The Effects of CSR in Corporate Reputation and Customer Satisfaction in Hospitality Industry in Ionian Islands

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Abstract:

Background: Ionian Islands are a group of islands in Greece and more specifically in the Ionian Sea. The region is a popular tourist destination worldwide. Corporate social responsibility is a self-regulating business model that helps a company be socially accountable, to itself, its stakeholders, and the public. There is a lot of empirical evidence in the literature about the positive effect of CSR activities on perceived corporate reputation, customer satisfaction and word of mouth. Diversely there is the need for more practical and quantitative evidence to link the perception of CSR activities in different segments of the population. This study investigates the correlation between the Corporate Social Responsibilities practices, the customer satisfaction and the corporate reputation in Hospitality industry in Greece. It will also examine the possibility of the CSR practices to affect the word-of-mouth by the customers. In order to accomplish this goal and based to the recent literature review, four hypotheses are presented.

Materials and Methods: This study included 583 participants who have visited at least for one overnight 4 and five stars hotels located in Ionian Islands. All participants completed a questionnaire consisted of 5 units CSR practices of the hotel, corporate reputation of the hotel, customer satisfaction the word-of-mouth by the customers. In order to accomplish this goal and based to the recent literature review, four hypotheses are presented. Research data collection started at the end of June 2019 and lasted until the end of August 2019. Descriptive statistics and inferential statistics have been used for this research including Confirmatory Factor Analysis.

Results: The results have shown strong, positive correlation between CSR and the corporate reputation, customer satisfaction and word-of-mouth. Furthermore results showed that the conceptual model has good explanatory power.

Conclusion: The present findings indicate that CSR practices could be one of the ways organizations try to find innovative and efficient ways to increase customer satisfaction and commitment.

Key Words: Corporate Social Responsibility; Customer Satisfaction; Corporate Reputation; Ionian Islands; Confirmatory Factor Analysis.

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I. Introduction

The Ionian Islands are a group of islands in Greece and more specifically in the Ionian Sea. They are traditionally called the Heptanese ("Seven Islands"), but the group includes many smaller islands as well as the seven principal ones (Corfu, Paxoi, Lefkas, Ithaka, Kefalonia, Zante and Kythera). The region is a popular tourist destination worldwide. The airports of Corfu, Zante and Kefalonia were in the top ten in Greece by number of international arrivals, with 1,386,289 international arrivals for 2012, with Corfu being the sixth airport by number of arrivals nationwide, with Zante and Cephalonia also being in the top ten. While Kefalonia Airport had the biggest increase nationwide by 13.11% compared to 2011, while Corfu had an increase of 6.31%.[1,2] The regional Gross Domestic Product for 2010 was 4,029 million euros. The GDP per capita for the same year was 18,440 euros per capita which was lower than the national median of 20,481. However, the GDP per capita of Kefalonia and Zante, 23,275 and 24,616 respectively, was much higher than the national figure. Additionally, unemployment for 2012 was 14.7, the lowest among all Greek regions, and much lower compared to the national unemployment of 24.2[3].

Organizations all over the world are driving into the road of Corporate Social Responsibility (CSR) activities by the global social and economic circumstances. The benefits perceived by the stakeholders are great and this leads to the enrichment of the brand image of the business. Adopting CSR practices means that the organization behaves as a responsible citizen[4]. For example, the customers that are very sensitive to CSR practices will probably be closer to businesses with socially responsible profile. As a result, the CSR activities have a highly important impact to the profits and to the overall value of an organization[5].

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Corporate social responsibility is a self-regulating business model that helps a company be socially accountable, to itself, its stakeholders, and the public. By practicing corporate social responsibility, also called corporate citizenship, companies can be conscious of the kind of impact they are having on all aspects of society including economic, social, and environmental. To engage in CSR means that, in the normal course of business, a company is operating in ways that enhances society and the environment, instead of contributing negatively to them.

Recent research has shown the effects of CSR to consumers’ behaviour. However, the qualitative studies have not provided the mechanism behind the change of the actions of the customers. It is a commonplace and be proved that a long-term life for a business is highly connected with the public interest. In other words, if an organization cares about its social, ecologic and economic footprint, it may be active for much more years than another who does not adopt CSR practices. Many researches underline the necessity to explore and understand the process that drives the customers to select a business to buy its products or its services, in order to maximize the benefits from CSR practices.

