defined as the voluntary transfer of resources to community stakeholders, which may include the provision of infrastructure, education, healthcare or other forms of financial or in-kind support intended for the short or long-term benefit of the community. Although differing in purpose to financial investment, community investment is nonetheless expected to produce a positive return (BCA 2007), and in this context, positive development outcomes for society.

The tourism industry was chosen because at the time of research it was Fiji’s largest industry in terms of contribution to Gross Domestic Product, export earnings and employment, and had not been studied in a CSR context. The results presented in this paper are based on in-depth interviews with the managers of 39 firms in Fiji’s tourism industry that had undertaken voluntary community investment. It is beyond the scope of this paper to fully examine why firms chose to undertake community investment, although this element was addressed as part of a larger study of CSR in Fiji. Instead, this paper focuses on three aspects of community investment decision-making and management. Firstly, it reports on how the selected firms managed expectations of support in the local communities in which they operated. Secondly it considers how managers decided on the type and level of support that the firm was prepared to offer, and thirdly, how these initiatives were implemented and managed.

A case study approach was adopted, consistent with other empirical studies of CSR in developing nations including Kemp (2001), Renard (2001), Shankleman & Selby (2001), Hamann (2002), Tyler & Tyler (2002), Spenceley & Seif (2003), Amaeshi et al. (2006), Jamali (2007), and Merwe & Wöcke’s (2007). All of the respondent firms operated in the accommodation segment of the tourism industry with the selection of firms based on four criteria (1) geographic distribution across Fiji’s main tourism regions (2) grade of accommodation (3) ownership characteristics, and (4) land tenure arrangements. Using a semi-structured questionnaire, each manager was questioned about their firm’s values,

strategies, capabilities, and practices with regard to CSR in general, and community investment in particular. Hence, the research sought to understand three dimensions of CSR decision-making – cognitive (what firms think), linguistic (what firms say), and conative (how firms behave) – with the purpose of better understanding CSR frameworks in a developing country context.

