

**“Should CSR be adopted for Sustainable Value Creation?
- A CSR-integrated Strategy Formulation Exercise for a
Small Hong Kong Travel Business”**

by

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Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Abstract

Being perceived as the world's largest industry by the World Travel and Tourism Council (WTTC), tourism, on the one hand, brings with it tangible economic benefits to destination markets, while, on the other hand, creating sustainability challenges that exert unsustainable pressures on the collective human race's well-being, as well as its social systems. According to (Goodwin 2011), the phrase "tragedy of the commons" frequently appears in tourism literature and refers to the overuse, or misuse, of the world's natural resources by inconsiderate individuals or corporations.

Since Villa-H.K have been operating in such an industry for a decade and the Maldives has long been their major destination market, they are invariably the focal point for scrutiny and ever-increasing stakeholders' expectations. In addition, the rapid growth of the Chinese economy and low entry-barrier means that the outbound travel marketplace will inevitably become more competitive in future - meaning that a holistic strategy that enables the travel business in question to leverage on their resources and capabilities to create and sustain their competitive advantage (CA) is highly desirable for long-term success.

This management dissertation takes readers through from the big picture of global issues to stakeholder engagement and from firm-level analysis to corporate-level strategy formulation. As such, readers will be more able to get a better understanding of the sustainability challenge facing the travel industry, as well as both the risks and opportunities presented to small-and-medium-sized enterprises (SMEs) in the Hong Kong travel industry. Most importantly, through a real-world case study readers are illuminated as to some of the problems facing today's outbound travel agencies and provided a theoretical framework informing how a travel business can be transformed from "traditional SME" to "future-focused" sustainable business. A new value system will consequently be introduced in the hope to increase stakeholder value and maximise wealth creation.

Moreover, this research also highlights that doing business in a socially-responsible way is a must nowadays; however, the author believes the degree in which "doing good by doing well" largely subjects to availability of resources and capabilities. There is no one-size-fits-all solution. Based on Villa-H.K's humble resources, some corporate social opportunities (CSOs) are identified and proposed in the CSR-integrated strategy formulation process after stakeholders are gathered. Last but not least, a well-defined CSR-integrated strategy must also come along with contingency measures that serve to mitigate risk and diversify investment, particularly for a travel business.

Key words: SME, CSR, Corporate Social Opportunities (CSOs), Stakeholder Engagement, Sustainable Strategic Management (SSM), SD (SD), triple-bottom-line (TBL)

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Table of Contents	
Abstract	2
Dedication	8
Acknowledgements	9
Cape Town Declaration	10
Institute for SD Statement	11
List of Tables	12
List of Figures	13
Groundwork	14
Important Research Concepts	15-16
Concepts of Key Terms/Phrases	17-19
Acronym	20
Chapter One: Introduction	21
1.1 The Big Picture of Global Challenges	21-22
1.2 The Global Tourism Industry	22
1.3 The Hong Kong Outbound Travel Industry	22-23
1.4 Risks & Opportunities for Hong Kong SME Outbound Travel Agents	23
1.5 Firm's Sustainability Concept	23-24
1.6 Sustainable Value Creation	25
1.7 Problem Statement	26
1.8 Research Objectives	26-27
1.9 Research Propositions	27-28
1.10 Research Methodology	29
1.11 Rationale of Study	30-31
Chapter Two: Literature Review	32
2.1 Concepts of CSR	32-33
2.2 Capabilities of CSR	33-34
2.3 CSR & Firm Size and Travel Industry	35-36
2.4 CSR as Integral Part of Overall Strategy	36-37
Chapter Three: Theoretical Framework	38-40
Chapter Four: Case Study	41
4.1 Company History	41
4.2 Company Structure	41
4.3 Company's Role	42
4.4 History of success	42
4.5 Celebrating Success	42
4.6 Management Performance	43
4.6.1 Performance/Earnings	43

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

4.6.1.1 Operating Profit Margin (OPM)	43
4.6.1.2 Net Profit Margin (NPM)	44
4.6.1.3 Return on Capital Employed (ROCE)	44
4.6.1.4 Return on Asset (ROA)	44
4.6.2 Risk & Solvency	45
4.6.3 Cash Flow Statement	45
4.6.4 Z-Score	45
4.7 Work Functions	46
4.7.1 Accounting Work-stream	46-47
4.7.2 Operations (Sales & Ticketing) Work-stream	47-48
4.7.2.1 Business Process Flow	49
4.7.3 Marketing Work-stream	50
4.7.4 Human Resources Work-stream	50
4.8 Villa-H.K's Role in Tourism Supply Chain (TSC)	50-51
4.9 Product Portfolio	52
4.10 Customer Demographics	52
4.11 Customers by Originating Cities	53
4.12 Visiting Purpose	53
4.13 Travel Products/Services by Type	54
4.14 SWOT Analysis	54-55
4.15 STEEPLE Analysis	56-58
4.16 Villa-H.K's Resources	59
4.17 Villa-H.K's Competitive Advantage	60
4.17.1 Strong Brand Name	60
4.17.2 Capturing Rapid Economic Growth	60
4.17.3 "Human-touch" Customer Services	60
4.17.4 Excellent Relationship with Airlines	60-61
4.17.5 Excellent Working Relationships with Hoteliers & Land Operators	61
4.17.6 Promising Business	61-62
4.17.7 Cash Flow Managed in Prudent Commercial Manner	62
4.17.8 Wide Range of Excursion or Water-sports Activities	62
4.18 Finding New Ways to Sustain Villa-H.K's CA	62
Chapter Five: Data Analysis	62
5.1 Emerging Issues	64
5.1.1 In-house Operational Issues Raised by Villa-H.K Staff	64
5.1.1.1 Accounting	64
5.1.1.2 Operations (Sales & Ticketing)	64
5.1.1.3 Marketing	64

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

5.1.1.4 Human Resources	65
5.1.2 Issues Raised by Customers	65
5.1.2.1 Service Quality	65
5.1.2.2 Ethics	65
5.1.3 Issues Raised by Service Suppliers	65
5.1.3.1 Service Delivery	65
5.1.3.2 Ethics	66
5.1.4 Issues Raised by Environmental NGO	66
5.1.4.1 Environmental Aspect	66
5.1.4.2 Social Aspect	66
5.2 Tourists' Perception on Sustainability and Expectations on Travel Businesses	67-68
Chapter Six: Discussion	70
6.0 Misalignment with Villa Group's Value	70
6.1 Absence of Core Value	70
6.1.1 Wholeness & Posterity	71
6.1.2 Community & Environment	71
6.1.3 Resource Utilisation	71
6.1.4 Workplace Diversity	71
6.1.5 Quality of Products/Services	71
6.1.6 Spiritual Fulfilment	72
6.1.7 Stakeholder Dialogue	72
6.2 Uncleared Vision, Mission & Business Objectives	72
6.3 Low Stakeholder Awareness	72
6.4 Organisational Culture Reveals Low-level of Trust	73
6.5 Organisational Culture Reveals Low-level of Environmental Awareness	73
6.6 Organisational Culture Not Encourage Creativity and Learning	73
6.7 Reluctant to Change	74
6.8 Resources Wasted on Non Value-Added Activities	74
6.9 Heavy Reliance on B2B Segment	75
6.10 Overlooked Business Opportunities Offered by B2C segment	75
6.11 Insensitivity to Potential Threat	75
6.12 Unethical PRC Tour-escorts Damaging Villa-H.K's Reputation	76
Chapter Seven: Recommendations	78
7.1 Further Resources Needed for Pursuing Excellence	78
7.2 Fulfilling Tourism-specific Ethical Responsibility	79
7.2.1 Building Ethical Culture	79-80
7.2.2 Travel Business Specific Ethics Management	80
7.2.2.1 Collusion Between PRC Tour-escorts & Foreign Land Operators	81

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

7.2.2.2 Supervision of Tour-escorts	81
7.2.3 Diving & Environmental Ethics	82
7.3 Integrating Sustainability into Villa-H.K's Business Practices	82
7.3.1 Step 1 – Setting New Values	82-83
7.3.2 Step 2 – Translating CSR into Villa-H.K's Business Principles	84
7.3.3 Step 3 - Scoping	84
7.3.3.1 Economic Responsibilities	84
7.3.3.2 Legal Responsibilities	85
7.3.3.3 Ethical Responsibilities	85
7.3.3.4 Philanthropic Responsibilities	85
7.3.4.a Transition from 'Theory' to 'Practice'	86
7.3.4 Step 4 - Identifying Corporate Social Opportunities (CSOs)	87
7.3.4.1 Translating Stakeholders' Needs to Business Opportunities	87
7.3.4.1.1 CSO1: Medical Volunteering	87
7.3.4.1.2 CSO2: Promoting Environmental Awareness Through Education	87-88
7.3.4.1.3 CSO3: Setting Up Social Enterprise to Nurture Local Teenager Artists	88
7.3.4.1.4 CSO4: Volunteering Holiday for Secondary Students	88-89
7.3.5 Step 5 – CSR-integrated Strategy	89-90
7.3.5.1 Villa-HK's CSR-related Activities: A Mix of Market & Non-market Strategy	91
7.3.5.1.1 Market Strategy	92-93
7.3.5.1.2 Non-Market Strategy	94
7.3.6 Step 6: Functional Strategy	95
7.3.6.1 Sustainable Accounting	95-96
7.3.6.2 Sustainable H.R	96
7.3.6.3 Sustainable Marketing	97
7.3.6.4 Sustainable Information Systems	97-98
7.3.6.5 Sustainable Operations Management	98-99
7.3.7 Step 7: Mid-long-term Corporate Strategy	100
7.3.7.1 Quadrant 1: Pollution Prevention Strategy	100
7.3.7.2 Quadrant 2: Product Development Strategy	100
7.3.7.3 Quadrant 3: Contingency & Risk Mitigation Strategy	100
7.3.7.3.1 Exploring New Destinations	100-101
7.3.7.3.2 Market Penetration	101
7.3.7.3.3 Divestment	101
7.3.7.4 Quadrant 4: Sustainable Vision Strategy	101
7.3.7.4.1 Further Collaboration with Stakeholders	101
7.3.7.4.2 Improving on Customer Relations	101-102
7.3.7.4.3 Service Supplier Audit	102

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

7.3.8 Step 8: Benchmarking	102-103
Chapter 8 Conclusion	104
Promotion literature by Global Sustainable Tourism Council	105
Appendices & References	
Appendix (1) Survey Conducted for Tourists at Resort	106-108
Appendix (2) Photos of Tourists Who Had Participated in the Survey	109
Appendix (3) Sampler Letter For Villa-H.K's Stakeholders	110
Appendix (4-5) Interview Transcript: 1 st & 2 nd Interview of MD of Villa-HK	111-118
Appendix (6) Interview Transcript: Interview of Director of Center Point Personnel	119-120
Appendix (7) Interview Transcript: Interview of Chief Diving Instructor – BSAC (H.K)	121-148
Appendix (8) Interview Transcript: Interview of M.D – Charlotte Travel (H.K) Ltd	149-164
Appendix (9) Interview Transcript: Interview of Ticketing Manager, Happy Tours H.K	165-167
Appendix (10) Focus-group Information Sheet (Session 1)	168-170
Appendix (11) Focus-group Information Sheet (Session 2)	171-173
Appendix (12) Transcription of Focus-group 1	174-195
Appendix (13) Transcription of Focus-group 2	196-206
Appendix (14) Interview Transcript: Interview of Bluepeace Co-founder (Maldives)	207-224
Appendix (15) Transcription of Interview with PRC Tour Leaders	225-228
Appendix (16) Map of the Maldives	229
Appendix (17) Company Culture	230
Appendix (18) Villa H-K's 10 th Anniversary Dinner Invitation	231
Appendix (19) "Save the Planet, Save the Maldives Membership Scheme" Brochure	232-233
Appendix (20) Sample Itinerary Brochure	234-236
Appendix (21) Environmental Issues (Beach Pollution & Waste Disposal Issues)	237-238
Appendix (22) Villa Air Domestic Flight Service (Male – Maamigili)	239
Appendix (23) Male – Capital of the Maldives	240
Appendix (24) Stakeholder Engagement in Maldives	241
Appendix (25) Maldivian Teenager Artists	242
Appendix (26) Villa-H.K's New Vision & Mission Statements	243
Appendix (27) Poster Displayed at Villa-H.K's Office	244
Appendix (28) Local Travel Magazine Advertisement	245
Appendix (29) Promotion of Green Concept at Sun Island Resort	246
Appendix (30) Promotion of Marine Biodiversity at Sun Island Resort	247
Appendix (31) A Private Tertiary Institute Operated by Villa Group	248
Appendix (32) Villa-H.K's New Credo	249
Appendix (33) Factsheet of the Bluepeace	250
Appendix (34) Recent Political Unrest in the Maldives on 6 th February 2012	251
Appendix (35) 10 th Anniversary Dinner Speech Delivered by Villa Group's Delegate	252
Appendix (36) Villa-H.K's 10 th Anniversary Dinner Held on 12 Feb, 2012 in Hong Kong	253
Miscellaneous: 2 DVDs enclosed containing Focus-Group Meetings 1 & 2	254
Reference	255-260

*Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy
Formulation Exercise for a Small Hong Kong Travel Business*

Dedication

To my late grandmother who raised me up since I was an 18-day-old infant and passed away on 20th May 2011. I love you forever, please RIP.

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Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

“We call upon tourism enterprises and trade associations in originating markets and in destinations to adopt a responsible approach, to commit to specific responsible practises, and to report progress in a transparent and auditable way, and where appropriate to use this for market advantage.”- Cape Town Declaration, August 2002



Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Definition of Sustainability:

‘For the business enterprise, SD (SD) means adopting business strategies and activities that meet the needs of the enterprise and its stakeholders today while protecting, sustaining and enhancing the human and natural resources that will be needed in the future’ - International Institute for SD



Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

List of Tables

Table 4.0 Villa-H.K's History of Success

Table 4.1 Management Performance Through the Accounting Lens

Table 4.2 Villa-H.K's Operating Profit Margin (OPM) Ratio for FY2008-2010

Table 4.3 Villa-H.K's Net Profit Margin (NPM) Ratio for FY2008-2010

Table 4.4 Villa-H.K's Return on Capital Employed (ROCE) Ratio for FY2008-2010

Table 4.5 Villa-H.K's Return on Shareholders' Funds (ROSF) Ratio for FY2008-2010

Table 4.6 Villa-H.K's Return on Asset (ROA) Ratio for FY2008-2010

Table 4.7 Villa-H.K's Gearing (Debt/Equity) Ratio for FY2008-2010

Table 4.8 Villa-H.K's Current Ratio for FY2008-2010

Table 4.9 Villa-H.K's Z-Score Result

Table 4.10 Villa-H.K's Customer Age Distribution Profile

Table 4.11 Villa-H.K's Customers by Nationalities

Table 4.12 Customers' Originated Province (City)

Table 4.13 Visit Purpose with Percentage and Ranking

Table 4.14 Travel Products/Services by Types with Percentage

Table 4.15 SWOT (Internal Environment) Analysis

Table 4.16 STEEPLE (Operational Environment) Analysis

Table 4.17 Villa-H.K's Resources Analysis

Table 7.0 Further Resources Needed for Villa-H.K to Sustain Competitive Advantage

Table 7.1 Appointment of Foreign Land Operators to Receive Outbound Travellers –
Common Malpractice & Preventive measures

Table 7.2 Sales of Tours to Customers – Common Malpractice & Preventive measures

Table 7.3 Cancellation of Tour Bookings – Common Malpractice & Preventive measures

Table 7.4 Supervision of Tour-escorts – Common Malpractice & Preventive measures

Table 7.5 Administration of Service Contract – Common Malpractice & Preventive measures

Table 7.6 The 4Is for Villa-H.K

Table 7.7 Making Payment and Collecting Debts – Malpractices & Measures

Table 7.8 Handling Customers' Payment – Malpractices & Measures

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

List of Figures

Figure 1.0 Estimated & Projected Populations of the World & its Continents (1950-2100)

Figure 2.0 Carroll's CSR Pyramid

Figure 3.0 The Conceptual map: Villa-H.K to Gear Towards Sustainability

Figure 4.0 Business Structure of Villa Group of Companies

Figure 4.1 Villa-H.K's Routine Business Process

Figure 4.2 Typical Tourism Supply Chain Network in a Destination

Figure 4.3 Map of China

Figure 7.0 A Multisystem Ethical Culture Framework

Figure 7.1 Market & Non-market strategy proposed for Villa-H.K's CSR-related activities for the Achievement of Competitive Advantage

Figure 7.2 Villa-H.K's Market Strategy

Figure 7.3 Maslow Hierarchy of Needs Theory Model

Figure 7.4 Villa-H.K's New Business Process

Figure 7.5 The Service Profit Chain Framework

Figure 7.6 Seven Core Subjects of Socially-responsibility prescribed by ISO 26000

Groundwork for Management Dissertation

Enrichment of Knowledge

In order to extend the scope of learning, apart from knowledge acquired and insight gained from the NUBS faculty through lectures, workshops and breakout discussion sessions, the author had also attended conferences, summits, seminars and workshops offered by external organisations. In the past two years, the author had attended the following:

Title	Date
CUMBA CSR Conference 2010	5 th May 2010
2010 CSR Asia Summit – Hong Kong	14 th -15 th September 2010
2011 CSR Asia Summit – Kuala Lumpur, Malaysia	27 th -28 th September 2011
2011 Post CSR Asia Summit Workshop on Stakeholder Engagement	29 th September 2011
Seminar on “The CSR Guide for SMEs in Hong Kong – Sharing of Pilot Programmes and Tips on How to Apply in Your Company” by the HKCCS	8 th October 2011

Broadening Professional Networks

It is always a great idea to mingle with like-minded people and share views on particular business issues, especially CSR and sustainability. Through attending external conferences, seminars and workshops, a strong network had been built for future collaboration. The tangible benefits are countless. Not only did the author learn the latest development of how firms adopt CSR as a business strategy to achieve greater success, but also to frame my management dissertation question.

Citing of References

Citing of references throughout the dissertation project is strictly adhered to “Harvard System for Referencing” stated in the “Management Project Guidelines 2011” by Nottingham University Business School MBA Programmes in Singapore. In addition, (Fisher 1998) pamphlet titled “Citing References” had also been consulted.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Research Concepts

Some important research concepts relevant to this research are extracted from (Ho 2011) and summarised below for quick reference:

Case Study	The documented history of a particular person, group, organisation or event.
Focus-group Interview	A popular research method in the tourism industry. Several participants are selected and invited (in a group) to provide feedback and comments regarding their experiences or views on particular issues. In this method, the interviewer (researcher) becomes the facilitator of a discussion. The aim of the process is similar to a face-to-face, in-depth interview, but in this case the respondents interact with each other as well as with the researcher.
Investigate	To examine or study the details of a case to learn the facts behind it.
Justify	To serve as an acceptable reason or excuse for something; to give somebody an acceptable reason for taking a particular action.
Literature review	A directed search of published works, including periodicals, books and journal articles that discuss theory and present empirical results that are relevant to the topic at hand.
Open-ended response questions	Questions that pose some problems and ask respondents to answer in their own words.
Personal interview	Face to face communication in which an interviewer asks a respondent to answer questions.
Proposition & Hypothesis	The terms proposition and hypothesis both refer to the formulation of a possible answer to a specific scientific question. In particular, a proposition deals with the connection between two existing concepts. The main difference between the two is that a hypothesis must be testable, measurable and falsifiable, while a proposition deals with pure concepts for which no laboratory test is currently available.
Qualitative data	Data that is not characterised by numbers, and instead is textual, visual or oral; the focus is on stories, visual portrayals, meaningful characterisations, interpretations and other expressive descriptions.
Qualitative research	Research that addresses business objectives through techniques that allow the researcher to provide elaborate interpretations of phenomena without depending on numerical measurement; its focus is on discovering true inner meanings and new insights.
Quantitative research	Research that addresses research objectives through empirical assessments that involve numerical measurement and analysis
Research Design	A master plan that specifies the methods and procedures for collecting and analysing the needed information.
Research Project	A single study that addresses a small number of research objectives.
Research Questions	Questions that expresses the research objectives in terms of questions that can be addressed by research.

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Concepts of Key Terms/Phrases

Ethics

According to (Goree 2011), the golden rule of a popular universal ethical principle is that one should treat others as one would want to be treated. Other common ethical principles, as claimed by (Goree 2011)), include:

- *“People should respect the rights of others;*
- *They should keep their promises;*
- *They should be honest;*
- *People should take responsibility of their actions;*
- *They should act in the best interests of others;*
- *They should help others in need when possible;*
- *People should be fair”*. Bredeson & Goree (2011).

Ethical

According to Cambridge online dictionary, the word “ethical” means “relating to beliefs about what is morally right and wrong” or “morally right”. The words “right”, “honourable” are synonyms of “ethical”.

Responsible

According to Cambridge online dictionary, “responsible” means: “to have control and authority over something or someone and the duty of taking care of it or them” or “to be controlled by someone or something”. The words “amenable”, “answerable”, “liable”, “trusty”, “trustworthy”, “accountable”, “obligated”, “prudent” are synonyms of “responsible”.

Sustainability

According to Wikipedia, the term “sustainability”, in a boarder sense, is defined as the capacity to endure. For humans, sustainability is the long-term maintenance of well-being, which has environmental, economic, and social dimensions, and encompasses the concept of stewardship, the responsible management of resource use. In ecology, sustainability describes how biological systems

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

remain diverse and productive over time, a necessary precondition for human well-being. At firm-level, the term “sustainability” is defined as “.....developing a corporate strategy that responds to stakeholders’ expectations while ensuring long-term performance and profitability.” IFAC (2006).