The organizations from many industries have examined the characteristics that lead consumers to respond positive or negative to CSR practices. It is well-known that there are not enough evidences in order to conclude to a global standard. Some researches in the past have shown a slight correlation between the age of customers and their reaction to CSR. Unfortunately, the majority of these researches is exploratory and cannot give sufficient data to link the consumers’ demographics with the CSR perspective. This contrast to the increasing interest of how CSR practices is considered by customers globally. So, it can be easily understood that there is the need for more practical and quantitative evidence to link the perception of CSR activities in different segments of the population. Moreover, most studies in CSR practices took place in developed economies and not in developing countries. In our case, Greece is considered by United Nations as a developed country.

The aim of this research is to fill the gap in Ionian Islands tourist economy by examining the impact of CSR practices on consumers’ behaviour and perspective. These factors are tightly connected to the social and economic performance of business. In the last 5 years, Greece has suffered by the economic crisis. However, Tourism and Hospitality industry had a major role to support the Greek economy. Many experts agree that hotels in Greece should focus on a more sustainable operation, in order to differentiate their services. In addition, they agree that Greece should not consider yet as a sustainable tourism destination. The reason to that is the lack of long-term strategy and action plans from the Greek governments. Another aspect and a margin of improvement is the ecologic transform of Greek hotels. They can move to a green way of operation, in order to low the cost, increase the profitability and attract different and unknown until now segments of customers. However, the results of the last few years are encouraging. The 5% of Greek hotels are certified by Global Sustainable Tourism Council. For the fulfilment of this purpose four hypothesis have risen.

More than 20 years after the adoption of a universal definition of sustainable development (SD), this concept as well as that of Corporate Social Responsibility are still unclear to a large number of individuals. Although distinct, these two concepts are inseparable. The first refers to a macro-societal and macro-economic project that targets the social and individual welfare of the world’s population, which is a project that challenges business brands. The second concept, CSR, corresponds to the brands’ strategic and operational answer to this project.

Sustainable development is defined by the World Commission on Environment and Development as “a kind of development that meets the needs of the present population without compromising the ability of future generations to meet their own needs”. It is based on the principles of intergenerational solidarity, equity, ethics and precaution, promotes responsibility for the actions of each, to avoid risks to others and to the community, and requires a review of organizational values and beliefs of individual members.

Since Carroll in 1979 conceptualized corporate social responsibility (CSR) under four dimensions, namely economic, ethical, legal and philanthropic, CSR has been viewed from diverse perspectives, notably instrumental, normative and managerial. Given this concept’s breadth and complexity, it has given rise to a multiplicity of viewpoints and led to debates that leave a certain ambiguity as to its definition and its operationalization. For example, the World Business Council for Sustainable Development defines CSR, with a corporate perspective, as “the commitment of an organization to contribute to sustainable economic development by working with employees, their families, the local community and the society at large to improve their quality of life”. The economic and social dimensions are explicit, but this definition does not mention the brand’s responsibility to protect the natural environment.

From a social perspective, CSR is in the form of a social contract between the organization and the society in which it operates, and whose aim is to integrate the interests of all stakeholders. The European Commission provides a broad and multidimensional definition that is more relevant to the specific environment in which the brand evolves in interdependence with society and takes all stakeholders into account. This definition of CSR begins with “the responsibility of enterprises for their impacts on society”, followed by the
“respect for applicable legislation, and for collective agreements between social partners, enterprises should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders”17. The brand’s purpose is seen here as maximizing the creation of shared value for its owners/shareholders, for other stakeholders and society at large, and preventing, identifying and mitigating the negative impacts of its business operations.