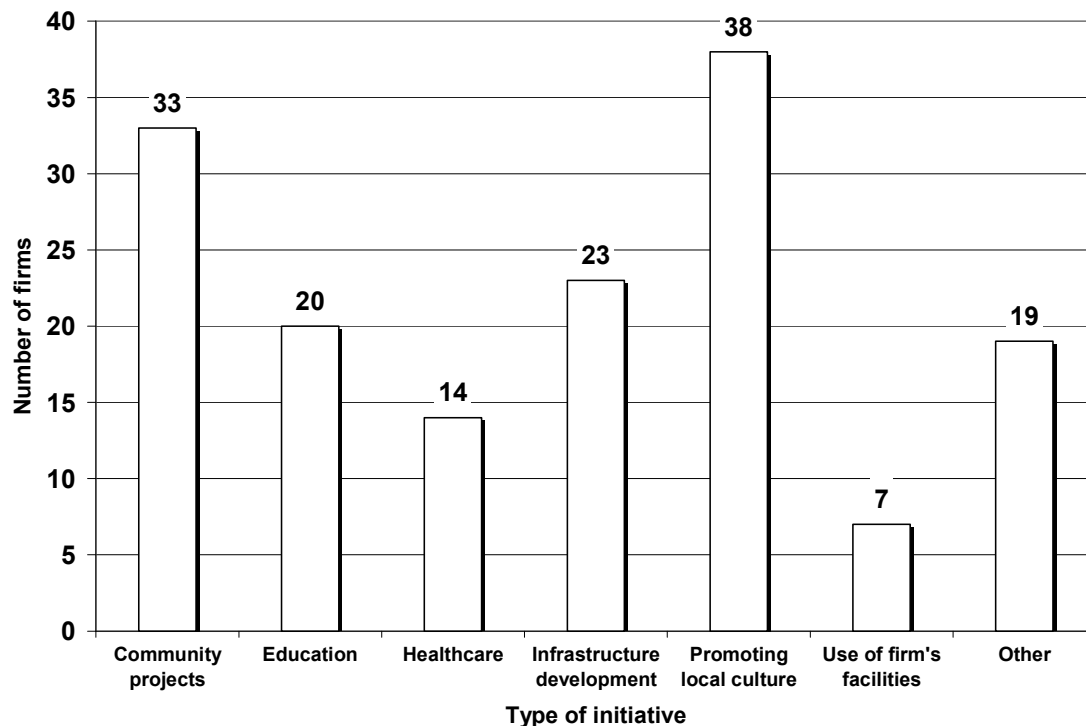
4. Discussion of Findings

4.1 The Nature and Extent of Community Investment Initiatives

Interviews with the 39 managers of the respondent firms revealed the importance of local communities to Fiji's tourism industry, although these values were rarely reflected in formal statements of corporate values or strategy. Although many firms had supported charities or other NGOs, voluntarily support mostly took the form of community investment initiatives in Fijian villages, which had well defined cultural and geographic margins. In most cases, villages in close proximity to the firm were being voluntarily supported as firms typically relied on these villages as a source of labour, fresh food, traditional skills, and cultural entertainment. In 26 of the 39 cases (67 percent), firms were subject to customary land tenure arrangements and were required to make monthly lease payments to the land-owning village. These were typically the same villages in which firms undertook community initiatives in excess of firms' legal obligations. Hence, "Land issues are a central part of Fijian life" (Levett & McNally 2003:26) as expectations around land use and tenure provide additional reasons for firms to engage with neighbouring communities.

For the above reasons, a strong interdependency between firms and their local communities was evident; a feature that characterizes the tourism industry on account of the importance of people and destination in the tourism product (Tosun & Timothy 2003). Hence, it can be argued that support for indigenous communities is perhaps more critical for tourism enterprises than for firms in many other industries, particularly in developing countries, given that indigenous culture itself forms a crucial element of the tourism product. In practice, community investment took various forms, which included direct outlays of funds, income forgone, services provided without charge, goods donated to host communities, and corporate volunteering. The annual value of voluntary support provided by the 39 respondent firms was estimated to exceed F\$1.3 million (approximately US\$790,000) in 2004. Although the level of support is likely to fluctuate from circumstances such as changing revenues, the frequency of community requests for assistance, and even the shifting CSR commitment of managerial staff, it nonetheless represents a significant injection of funds into the Fijian community. As Figure 1 shows, the type of support offered by the 39 respondent firms was necessarily diverse, reflecting the distinctive relationship that each firm had with its neighbouring villages.

Figure 1 Types of community initiatives undertaken



Source: Author, based on business questionnaire data

4.2 Managing Community Expectations

In Fiji the need to manage community expectations was particularly acute where tourism firms operated in rural regions and among poorer populations. Resorts in these areas are often highly visible and these regions are often poorly served in terms of infrastructure and other government-provided services. Consequently, the managers of these firms reported high expectations from local villagers that their resorts would contribute to village development and received more frequent requests for assistance than their urban counterparts. Some managers believed that local villages understood whether requests were 'reasonable', and would only approach the firm for financial assistance at agreed times. Other managers, however, related the difficulties of having many individuals arriving at the firm's premises to request support for their own rather than their village's needs. The number of requests was exacerbated by the perception that tourism businesses are wealthy entities and able to afford to meet all requests, which according to the respondents was a widely-held view in Fiji.

Owners or managers of indigenously-owned firms often encountered more frequent requests for assistance from village members. Some Fijian managers attributed this to the traditional Fijian custom of *Kerekere* (reciprocity) in which

goods, resources, or services, are solicited as a mechanism for creating material equality within traditional Fijian society. Although there are differing views about the custom of *Kerekere*, it is emblematic of the communal nature of Fijian society (Thomas 1992). This finding is consistent with the research of Berno & Douglas (1998), who noted that the strong Melanesian kinship system can be at odds with commercial objectives. They cite examples of small tourism enterprises that have been unable to earn a profit because of demands from their kinsmen. For their businesses to remain viable, some owners have had to distance themselves from their relatives, sometimes to the point of resulting hostility. However, other managers in the sample believed that *Kerekere* was less of an issue and instead stated that frequent requests from villages were a consequence of poverty and unmet needs.

To manage the type and frequency of requests, many of the larger firms had attempted to formalise their communication with neighbouring villages. This typically took one of two forms. Firstly, a village would be asked to nominate a representative who would submit all requests on behalf of the village to the firm's managers at an agreed time. The second method of communication, and one favoured by larger firms, was for the firm's management to meet regularly with village elders to discuss the village's requests for assistance. This conduit to the community had the added advantage of enabling the firm's managers to also present requests if the firm required cooperation from the village. Both means of community dialogue were an attempt to minimise frequent or ad hoc requests from villagers who often sought assistance for their own needs rather than those of their village. Formalising communication channels also enabled some managers to signal their preference for undertaking projects that address longer-term community needs.