SMEs

The HKCSS defines Small and Medium Enterprises (SMEs) as manufacturing enterprises with fewer than 100 employees and non-manufacturing enterprises with fewer than 50 employees in Hong Kong.

Outbound Package Tour

According to Lomine & Edmunds (2007), a package tour is the combination of holiday elements by an intermediary (usually a tour operator/travel agent) to create a product at a set, inclusive price. At least two elements need to be combined to create a package, but usually three basic products come together to create the standard package holiday experience, namely, flight, transfer and accommodation. Outbound package tour means a group of tourists paying a package price to depart their home countries for a foreign destination to enjoy their holiday.

Four characteristics of services

Intangibility, inseparability, variability and perishability are the four unique characteristics of services industry such as tourism. In the travel industry, many of the travel products sold have these four characteristics. According to Kotler *et al.*(2010), travel packages are intangible since services cannot be seen, tasted, heard, felt and smelled before purchase; inseparability for they cannot be separated from their providers; variability because quality of services depends on who provides them and when, where and how; perishability for services cannot be stored for later sale or consumption. To help alleviate problems associated with perishability, according to Lomine & Edmunds (2007), most tourism provider such as airlines, hotel and tour operators have invested heavily in yield management systems (the aim is to try to modify and equalise demand).

Itinerary

Lomine & Edmunds (2007) defined the term “itinerary” as a schedule/timetable produced in association with a package tour. For example, a coach tour is normally broken down into a day-to-day format which tells holidaymakers precisely where they will be on a specific day, with detailed information such as departure times, when they will eat and what sites can be found at destinations.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Leakage

The term leakage is one of the main economic costs of tourism according to Lomine & Edmunds (2007). It refers to the outflow of tourism income from the local economy. It may occur at different stages when money spent by tourists does not fully benefit the economy of the destination – that is, when it does not contribute to the multiplier effect. For example, the lack of local production of souvenirs in demand by tourists or by locals leading to expensive imports is a good example of leakage.

FIT

Frequent Independent Traveller – an individual or a small group of travellers who plan their own travel itinerary instead of purchasing packaged holidays or tour packages through tour operators or your agents according to definition given by Expert Travel, an established outbound travel agent in Hong Kong.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Acronym

BSAC	British Sub-Aqua Club
CEPA	Chinese Mainland and Hong Kong Closer Economic Partnership Arrangement
CUHK	Chinese University of Hong Kong
EC	European Commission
HKCSS	Hong Kong Council of Social Service
IFAC	International Federation of Accountants
MATATO	Maldives Association of Travel Agents and Tour Operators
MATI	Maldives Association of Tourism Industry
TIC	Travel Industry Council of Hong Kong
UKDECC	U.K Department of Energy and Climate Change
UNDESA	United Nations Department of Economic & Social Affairs
UNFPA	United Nations Population Fund
WCED	World Commission for Environment and Development
WTTC	World Travel & Tourism Council
WB	World Bank
SME	Small and Medium Sized Enterprise
WTO	World Tourism Association
HKRMA	Hong Kong Retail Management Association
HKCSS	The Hong Kong Council of Social Service
ISO	International Standard Organisation
HKQM	Hong Kong Quality-Marked

Chapter 1 Introduction

1.1 The Big Picture of Global Sustainability Challenges

A critical issue facing us today is the rapid growth of the world's population. Figures released by the UNFPA indicated that the world's population had reached seven billion in October 2011. This trend will continue to grow and by 2050, global population will reach 9.3 Billion (UNDESA, 2010) as shown in Figure 1.0.

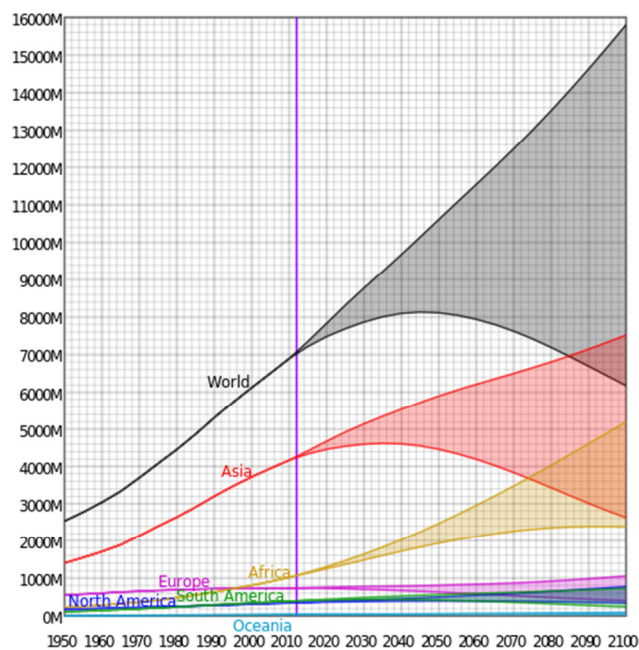


Figure 1.0 *Estimated and projected populations of the world and its continents¹(except Antarctica) from 1950 to 2100.*

Huge population growth will lead to problems such as deforestation, food shortages, health issues, unfair distribution of resources and ultimately, hunger and poverty. Some might argue this, in turn, will lead to increased pressures on the environment, which ultimately leads to global warming and climate change – the greatest market-failure ever seen in human history according to Stern (2006) – resulting from “human-caused” greenhouse gas concentration according to the UK DECC.

¹*The lower and upper boundaries of the shaded regions correspond to low and high variants (lower and upper bounds) of the projections by the UNDESA.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

It is estimated that over 30 billion tonnes of CO₂ are emitted annually and the average global temperature may increase between 1.1 C and 6.4 C above the 1990-level by the end of this century. More specifically, Stern (2006) confirmed that all countries will be affected by climate change and that the poorest countries will suffer earlier and in unprecedented scale. He further argued that a warming of 2C could leave 15-40% species facing extinction, 3-4C may result in home of millions being flooded and in 2050, world populations of 200 million will be forced to displace from their home due to the rising sea levels or floods. If such predictions are accurate, island states such as the Maldives (Appendix 16) could be submerged in the next few decades, with many industries being badly affected, the travel industry in particular.

1.2 The Global Tourism Industry

Similar to other industries, the travel industry also has its significant role to play in promoting sustainability since it is considered as “one of the world’s biggest industries, generating 9% of global GDP and creation of 260 million jobs that driving economic growth, business relationships and social mobility” according to Scowsill (2011)². Despite fostering global economic growth, tourism inevitably creates some social and environmental challenges. Even though it is not normally perceived as a pollution-intensive industry, the global tourism trade cannot be absolved of its responsibility to the civil society and the environment.

1.3 The Hong Kong & PRC Outbound Travel Industry

Although complaints filed by outbound travellers decreased 6.3% in January 2012 (TIC 2012) as compared to that of previous year, it does not imply that businesses in Hong Kong are socially-responsible. Research findings of a research titled “Perception on CSR” conducted by CUHK reveal that 75% think that businesses in Hong Kong are CSR laggards. Generally speaking, managers think that their “fiduciary duties are to maximise profits for their shareholders” – largely in line with Friedman’s (1970) doctrine that the “social responsibility of business is to maximise profits”.

While it is widely accepted that Hong Kong travel companies offer excursion-rich itineraries at reasonably low prices, they, by and large, overlook the business opportunities and meaningful travel experience that sustainable-travel may offer. Furthermore, small PRC travel agents might tend to be unscrupulous. For instance, some might persuade customers to purchase cheaper travel packages by having them travel on indirect flights (this would result in increased carbon emissions per passenger),

² Mr. David Scowill is currently the WTTC President & CEO.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

or some compromise tour-package fares with sub-standard services or fail to deliver what had promised in the advertisement. In more extreme cases, some even did not check if their customers are suitably qualified to join “high-risk” diving tours according to the Chief Dive Instructor of BSAC in Hong Kong (Appendix 7). Such irresponsible trading behaviour or malpractices focusing on profits and overlooking the responsibility to customers as stakeholders will damage the travel agents’ reputation, which ultimately impact the bottom-line and long-term competitiveness.

1.4 Risks and Opportunities for Travel Agents

This management dissertation particularly focuses on a small Hong Kong-based outbound travel agent specialising in the sale of travel packages to the Maldives primarily because of the increasing number of PRC tourists (TTR Weekly, 2011) flocking into this luxurious sun and sea destinations seriously threatened by climate change. One only need to recall the devastating effect the 2004 Asian tsunami had on the Maldives, as well as the recent BBC coverage regarding the political unrest and outbreak of violence in Male - the nation’s capital city - to understand the fragility of this tourist destination. As a result, one may question how risky the Maldives as a tourist destination can be. The question is especially pertinent to any business which relies on 90% of its total annual revenue from selling tour packages to this small archipelago, as Villa-H.K did in FY 2010.

Since nearly half of the respondents expressed their intention to “exert influence through consumption habits and to choose to purchase products/services from companies with agreeable CSR initiatives” (CUHK, 2011), it presents wonderful business opportunities for sustainable value creation. And ultimately, the fiduciary duties of Villa-H.K managers are not merely for the business owners, but for wider stakeholders groups so as to facilitate wealth creation for the tourism industry and the world at large.

1.5 Firm’s Sustainability Concept

Firm’s sustainability can be perceived as a future-focused approach of management. Visionary leaders are not only concerned about how much profits the business make, but more importantly, how “sustainable value” is created for shareholders and stakeholders together based on economic, social and environmental performance according to Laszlo (2003). Moreover, Wilson (2003) identified four key established concepts borrowed from, namely, SD, CSR, stakeholder theory and corporate accountability theory to define “corporate sustainability”.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

The first concept is related to SD. It is defined as “a process of change in which the exploitation of resources, the direction of investments, the orientation of technological development, and institutional change are all in harmony and enhance both current and future potential to meet human needs and aspirations” (WCED 1987); as cited in (Wilson 2003). Policy makers, governments and the industry have responsibilities to achieve this harmony and tackle issues resulting from “increasing industrialisation” (Hart and Milstein 2003).

The second concept is related to CSR. According to the EC’s new Communication’s definition (COM(2011)681final), CSR is simplified as “the responsibility of enterprises for their impacts on society” and that “enterprises should have a process in place to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders”. It is argued that managers are made to think deeply the roles of their business on society and their ethical obligation towards their “stakeholder groups” (Wilson, 2003). More than simply addressing the interests of the firms’ shareholders or owner-managers, “‘reasonable interests’ of wider stakeholder groups, i.e., NGOs, Governments, activists, community leaders and media, must be balanced with minimal tradeoff³” (Welford, 2011).

The third concept is about stakeholder theory of the firm. “Firms without engaging their stakeholders are [literally] not practising CSR⁴” (Welford, 2011). Stakeholder engagement can be treated as a strategic management process that facilitates cooperation, builds trust and fosters mutual respects among the firm’s stakeholders. Through strengthening of relationships with those who have “a stake” in or “who can affect or be affected by” the firm (Freeman et. al, 2004), the firm in question would then more able to achieve CA according to Wilson (2003).

The final concept of firm’s sustainability is about corporate accountability. Wilson (2003) stated that accountability refers to one’s duty to explain, justify or report on his/her actions. Using the agency theory, i.e. the principal-agent concept, to illustrate the relationship between management and shareholders, and highlight the fact that agents are obliged to report to their principals on how capital is invested and what ROI will be yielded. Also, the concept of social contract theory is used to explain the contractual relationship between the firm and society. Since “firms are given licence to operate”; it makes good sense that they are held “accountable to society for their TBL⁵ performance(Fagan 2010)” Wilson (2003).

³ This view was emphasised by Richard Welford, speaker on a CSR Conference held in Kuala Lumpur on September 2011.

⁴ The trainer in the CSR Workshop: “Stakeholder Engagement” conducted in Kula Lumpur in Sept 2011 emphasized twice the importance of stakeholder engagement both in the beginning and ending of the workshop to attendees.

⁵ According to Fagan (2010), the term Triple-bottom-line (TBL) is attributed to John Elkington who co-founded SustainAbility and who also wrote the book *Cannibals with Forks: The Triple Bottom Line of 21st Century Business* (1999).

1.6 Sustainable Value Creation

For firms working towards sustainability, the four “ingredients” (concepts) discussed above shall be included in the management “recipe”. Most importantly, “thinking through the full range of challenges and opportunities is the first step (Villa-H.K) managers can take towards the creation of sustainable value” Hart & Milstein (2003).

Similar to what Hart & Milstein (2003) had accomplished, Villa-H.K management can identify four sets of “global drivers of sustainability” and devised corresponding strategies beneficial to internal and external stakeholders, meet today and tomorrow’s challenges in order to create “sustainable value”. Before the rationale of CSR-integrated strategy formulation is exemplified in later chapters, the diagram below attempts to depict what “drivers” currently present in this travel business:

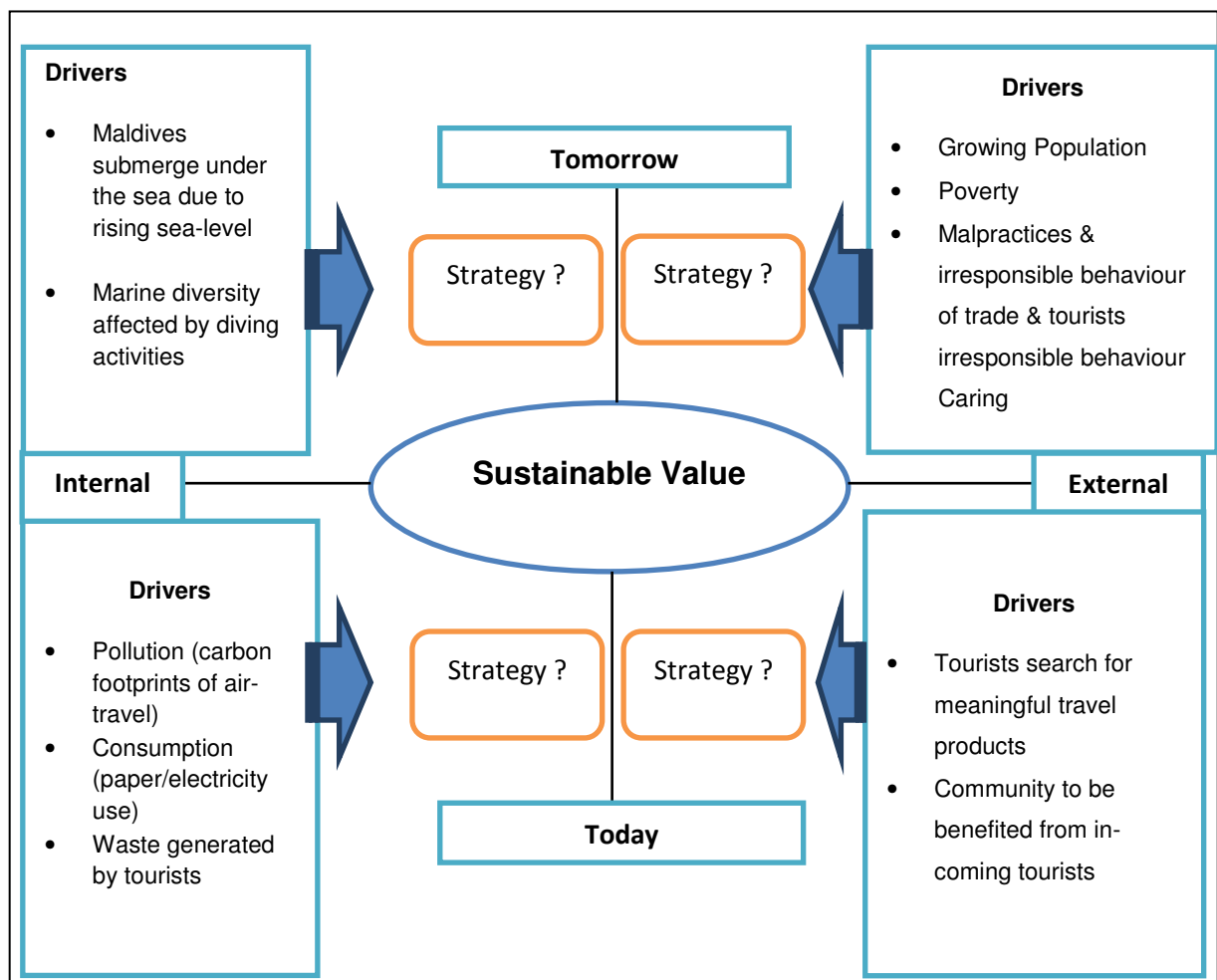


Figure 1.1 Sustainable Value Framework, adapted from Hart & Milstein, 2003: 60

It is also referred to as TBL or 3BL or even the three Pillars with the pillars being People, Planet and Profit. This concept is well-recognised and is widely adopted by businesses as an acceptable way for them to demonstrate they have strategies in place for sustainable growth.

1.7 Problem Statement

Villa-H.K management are interested to learn how to make customers purchase their services/products even if the price and quality of those are the same to that of their rivals.

Being a SME who relies on making profits by sending tourists to vulnerable destinations seriously affected by climate change, Villa-H.K may capture some social opportunities which are apparently commercially-viable and welcomed by like-minded customers.

Since adopting CSR may “improve staff morale, increase productivity and operational efficiency, foster good relationships with the communities, improve brand image and reputation, mitigate risk, facilitate access to capital and identify new opportunities and sustain CA” (HKCSS, 2011, p.3), Villa-H.K may treat it as tactics to outperform their rivals.

Doing business hand-in-hand with stakeholders, the business will hopefully create “sustainable value” that “drives us towards a more sustainable world” (Hart & Milstein, 2003) – a new core value of Villa-H.K.

1.8 Research Objectives

The primary objective of this research is to conduct an internal audit for a Hong Kong-based small outbound travel agent and propose what improvements can be made to each work-stream in order to improve operational effectiveness. However, functional strategy is necessary but insufficient [to foster SD] in today’s competitive landscape without a robust strategy according to (Porter 1996). Therefore, to enable Villa-H.K to do better job in “strategic positioning”, the second objective is to identify, prioritise and engage with wider stakeholder groups so their views, expectations and concerns are heard and emerging issues are identified thereby serving as the basis to inform how different activities can be performed from rivals in the hope to create super performance or ‘sustainable value’ - presumably, a CSR-integrated approach is one possible option for this business to adopt.

The third objective is to validate the opinion that the CSR principles and ideas are equally applicable to SMEs in the travel industry. However, the point must be reinforced that a fundamental change to a corporate value system supported by a good ethical culture is desired for successful CSR implementation. A section will be dedicated to propose how these ethical gaps can be filled as one of

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

the measures to strengthen Villa-H.K's organisational capabilities for attaining and sustaining their CA.

The final overarching objective is to shed light on the strategy formulation process of a SME during the past six months that takes into account of social and environment factors, through conducting business in a responsible and ethical way to win acceptance from customers, employees, suppliers, the community and other instrumental stakeholders. And most importantly, to convey a message that “the future is belongs to entrepreneurs who put people and the planet before short-term profit” (Branson, 2012).

1.9 Propositions

Proposition 1

Premise Statement 1:

“There is an increasing number of SMEs in Hong Kong adopting CSR”. (Lee, 2011)

Premise Statement 2:

Charlotte Travel has successfully integrated CSR into their business strategy and garnered greater success in capital building for various stakeholders and society at large during the past 5 years. *(Evidence from Charlotte Travel's website and structured interview)*

Premise Statement 3:

Both Charlotte Travel and Villa-H.K are small Hong Kong outbound travel agents of similar scale and history. *(Fact)*

Inference Statement:

Villa-H.K, like Charlotte Travel, may also consider integrating CSR into their business strategy.

Proposition 2

Premise Statement 1:

“Firms falsely claim they are doing CSR if stakeholder engagement is not in place” (Welford, 2011),

Premise Statement 2:

Charlotte Travel had successfully integrated CSR into their business strategy.

(Evidence from Charlotte Travel’s website and structured interview)

Premise Statement 3:

There exist no relation between CSR and firm size.

Inference Statement:

Villa-H.K would also need to engage their stakeholders even for their small size because tourists and other stakeholders have expectations on them.

Proposition 3

Premise Statement 1:

(Barney 1991) argued that resources that have market value, are scarce and non-substitutable, and are difficult to imitate (VRIO resources) have the potential to lead to a sustainable CA. (Freeman *et al.* 2010)

Inference Statement:

Villa-H.K’s management may consider strengthening their resources, capabilities and competencies that are highly durable and less imitable in the strategy formulation process.

1.10 Methodology

In order to serve the stated objectives, qualitative research was employed extensively since it allows for an in-depth investigation of people's thinking, needs and aspirations in tourism studies (Kelly 1980). Moreover, to better inform the construct of the proposed framework, a mini-survey was also utilised to learn tourists' perception on sustainability and their expectations on travel businesses.

Along the 6-months' timeline, four key steps were carried out for achieving the research objectives:

Step 1: Interviews were conducted for internal stakeholders to investigate Villa-H.K.'s current management philosophy, culture and operational issues in each work-stream.

Step 2: Interviews were conducted for the:

- HR Manager of Centre Point Personnel
- Senior Reservation & Ticketing Manager of Happy Tours (H.K) Ltd
- Director of Charlotte Travel, a "best-practice" Hong Kong-based outbound travel agent
- Chief diving instructor of BSAC, Hong Kong

Step 3: Two Focus-group meetings with external stakeholders (Appendix 3) were conducted in Maldives.

Step 4: Questionnaires (Appendix 1) were completed by a total of 100 tourists at Paradise, Sun Island Resort and outside the Male Airport in December 2011.