In the “stakeholder approach” to strategic management, a stakeholder is defined as “an individual or group of individuals who can affect or be affected by the achievement of organizational objectives”18. The emphasis on stakeholders comes from their different interests, sometimes conflicting, and the power they can exert on the organization. Therefore, to prevent the negative impacts of stakeholders on the organization and encourage their cooperation, managers must identify and acknowledge the concerns that drive them. Such stakeholders can be classified as (a) organizational (most notably customers, employees, suppliers), (b) community (e.g. local residents, special interest groups), (c) regulatory (e.g. municipalities, regulatory systems) and (d) media. 19

In order to render actionable, the two concepts of SD and CSR in the tourism industry, the principles of sustainable development underlie the operationalization of corporate social responsibility. The first set of principles emerged in 199120 and was enhanced by a recent partnership between the United Nations Environment Program, the Rainforest Alliance and the World Tourism Organization that has enabled the development and universal acceptance of Global Sustainable Tourism Criteria21. These criteria are grouped under four main principles: to demonstrate effective sustainable management, maximize social and economic benefits to the local community and minimize negative impacts, maximize benefits to cultural heritage and minimize negative impacts, maximize benefits to the environment and minimize negative impacts. Guidelines emanating from these principles help managers in adopting and implementing a SD orientation, and especially in choosing the appropriate eco-certification program. These guidelines also help customers to recognize sustainable development practices. 22

It is rather in terms of responsible tourism, eco-tourism and best practices that sustainable development is thought of in the tourism industry, whereas corporate social responsibility is thought of more in terms of sponsorship or philanthropy. More specifically, in an industry that is energy-intensive, consumes natural resources and generates waste in great quantities such as the hospitality industry, certain environment-friendly initiatives have been adopted under pressure from environmentalists and from the general public. 23 Moreover, the trend toward saving energy stimulated the adoption of practices meant to reduce the consumption of fossil fuels and water. Thus, appeared hotel certification programs spurred by travellers, environmental organizations and by the hospitality industry itself, and also by developing countries wary of losing tourist-generated revenues.24 These programs outline the environmentally responsible practices to be adopted by hotel management and provide ways of diffusing these practices.

Some researchers have shown that CSR has positive effect to an organization’s corporate reputation. The behaviour of a responsible citizen by the brand is perceived and is evaluated agreeably from the public and the potential customers.25 The corporate reputation of each company is reflected on public opinion. This is very important for the brand, in order to maintain a strong reputation and to fulfil the expectations of its stakeholders. 26 Furthermore, an organization with active CSR practices can build and maintain a significant relationship with the customers and achieving good corporate reputation in the same time. 27 There is a lot of empirical evidence in the literature about the positive effect of CSR activities on perceived corporate reputation. Some of them imply if a brand is complied with all the prequisites of what is considered to be social and economic sustainable, the corporate reputation is increased.28 Also, the most common CSR practices, such as actions for the environment or charity actions by an organization, can act indirectly with a positive role via customer trust. As a result, it was hypothesized that CSR has a positive effect to the corporate reputation (H1).

The term of “generalized customers” is introduced to describe the customers of a kind and the present and future stakeholders. The studies have shown that these generalized customers are more likely to be pleased with companies using CSR practices.29 An enrich activity of social responsibility will lead customers to evaluate positively the brand. As a result, this will increase their customer satisfaction to this brand. A recent research from the banking industry shows the correlation between customer satisfaction and social CSR activities.30 Therefore, it was hypothesized that CSR has a positive effect to customer satisfaction (H2).

Today, the role of social media in every company’s awareness is crucial. The term word-of-mouth means a way of spreading information which utilizes components of viral marketing, though unlike viral marketing, it spreads by more natural channels. The main characteristic of word-of-mouth is that is a free type of advertisement. The channels are used more often are the social media, when we have the new term “word-of-mouse”. It shares common forms of viral marketing. Few researches have dealt with the direct correlation between CSR practices and the word-of-mouth. However, we have strong signs that the customer satisfaction is connected with the word-of-mouth.31 This leads us to hypothesise that CSR has a positive effect to word-of-mouth (H3).
The needs of the customers may be fulfilled or not during the provider of services. The overall experience, however, is the key point to elaborate if the service was satisfying. It is already known that the customer satisfaction is crucial as it concerns a strong and lasting relationship between the brand and the customer. The increased levels of corporate reputation lead to increased levels of customer satisfaction. It is very important for an organization to create and maintain a good reputation for its stakeholders. In the customers’ mind this is synonym to high quality and reliability. So, we hypothesized that corporate reputation has a positive effect to customer satisfaction (H4). The conceptual framework is described in figure 1.

![Figure 1](image_url)

**Figure 1.** The conceptual framework

## II. Material And Methods

### Participants

This study included 583 participants who have visited at least for one overnight at 4 and five stars hotels located in Corfu, Paxoi, Lefkas, Ithaka, Kefalonia, Zante and Kythera and have answered this research questionnaire.