4.3 Community Investment Decision-Making

This section reports on how managers made decisions about the type and level of community initiatives that they were willing to undertake. It also identifies whether managers were responding to needs identified by local villages or whether community investment decisions were determined by the preferences of the firm itself. This is an important theme in the CSR literature as socially responsible firms are said to adopt a consultative approach when determining the type of support offered to host communities (BITC 2003; BSR 2005). The results for the 39 firms that had undertaken community investment are summarised in Table 1 below. It shows that most managers (69 per cent) stated that community investment decisions were jointly decided between the firm and its host community. However, respondent managers also made it clear that although project ideas were typically initiated by the village, the firm retained the final authority on which initiatives would be supported and at what level of financial and operational commitment. Some firms had made provision for voluntary community investment in their annual budgets while others had established

criteria on the whether the proposed initiative met the firm's priorities, interests, or capacity for support.

Table 1 How community investment decisions are determined

Basis of the decision	Number of firms	Percentage
Firm initiated support	4	10%
Community-initiated request	8	21%
Joint firm and community decision	27	69%
Employee-initiated request	0	0%
Total	39	100%

Source: Author, based on business questionnaire data

The criteria for community investment decisions varied significantly between firms. For example, some managers aimed to undertake one major project in the village each year while others supported several projects provided the firm had sufficient cash reserves and the manager considered the initiative to be worthwhile. Fijian-owned firms were more likely to respond to ad hoc requests for consumable items such as food, fuel for boats, and services such as free passage on firm-owned vessels. In general, smaller firms had less capacity to undertake more enduring forms of community initiatives and consequently some were relatively passive in their interactions with local villages. In contrast, firms with owners or managers who took an active interest in improving community welfare were more likely to both initiate community investment projects and respond positively to community requests. A defining characteristic of these firms was their interest in undertaking longer-term activities that benefited the village collectively rather than meeting individual requests for immediate needs. Larger, foreign-owned firms typically preferred to support longer-term infrastructure projects or education and most adhered to a policy of not providing cash to individuals. This result is consistent with other findings that suggest corporate community programs are increasingly being connected to the firm's core values and competencies (Hess et al., 2002; BCA 2007).

4.4 Managing Community Investment Initiatives

The respondents were also questioned about how longer-term projects were managed once the firm had decided to proceed. Data were collected on three aspects: firstly, on the extent to which firms measured and monitored project outcomes, secondly, whether results were publicly reported, and thirdly, whether initiatives placed an operational or financial burden on the firm. The results revealed a surprising lack of monitoring and measurement of community initiatives in contrast with the processes normally undertaken for private investment. While there was often considerable consultation and communication prior to undertaking a community project, monitoring of results after

implementation was less common or systematic. Twenty two managers (56 per cent) reported not undertaking any follow-up of the outcomes of their firm's community investment. The most commonly cited reason was the perception that a trust relationship existed between the firm and the village being assisted. Most managers entrusted village elders to effectively use the donated resources for the village's benefit. It was noted that managers of Fijian-owned enterprises were the most inclined to entrust project resources to the village elders, which reflected their strong kinship associations with these villages and deference to village hierarchy. However, expatriate managers of foreign-owned firms also expressed a reluctance to interfere with traditional village decision-making and governance.

The results also showed that firm size was a likely determinant of whether community investment would be monitored. Twelve of the 22 firms that did not monitor outcomes were categorised as small, having fewer than 50 rooms, and many of which were backpacker establishments. Consequently, these firms had fewer staff and managers who often assumed multiple roles in the business, and therefore had less capacity to effectively manage their interactions with local villages. This was particularly the case for longer-term projects or those that required on-going interaction with the community.

The remaining 17 managers (44 per cent) that reported at least some level of project monitoring revealed a reliance on informal processes of accountability. Some managers chose to periodically visit the village to assess needs and ensure projects were being completed as agreed. Larger firms sometimes assigned this responsibility to staff in the Human Resources Department, who would then inform the General Manager on progress. Among the various types of community investment, educational scholarships tended to elicit more formal accountability with several firms requiring an acquittal that funds had been used for their intended purpose. The data also revealed that higher levels of accountability and feedback were expected of villages when the amounts provided were significant, which usually included regular site visits, verbal reports from elders, and evidence of funds spent.