1.11 Rationale of Study

In terms of firm size, there are three reasons for selecting a SME for this research. Firstly, “as of September 2010 there are currently 290,000 SMEs in Hong Kong, representing 98% of all local companies” (HKCSS 2011). Attended a CSR seminar⁶, the author had learnt that if the integration of CSR to the overall strategy of SMEs could be further promoted, the aggregate benefits would be substantial to foster SD. Secondly, (Morsing 2009) Morsing & Perrini (2009) argued that “although it is much more complex to identify, investigate and communicate CSR in the small business, this area deserves more attention due to its potential impact on the global economy”. Thirdly, according to (Quinn 1997) as cited in Lepoutre & Heene (2006), research on small business social responsibility may yield invaluable insights for larger enterprises.

In terms of firm nature, the selection of a small travel business for this research is due to recent phenomenon of malpractices and irresponsible business behaviour of the trade in Hong Kong. This correlates CUHK’s recent claim that Hong Kong employers place very little concern over social responsibility. Profit-maximising through unethical means such as “zero-reception fees” or “forced shopping”(TIC 2011)at the expense of stakeholders’ interests had not only damaged the company reputation but also the entire travel industry as what(Barnett 2009)maintained as “reputation commons problem” -“a situation in which the reputation of a group of firms, typically an industry, is tarnished as a whole due to the actions of a single firm within the group” (Source: Financial Times Lexicon Definition). In this regard, the author believes it makes good business sense to engage stakeholders, balance their interests and devise a robust strategy in the hope to differentiate Villa-H.K from other unscrupulous travel operators.

In terms of misbelief and misunderstanding of CSR, the travel agent in question doubted that given its small scale and limited resources, it is impossible to embrace CSR– similar to the myths exist in the academic and political circles that “there is no need to pay attention to SMEs’ CSR engagement” Morsing & Perrini (2009) .

The 5W1H questions will be dealt with in this research as to enable one to understand the “condition and strategies for SMEs, i.e. Villa-H.K, to adopt CSR” Morsing & Perrini (2009):

⁶ “The CSR Guide for SMEs in Hong Kong – Sharing of Pilot Programmes and Tips on How to Apply in Your Company” on October 28, 2011 (Friday) in Hong Kong. Speakers: Brenda Lee & Anita Wong

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

The “What”:

- What are the problems of the travel industry?
- What are the defining characteristics of Villa-H.K’s corporate culture?
- What are Villa-H.K’s gaps and need to be changed?
- What VRIO resources required for achieving corporate sustainability?
- What are Villa-H.K’s new values?
- What market and non-market strategy required for the proposed CSR-integrated strategy?

The “Why”:

- Why is there a need for Villa-H.K to shift their focus from profit-maximization to a more socially-responsible goal?
- Why are stakeholders important?

The “Who”:

- Who should be engaged?

The “How”:

- How will Villa-H.K achieve corporate sustainability?
- How will Villa-H.K fill operational gaps at firm-level to ensure each work-stream sustainable?
- How will Villa-H.K engage its stakeholders?
- How will Villa-H.K formulate a CSR-integrated strategy?

The “Where”

- Where should CSR initiatives take place? At a firm-level or destination-level – or both?

The “When”:

- When should Villa-H.K allocate more resources to social responsibility investment (SRI)?
- When should Villa-H.K report their social and environmental performance?

Detailed examination of Villa-H.K’s internal and external environment, gaps and issues of work functions and business operations, to an external stakeholder engagement exercise will answer the above 5W1H questions. The following chapters will walk the readers through a close examination of the concept, capabilities of CSR and how it can be operationalised for a SME travel business prior to the emergence of a new CSR-integrated framework for sustainable value creation.

Chapter 2 Literature Review

2.1 Concepts of CSR

There are wide array of literatures discussing the definition of CSR. To date, a definitive answer of the true meaning of CSR in the academic world is still under debate. Many prominent scholars during the 60s and 70s had contributed to the CSR concepts. Among them, (Davis 1973) was “one of the first corporate responsibility theorists to argue that social responsibility was more than the acts of individuals, (but) to refer to company as an institution” as cited in (Blowfield and Murray 2008). In a boarder sense, managers’ duties are more than minimum legal compliance or utilising the pure liberal economic theory concept of profit-maximisation for shareholders as what Friedman (1970) suggested.

CSR was described by Davis (1973) (as cited in Carroll, 1999 and cited in (Freeman 2010)) as “firm’s consideration of, and response to, issues (at least) partially beyond the firm’s economic and technical interests”. In other words, a firm cannot claim it is a socially-responsible business if the fiduciary duty of managers is only to act on their shareholders’ or owners’ interest but nothing more is done beyond complying with minimum legal requirement in an attempt to address greater social needs.

Furthermore, Davis (1973) believed that “social obligation” is the main factor pushing firms to go beyond minimum legal requirement. Since firms are granted the “license to operate” in the society, he held that a socially-responsible business should face public scrutiny, listen to public opinion and estimate the social costs and benefits prior to a business decision is made. In other words, socially-responsible businesses are held accountable to the expectation of the society.

Besides Davis, Post (1978) was another CSR academic who advocated the need for the management to articulate the social responsibility process and further analysed the rationale, practical processes in that forward-looking firms should be proactive in “public issues management”. He believed that such move was an important firm-level strategy that enables managers to react proactively to fast-changing and unpredictable social, economic and political environment.

While other prominent scholars emerged in the last decade stated that “CSR is a cluster concept which covers concepts on business ethics, corporate philanthropy, corporate citizenship, sustainability and environmental responsibility” which, all in all, “embedded in the social, political, economic and institutional context” (Matten & Moon, 2004, cited in Crane *et al.* 2008, p.5). Besides, it is also argued that firm’s strategic management function can be thought of “an equilibrium mechanism in which meaningful solutions are continually searched to balancing all the firm’s stakeholders’ interest”

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Venkataraman (2002), cited in Freeman (2011). Having the concept of balancing stakeholder's interest to steward the direction of managerial-decision making, Post (1978) gave insightful idea that in order to maintain a cooperative and collaborative long-term relationship with the firm's stakeholders, managers should always ensure the gap between public expectation and firm's actual performance remains as narrow as possible. He further added that in order to deal with external change more innovative and strategic approaches are required for adaptive and proactive strategic approaches to be effective. Freeman et. al.,(2011) commented that Post's (1978) contribution was seen as a new milestone in the development and advancement of CSR theory since he was one of the pioneer who included the CSR concept as the key element shaping strategy and informing policy-formulation process, rather than an "add-on" or "ad-hoc" task to an established short-sighted firm-level strategy.

As discussed in the previous methodology section, Venkataraman's (2002) view justifies the employment of focus-group meetings since all stakeholders' views should be taken into account in the strategic management process. Such stakeholder approach is perceived as an effective way to "identify issues related to sustainability (Freeman, 1984; Clarkson, 1995; Donaldson and Preston, 1995; Steurer *et al.* 2005; cited in Quaddus(2011: 43).

2.2 Capabilities of CSR

According to (Freeman 2010), other academics took a different approach than those mentioned in the previous section. He further stated that empirical investigation of CSR was the focus of academics such as Frederick 1978, 1987, 1998; Carroll 1979, 1991; Epstein 1987 and Wood 1991). Different to those taking the normative approach to examine CSR, Frederick (1978, 1994), cited in Freeman et. al., (2011) take a descriptive approach to understand the CSR process. The capacity of a firm to respond to social pressures, or "Corporate Social Responsiveness" was promoted. (Sethi 1975)suggested that firm's operating strategy is not only simply to respond to, but also to anticipate, future social changes. In this regard, in order to demonstrate such social obligation the travel business in question is encouraged to voluntarily disclose more information, report and discuss corporate activities and identify material issues that need to address with outside groups, i.e. their stakeholders.

Another prominent contributor to CSR definition was Carroll (1979). His multidimensional CSR pyramid model explained vividly the types of responsibilities, i.e., economic, legal, ethical and discretionary (or philanthropic), firms may undertake to meet various expectations from society. Reputable companies such as BodyShop, Cathay Pacific Airways and ResponsibleTravel.com are largely guided by these principles fulfilling their social responsibilities. Figure 2.0 below illustrates this concept.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

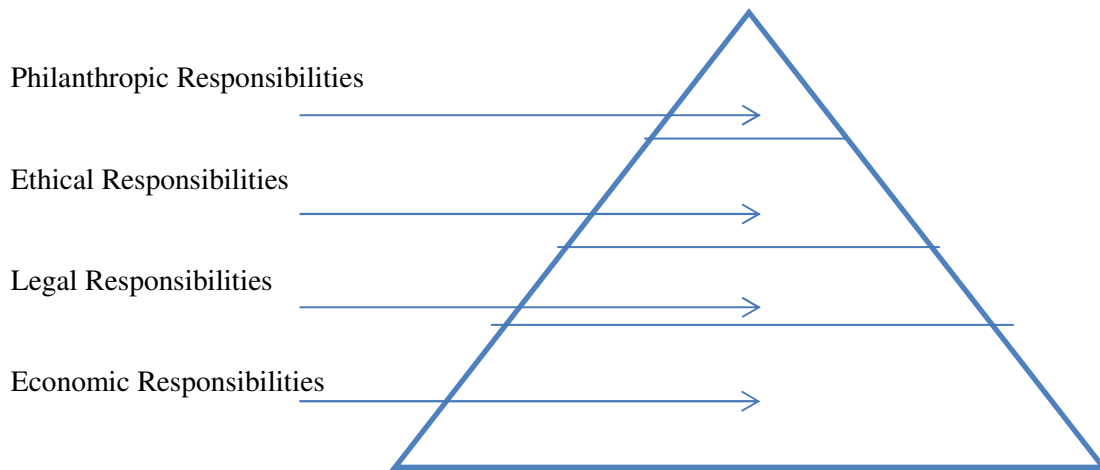


Figure 2.0 Carroll's CSR Pyramid (Carroll, 1979; as cited in Crane et al.2008)

It makes sense to place “economic responsibilities” at the bottom level since this is the pre-requisite or necessary requirement for a firm to exercise its social responsibility for one can imagine that financial resources are vital for the firm in question to fulfil other responsibilities. The second level of the pyramid is “legal responsibilities” in which firms must comply with the minimum legal requirements codified by the law of the country/countries where the firm operates in. Further up the pyramid is “ethical responsibilities” whereby firms should be obliged to do what is believed to be right, fair and just, every attention and effort should be paid on how to avoid or minimise the harm to stakeholders. At the top level of the pyramid is a discretionary or philanthropic responsibility, meaning that firms should strive for being a good corporate citizen by contributing resources to improve the quality of life of the society, especially the needy.

Carroll further argued that since firms are meant to respond to societal expectations, the attitude of such mere assumption of responsibilities is inadequate. The pyramid serves as a tool for managers to visualise how different social issues such as product safety, workers welfare, human right, environmental issues can be dealt with by firms through different innovative approaches, whether it be reacting, defensive, accommodating or proactive behaviour according to Freeman *et al.* (2011). They have to judge where a specific issue be posited in the continuum of the CSR pyramid.

This concept largely informs how a socially-responsible business practice can be incorporated in Villa Hong Kong's mid-long-term strategy. For a small travel agent to be accountable to their stakeholders, all these four aspects of responsibilities will be fulfilled as far as possible given the availability of resources.

2.3 CSR & Firm Size and Travel industry

Having discussed how CSR is conceptualised, the author now attempts to explore the relationship between CSR and firm size. According to Morsing & Perrini (2009), CSR in SMEs “has not attracted much systematic research beyond a few dedicated scholars (e.g. Spence 1999, Spence & Schmidpeter 2003, Moore & Spence 2006, Perrini 2006a, Perrini *et al.* 2007, Russo & Tencati, 2008) and a special issue in Journal of Business Ethics (2006). Also, it was found that some misunderstanding exist in the academic circle. Cited in Morsing & Perrini’s (2009) article, Tilley (2000) advocated that there is no need to pay particular attention to SMEs CSR engagement because SMEs can simply and seamlessly adopt the techniques and strategies employed by large companies. The author totally disagreed with this argument since SMEs can engage in CSR in very different ways compared to that employed by large firms.

According to Dodds & Joppe (2005), the definition of CSR share certain extent of similarities with sustainable tourism in that both focus on how stakeholders should be identified and engaged and that initiatives should be measured to determine their impact on others. As highlighted in previous sections, CSR is about a firm’s obligation to be accountable to wider stakeholder groups, its responsibilities to the community at large and the measures to be put in place to ensure all its operations and activities achieve the ultimate goal of SD not only focusing on economical dimension but also the social and environmental dimensions. Therefore operating in an outbound travel business, it makes good sense for this travel business in question to “address the quality of life of those visiting (a destination) and those being visited” (2005, p.7) through innovation of travel products/services.

For this travel business in question to consider integrating CSR into their future business strategy, the set of criteria or principles given by Dodds & Joppe (2005) below define the conditions for the achievement of sustainable tourism which sheds bright light for Villa-H.K to craft their new language of business:

- *“Protect and conserve sustainable resources*
- *Be a multi-stakeholder approach*
- *Be environmentally responsible*
- *Maintain the well-being and involvement of the local population or host*
- *Provide meaningful and fairly remunerated employment for the host population*
- *Deliver economic benefits*
- *Have a long-term view*
- *Have a triple-bottom line approach (environmental, social and economic)*

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

- *Be equitable*
- *Obtain optimum guest satisfaction and educate tourists about environmental and social concerns”*
(2005, p.7)

2.4 CSR as Integral Part of Overall Strategy

According to Crane *et.al.* (2008), Carroll *et al.* (1987) and Freeman (1984) had attempted to integrate the concepts of CSR and corporate strategy which included the stakeholder model of strategic management and the inclusion of social demands as strategic issues. It is argued that “business organisations should be concerned about the interests of other stakeholders when taking strategic actions”. (Freeman, 1984; cited in (Mainardes 2011). Moreover, Carroll and Hoy (1984) pointed out that “social response policies” should be “strategically related to the economic interests of the firms”. This is in line with Blowfield & Murray’s (2008) belief that “a company’s social policy should be as much a function of strategic planning as its choice of products and marketing or its establishment of profits and growth objectives”. In other words, CSR should be strategic and ultimately leads to value creation.

Freeman *et al.* (2011) gave his views on two contrastive approaches of CSR, namely, residual CSR and integrated CSR. Basically the former approach conceptualises CSR as a non-strategic activity. For instance, to give back some of the value firms had created to the society or simply “add-on a social role to business without challenging the traditional understanding of business that sees the economic purpose – profit maximisation – as the primary social responsibility of the corporation” (Freeman *et. al* 2011). In contrast, the latter approach conceptualises CSR as a strategic move characterised by the integration of social, ethical and environmental concerns into the management criteria for firm-level strategy. As pointed out by Freeman *et al.* (2011), this integrated view of CSR embrace the central ideas of the stakeholder approach and emphasise the importance for firms to manage the relationship with their stakeholders who have “power, legitimacy and urgency” (Mitchell *et al.*, 1997) on the company. Moreover, CSR is no more viewed as additional duties but a redefinition of the firm’s scope of managerial responsibilities (Post, Preston, and Sachs 2002, as cited in Freeman *et al.* 2011).

Considering that Villa-H.K is only a small outbound travel business, with their humble resources, “they must select issues that intersect with (their) particular business” (Porter & Kramer, 2002; cited in Freeman *et al.* 2011) to address. It justifies the author’s effort to conduct stakeholder engagement in the destination market in the search for ‘strategic-fit’ CSOs as product differentiation strategy to create long-lasting value.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

To operationalise CSR, Sethi (1975) called for actions to be taken by owner-managers to entertain the “outside groups” (or stakeholders). This gesture of balancing stakeholders’ interest, expectations, needs and concerns are what stakeholder theory or, more precisely, “stakeholder concept of firms” Chapple (2011) is advocated. (Wood 1991) also made an attempt to link CSR with the stakeholder theory. She challenged the purpose of firms by shifting “shareholder view” to “social view” and pointed out the narrow mind-set of ‘profit-maximising for shareholders’ should be abandoned and reiterated that ‘stakeholders’ interests’ are the basis for “defining the purpose of the corporation” for attaining corporate social performance (CSP).

Another scholars such as Pederson (2006) offered his view regarding the close ties of CSR with stakeholder theory and emphasises that CSR should not be limited to specific strategies, stakeholders and/or social and environmental issues Pederson (2006). He further stated that “inclusion, openness, tolerance, empowerment, and transparency” are vital for stakeholder dialogue which informs Villa-H.K’s future communication strategy with their stakeholders.

The CSR and stakeholder concept discussed informs the construct of the forthcoming framework.

3.0 Theoretical Framework

As illustrated by Figure 3.0, Villa-H.K is a profitable business at present but may not be sustained in the long-run since the owner-manager seems to have overlooked the impact of their business activities' and the needs of wider stakeholder groups. Like the vast majority of travel businesses in Hong Kong, the triple-bottom-line (TBL) concept is currently not embedded in their management philosophy. In response to the urgent appeal by Chapple (2009) for the business world to take immediate actions on climate change and rectify industry's irresponsible behaviour, the need to devise a "future-focused" strategy that integrates the socially- and environmentally-responsible practices into the business agenda is highly desired.

Wilson's (2003) view on "corporate sustainability" via stakeholder engagement, CSR and corporate accountability (in the green box at a higher level) serves as the skeleton of this new framework. More specifically, in order to achieve the stated objectives of this management project, Jenkin's (2009) "Business Opportunity Model of Corporate Social Responsibility (CSR) for SMEs" is chosen as the flesh of this proposed framework. In his model, five steps are suggested to be built into the system of operations to gain sustainable CA. It is believed that both capabilities and CA may be achieved and sustained through identifying potential Corporate Social Opportunities (CSOs) (Step 3) via a CSR-integrated strategy (Step 4) informed by Barron's (1995) market and non-market approach.

To achieve higher level of firm performance, Barney (1991) held that resources which are valuable, rare, non-substitutable and non-imitable (abbreviated as VRIO cited in (Hunger and Wheelen 2009)) are of good market value. In other words, for the travel agent in question to strive for their sustainable CA in the travel marketplace, both the leadership and managers of each work-stream should make their best possible effort to consolidate the firm's competency through creating and maintaining these valuable resources. To achieve this end, Jenkin's (2009) suggested that the value system of the company will need to be changed (Step 1) so as to "align the business with (newly-defined) CSR values" and employ scoping (Step 2) in order to "develop targeted CSR that looks at company's greatest area of impact and then make a difference".

In the final stage of Jenkin's (2009) 5-step process, benchmarking (Step 5) is proposed to evaluate the firm's performance in the areas of quality, product/service innovation, market penetration and the effectiveness of the new business model for value-creation. One crucial element in which managers should not overlook is the "organisational learning" mechanism indicated by the dotted line. This

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

feedback loop mechanism is paramount since it informs Villa-H.K management how value system can be fine-tuned and resources are allocated and managed in future strategy formulation.

The chapters follow will give a detailed analysis of the present situation of Villa-H.K and highlight what resources and CA the company possess (Chapter 4), followed by the presentation of consolidated findings collated through stakeholder Focus-group meetings and tourist mini-survey (Chapter 5). A detailed discussion of the gaps which must be addressed will be dealt with in Chapter 6 and recommendations based on Jenkin (2009)'s 5-step process with a view to integrate ethical and responsible practices that informing both functional- and corporate-level strategy will be dealt with in Chapter 7, in the hope to reach the destination, i.e., sustainable value created for a better world. Finally, a conclusion on research significance and implications for future research will be with highlighted in Chapter 8.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

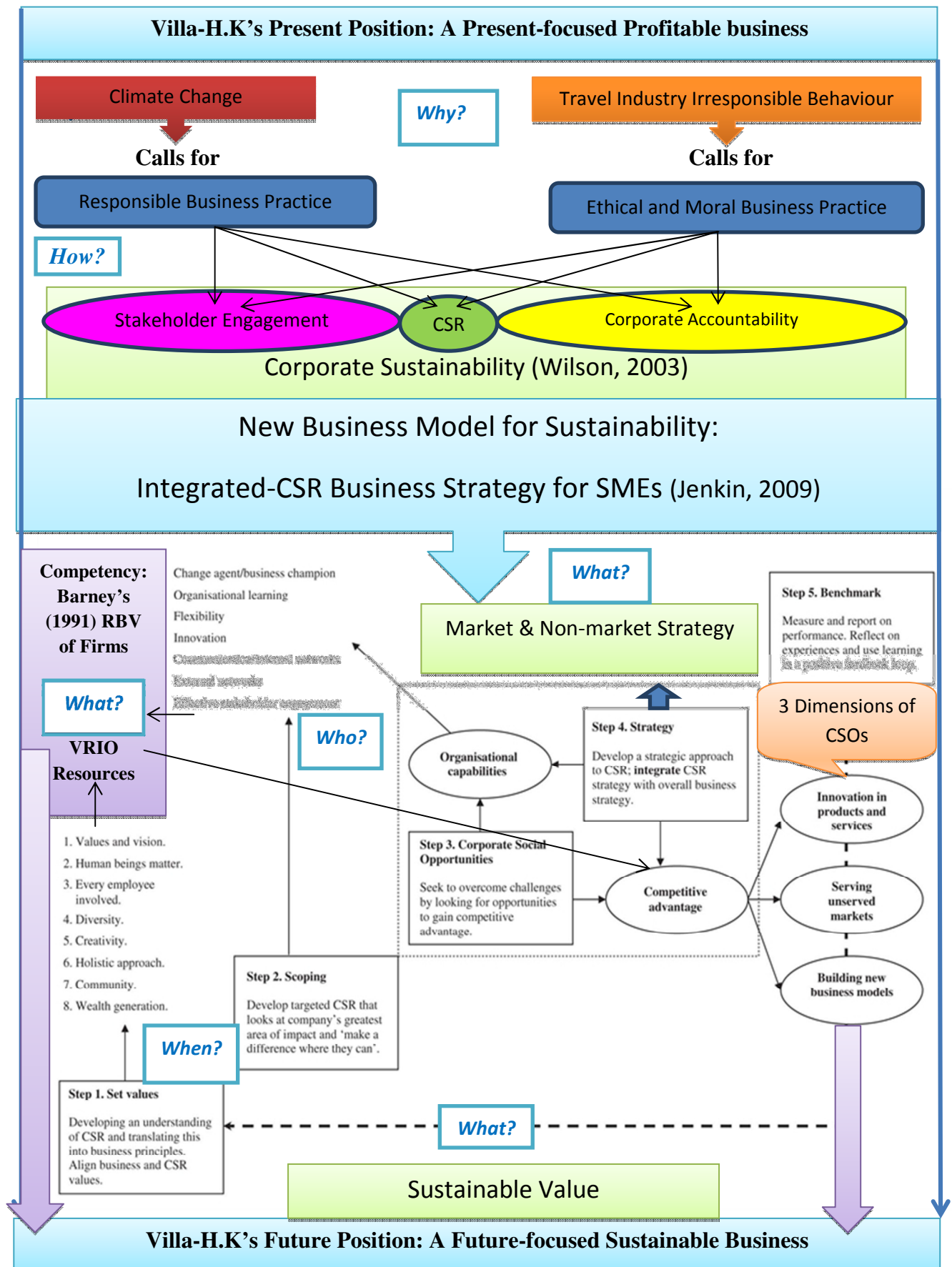


Figure 3a The Conceptual Map: Villa-H.K to Gear towards Sustainability

Chapter 4: Case Study - Villa-H.K

4.1 History

Established in 2002, Villa-H.K is a subsidiary travel company of the Villa Group of Companies based in the Maldives.