### Questionnaire

The questionnaire consisted of 5 units. The first was about the CSR practices of the hotel and at what level the guests thought the hotel concerned CSR activities. There were 4 questions in this unit, all 5-scale, from strongly disagree (1) to strongly agree (5). The second unit of the questionnaire explored the corporate reputation of the hotel. In this section, there were 3 5-scale questions, again from strongly disagree (1) to strongly agree (5). The third unit refers to customer satisfaction and it was also constructed by 3 5-scale questions. The fourth section concerned the word-of-mouth of the hotel. Again there were 3 5-scale questions, from strongly disagree (1) to strongly agree (5). The fifth and last unit included the demographics, more particularly the age and the gender. The questionnaire introduced both in English and Greek.

The measure of CSR, which captures the many facets of environmental, social, economic, and stakeholders' corporate social responsibility, was adapted from Lichtenstein et al. (2004) and Walsh and Bartikowski (2013). We adopted Weiss et al.’s (1999) scale to measure consumers’ perception of a brand’s reputation. Customer satisfaction was measured using a three-item scale developed by Maxham and Netemeyer (2002). Behavioural responses included loyalty intentions and word-of-mouth, each measured by three items, adapted from Arnold and Reynolds (2003), and Maxham and Netemeyer (2002).

### Procedure

The procedure of this research was held at two levels. First, the mechanisms in which CSR practices affect the customers’ behaviour have been examined. More particularly, the customer satisfaction, the corporate reputation of the brand image and the word-of-mouth are the elements, to which we had to deal with. Secondly, this study attempted to provide evidence about the perspective of tourists of CSR activities. Seven hundred questionnaires have been distributed to the receptions of 4 and five stars hotels located in Corfu, Paxoi, Lefkas, Ithaka, Kefalonia, Zante and Kythera at the end of June 2019. By the end of August 2019, 583 questionnaires completely filled had been collected.

### Data processing and statistical analyses

Descriptive statistics and inferential statistics have been used for this research. For the descriptive statistics means, standard deviations and percentages have been used. In order to test our hypotheses, inferential statistics have been used including correlations and Confirmatory Factor Analysis (CFA). All data processing and analyses performed using SPSS v26.0. Furthermore IBM SPSS Amos v.26.0 has been used for the Confirmatory Factor Analysis.
III. Results

The survey respondents were equally distributed to gender. 57.9% (n=338) of our sample were men and the rest 42.1% (n=245) were women (Table 1). Almost the 1/3 (27.8%) of the participants were Greek tourists and the 2/3 (72.2%) were foreign tourists (Table 2).

<table>
<thead>
<tr>
<th>Table 1. Participants gender</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>Male</td>
<td>311</td>
<td>57.9</td>
</tr>
<tr>
<td>Female</td>
<td>227</td>
<td>42.1</td>
</tr>
<tr>
<td>Total</td>
<td>538</td>
<td>100.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Table 2. Participants nationality</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greek</td>
<td>150</td>
<td>27.8</td>
</tr>
<tr>
<td>Foreign</td>
<td>388</td>
<td>72.2</td>
</tr>
<tr>
<td>Total</td>
<td>538</td>
<td>100</td>
</tr>
</tbody>
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As regards the reliability, validity, and fit indices of the measurement model, the fit indices suggested that the data fit the measurement model well, with χ²/df, RMR, and RMSEA being 2.39, .03, and .06, respectively. GFI, AGFI, NFI, RFI, IFI, TLI, and CFI are all close to or greater than .9, indicating reasonably good model fit. The composite reliabilities of the variables ranged from .82 to .93, all above the .70 threshold. Convergent validity is satisfied if the average variance extracted (AVE) is higher than .50, and the loading is statistically significant and larger than .40. The AVEs were between .62 and .82; the standardized loadings ranged from .75 to .97, all significant at the .001 level. These indices indicate good convergent validity of the variables.

We assessed discriminant validity by comparing the AVE of each construct with shared variances between this construct and all the other constructs. According to Chin and Marcoulides(1998), discriminant validity is satisfied when AVE exceeds the .50 threshold, and the squared correlation coefficient among latent constructs is lower than AVE38.