Despite high village expectations, 32 of the 39 managers (82 per cent) reported that community initiatives had not adversely affected their firms operationally or financially. A number of factors were identified that explain the apparent low level of managerial burden. Firstly, as previously mentioned, most firms imposed strict managerial control over the amount and type of financial support and the level of time devoted to community activities. Secondly, nearly 60 per cent of firms reported spending less than F\$10,000 annually on community investment initiatives and as such the associated managerial burden was minor compared with other operational activities. A third reason is explained by the firm's location. Eight of the 39 firms (21 per cent) were based in the urban areas of Nadi or Lautoka and reported receiving fewer requests for assistance from local villages. Consequently, urban-based enterprises spent on average five times less on community initiatives than their remotely-based counterparts, the latter being in

closer geographic proximity to local villages. A fourth reason concerns the reluctance of managers to monitor projects once commenced, as discussed earlier.

Finally, the research revealed that managers were reluctant to publicly report community investment initiatives with 31 of the 39 firms (79 per cent) choosing not to publicly report or even advertise their firm's initiatives. Most managers believed that community initiatives had little value for marketing purposes, with criteria such as price, location, and amenities being more critical in influencing tourist choices. Furthermore, advertising was considered to be culturally inappropriate in the Fijian context when the needs of society are significantly greater than individual firms are capable of addressing.

Nonetheless, seven of the 39 managers reported some level of financial or operational burden associated with undertaking community investment. Operational burden typically took the form of time spent by senior staff consulting and liaising with local villages and was most likely to be reported by firms that had undertaken significant levels of investment. These consultations were either in response to requests for community assistance or to seek the village's approval for the firm's planned activities. For example, one General Manager estimated that as much as 50 per cent of his time was spent dealing with financial requests from several villages from which the firm required co-operation for tours and island access. Although he believed this time commitment placed an operational burden on the firm, he viewed it as 'insurance' and necessary for the firm's continued operations. In contrast, another General Manager estimated that 30 per cent of his time was spent dealing with community issues but as a larger firm and with more managerial staff, was better equipped to make this level of commitment.

Financial burden was most commonly reported by managers of either small enterprises (fewer than 50 rooms) and/or those that operated in remote island locations. Four of these firms were Fijian-owned, and as stated earlier, encountered the cultural obligations to support the village of which the owner was typically a member. Another manager commented that in previous years support for villages had been a financial burden, but this had lessened since the emergence of newer resorts. Villagers had begun to approach other resorts for financial assistance and hence the burden of community investment was now shared among enterprises.

5. Conclusion

This paper has examined how 39 tourism enterprises in Fiji deal with high community expectations and the processes of managing voluntary community initiatives. The research adds to the descriptive theory of how CSR is managed in a developing country context, and reveals the importance of cultural and institutional factors in community investment decision-making, consistent with empirical research from other regions (Amaeshi et al., 2006; Merwe & Wöcke,

2007; Jamali, 2007). Furthermore, it adds to the growing number of developing country case studies by focusing on a Pacific Island nation, in a region that has been largely absent from empirical CSR research. In the Fijian context, voluntary community investment was frequently motivated by landowner expectations, dependency on local villages for the supply of inputs, and customary traditions that connect a business to indigenous communities in ways that are largely absent in Western nations.

Moreover, the evidence from Fiji's tourism industry does not support the theoretical claims that CSR imposes an unrealistic managerial burden (Henderson, 2001). The results showed that despite the apparent managerial demands of undertaking voluntary community investment, most firms had developed strategies for managing village expectations, communication and initiatives. However, managerial burden was reported by the more CSR-committed managers and those that felt compelled to satisfy cultural obligations. These managers tended to engage in more frequent dialogue with local villages and the larger firms were more willing to undertake initiatives that met a village's longer-term needs. They were also more likely to monitor project progress and outcomes, but were generally reluctant to publicly report or advertise the firm's social commitment. Yet in spite of these challenges most managers were able to align their community investment initiatives with their firm's resource capacity and managerial competency to ensure that business viability was not undermined.

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