4.2 Company Structure

The Managing Director of Villa-H.K reports directly to Honourable Mr. Qasim Ibrahim – the Founder and Chairman of the Villa Group. Figure 4.0 shows the business structure of Villa Group of Companies. Under the group, Villa Hotels manage five resorts which represent the largest number of tourist beds in the Maldives as a private company. Besides hotel business, the Villa group also have aboard portfolio of businesses within the aviation, broadcast and media, diving and watering sports, education, fisheries, food and beverages, oil and gas, shipping, import and export and general trade industries.

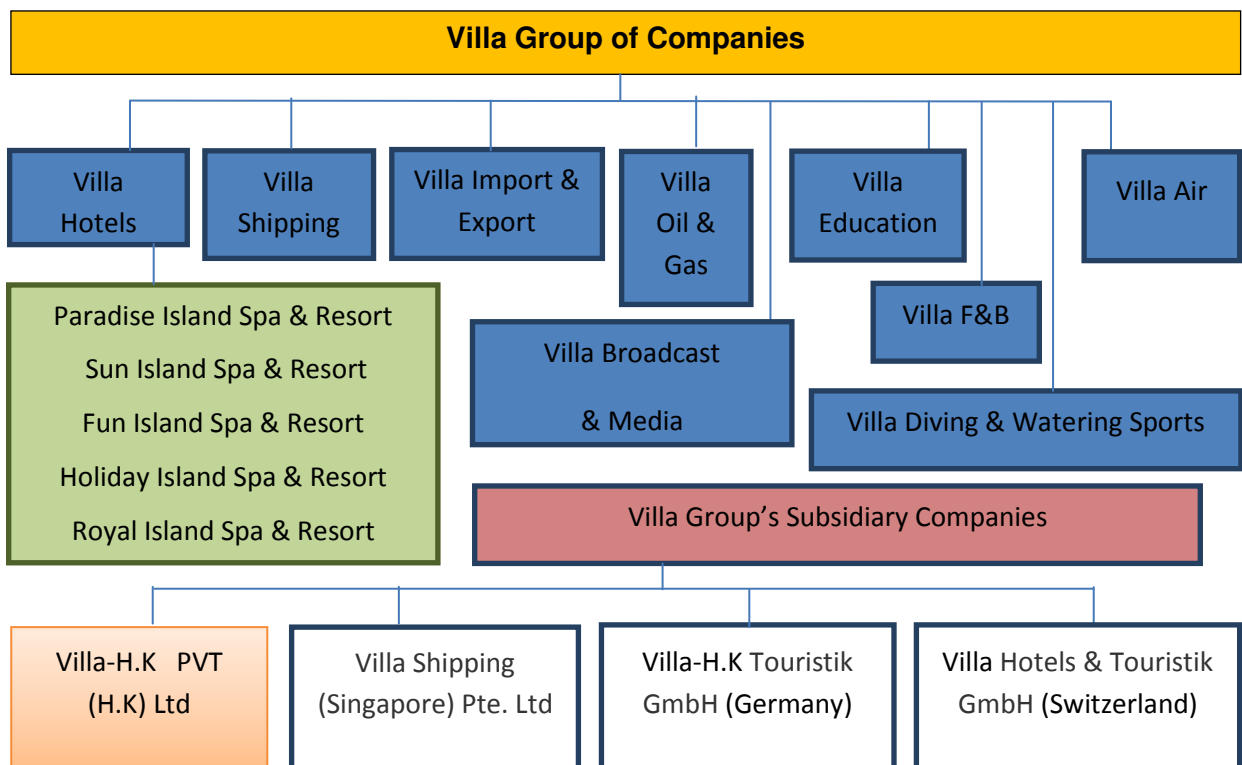


Figure 4.0 Business Structure of Villa Group of Companies

4.3 Villa-H.K's Role

Similar to its Singaporean, German and Switzerland counterparts, Villa-H.K adds value to the Villa Group by selling resort rooms and other hospitality services to their PRC travel agent clients and customers originate from major PRC cities including Hong Kong.

Guided by this mandate, Villa-H.K is committed to making the Maldives an unsurpassed holiday haven for nature or adventure lovers. Customers choose the resort they wish to stay within their preferable price range. No matter which resort is chosen, unparalleled guest services, superb facilities and a wide range of excursion and water-sports activities are offered.

4.4 History of Success

During the past decade, Villa-H.K had received numerous recognitions from service suppliers. Table 4.0 below is a snapshot of their past achievement.

2002	Villa-Group director decided to set up a subsidiary travel agent in Hong Kong to capture the Chinese market
2004	Received Sri-Lankan Airlines Appreciation Award
2006	Bronze Award from Sri-Lankan Airlines
2010	Best Occupancy Performance Award 2009 from Paradise Island
2011	Annual turnover reached HK\$58.3 M, a twofold increase as compared to FY2008

Table 4.0 Villa-H.K's Timeline of Success

4.5 Celebrating Success

To celebrate the 10th anniversary, a dinner reception (Appendix 18) was held in Hong Kong in February 2012. A student management consultant was invited to examine its current business model and make practical recommendations on how Villa-H.K's position in the outbound travel marketplace can be further consolidated through a new strategy formulation exercise.

4.6 Management Performance

According to (Weetman 2003), the management of a business is primarily a function requiring stewardship and the mindful utilisation of resources. In order to investigate how well Villa-H.K had allocated their resources, two questions are posed: First, how carefully did Villa-H.K's management team control costs so as to maximise profit? Second, how well did the management team invest in assets to create revenue? More systematically, based on what (Morrell 2007) suggested, we may evaluate a shareholder's/owner-managers' investment by examining the following:

<i>Performance/earnings</i>	How is Villa-H.K trading (whether in relation to turnover, assets or equity)?
<i>Risk or solvency</i>	How high is the risk that Villa-H.K might not being able to meet its financial commitments and continue trading in the foreseeable future?

Table 4.1 Management Performance through the Accounting Lens

4.6.1 Performance/Earnings

4.6.1.1 Operating Profit Margin (OPM)

The OPM tells us the profit Villa-H.K had made after deduction of costs incurred from membership, Global Reservation System membership, sales call, familiarisation trips and labour wages, to name a few. Villa-H.K's OPM from 2007 onwards are given in Table 4.2below:

	2010	2009	2008
Villa-H.K	14%	11%	15%

Table 4.2 Villa-H.K's Operating Profit Margin (OPM) Ratio for FY2008-2010

4.6.1.2 Net Profit Margin (NPM)

NPM refers to the profit left after taking into account the cost of sales, administration and marketing costs, selling and distributions costs as well as other miscellaneous costs. The margin will be used to pay back interest, tax, dividends to investors in this SME business. Table 4.3 gives a snapshot of Villa-H.K's past three years' NPM.

	2010	2009	2008
Villa-H.K	8%	3%	6%

Table 4.3 Villa-H.K's Net Profit Margin (NPM) Ratio for FY2008-2010

4.6.1.3 Return on Capital Employed (ROCE)

ROCE is a fundamental measure of business performance. It tells us “the relationship between the operating profits generated during a period and the average long-term capital invested in the business during that period” Atrill & McLaney (2008). Table 4.4 gives a snapshot of Villa-H.K's past three years' ROCE.

	2010	2009	2008
Villa-H.K	98%	98%	98%

Table 4.4 Villa-H.K's Return on Capital Employed (ROCE) Ratio for FY2008-2010

4.6.1.4 Return on Asset (ROA)

ROA shows “how well the assets of the business are used to generate operating profit before deducting interest and tax”. Weetman (2003). Table 4.6 gives a snapshot of Villa-H.K's past three years' ROA.

	2010	2009	2008
Villa-H.K	44%	12%	26%

Table 4.6 Villa-H.K's Return on Asset (ROA) Ratio for FY2008-2010

4.6.2 Risk or Solvency

The gearing ratio, also known as Debt/Equity ratio, is used to investigate risk or solvency of a firm. It indicates a company's debt compared with its equity (Walton & Aerts, 2006). As for Villa-H.K, this ratio is unavailable since no financing is needed for the business according to their accountant.

4.6.3 Cash Flow Statement

Different to that of income statement and balance sheet, cash flow statement provide information directly on the cash position of Villa-H.K and how cash was generated for payments for service suppliers and other variable costs such as office overhead and salary. According to the accountant, no bad debts were recorded during the past three years since services were not offered to their PRC clients without receipt of full-payment prior to guests' departure. Also, credit facilities granted to customers not prevails in their business norm.

4.6.4 Z-Score

According to(Vause 2009) firms' financial picture in the previous few years normally gives clues on how likely the business will sustain. In order to predict failure, the Z-score equation can be utilised to examine how likely Villa-H.K will go bust. Table 4.9 gives Villa-H.K's Z-Score results from FY2008-2010.

	2010	2009	2008
A=0.012A'	0.50	0.60	0.70
B=0.041B'	1.60	1.80	2.20
C=0.033C'	1.50	0.40	0.90
D=0.006D'	0.60	0.60	1.00
E=0.01E'	<u>5.90</u>	<u>3.90</u>	<u>4.60</u>
Z=A+B+C+D+E	10.10	7.30	9.40

Table 4.9 Villa-H.K's Z-Score

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Where

A' = Net current assets / total assets

B' = Retained earnings / total assets

C' = Profit before interest and tax / total assets

D' = Capitalisation / total debt

E' = Sales / total assets

4.7 Work Functions

Villa-H.K was established in 2002 with only two employees. It is a travel retailer specialising in leisure and corporate travel. After a decade of dedicated effort to build up a strong supplier networks and clientele, the travel business has grown rapidly. At present there are five female staff.

Directly reporting to the Head Office in Male (Appendix 23), the MD oversees the day-to-day business operations. Her duties include overseeing the Hong Kong operations; identifying business opportunities; marketing and promoting new travel products/services; looking after VIP corporate accounts; devising pricing strategies; recruiting and leading a team of staff as well as developing, establishing and maintaining good business relationships with suppliers (service providers) and clients.

Reporting directly to her is the Accounting Manager, Senior Operations Manager and two junior staff in the Sales & Ticketing team.

4.7.1 Accounting Work-stream

Duties of the Accounting Manager include financial data input, preparing the company's P&L and balance sheet and managing any accounting and financial issues that may arise in the firm. According to her, Villa-H.K follows stringent GAAP accounting rules and complies with Hong Kong government taxation regulations. She commented that different to that of other industries, such as trading or manufacturing, insofar as the travel and tourism industry follows a unique accounting practice due to its business nature that heavily relies on commission earnings.

The challenge Villa-H.K faces is similar to other competitors, in that they follow the cash-in cash-out accounting method, which means that cash flow must be carefully managed to ensure the financial health. Usually, customers/corporate clients are asked to settle payment upfront so that service

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

suppliers such as hoteliers, airlines and destination tour operators can be paid before services are rendered. This is especially prevalent in Villa-H.K's case. The company maintained a very strong annual turnover of over HK\$58.3M in FY2010-2011. Yet, annual net profits for the year were only HK\$2.5M, implying that profit streams are limited, only being generated through commission-based service provisions. Currently, there are no other viable channels for monetary value-creation.

Furthermore, according to the Accounting Manager, sales volumes are entirely dependent on the availability of hotel rooms and airline seats. If either of these cannot be guaranteed, customers will purchase from Villa HK's competitors. The most pressing issue for her is, however, to meet financial reporting deadlines before the financial year-end, as ample time should be allowed for a third-party auditor to conduct the audit before tax returns are filed.

4.7.2 Operations (Sales & Ticketing) Work-stream

Leading the operations (Sales & Ticketing) work-stream, the senior operations manager oversees the operations function of the company. She is not only responsible for handling customer enquiries, following up travel package bookings and hotel reservations and dealing with customer complaints, but also spotting new market trends and learning from customers' expectations of future possible travel products and services. At the same time, she also mentors and supervises junior staff.

Two critical problems had been identified in her work-stream: slow enquiry response time and product quality assurance issues. There is currently no performance indicator in place to track the time needed to handle customers' enquiries. Moreover, their department would be responsible if PRC customers complained directly to travel agents in their originating cities. This pressing issue has been frustrating the company for some time. Luckily, so far, they have not been held responsible for any material loss/damages to mainland counterparts resulting from customer dissatisfaction. Despite this, a large amount of time has been spent following-up these complaints which waste the firm's resources.

The manager also expressed her deep concern over the recent new travel market entrants in PRC who are eroding their market share in the Maldivian market, especially within the spa holiday package subspace, also the possibility for PRC travel agent clients to sideline Villa HK's services and deal directly with their Maldivian counterparts.

At the moment, only 20% of their clientele are Hong Kong residents – a proportion which she would like to see rise over the foreseeable future.

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Reporting to this Senior Operations Manager are two junior staff whose duties include handling customers' enquiries over the phone and emails. Moreover, they are also responsible for undertaking a large number of administrative procedures such as preparing price-quotations and invoices for customers in a timely manner and ensuring that tour itineraries and rooming lists are up-to-date and accurate. In addition to the regular PRC travel agent clients with whom they regularly interact with, these two members of staff also have to deal with individual customers' enquiries via social networking platforms.

4.7.2.1 Business Process Flow

Figure 4.2 outlines Villa-H.K's routine business process with respect to its corporate sales. It shows how Operations (Sales & Ticketing), Marketing and Accounting streams cooperate with each other:

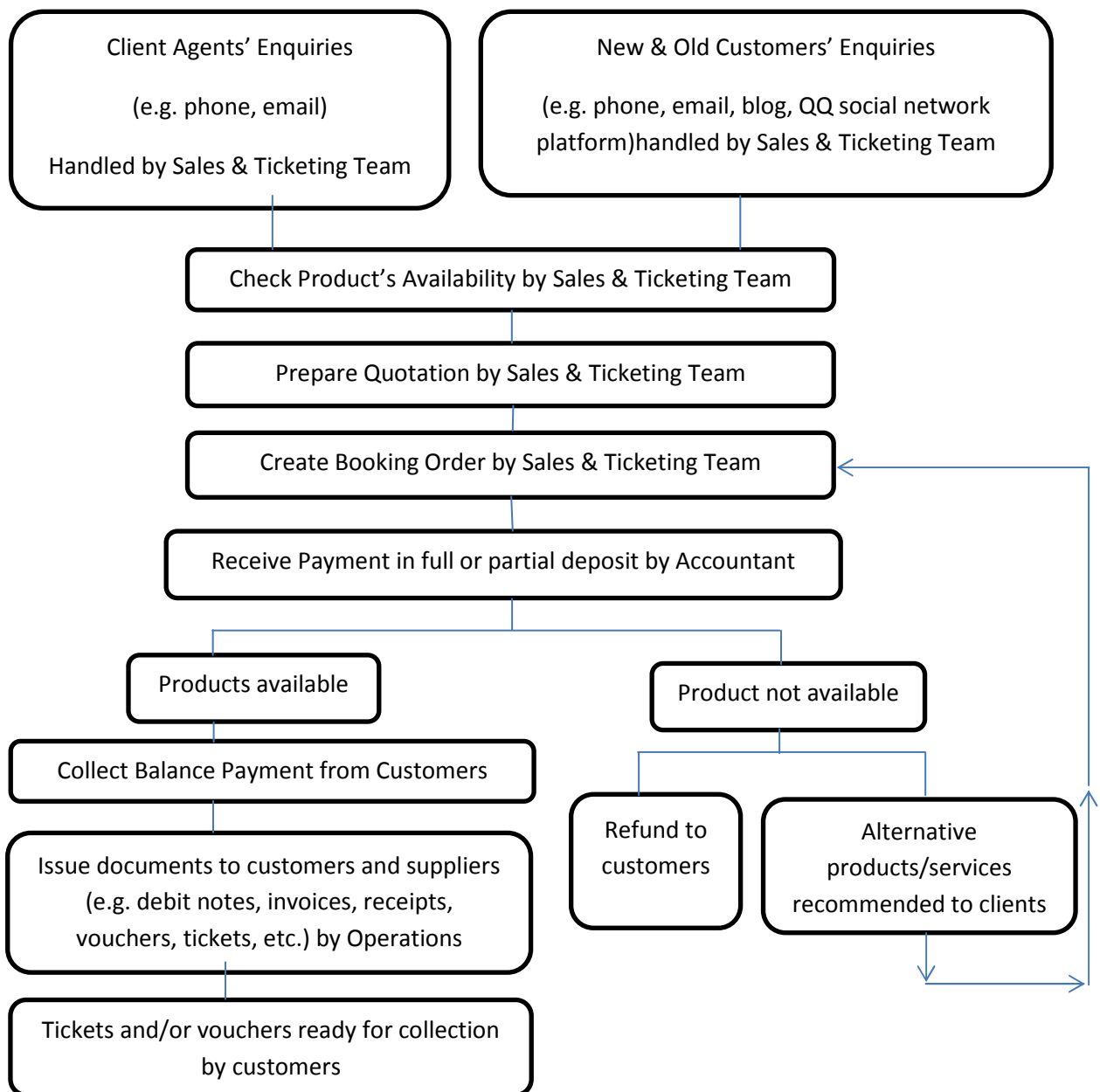


Figure 4.1 Villa-H.K's Routine Business Process

4.7.3 Marketing Work-stream

At present, the MD and the Operations Manager are responsible for marketing and promotion activities. Besides maintaining regular contact with their clients, they also take part in travel exhibition shows in China to promote destination markets currently available in their product portfolio. There is little evidence of extensive use of these marketing channels to boost sales beside face-to-face promotional efforts.

4.7.4 Human Resources Work-stream

The MD and Senior Operations Manager are also responsible for human resources management. With regard to recruitment and selection, the MD takes up this responsibility due to her extensive experience in the travel industry. Similar to the HR function of other big travel agents, HR programmes such as manpower planning, new staff orientation, team-building, employee training, performance appraisal, reward and incentives are also available.

4.8 Villa-H.K's Role in the Tourism Supply Chain (TSC)

Figure 4.3 shows how different members are grouped into different layers and play different roles in the TSC according to (Zhang 2009), cited in (Huang 2010). As an intermediary agent who buys products or services from Tier 1 and Tier 2 suppliers, being a tour operator Villa-H.K combine and market these bundle of services packaged as a single, value-added end-product, then have them delivered to their target customer groups via their partner distribution channels in PRC. Similar to that of plant production/manufacturing activities, production processes also takes place in the tourism industry despite its less tangible product attributes and visibility. Production and consumption of these travel products takes place at both the originating and destination market(s).

At present, Villa-H.K do not possess capabilities or resources to audit their Tier 2 service suppliers.