Concerning the structural model, according to Cohen (1988), R² values of .01, .09, and .25 can be used as thresholds to demonstrate various levels of predictive power. Our model explains 39%, 69%, 41%, 49% and 63% of the variances of corporate reputation, customer satisfaction and word-of-mouth, respectively. Explained variances of all endogenous variables were greater than .25, suggesting that the effects of exogenous variables on the endogenous variables were largely captured by the model. In sum, the model has good explanatory power.

Once the measurement scales were validated, we conducted subsequent structural equation modelling (SEM) analyses to test the proposed conceptual model. The fit indices of the structural model suggest that the overall fit of the model is acceptable (χ²/df =2.44, RMR=.03, RMSEA=.06, GFI=.92, AGFI=.90, NFI=.95, RFI=.94, IFI=.97, TLI=.96, CFI=.97). CSR positively affected corporate reputation (β=.63, p < .001), customer satisfaction (β=.56, p < .001) and word-of-mouth (β=.56, p < .001). Therefore, H1, H2 and H3 are supported. The effects of perceived reputation on customer satisfaction (β=.56, p<.001) were also significant, lending support to H4 (Figure 2).
The Effects of CSR in Corporate Reputation and Customer Satisfaction

This study aimed to explain the mechanism behind the purchasing decision of guests and the CSR practices of a hotel. There were plenty of researches in the past that indicate a significant role to the positive impact of CSR practices, but there were only a few that investigated the specific aspects of these practices. A possible explanation is provided by this study to the direction of the mechanism and the process of how CSR practices are connected with the corporate reputation, the customer satisfaction and the word-of-mouth. The results have shown that CSR has a positive effect to the corporate reputation, so the hypothesis 1 is confirmed. We can also assume from the results that CSR practices help a hotel organization to build and maintain a strong relationship with its guests, since the customer satisfaction scores high levels. In addition, hotel brands which score low in CSR index, present weak corporate reputation and thus, low customer satisfaction and word-of-mouth dynamic.

Many researches have indicated the important role of corporate reputation, in order to predict the customers’ behaviour to the brand. It is used to send signals to the market, especially in hospitality industry. The organizations that seem to be reliable, with strong corporate image and reputation, are more attractive to potential customers, who are willing to connect with the brand for a long period of time. Especially in the hospitality industry, due to its characteristics, such as intangibility, the overall experience and others, the significance of corporate reputation is very high. Our study has shown the strong bond between CSR practices and the corporate reputation.

As far as the demographics, we did not observe significant differentiations. It seems that the perception of CSR practices is running horizontally all ages and the genders. A possible explanation of this might be the establishment of CSR practices, as a crucial and necessary part of a brand. Many researches have shown the belief of the customers that CSR practices are considered not only an asset, but something that the operation of a business must start with.

The tourism industry of Greece contributes up to 20% of the overall GDP. In 2018, more than 30 million people have visited Greece for leisure or business. This leads to a very high level of competition between the hospitality brands in the country. Hotel managers must offer a strong competitive advantage to their customers. Based on the results of this research, we believe that CSR practices can play this role to the future. CSR can help a hotel to build a strong corporate reputation, which will lead to a stronger customer satisfaction and word-of-mouth. The investment to CSR practices can be the crucial factor of a hotel, in order to differentiate itself and climb to the preferences of the guests. In addition, hotels should communicate more their CSR practices to attract the interest of their stakeholders, such as employees, customers, shareholders and the public.

Hotel managers should develop a variety of strategies of reputation management and corporate reputation. They should identify specific objectives, communicate them to the stakeholders, and accomplish the necessary activities for this purpose.

Figure 2. Diagram of the tested conceptual model
As regards customer satisfaction concerns, there are tools, predominantly CRM tools (customer relationship management). It is well known nowadays that a long-term relationship with the customers can lead to high customer loyalty and positive word-of-mouth.

V. Conclusion

This paper represents an effort to figure out the effects of CSR on corporate reputation and customer satisfaction mainly in the hospitality industry in Ionian Islands. All organizations try to find innovative and efficient ways to increase customer satisfaction and commitment. This research shows that CSR practices could be one of these ways. The disclosure and publication of CSR practices is the first and more important step to build and maintain high customer satisfaction scores.

References