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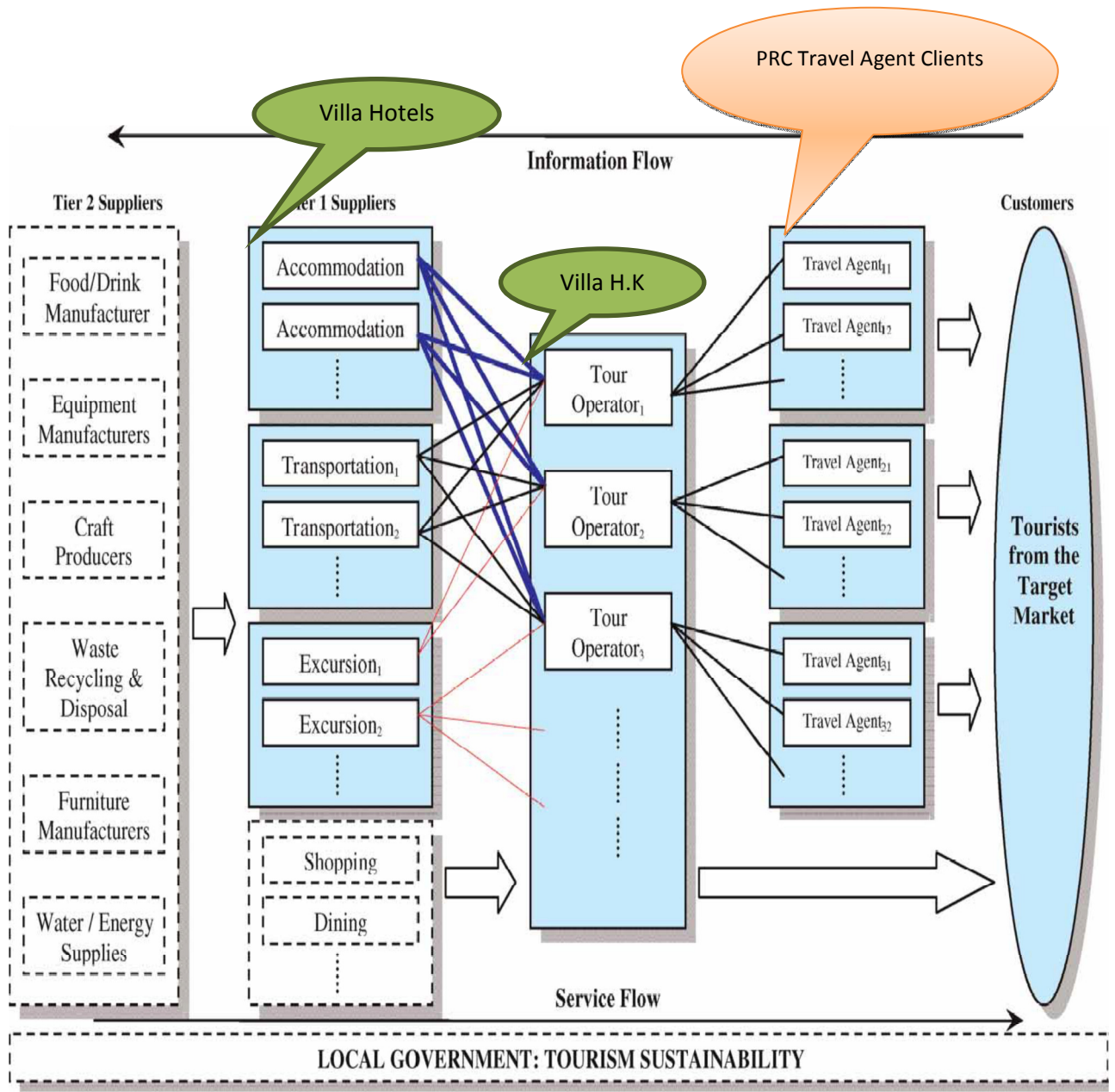


Figure 4.2A Typical Tourism Supply Chain Network in a Destination.

Adapted from Zhang et al. (2009); cited in Huang et al. (2010).

4.9 Product Portfolio

Villa-H.K serve three major destination markets, namely, the Maldives, Thailand and mainland China. They specialise in sourcing service providers across the TSC and re-package them as a unique “value-for-money itinerary” or “customised tickets plus transfer plus hotel travel packages” based on customer needs. Among the three destination markets, the Maldives package sales accounts for 90% of total sales volume.

4.10 Customer Demographics

The diagram below is a snapshot of the age distribution of Villa Hong Kong’s customers. The 31-42 age group accounts for 80% of the total number of customers. This phenomenon can be explained by their relatively high disposable income. In contrast, the teenager age group, i.e. 18-22 years old, and the pensioner (60+) market are currently inactive.

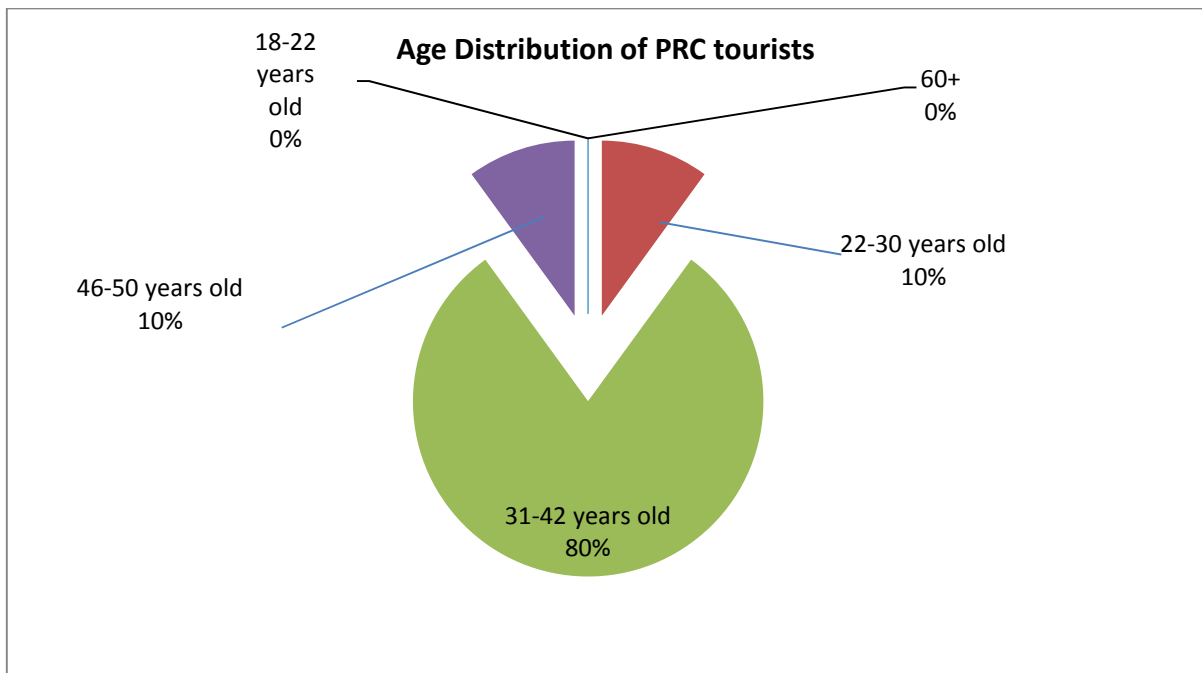


Figure 4.21 Villa-H.K's Customer Age Distribution Profile

4.11 Customers' Originating Cities



Figure 4.3 Map of China

Rank	Province (City)	Percentage
1 st	Guangdong (Guangzhou)	50%
2 nd	Jiangsu (Shanghai)	30%
3 rd	Sichuan	10%
4 th	Hebei (Beijing)	8%
5 th	Fujian	2%

Table 4.12 Customers' Originated Cities

Table 4.12 reveals that half of Villa-H.K customers originate from Guangdong Province whereas the rest from Jiangsu, Sichuan, Hebei and Fujian province. Currently, customers originated from other wealthy Chinese provinces such as Shanxi, Zhejiang, Heilongjiang and Jilin are not in the list.

4.12 Visiting Purpose (e.g. Maldives or other Asian destinations)

The majority of Villa Hong Kong's PRC customers choose the Maldives as their travel destination for leisure, diving, weddings and honeymoons. Only 2% of them visit the Maldives for business purposes. Interestingly, no PRC customers intend to choose this sun and sea destination for educational purposes.

Rank	Purpose	Percentage
1 st	Leisure	85%
2 nd	Diving	10%
3 rd	Overseas Wedding/Honeymoon	3%
4 th	Business (MICE)	2%
5 th	Educational	0%

Table 4.3 Ranking and Percentage of Visit Purpose

4.13 Travel Products/Services by Types

As illustrated in Table 4.4 below, Sun, Sea and Beach Holiday Packages (Hotel, Air-tickets & Meals) accounts for 84% of travel products sold, followed by 10% on air-tickets, 5% on hotel rooms. Although not a major product of sales, cruise holidays are also marketed and sold.

Sun, Sea and Beach Holiday Package (Hotel, Air-tickets & Meals)	84%
Air-tickets	10%
Hotel Rooms	5%
Cruise Holidays	1%

Table 4.4 Ranking and Percentage of Visit Purpose

4.14 SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> ● Knowledgeable and dedicated staff ● Excellent support from Villa Hotel Group generates substantial economies of scale ● Good relationships with airlines and local tour operators ● Guests transferred from Male to resort immediately by Villa Air. ● Small firm size makes management easier ● Strong economic growth in main target market ● Premium price charged on travel products ● Mutual trust established between the company and service suppliers 	<ul style="list-style-type: none"> ● Values, vision, purposes and objectives not clearly defined ● Reluctant to change ● Lack of process and product innovation ● Overlooked corporate social opportunities ● No quality assurance ● B2B dominates ● Non-value-added activities ● Management unaware employees' psychological needs ● Inadequate communication with HQ and external stakeholders

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Opportunities	Threats
<ul style="list-style-type: none"> ● “Visitors from PRC will be the number one tourist traveling around the world”(Agrusa, Wang <i>et al.</i> 2011) ● New customer segment, e.g. H.K divers and medical professionals and students ● New destinations to spread risks, e.g. Canada, the USA ● New branch in Ningbo ● Niche products such as eco-, sustainable-responsible-and educational tourism ● NGO partnership ● More revenue streams: Online booking systems and relationship marketing ● 10th anniversary celebration: a good chance to network with over 100 stakeholders ● Improve “value-adding” capabilities of tourism supply chain ● Attract more environmentally, socially and ecologically-aware customers and investors to the business ● Corporate Social Opportunities (CSOs) ● Partnership with Hong Kong schools ● Role model for other travel agents ● Future tourism policies advocacy 	<ul style="list-style-type: none"> ● Climate change and natural disaster ● Recent political unrest of the Maldives - Appendix (34) ● Focus heavily on one particular destination ● Low entry barrier leads to intense competition ● PRC visitors’ irresponsible behavior ● Airlines’ commission cut ● 128 resorts in the Maldives as of 2011 ● Maldives will be carbon neutral by 2020 ● Scrutiny on travel/hospitality businesses ● Customers book travel products via Internet. ● Younger generation/computer literates prefer to shop and compare prices online ● No performance benchmarking

Table 4.15 SWOT (or Internal Environmental) Analysis of Villa-H.K

4.15 STEEPLE Analysis

In their book *Key Concepts in Tourism*, Lomine & Edmunds (2007) categorised seven groups of factors (STEEPLE) relevant in the tourism industry, namely, socio-cultural, technological, economic, educational, political, legal and environmental factors. Employing this concept, a detailed analysis relevant to Villa-H.K's context is summarised in *Table 4.16* below:

Socio-cultural	<p>Trends in consumption patterns of PRC customers:</p> <ul style="list-style-type: none"> • Love exploring the world and learning new knowledge • Long-haul travel as a prestige in social status • Big spender showing their “face” • Stay longer at a destination (over 7 days increased to 5.4%; between 4-7 days increased to 15.4% in 2010 (Travel-Expert 2011)) or travel to more than one destination <p>Changing lifestyles and demographics of PRC customers:</p> <ul style="list-style-type: none"> • visiting sun, sea and beach destinations • indulging in great dinning and relaxation experience
Technological	<p>Technological progress:</p> <ul style="list-style-type: none"> • Rapid development of online global ticketing/reservation systems • More technology-savvy users
Economic	<p>Exchange rate of Renminbi (RMB)</p> <p>Outbound-travel more affordable because:</p> <ul style="list-style-type: none"> • Appreciation of RMB • Fierce competition • More wealthy people

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Educational	<p>Training of workforce</p> <ul style="list-style-type: none"> • More Trade-related training programmes offered • Tourists’ increasing expectations on tour leaders/escorts’ service and ethical standards <p>PRC customers search for meaning through outbound travel</p> <ul style="list-style-type: none"> • Parents want kids to acquire new knowledge, whether it is cultural-related or language-related, through travelling.
Political	<p>Measures to deal with natural disasters</p> <ul style="list-style-type: none"> • Nasheed Government had been proactive in raising awareness of potential disaster facing the Maldives and the world. <p>Government’s support of tourism</p> <ul style="list-style-type: none"> • Maldivian Government strongly supports tourism development • MATI and MATATO promote Maldives as a travel destination and develop greater cooperation among travel agents and hoteliers, and work together in promoting the destination <p>Political Unrest</p> <ul style="list-style-type: none"> • Impact Maldives stability • Impact GDP and tourism income
Legal	<p>Legislation regulating sectors of the industry</p> <ul style="list-style-type: none"> • Minimum wage introduced to ensure resort workers enjoy a decent living. <p>Legal protection of consumers</p> <ul style="list-style-type: none"> • All outbound travel business operations in Hong Kong are regulated by TIC to protect consumers’ rights. • Code of Best Practice on Travel Agent Operation issued by ICAC in 2006.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

<p>Environ- mental</p>	<p>Climate Change:</p> <ul style="list-style-type: none"> • According to Dr. Mohammed Waheed Hassan, now President of Maldives, the Maldives “stands at the frontline of the climate change battle”. They are one of the most vulnerable countries on Earth and therefore need to adapt to climate change. (See World Bank website) • “Coral reefs bleached by warm (sea) water from El Nino”. (Kotler 2010) (Kotler et.al, 2010, p.99) <p>Environmental impacts on tourist attractions:</p> <ul style="list-style-type: none"> • Rubbish on the beach (Appendix 21) • Beach erosion due to rising sea temperature. • Reef damage has been caused by scuba-divers, snorkelers and bathers walking out across the reef flats commented by Saeed & Annandale (undated); • Groundwater quality at resorts is deteriorating. (Saeed & Annandale (undated)); • Poor solid waste management remains the most visible threat to the reefs in the Maldives in the words of the Bluepeace co-founder.
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Table 4.16 STEEPLE Analysis of Villa-H.K

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

4.16 Villa-H.K's Resources

Three types of Villa-H.K's resources are identified as follows:

Tangible Resources	
Financial	<ul style="list-style-type: none"> ● Healthy cash flow
Physical	<ul style="list-style-type: none"> ● Cosy office setting ● Convenient office location (e.g. Central, Hong Kong)
Technological	<ul style="list-style-type: none"> ● Sophisticated Hotels Reservation System ● Advanced Global Reservation/Booking System
Organisational	<ul style="list-style-type: none"> ● Simple and flat organizational structure ● Wide span of control ● Little formalization and centralized authority
Intangible Resources	
Human	<ul style="list-style-type: none"> ● Experience and language proficiency(Cantonese, Mandarin and English-speaking)employees ● Staff trade experience
Reputation	<ul style="list-style-type: none"> ● Doing business in a Hong Kong way ● Reputation with suppliers for fairness and speedy settlement of bills
Organisational Capabilities	
	<ul style="list-style-type: none"> ● Capability to combine tangible and intangible resources, using organizational processes to achieve results, e.g., ❖ Small team, big result

Table 4.17 Villa-H.K's Resources Analysis

4.17 Villa-H.K's Competitive Advantage (CA)

4.17.1 Strong Brand Name

Villa-H.K position themselves as an FIT outbound travel expert. Its core business is targeting at PRC clients who look for quality/premium travel products, especially the wellness travel packages. Staff are trained to facilitate bookings which customise to clients' needs. Good understanding of customers' travelling requirements enables the company to distinguish themselves from competitors – which make them a strong brand name among their regular PRC travel agent clients.

4.17.2 Capturing Rapid Economic Growth

Capturing the rapid economic growth of the PRC market and the ever-increasing demand of outbound travel of PRC customers, Villa-H.K had firmly established their position in the marketplace. Their success is highly contributable to four factors: full support given by the Villa-Hotel group; excellent travel knowledge of office staff; long-term support of land operators in the upstream and PRC travel agents in the downstream of the TSC. Since Villa-H.K is a TIC member, PRC travellers have strict confidence in purchasing their products/services.

4.17.3 “Human-touch” Customer Services

Villa-H.K dedicated sales and ticketing team assists PRC travel agent clients to customise “value-for-money” travel options which place luxury, comfort, safety, convenience and unique travel experience as core product/service characteristics. Customers value such “human-touch” of care and service that other “non-human” online travel shops cannot offer. Villa-H.K staff had developed close relationship with their PRC clients in a “Hong Kong way” too. First-hand travel information are always available for them.

4.17.4 Excellent Relationships with Airlines

Flight-tickets of Cathay Pacific Airways (CX), Singapore Airlines (SQ), Malaysian Airlines (MH) are purchased from one of Hong Kong's flight-ticket wholesalers at a contract-rate. In 2007, Villa-H.K had reduced its heavy reliance on wholesalers to supply flight tickets. Through establishing Direct Sales & Purchase (DSP) relationships with SriLankan Airlines (UL), the company had achieved a cost

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

advantage over its competitors. Villa-H.K will continue to source for flight-tickets of competitive rates from CX, SQ and MH airlines.

Incentive/commission income is earned from airlines per successful transaction. The amount of sales transactions translates to the company's revenues. Similar to other sizable travel agents, Villa-H.K has established a progressive contract-rate relationships with the aforementioned airlines, a higher rebate will be earned when transaction volume or sales turnover proceeds to the next turnover band. The more tickets sold the higher incentive income rates the company will enjoy.

4.17.5 Excellent Relationships with Hoteliers and Land Operators

Villa-H.K receive competitive terms and favourable credit terms offered by hoteliers at various popular tourist destinations. Even during peak travel season, allotments of hotel/resort rooms are always guaranteed. For this reason, customers' requests can be easily entertained.

Good relationships with suppliers also enables the company to gain competitive edge by repackaging isolated product/service into a bundle of air, speedboat, seaplane or domestic air transfer and hotel packages which deliver greater value. Another advantage is the company can complete these travel packages easily and more efficiently given its flexibility to control the price of hotel/resort room nights based on this allotment arrangement. Similar to that of the incentive/commission income system of the selling of flight tickets, the selling of hotel rooms also operate in the same manner.

In addition, the recent opening of the Maamigili airport (Appendix 22) located near to the Sun Island, Royal Holiday and Holiday Island enables Villa-H.K guests to be directly transferred from the Male airport upon arrival from international flights, which does not require them to stay at a hotel in Male overnight as other travel agents do.

4.17.6 Promising Business

The computed ratios in the case study section give a clue on the financial health of the company. Firstly, the increase in OPM from 11% in 2009 to 14% in 2010 indicates that measures taken to reduce operating costs were effective. Secondly, the drop of NPM in 2009 reveals that the cost-leadership strategy employed by rivals or new market entrants had affected Villa-H.K's margin. As compared to that of 2009, the NPM had increased substantially to 8% due to successful negotiations with service providers such as airlines and hoteliers for more favourable contract rates. Thirdly, high ROCE percentage indicates that Villa-H.K is a promising business to invest due to its relatively high return

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

rate (the author assumed the figure provided by their in-house accountant is authentic). With regard to the ROA, FY2010 recorded a high ROA percentage which reflects their effective utilisation of funds invested in the business. This figure also indicates management performance of both firm level and individual work-stream level had been improving considerably. Overall speaking, since Villa-H.K's Z-score is over 3 – a score that was seen as a clean bill of health according to Vause (2009) – their financial performance is fairly healthy.

4.17.7 Cash flow Managed in Prudent Commercial Manner

Cash receivable and payable are carefully monitored by the in-house accountant. According to her, only purchase order is made when customers/clients place a firm order with full payment. No debt items appear in their balance sheet and no bad debt items were recorded in FY2010.

4.17.8 Wide Range of Excursion or Water-sports Activities

A wide range of “self-pay” activities such as Island Hopping, Sunset Excursion, Male sightseeing, Night fishing and diving and water sports activities are offered at resorts.

4.18 Finding New Ways to Sustain Villa-H.K's CA

Despite the CA discussed above, the MD understands that sustaining a travel business is not an easy task nowadays. She has recently come across some newspaper articles on CSR and agreed that they should embrace CSR but does not know how to integrate CSR into their business model strategically. Maintaining a good relationship with business partners is what they have pursued in the past; however, she wants to do a better job in balancing stakeholders' interests, rationalise trade-offs, improve company culture and devise a holistic strategy that not only improves internal operational efficiency, but also create sustainable value via responding to the “global drivers of sustainability” to advancing the TBL performance. She expects to gain some invaluable insights from a student management consultant who is studying at a leading U.K business school.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

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Chapter 5 Data Analysis

In order to satisfy MD's request of searching new ways to sustain Villa-H.K's CA, an on-site survey was employed to collect stakeholder views. The first part of this chapter presents the qualitative findings collated from structured interviews and focus-group meetings (Appendix 10-13), whereas the second part presents a synopsis of tourists' perception on sustainability and factors affecting their choice of travel agents based on the findings from a mini-survey (Appendix 1).

5.1 Emerging Issues

Having analysed the transcription in depth (Appendix 12, 14 & 15), all emerging issues have been identified and summarised below. In order to provide easy cross-referencing, each issue was assigned a code.

5.1.1 In-house Operational Issues Raised by Villa-H.K Staff

The following are Villa-H.K's operational issues identified through structured interview:

5.1.1.1 Accounting

Issue AC1: Limited revenue streams

Issue AC2: Meet tight deadline of financial reporting

5.1.1.2 Operations (Sales & Ticketing)

Issue O1: Limited resources available to handle large volumes of customer enquiries

Issue O2: Operational inefficiencies (non-value added activities such as handling complaints)

5.1.1.3 Marketing

Issue M1: New competitors emerging

Issue M2: Only B2B market segment is served

Issue M3: Inadequate marketing channels

5.1.1.4 Human Resources

Issue HR1: Heavy workloads and long working hours

Issue HR2: Staff fears of making mistakes

Issue HR3: Occupational health/work-life balance overlooked by management

5.1.2 Issues Raised by Customers

The following findings reveal customers' concern regarding service delivery and work ethics.

5.1.2.1 Service Delivery

Issue SD1: No accompanying tour leader/escorts

Issue SD2: Language barrier

Issue SD3: Limited customized food and wine choices

Issue SD4: Mandarin-speaking Guest Relation Manager is not always on duty at resort

Issue SD5: Inadequate destination information provided prior to departure

5.1.2.2 Ethics

Issue E1: A surcharge of US\$114 was imposed for early departure on every guest

Issue E2: Staff demanded extra charges for additional services

Issue E3: Valuable items were reported stolen on a few occasions

5.1.3 Issues Raised by Service Suppliers (Resort Frontline Staff):

Similar to those raised by customers, research findings indicate that service delivery and ethical issues are also resort management's concern.

5.1.3.1 Service Delivery

Issue SD8: PRC tour-escorts are incapable to speak English and they fail to play the mediator's role

5.1.3.2 Ethics

Some PRC tour-escorts were accused of:

Issue E5: Not observing hotel policies and selling 'self-pay' tours for their own benefits

Issue E6: Passing misleading information to guests and taking advantage of resort restaurant outlets.

Issue E7: Letting guests interchange rooms without informing resort staff

Issue E8: Encouraging guests to breach hotel policies, e.g. bring their own beverages from outside

5.1.4 Issues Raised by Environmental NGO

During the face-to-face interview with the Bluepeace co-founder (Appendix 14), some environmental and social issues facing the country were identified as follows:

5.1.4.1 Environmental Aspect:

Issue EN1: Non-biodegradable materials like batteries and e-waste are pressing issue for the Maldives.

Issue EN2: Toxic materials, e.g. plastic bottles and solid waste (Appendix 21& 21a) harm the marine food chain.

Lack of environmental awareness of guests and local communities

Issue EN3: 6 kg of garbage produced by each tourist per day, 4 to 5 times of that produced by locals

Issue EN4: Tourists were not informed of the current environmental problems facing the Maldives

Issue EN5: Tourists were not properly educated how they can help conserve the environment

Issue EN6: Little efforts was made by resort to promote the 3R initiatives to holidaymakers

Issue EN7: Inadequate education is the root cause of pollution and the spoiling of natural beauty

5.1.4.2 Social Aspect:

Issue SO1: Inaccessibility impeded cultural exchange between host and foreign visitors at resorts

Issue SO2: Resorts or hotel chains monopolize the local souvenir industry leads to economic leakage

Issue SO3: Local art-and-craft industry was not promoted

Issue SO4: Medical services and are generally inadequate across island communities

Issue SO5: Educational resources was limited

5.2 Tourists' Perception on Sustainability and Expectations on Travel Businesses

100 tourists were invited to complete a mini-survey (Appendix 1) in December 2011. Findings reveal nearly half had doubt on how socially-responsible practices of firms may be contributable to SD. In contrast, nearly half believed that organisations around the world are becoming more aware of the positive impact of CSR practices on the firms' bottom-line. Seven-out-of-ten of respondents felt that firms operating nowadays are subject to greater degree of scrutiny regardless of the nature and sector/industry they are in. The results were similar to the recent findings of CUHK CSR research on "Hong Kong People Perception on CSR" that travel businesses are perceived the CSR laggard only focusing on profit- maximisation. Tourists generally felt that since travel businesses rely on the health of the eco-system, other aspects of firm's performance should also be considered beside financial gain.

Unsurprisingly, 88% of respondents thought that environmental issues should be integrated into a travel business agenda, while more than 70% also thought that consumer issues, as well as community involvement & development concerns should also be taken into account. Interestingly, human rights and labour issues, as well as fair operating practices all fell lower down the list of priorities according to respondents – ultimately presenting a mixed bag when it came to assessing exactly where respondents' priorities lie.

Moreover, most of them were very positive towards Villa-H.K's marketing effort, particularly the proposed "Save the Planet, Save the Maldives" membership scheme (see Appendix 19) since it was thought as a good initiative to promote environmental conservation and marine biodiversity. Again, it paints a positive picture of the wider public response to the imposition of credible CSR initiatives in the Maldives – especially so since they will hopefully play an active role in promoting such initiatives. However, the fact that one-in-five respondents decided not to comment on the issue again, suggests that there will be some discernible level of push-back against the roll-out of these initiatives.

In addition, niche travel products capturing CSOs such as Medical Volunteering and Marine Conservation Programme alike gain much popularity among the respondents. They generally welcomed Villa-H.K's future marketing decision by differentiating their products/services through immersion of socially-responsible elements into their product offerings and expressed their willingness to introduce them to their friends and colleagues.

It is clear that the issue of sustainability and CSR remains divisive, with a sizeable minority of respondents reiterating at points throughout the survey that they either were unsure about the benefits of implementing such a strategy, or were hesitant about how such a strategy would work within a firm

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

whose other motivation was to maximise profits. Nonetheless, when it actually came to asking respondents whether or not they would pay extra to ensure that their holiday was – over the long-term – sustainable, the bulk of them agreed, meaning that despite the uncertainty surrounding the wider issue, the paying public certainly seem to leaning towards a more sustainable future.

Insights drawn from which would serve as a good foundation for the following chapters.

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Chapter 6 Discussion

In the case study section, Villa-H.K's business nature, product portfolio, customer demographics, managerial performance, internal and external factors affecting daily operations as well as CA were presented. Despite Villa-H.K's bottom-line success, some gaps had been identified. It is believed that Villa-H.K management does not possess a Sustainable Strategic Management (SSM) mind-set to fight in the commercial battlefield. This chapter aims to discuss them in greater detail.

6.0 Misalignment with Villa Group's Value

The Villa Group of Companies had set up a charity organization named as "Villa Foundation" in the Maldives since 2003. It has a wide range of interests with a central focus of addressing various needs of the country include education, health and community projects. Being the largest charity organization of its kind in the Maldives, Villa Foundation has a vision to maintain peace, harmony and foster the nation's development.

Disappointingly, operating in the travel business for a decade Villa-H.K had overlooked their mother company's long-standing commitment to the Maldivian society. It is fairly reasonable to argue that Villa-H.K's value system does not match perfectly with theirs. Therefore, given the core value of the mother company in promoting peace and harmony to the society and environment as well as the foundation's proven record of philanthropic achievements, there is no reason why Villa-H.K should not embrace CSR – the core value central to the Villa Group's business.

6.1 Absence of Core Value

Similar to what prominent strategists such as (Stead 2004) had argued, the author believes that Villa-H.K have lost its "foundations for the visions and strategies that will determine what (they) will become in the future" (Stead & Stead, 2004). It seems that the pursuit of SSM is currently absent from their management philosophy and the leadership has not "design(ed) their firm's value systems around a core value of sustainability to transcend the economy-society-ecology dichotomies and find positive synergy among these dimensions" (Stead & Stead, 2004). More specifically, the instrumental values offered by Stead & Stead (2004) that inform sustainable managerial decisions may be employed to examine Villa-H.K's current value system in greater detail.

6.1.1 Wholeness& Posterity

Management's frequent long-haul travel to destination markets substantiates the claim that little consideration had been placed on the impact of carbon footprint to the environment. In addition, customers are neither informed nor educated with regard to the social and environmental impact of their travel on vulnerable destinations. Such lack of awareness of the impact of their business decisions on the greater social system and ecosystem confirm that both the concept of "wholeness and posterity" is not much valued.

6.1.2 Community& Environment

Many small firms tend to be involved in CSR activities in some ways according to (Madden 2006)Madden *et al.* (2006). Villa-HK also give annual cash donation to the charity. However, donation on an ad-hoc basis is not strategically sound. Instead, Villa-H.K's leadership should instil a sense of greater care to the community and environment into every business decision.

6.1.3 Resources Utilisation

Currently, Villa-H.K do not have any policies prescribed aim to reduce non-renewable resource use and the promotion of 3Rs, namely, recycle, reuse and reduce, at the resorts.

6.1.4 Workplace Diversity

An imbalance of gender in the workforce seems a hurdle to creativity and innovation.

6.1.5 Quality of Products/Services

Absence of available channels for customers to feed their views back on travel products/service indicates a lack of continuous improvement in both Villa-H.K's business process and product/service innovation in the pursuit of premium service quality. If management do not seriously treat complaints as valuable input to improve quality, it will be difficult for them to compete with rivals.

6.1.6 Spiritual Fulfilment

The economic goals of Villa-H.K are to generate revenue by selling travel-related services or sending customers to places. Although wellness, relaxation and great travel experience are promoted, travel packages such as volunteering holiday, educational tourism, or meaningful tour packages that satisfying higher-level of spiritual needs were absent.

6.1.7 Stakeholder Dialogue

Not until very recently after the student management consultant was brought in have they started to value the importance of open discussion with important stakeholder groups.

6.2 Uncleared Vision, Mission & Business Objectives

Strategic vision has not been built, mission and business purpose not defined explicitly. Without this vision-building process, the foundation for developing missions, purposes, objectives and strategies are missing. Villa-H.K basically do not know what they stand for and where they will be going in the next three to five years. Moreover, the management had failed to “find a purpose that speaks to the hearts and minds of stakeholders” (Freeman et. al., 2010: p. 28).

6.3 Low Stakeholder Awareness

Although some care has been given to primary stakeholders such as suppliers, customers and employees, research findings show that various stakeholders’ concerns had not been addressed properly. For instance, employees’ concerns on their workplace occupational health and career development were overlooked; PRC customers had not been informed of any channels to give their suggestions or file their complaints; Hoteliers’ recent concerns over PRC tour-escorts’ unethical behaviour and tourists’ irresponsible behaviour at resorts had not been dealt with promptly. Moreover, external stakeholders such as Bluepeace (Appendix 33), the Maldivian NGO, have never been engaged to share their views on how travel and tourism practitioners can help build social capital for the Maldivian community.

Ignorance to their views may deepen misunderstanding and ultimately harm the business for employees may work for rivals, customers switch to other competitors and suppliers discontinue

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

offering favourable rates in the long-run. In a worst case scenario, environmental or activist groups may knock on their door. This would inevitably impact their bottom-line.

6.4 Organisational Culture Reveals Low-level of Trust

According to Trevino & Nelson (2010), organisational culture expresses shared assumptions, values and beliefs and is manifested in many ways, including formal rules and policies, norms of daily behaviour, physical settings, special language, myths, rituals, heroes and stories.

In this case, the physical settings are paramount. The gross floor area of Villa-H.K office (Appendix 17) is approximately 1,500 square-feet which is more than enough to accommodate five office staff. The M.D has her own sea-view office, whereas the Senior Operations Manager is seated facing directly to the two junior staff. This traditional Chinese office setting is purposely designed for easy monitoring and is not uncommon in Chinese culture. However, the use of the attendance clock largely reveals the management philosophy – an absence of trust. Asking employees to clock their attendance (Appendix 17) in such a small office setting may have damaged the trust between the management and employees.

6.5 Organisational Culture Reveals Low-level of Environmental Awareness

Although a poster of Maldivian fish species (Appendix 27) is being hung on the wall in Villa-H.K office, it does not convey an explicit message to the staff the urgent need for environmental preservation for this vulnerable destination. Also, no recycling boxes are being placed next to the photocopiers indicates an absence of environmental policies to encourage office staff to recycle paper and reduce electricity consumption.

6.6 Organisational Culture Discourages Creativity and Learning

Little evidence had been shown by Villa-H.K management that an effort has been made to guide the business through transformational processes in order to shift their organisational cultures to embrace the underlying assumptions and values of sustainability. Moreover, fear of making affordable mistakes implies that their current organisational culture does not support organisational learning, continuous improvement and process renewal through personal and collective visioning processes, not to mention long-term systems thinking and dialogue-based team learning processes as advocated by Stead & Stead (2004).

6.7 Reluctant to Change

The excerpt below is drawn from the structured interview conducted for the M.D (Appendix 4). One can draw some clues on Villa-H.K's culture from it:

“It's hard to change since we have no time and resources. As you can see the content of our website had not been updated since the I.T girl had left us. Everybody in the office is fully-occupied by customers' enquiries and other administrative duties. I don't believe the ISO 9001, accreditation standards or labels. This is meaningless for us”. As for CSR, “We have made yearly cash donation to charity”.

It is fair to comment that Villa-H.K's culture is not encouraging change. The M.D prefers to run the business in the traditional way as long as the bottom-line is secured. Although new ways to sustain their CA via CSR are being searched, staff generally lack of the motivation to innovate and develop niche products to lead the outbound travel market trend due to the overwhelming workload.

6.8 Resources Wasted on Non-value-added Activities

Absence of creativity and reluctant to change also cause trivial problems in the area of operational management process. Operations (Sales and Ticketing) staff have expressed their concerns and frustrations on wasting too much time to resolve complaints.

Customers' complaints reflect Villa-H.K's weaknesses in management effectiveness, operation process efficiencies and travel product/service quality assurance. Dealing with non-value-added activities also slows down staff's response to customer enquiries. If potential customers' enquiries are not dealt with promptly, the company would inevitably lose their patronage since potential customers will purchase travel products/services from rivals who deliver speedy services.

No matter how frequently customer complaints are received, there should be a system in place to assure quality and a platform to learn customers' opinion since their feedback is an excellent input for organisational learning and products/services innovation. Resolving complaints not only wastes costly resources, but also harms the company reputation.

6.9 Heavy Reliance on B2B Market Segment

Villa-H.K serves ten PRC travel-agent client accounts who have physical outlets in major Chinese cities. This segment accounts for 78% of Villa-H.K's annual turnover. Maintaining a good relationship with them, Villa-H.K is guaranteed a stable transaction volume. However, such heavy reliance on longstanding suppliers means they have accepted a complacent view to the security of their downstream partners in the tourism supply chain.

Since the competitive landscape of the outbound travel industry has changed dramatically, the low entry barrier implies that setting up a small travel business in PRC is relatively easy and does not require much monetary resources. Existing competitors or new entrants are very likely to negotiate with resorts other than those owned by Villa-Hotel Group for more favourable rates. The result would be that some regular PRC travel agent clients may less rely on Villa-H.K's service or switch to other hoteliers.

6.10 Overlooked Business Opportunities Offered by B2C Segment

The out-dated I.T infrastructure partly explains why Villa-H.K has long been focusing on B2B segments over B2C segments. For a decade they have operated the travel business without the facilitation of online booking/reservation. Villa-H.K may not be able to compete with others who deliver timely and accurate online transactions that link up with service suppliers (e.g. airlines, hoteliers, insurance provider, vehicle hiring companies or theme parks or restaurants).

6.11 Insensitivity to Potential Threats

Besides the climate change mentioned earlier, some other potential threats also present in this business as shown in the SWOT analysis. Firstly, entry-barriers for this particular market are low in the PRC and there will be more entrants flocking into the outbound travel marketplace. In order to maximise their profits, aggressive PRC travel agents may sideline Villa-H.K's service provision and deal with their Maldivian counterparts directly once they have sufficient trade knowledge or "know-how" in organising tours on their own. Secondly, the very recent political unrest in the Maldives confirms that sticking to a particular destination is extremely risky. Thirdly, airlines nowadays tend to reduce or cut commissions for the air-tickets sold via travel agents, and the trend will continue due to poor global economy. Insensitivity to potential threats definitely poses a risk to the business sustainability.

6.12 Unethical PRC Tour-escorts Damaging Villa-H.K's Reputation

Another fatal issue damaging Villa-H.K's reputation is the unprofessionalism of PRC tour-escorts hired by Villa-H.K's PRC travel agent clients. Some of them were found breaching the resort policies, for instance, organising optional excursions for guests on their own. To eradicate such malpractices, the resort had imposed USD\$114 early departure surcharge on every passenger since October 2011. In response to this very measure, PRC tour-escorts have threatened to sign a petition to the authority-concerned since they are questioning the legitimacy of this "early-departure surcharge".

Villa-H.K has been aware of this problem for a while. However, they believe this problem is hard to rectify since PRC tour-escorts' integrity is out of their control. This responsibility should be borne by their PRC travel agent clients. Due to lack of communication with the hoteliers in the past, Villa-H.K had been accused by hoteliers of their failure in monitoring PRC tour-escorts, educating and informing PRC customers what rules they should observe during their stay at the resort. As time goes on, this misunderstanding had deepened and, generally, the hotel staff are not happy serving the PRC tour groups/guests sent by Villa-H.K. This is a pressing issue for Villa-H.K to investigate and resolve without delay regardless of such claim is true or otherwise.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

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Chapter 7 Recommendations

So much had been discussed with regard to the gaps presented in Villa-H.K's business in the previous chapter. This chapter focuses on how to address these gaps with a “future-strategy” which targets to respond to the ‘drivers of sustainability’ in the hope to create the ‘sustainable value’ for this travel business. First, the gaps must be filled by mapping what resources are required.

7.1 Further Resources for Pursuing Excellence

Barney's (1991) Resource-Based View (RBV) of firms maintained that “firms' CA are due to their endowment of strategic resources that are valuable, rare, costly to imitate and costly to substitute. According to Dess *et al.*, 2010, RBV is also helpful in developing strategies for individual businesses by revealing how core competencies embedded in a firm can help new product and market opportunities. In general, firm possesses three types of resources, namely, tangible resources, intangible resources and organisational capabilities. Apart from existing resources Villa-H.K possess, some other resources/capabilities are desired for the creation of sustainable CA. Table 7.0 below enlists the resources required to meet this purpose:

<i>Tangible Resources</i>	
Organisational	<ul style="list-style-type: none"> ● New branch to be set up in Ningbo for market penetration ● New branch to be set up in Vancouver for market expansion
<i>Intangible Resources</i>	
Human	<ul style="list-style-type: none"> ● Extra headcounts are needed to cope with future expansion ● Creating a new position: Sustainability Manager, to oversee the TBL performance ● Ethical workforce ● Stakeholders' trust
Reputation	<ul style="list-style-type: none"> ● Quality products/services ● Good SME brand name through realising CSOs
Innovation & Creativity	<ul style="list-style-type: none"> ● Business process and product/service innovation ● New destination markets development
<i>Org. Capabilities</i>	
	<ul style="list-style-type: none"> ❖ Continuous improvement and Organisational learning ● Effective change management

Table 7.0 Further Resources Needed for Villa-H.K to Sustain CA

7.2. Fulfilling Tourism-specific Ethical Responsibility

Firstly, hoteliers' accusation means PRC tourist escorts' integrity and professional ethics must be dealt with. Bredeson & Goree (2007) stated that the golden rule of a popular universal ethical principle is that one should treat others as one would want to be treated themselves. Other common ethical principles, as maintained by them, include respecting the rights of others, taking responsibility for their actions, acting in the best interests of others and being honest and treating others in a fair manner. Tour-escorts' breaching of the resort policies had not only violated these ethical principles, but also directly affected the resort's bottom line and indirectly damaged Villa-H.K's brand image.

Secondly, communication must be enhanced among the three parties, i.e. Villa Hotels, Villa-H.K and the PRC travel agents' clients, as to resolve the conflict between the resort and the tour-escorts hired by the PRC travel agent clients. Playing the role of mediator between hoteliers and PRC travel agents, Villa-H.K should explain to hoteliers the culture of PRC guests and salary structure of PRC tour-escorts, inform and educate their PRC guests of the do's and don'ts through their PRC travel agents, and, at the same time, conducts ethics workshops for PRC tour-escorts.

7.2.1 Building Ethical Culture

According to (Treviño 2011), ethical culture of a firm can be conceptualized as representing a slice of the organisation's broader culture and is created and maintained through a complex interplay of formal and informal organizational systems. This concept is illustrated in Figure 7.0 below:



Figure 7.0 A Multisystem Ethical Culture Framework adapted from Trevino & Nelson (2011, p.153)

For Villa-H.K to create an ethical culture to strengthen their organizational resources, it is advisable for the management to align their formal and informal systems. To achieve this end, all components

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

must cover the ethical behaviors that are expected. For instance, in their values statement, Villa-H.K place emphasis on the importance of honesty, integrity and professionalism and that tour-escorts should be knowledgeable of travel products and always put customers' safety, security and comfort as a top priority. They should be honest and cooperate with the hoteliers/land operators in organizing optional excursions/tours for the greatest benefits of their guests, not their own pocket.

On the formal side, the selection system will include background and reference checks, asking questions related to ethics and highlight the company's values at the interview. After suitable candidates are hired, a handbook will then be distributed to the new staff so that they can learn the value, history, policies and rules followed by an orientation or training sessions highlighting the ethical issues they may face in their job role. With regard to performance management, they will be informed that assessments will be conducted to evaluate how honest and professional they had performed their duties.

On the informal side, customers are always given informed choices and told about the company's ability to meet their needs. Outstanding employees or tour-escorts who demonstrate high integrity and professionalism will be rewarded at the company's annual dinner. As such, employees throughout Villa-H.K will receive a constant message from the management that honesty and professionalism are highly valued and recognized. Consequently, their behavior would be more likely to be honest since both the formal and informal systems are supporting and promoting ethical behavior.

7.2.2 Travel Business-Specific Ethics Management

Having discussed how formal and informal systems may support and promote ethical behavior in a travel-business setting, Villa-H.K management should also refer some concrete measures recommended by a promotional leaflet ((ICAC) 2006) which gives a detailed account of some malpractices and preventive measures for Hong Kong Outbound Travel Agents. In order to strive to becoming a "best-practice" outbound travel agent, Villa-H.K are advised to strictly follow this outline and devise their own preventive measures.

The malpractices and measures highlighted below are highly relevant to Villa-H.K's business operations.

7.2.2.1 Collusion Between PRC Tour-escorts& Foreign Land Operators

Common malpractices	Preventive measures (Villa-H.K to:)
1. Colluding with land operators to inflate the price of services (ICAC 2006)	✓ Prohibit PRC tour-escorts from organising excursions on their own and collect money from guests
2. Showing favour in appointing particular land operators, tolerating overcharging and accepting substandard services (ICAC 2006).	✓ Set charges agreeable to all three parties: Villa Hotel, Villa-H.K and PRC travel agent clients

Table 7.1 Appointment of Foreign Land Operators to Receive Outbound Travellers –Common Malpractice &Preventive measures

7.2.2.2 Supervision of Tour-escorts (To address Issues SD8,SD9,E5,E6,E7 & E8)

Common malpractice	Preventive measures (Villa-H.K to:)
1. Collecting tips and service charges (if any) from tour participants by coercive or deceitful means (ICAC 2006).	✓ Require tour-escorts to inform guests of the rate of service charges/tips as recommended by the travel agent, and include details of approved optional activities
2. Arranging optional activities or excursions without permission being granted from the travel agent and/or the land operator concerned (ICAC 2006).	✓ Issue instructions to prohibit tour-escorts from arranging any activities without the consent of the management.
3. Failing in monitoring tour escort service quality (ICAC 2006)	✓ Propose Villa-Hotels to collect tour participants' feedback so as to monitor the service quality of tour-escorts, land operators and other service suppliers.

Table 7.4 Supervision of Tour-escorts – Common Malpractice &Preventive measures

Discussed above are the malpractices and proposed measures pertaining to Villa-H.K daily business transaction with their various stakeholders. Besides business ethics, diving and environmental ethics are also paramount.

7.2.3 Diving & Environmental Ethics

According to the BSAC's Chief Dive Instructor, travel agents may be tempted to breach the safety regulations by allowing unqualified customers to dive in specific dive sites. PADI, Villa-hotels affiliated diving schools, will, as usual, require Villa-H.K to check and verify customers' diving qualifications when a travel booking is made, and strictly enforce safety and security measures as stipulated by the diving association.

With regard to environmental ethics, PRC tourists will be given one briefing session on diving ethics prior to their departure from the PRC, one upon their arrival and one before jumping into the open sea. The sessions will cover what they are allowed to do while diving, what not allowed, as well as other ancillary matters. In the words of the Chief Dive Instructor, "What divers should do is generate bubbles, not rubbish, and take photographs, not coral from the sea."

7.3 Integrating Sustainability into Villa-H.K's Business Practices

Apart from strictly adhering to the ethical practices, it is advisable to effectively integrate the sustainability concept into Villa-H.K's business model based on analysis presented in previous sections through an 8-step-approach:

7.3.1 Step 1: Setting New Values

Villa-H.K aim to create more value for wider stakeholder groups by introducing eight core value into their business as shown in Figure 7.0:



Figure 7.0 Villa-H.K's New Values

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

People - Villa-H.K values human capital highly and is dedicated to providing employees with a wealth of career-enhancing opportunities inside, as well as out of, the workplace. The senior management team strongly believe that product/service quality can be assured simply because of the company's happy and dedicated workforce.

Trust - Product reliability is always guaranteed due to Villa-H.K's good relationship with its suppliers as well as with its stakeholders.

Integrity - Doing business in an ethical way makes Villa-H.K stand out in the crowd. Every business decision is guided by its moral credo that ensures fairness, transparency and respect for all stakeholders.

Efficiency- Quick replies to customers' enquiries utilising real-time tour inventories and global reservation systems such as Abacus/Galileo that contain details such as departure dates, itineraries, flight information and price breakdowns. Timely service provision delivered via the Villa-Hotel Room Reservation network.

Informed-choice–Villa-H.K offers group and F.I.T bookings, flight reservations, accommodation bookings, and customised travel or excursion packages. Customers are given a wide array of travel product choices from short-haul (Singapore and Malaysia) to long-haul (Maldives) family holidays, as well as honeymoons, business and incentive travel packages.

Change -Innovation is the key for responding to a constantly changing market environment. To guarantee long-term success, Villa-H.K will be more attentive to market trends and travelers' demands.

Quality –Villa-H.K's passion for excellence implies that every effort is made for continuous improvement so the best travel products/services are always available for both its PRC travel agent and FIT clients.

Guided by the above values, Villa-H.K's new vision and mission were also defined (Appendix 26) to enable CSR to be translated into the company's business principles in Step 2.

7.3.2 Step 2: Translating CSR into Villa-H.K's Business Principles

The following principles will be followed to serve the purpose of Step 2:

- Following norms and ethical standards of originating and destination markets.
- Respecting employees, customers and suppliers.
- Striving to be a socially-responsible business by engaging with wider stakeholder groups.
- Fostering social and environmental harmony through the promotion of responsible travel.
- Promoting an organisational culture that facilitates continuous improvement and organizational learning.
- Collaborating with NGOs at destinations in order to create and enhance the overall social and environmental well-being of the Maldives.

7.3.3 Step 3: Scoping

Having engaged successfully with stakeholders, and enhanced communication with the Hotel Group, targeted CSR that is highly relevant to Villa-HK's greatest area of impact in its operations are developed below in order to fulfil each of the responsibilities advocated by Carroll (1979).

7.3.3.1 Economic Responsibilities

In order to ensure the travel business as a “going concern”, management's economic responsibilities include maintaining a healthy cash-flow and expanding annual revenue by:

- Streamlining work processes to improve output efficiency (O1,O2,HR1)
- Introduce more revenue streams by segmenting business operations into different customer groups and markets (AC1)
- Introducing new niche travel products (M2,AC1)
- Investing in global online reservation/booking systems to boost sales (AC1)
- Launching promotion through PR activities, e.g. 10th Anniversary Dinner (M3)
- Creating and strengthening VRIO resources for competitiveness (M1)
- Improving hoteliers' service quality through regular meetings with hotel management or hiring an additional Mandarin and Cantonese-speaking Guests Relation Officer/Manager at resorts (SD1, SD2,SD4,SD5)
- Providing more food and beverage choices (SD3)

7.3.3.2 Legal Responsibilities

Operating in the travel industry in Hong Kong and the Maldives, Villa-H.K complies strictly with TIC's "Code of Conduct of Business Practices on Outbound Package Tours for Hong Kong Outbound Travel Agents" and abides by the laws of destination markets.

7.3.3.3 Ethical Responsibilities

To meet various stakeholders' concern, Villa-H.K must ensure that ethical responsibilities are fulfilled through:

- Educating PRC tour-escorts and resort staff (E1,E2, E5,E6,SD8)
- Monitoring honesty and integrity of hotel staff (E3)
- Informing PRC tourists of the resort policies, e.g. interchanging rooms, changing meal-plans, booking of optional activities and restaurant policies (E7,E8)

7.3.3.4 Philanthropic Responsibilities

To win support from wider stakeholders and play the leading role in future tourism policies advocacy, Villa-H.K will:

- Collaborate with resorts through organizing briefing sessions on environmental protection and marine biodiversity upon guests' arrival. (EN1,2,3,4,5,6)
- Make strategic donations to Maldivian environmental NGOs to improve waste and sewage treatment (EN1,2)
- Develop niche products to promote responsible travel (AC1, HR2)
- Engage students in voluntary projects, e.g. Marine Turtle Conservation, to raise their awareness of environmental preservation and marine conservation (EN4, 7)
- Engage staff in community projects, e.g. beach-cleaning and community visits (SO1, 5)
- Help deprived Maldivian communities and set up a social enterprise(SO2, 3)
- Partner with NGOs (SO5)
- Promote medical volunteering (SO4)

7.3.4 a. Transition from “Theory” into “Practice”

Step 1-3 discussed above lays a solid foundation for the construction of forthcoming CSR-integrated strategy that aims at delivering sustainable value to stakeholders. The diagram below visualises the strategy corresponds to those drivers and informs the operationalisation of Step 4-7 that follow. *(Highlighted in yellow are proposed strategic choices)*

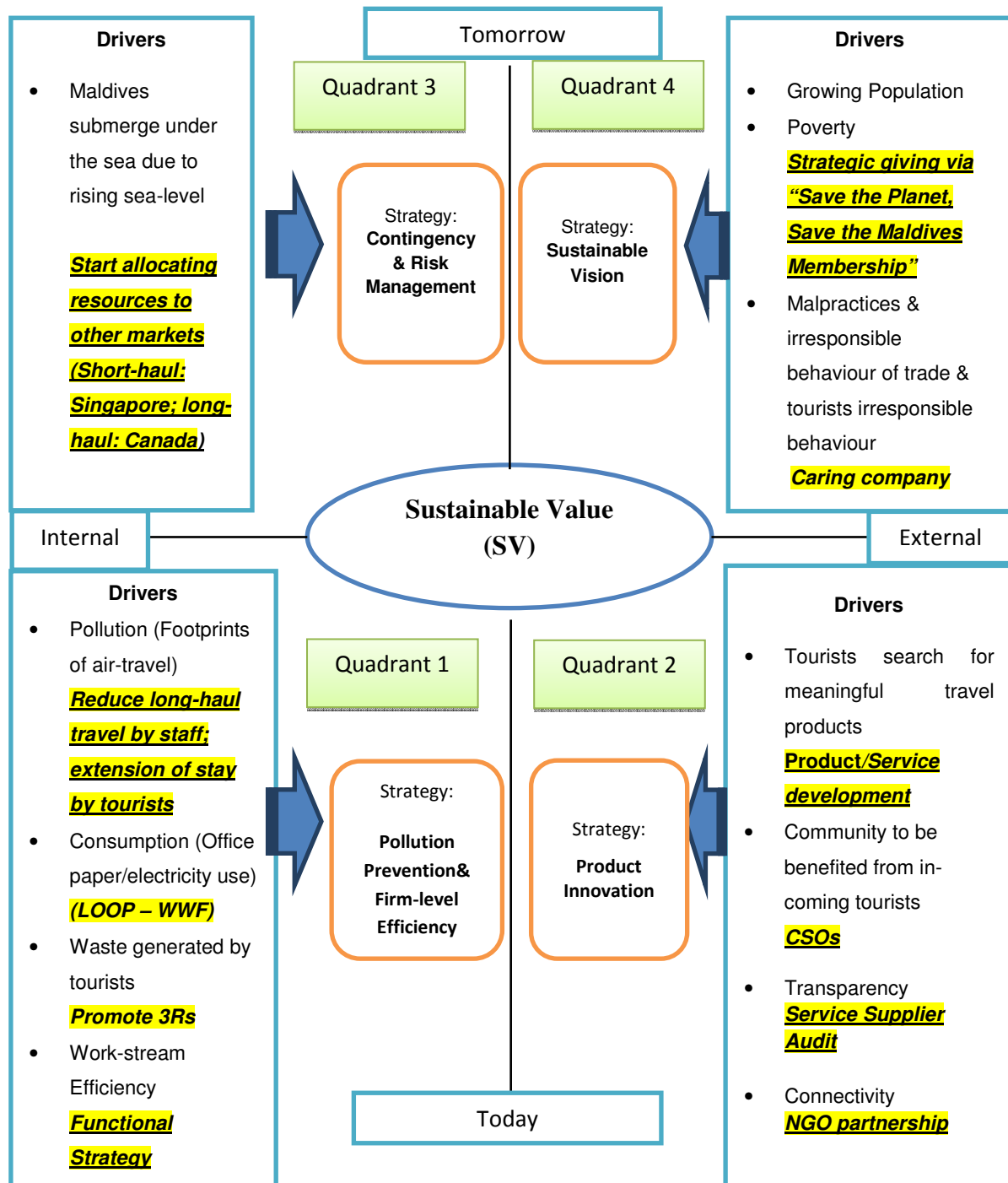


Figure 7.0 a. SV-Framework, adapted from Hart & Milstein, (2003:60)

7.3.4.b Step 4: Identifying Corporate Social Opportunities (CSOs)

In respond to Mihad's (2010) appeal for promoting community tourism in the Maldives, materialisation of CSOs can be considered. Jenkin (2009) maintained that firms may treat CSOs as "commercially viable activities which (not only beneficial to economic bottom-line, but) also advance environmental and social sustainability". In this regard, a mini-survey was employed to learn how tourists perceived sustainability and investigate what Villa-H.K may contribute to realise the three-dimensions of CSOs so that innovative travel products/services, new market segment and ultimately, a new business model can be developed to ensure the TBL will be achieved.

7.3.4.1 Translating Stakeholders' Needs to Business Opportunities

Findings of the mini-survey reveal that the environment, community involvement and consumer issues are the top three areas tourists were most concerned of. The four CSOs proposed below may be introduced to Villa-H.K in foreseeable future:

7.3.4.1.1 CSO1

“Medical Volunteering” to Address Issue SO4: Inadequate Medical Services

In order to serve the medical needs of Maldivian communities, a new customer segment comprising of Hong Kong medical professionals such as general practitioners, dentists and optometrists may be targeted. Resorts may offer free accommodation for them provided that they offer free medical services to nearby communities during their stay at the resort. This would enable Villa-H.K to generate more sales revenues through air-ticket sales; Most importantly, both the Villa-Hotel Group and Villa-H.K will enjoy goodwill in both originating and destination communities.

7.3.4.1.2 CSO 2:

“Promoting Environmental Awareness through Education” to Address Issues EN1, EN2, EN3: Low Environmental Awareness of Guests and Locals

Educational travel packages, namely, “Learn While You Earn” internship programs, will be offered and marketed to the PRC and Hong Kong market. School leavers will gain hospitality work experience through a 1-month internship program at the Sun Island. They will also take part in a 30-hour conservation program which allows them to acquire leading-edge knowledge on environmental protection and marine conservation at the Villa College (Appendix 31) - a private tertiary institution

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

operated by the Villa-Group. This proposed internship program not only offers school leavers a hands-on experience in the hospitality industry, but also raises their awareness of the importance of environmental sustainability.

7.3.4.1.3 CSO 3:

“Nurturing Local Teenager Artists through Setting up a Social Enterprise” to Address Issues SO2: Economic Leakage

Due to inaccessibility, local Maldivians are confined to their local communities and it is hard for them to promote and sell their hand-made souvenir products. Tourists’ spending on imported souvenirs or gifts may lead to economic leakage problems. To ensure tourists spend their money on locally-produced souvenirs, it is highly advisable for the resort and travel agent to set up a small social enterprise in the resorts. Initially, a small group of local teenager artists (Appendix 25) are hired so they can demonstrate their creative skills at designated areas in the resort. This initiative will be beneficial to all parties: customers can have more fun during their stay on the resort; hoteliers can build a good relationship with their neighborhood and most importantly, local teenagers can make their own living through selling the souvenirs they make. This initiative not only stimulates the local economy and fosters culture exchange, but also enables the resort and travel agent to do something meaningful together, which in a way, fosters communication and mutual respect.

7.3.4.1.4 CSO 4:

“Tourist Volunteering Holiday” to Address EN6, EN7, SO1 & SO5:

Inadequate Education to Promote Marine Biodiversity, Limited Educational Resources & Lack of Cultural Exchange

Marine turtles are currently endangered and face threats, both in the ocean and on land, due to human activity. As a result, the first turtle sanctuary was set up by the Responsibletravel.com tour group in the Maldives to help sea turtles survive in the wild through hatching, rearing and relocating turtles during various stages of their life.

Responding to NGOs' calls for more efforts to be made in marine conservation and environmental protection, Villa Hotel Group may consider setting up a second turtle conservation Centre on one of their resort islands. Taking advantage of the recently introduced Community Care Fund – the Hong Kong Government-funded school-based initiative for cross boundary learning, Villa-H.K may initially

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

introduce a summer travel programme targeted at Hong Kong Secondary students so as to allow them to benefit from this meaningful voluntary initiative.

As such, students will get involved in the Marine Turtle Conservation Project (see Bluepeace Blog) with local Maldivian children, working at the Marine Conservation centre for several hours a day to feed and weigh marine turtles, as well as undertake other duties such as cleaning and refilling the water tanks. At the end of the programme, students will be required to present what they have learnt throughout the programme and prepare a report for school-based assessments.

Most importantly, it is hoped that both Hong Kong students and local Maldivian children can convey the important message to their parents the need to preserve the environment as what Sun Island is currently doing (see Appendix 29 & 30). This idea can also be extended to the 18-22 age-group, which is currently under-represented in Villa-H.K's customer portfolio.

The above CSOs are “commercially-viable” and do not need too much of Villa-H.K's current resources to implement. It is believed that realization of which will ultimately deliver greater value to wider stakeholder groups so eventually Villa-H.K's CA will be strengthened and sustained.

7.3.5 Step 5: CSR-integrated Strategy

Villa-H.K's motivations to implement company-wide CSR initiatives are identified as their desire to:

- i) Build reputation and improve company image;
- ii) Become a responsible travel agent;
- iii) Create more wealth for stakeholders and the tourism industry.

Figure 7.0 b. is Villa-H.K's CSR blueprint highlighting who Villa-H.K's primary and stakeholders are.

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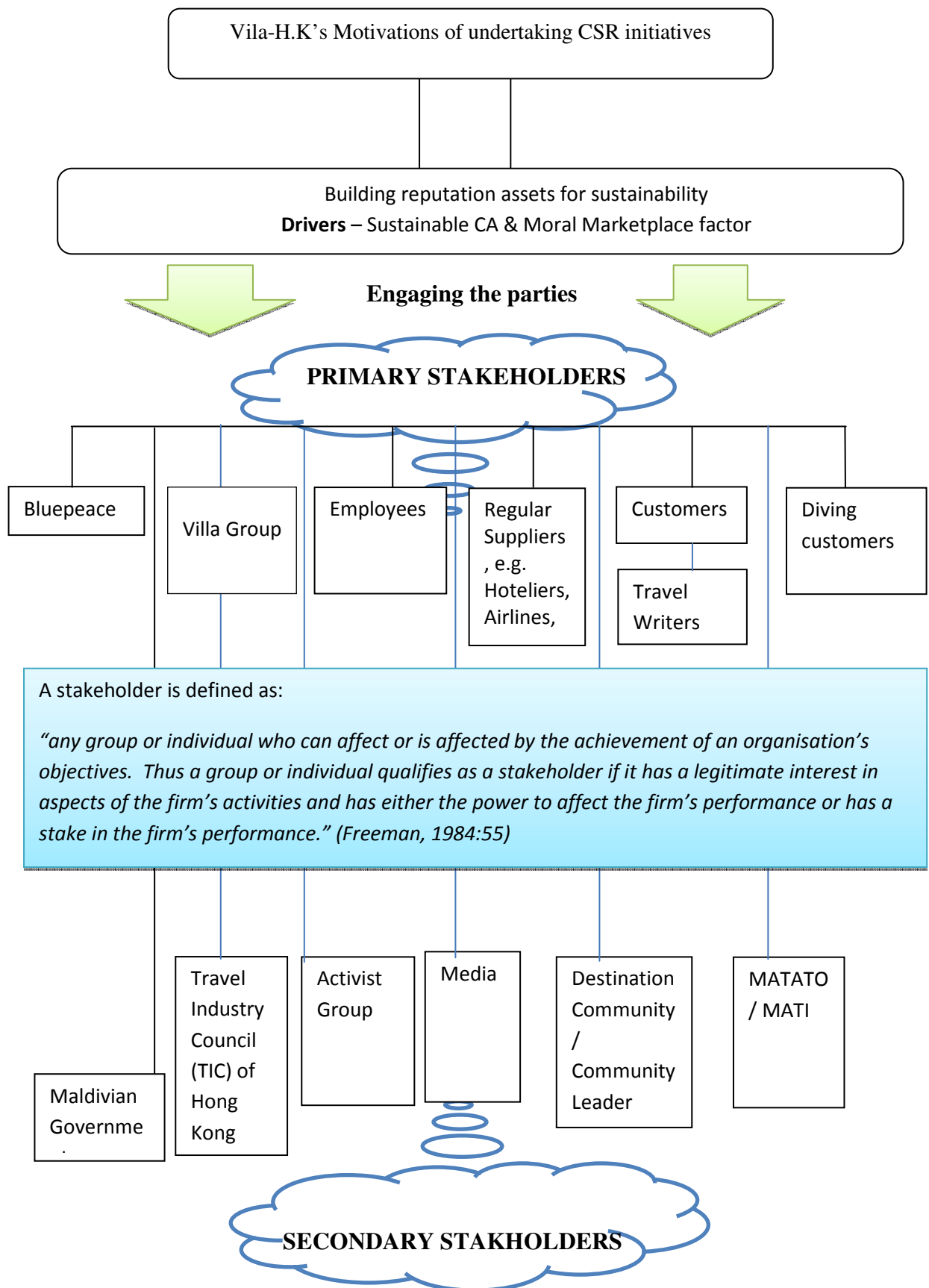


Figure 7.0 b. Villa-H.K's CSR Blueprint

7.3.5.1 Villa-H.K's CSR-Related Activities: A Mix of Market & Non-market Strategy

According to Barron (1995), a business strategy must be congruent with firm's capabilities and characteristics of its environment – in terms of both its market and non-market components. It is obvious that the travel industry is perceived as a very complex one in terms of its business nature. Therefore, in order to remain competitive, Villa-H.K's management have to deal with many issues in which some need to be resolved under “non-market” (right-column) strategy in contrast to its traditional “market strategy” (left-column). Whether it is one or the other, Villa-H.K's managers need to accomplish every task prescribed under each strategy framework to the best of their ability to maximize value. Figure 7.1 illustrate this concept.

<u>Strategic elements</u>	<u>Strategic elements</u>
<p>Improve Productivity (via)</p> <p>Cutting cost</p> <ul style="list-style-type: none"> • WWF's Low-Carbon office scheme • Reduce long-haul familiarization trips • Use video-conferencing to communicate with HQ <p>Raising prices</p> <ul style="list-style-type: none"> • Using premium airlines (more enjoyable journey) • Using direct flights (customers enjoy more time at destination) • Unparalleled services • Unique travel products/services <p>Promoting sales</p> <ul style="list-style-type: none"> • Win competitors' customers <p>Increasing Volume</p> <ul style="list-style-type: none"> • Open-up B2C market segment • Expand PRC market 	<p>PR Strategy</p> <p>Caring Company awarded by HKCSS</p> <p>Moral Desires</p> <p><u>Capital</u> Investors choose socially-responsible travel businesses to partner with</p> <p><u>Sales</u> Customers tend to purchase Villa-H.K niche travel services/products</p> <p><u>Labour</u> Villa Group/Villa-H.K becomes more attractive to perspective job applicants and existing employees are more loyal to the company</p> <p>Social Needs (Fulfilling)</p> <ul style="list-style-type: none"> • Staff Volunteering, e.g. cleaning beaches <p>Environmental concerns</p> <ul style="list-style-type: none"> • Marine Turtle Protection • Using direct flights to reduce carbon footprint • Promote 3Rs (recycle, reduce, reuse)

Figure 7.1 Market & Non-market strategy for CA

7.3.5.1.1 Market Strategy

Villa-H.K's market strategy is broadly a concerted pattern of actions taken in the market environment as strategic choice to create value by improving economic performance as argued by Baron (1995). Owners' profits are increased through boosting sales volume and productivity as illustrated in Figure 7.2.

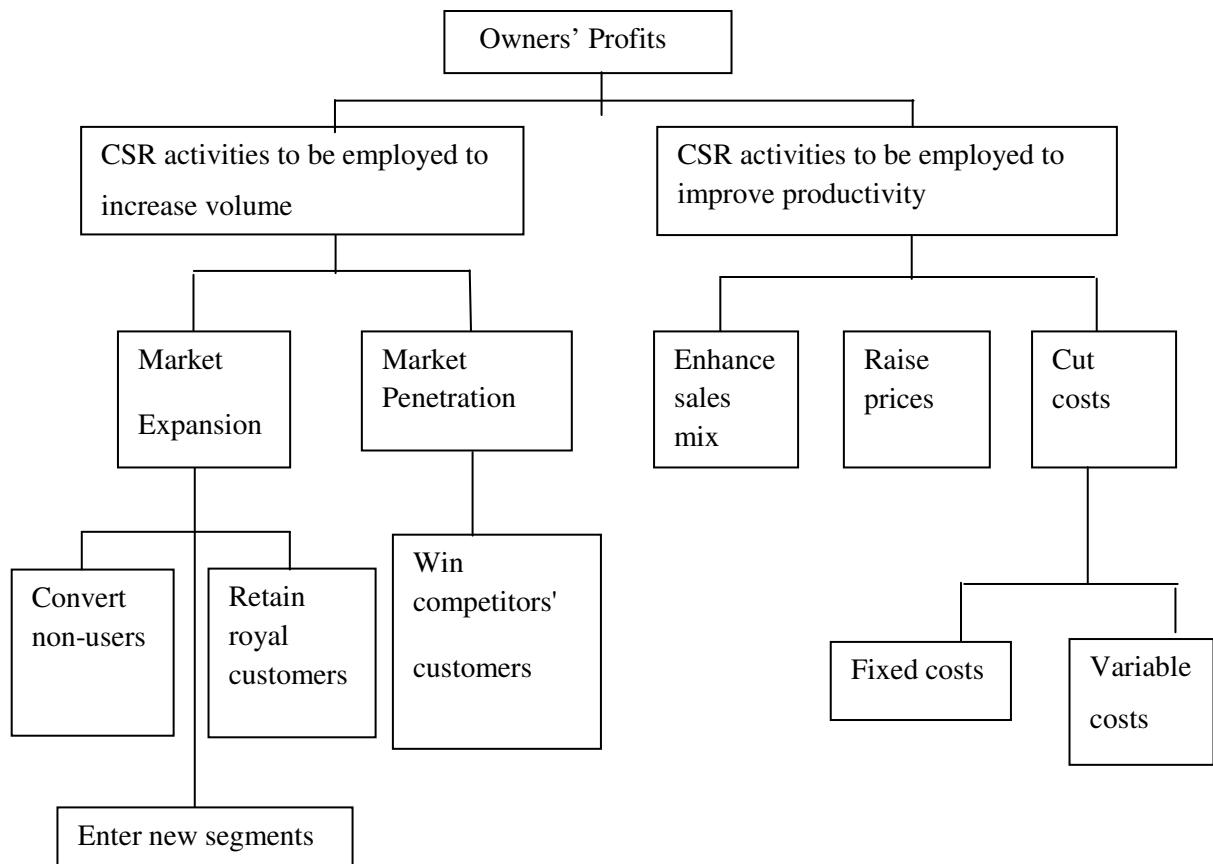


Figure 7.2 Villa-H.K's Market Strategy (adapted and modified from Doyle's (2008) Value-based Marketing)

Some CSR initiatives to be carried out by Villa-H.K will look to increase sales volume through market expansion and penetration. Next year, Villa-H.K will enter into a new segment by opening up the new B2C niche market for Hong Kong diving customers who choose the Maldives as their diving or water-sport destination. Customers will be offered a wider choice of destination travel packages over a price range from HK\$18,000 to HK\$28,000 for 6-day-5-nightpackage, with return direct flight tickets, speedboat or domestic air transfer and full-board inclusive. Since Villa-H.K strategy focuses on volume (bulk purchases) enabling them to obtain favorable contract rates, which translates to costs reduction. As such, more value will be delivered to customers. Hence, NPM is projected to increase

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

from 8% in FY2010 to about 8.6% in FY2012. Sales revenue will be expected to increase 25-30% as compared to that of the previous year.

Under market expansion, in order to convert non-users (or “non-travelers”) Villa-H.K must capture potential CSOs by launching new travel products as discussed in Step 4: Identifying CSOs. In order to retain royal customers, as stated by their new Credo (Appendix 32), Villa-H.K will position themselves not only as travel experts but also as a socially-responsible travel business that promotes quality “human-touch” service for guests who value quality service. Customers will also be added to the mailing list so they will be kept well-informed of future promotional activities.

Under market penetration, Villa-H.K will set up a branch in PRC and open up a new destination market in Canada. This will be discussed in detail in Step 7: Mid-to-Long-term Corporate Strategy.

Some CSR initiatives that will be carried out by Villa-H.K will look to improve productivity through cost-cutting, raising prices and enhancing sales. For example, Villa-H.K will take part in the Low-carbon Office Operation Programme (LOOP) initiated by WWF (see WWF H.K website) to reduce emissions resulting from direct and indirect energy/fuel consumption; Moreover, guests at the resort are encouraged to consume less fresh water and electricity.

The promotion of travelers’ well-being is another strategy that will be employed by Villa-H.K to win more loyal customers. For instance, excellent comfort when travelling, healthy and nutritious meals, medical services and a wide array of leisure activities offered at Villa resorts to cater customers’ needs will enable Villa-H.K to charge a premium price.

To enhance its sales mix, Villa-H.K will segment the market based on the price sensitivity of passengers. The MD of Villa-H.K revealed that travelers numbers had recorded a rapid increase during the past 5 years, most of them stemming from wealthy families who are not price-sensitive; In contrast, due to the global recession, Asian equity markets have dropped significantly - meaning that customers are rather price-sensitive. They cannot afford to consume deluxe travel packages. Therefore, in order to serve these two different markets, a wide range of product offerings should be designed so different prices can be charged through product differentiation. More value drivers will then be introduced in the hope for attracting more sales. In addition, a “Save the Planet, Save the Maldives Membership Scheme” (Appendix 19) will be introduced to capture more customers who want to contribute to society and the environment through taking part in responsible travel.

7.3.5.1.2 Non-market Strategy

Villa-H.K's non-market strategy will be based on its non-market environment. This environment consists of the social, political, and legal arrangements that structure Villa-H.K's interactions outside of, and in conjunction with, the outbound travel markets. Its nonmarket environment was characterized by the four-I's, namely, issues, institutions, interests, and information as illustrated in Table 7.6.

Non-market environment	Examples
Issues (Focus of nonmarket actions)	<p>(i) Environment issues: Climate change, GHG emission, waste disposal, marine conservation and biodiversity;</p> <p>(ii) Ethical issues: PRC tour-escorts' moral standard; Resort staff moral standard; Diving ethics</p>
Interests (Stakeholders expressing a specific view about an issue)	<p>(i) Medical needs of Maldivian community</p> <p>(ii) Environmental awareness of locals and foreign tourists</p> <p>(iii) Economic leakage (tourists buy imported souvenirs)</p>
Institutions (set of government and non-government bodies)	<p>(i) Bluepeace</p> <p>(ii) ICAC (Hong Kong)</p> <p>(iii) MATATO & MATI</p>
Information (what the interested parties know and believe about the issues and the forces affecting their development)	<p>(i) Environmental and cultural impact of visitors</p> <p>(ii) Resort, travel agents and NGOs work collaboratively to tackle such issues</p>

Table 7.6 The four I's for Villa-H.K

The four I's tells how Villa-H.K will recognize its sphere of influence and how stakeholders are identified and engaged which are believed to be the two fundamental practices for the integration of SR throughout the company prescribed by ISO 26000 (see ISO website). Highlighted in Figure 7.1, the strategic element for the non-market strategy proposed for Villa-H.K is their PR effort to boost stakeholders' moral desire to continue support the business. The outcome will be that more investors invest in the business, customers need their great travel products/services and there will be a more dedicated workforce and more supportive NGOs or community leaders to partnership with.

7.3.6 Step 6: Functional Strategy

In order for Villa-H.K to address the in-house operational issues raised by staff of various work-streams from 5.1.1.1 to 5.1.1.4 in the findings section, each work-stream should manage its respective function to maximise resource productivity as follows:

7.3.6.1 Sustainable Accounting

Despite their good financial position as claimed, managing cash flow cycle smartly is paramount. The accountant has a role to squeeze “the time lag between paying suppliers for services and receiving payment from customers” (Scarborough 2012) and takes up five cash management roles as cash finder, cash planner, cash distributor, cash collector and cash conserver suggested by (Blechman 1994). Also, the newly-introduced “SME Entity Financial Reporting Standard” (HKCPA 2011) can be followed for financial reporting, with some accounting controls also being enforced:

Making Payment and Collecting Debts

Common malpractice	Preventive measures
<i>“Accepting bribes for speeding payments or delaying the collection of outstanding payments” (ICAC, 2006)</i>	✓ To set clear procedures and specify timeframe for settling payments to suppliers and service providers and in collecting outstanding payments.

Table 7.7 Making Payment and Collecting Debts – Malpractices & Measures

Handling Customers’ Payment

Common malpractice	Preventive measures
<i>“Misappropriating cash payments by customers” (ICAC, 2006)</i>	✓ To issue guidelines. ✓ Adopt accounting practices to safe keep i.e., safekeeping of cash and ensuring daily entry of revenue against sales records.

Table 7.8 Handling Customers’ Payment – Malpractices & Measures

7.3.6.2 Sustainable H.R

The MD's view that "our employees are just working here to earn higher salaries/wages" may not hold true nowadays. Staff should be given opportunities to acquire new skills or knowledge and empowered to make business decision. Management should understand that employees' needs may not necessarily be limited to satisfying physiological and safety needs but higher levels of needs such as love/belonging, self-esteem and self-actualisation as illustrated by the Maslow Hierarchy of Needs in Figure 7.3.

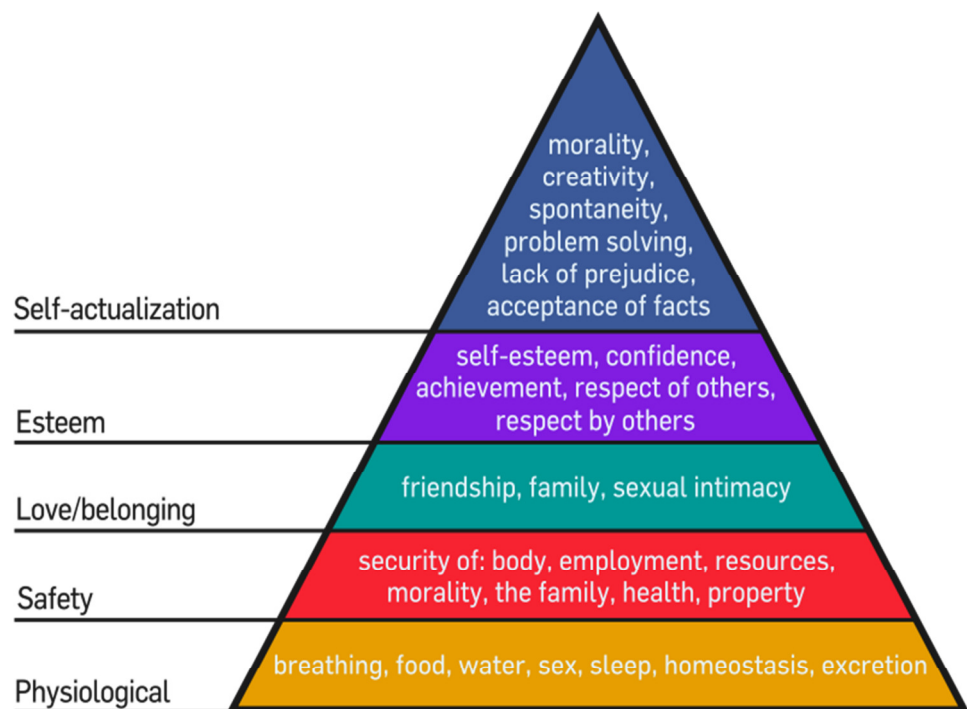


Figure 7.3 Maslow Hierarchy of Needs Theory Model (Source: Wikipedia)

In order to retain human capital to keep the business running, management should understand the needs of their employees' better. Higher level of satisfaction should be given to employees besides financial rewards. As suggested by the H.R consultant on the interview, training and mentoring, job-rotation, occupational health or wellbeing programmes such as Yoga or Pilates can be provided to staff after work, particularly within such a stressful workplace as in Hong Kong. This may address the issue HR3 raised by staff at Villa-H.K.

7.3.6.3 Sustainable Marketing

On top of Doyle's value-based marketing concept, Villa-H.K's marketing team should understand the new Marketing 3.0 concept. It is argued that such "value-driven marketing approach" will dictate the future of marketing in product, customers and brand management dominated by 'cocreation', 'communitisation' and 'character building' (Kotler 2010).

Cocreation, refers to "new ways of creating products and experience through collaboration by companies, consumers and channel partners interconnected in a network of innovation" (Prahalad 2008); cited in Kotler & et.al (2010). In that sense, customers have the flexibility to customize their own "FIT package" based on their travel needs and preferences. Also, through regular communication with service suppliers such as hoteliers, airlines or local tour operators to gather intelligence of fast-changing customers' needs, consumption patterns and market trends, as well as collecting customers' feedback would be utilized as inputs for travel product/services innovation.

Communitisation refers to the trend of cyber-interconnectivity. According to (Fournier 2009) Fournier & Lee, cited in Kotler & et. al. (2010), consumers can organize themselves into communities of pools, webs and hubs. No matter what form of community they are, firms should be ready to serve the members in that community. Therefore, routine tracking customers' enquires over social networking platforms can be seen an effective way to capture new business opportunities. Also Kotler & et.al (2010) maintained that brands with unique DNA will have their characters built up throughout their lives. Hence, Villa-H.K should always deliver what is claimed in the advertisement; otherwise, credibility will be lost which leads to losing the whole network of potential buyers.

7.3.6.4 Sustainable Information Systems

An out-dated company website will definitely keep customers away. Dedicated efforts to improve what is being delivered in the corporate website give customers the feeling that the owners of the business are serious about their products/services and wish to keep potential customers well-informed of any latest news or promotional activities.

In addition, over the interview with a Senior Ticketing Manager of a travel agent in Hong Kong (Appendix 9), it is learnt that updating information systems would help simplify work processes, facilitate the interaction with suppliers and customers so that feedback, suggestions and/or complaints can always be heard instantly. Investing in the latest global reservation/booking software licence would also speed up transaction process which translates into a higher yield.

7.3.6.5 Sustainable Operations Management

Eliminating redundant work processes and non-value-added activities would help cutting costs and improving efficiencies. Within a travel business context, it is not uncommon to use a digital telephone answering and recording system to stream and filter incoming calls based on the type of enquires and services required. This ensures no single call will be missed out and response times can be largely reduced. It also translates into more service value provided to customers.

Different to that of the traditional business process model, Villa-H.K may consider a new business process via the “lean approach” towards handling customer enquiries. In order to eliminate unnecessary workload for the sales and ticketing team as a measure to address the issue: O1 & O2, quotations and booking order creations can be postponed until travel products/services are available. Furthermore, the step that requires the accountant to receive full or partial deposit by customers should be eliminated (address the issue: AC 2). Instead, customers are asked to settle payment by credit card or bank transfer online. Only once their payment is verified, would tickets or vouchers then be sent to them electronically by staff in the Operations (Sales & ticketing) team.

Figure 7.4 shows this new improved process.

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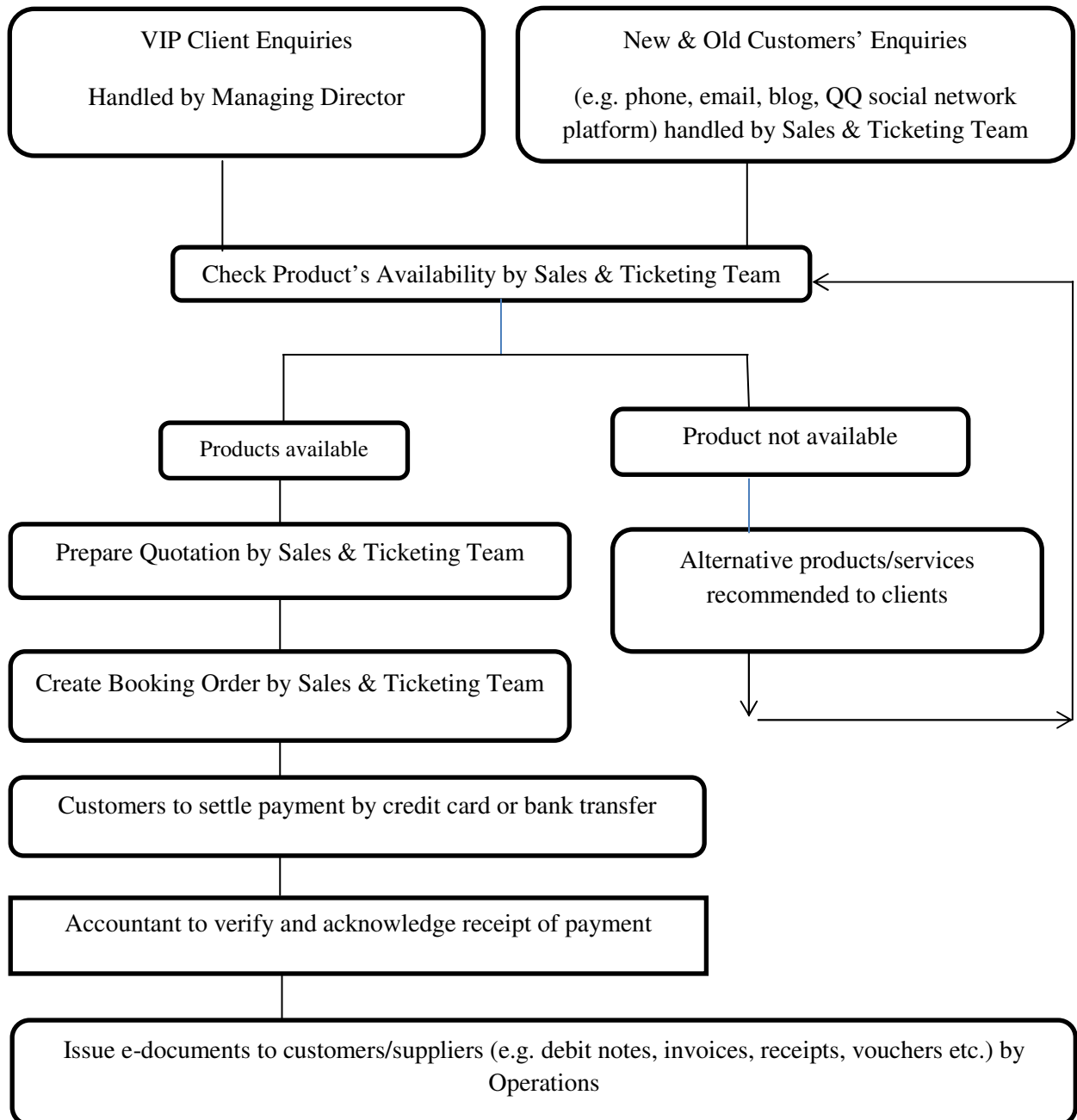


Figure 7.4 Villa-H.K's New Business Process

This gesture of operational efficiency improvement ensures Villa-H.K fulfils its economic responsibilities, equal to the first-level of Carroll's (1979) CSR pyramid, to their important stakeholders.

7.3.7 Step 7: Mid-long-term Corporate Strategy

To strengthen VRIO resources for sustainable value, the following measures should be taken:

7.3.7.1 SV-Framework Quadrant 1: Pollution Prevention Strategy

At office level, Villa-H.K will participate LOOP initiated by WWF to reduce emissions resulting from direct and indirect energy/fuel consumption; Staff are discouraged from long-haul business travel and use video-conferencing to cut carbon footprint. Moreover, the 3Rs concept will be promoted at the resort and guests are encouraged to consume less fresh water and electricity.

7.3.7.2 SV-Framework Quadrant 2: Product Development Strategy

To create non-substitutable resources, socially-responsible travel products/services can be promoted as discussed previously. Villa-H.K's commitment to environmental ethics is to continuously search for "environmentally-friendly" travel options to customise customers' needs and reduce their carbon emissions through by lengthening their stay such as the "Maldives & Sri Lanka in 12-days" itinerary (Appendix 20).

Economically-speaking, visitors are advised to purchase locally-made souvenir to avoid economic leakage. Socio-culturally speaking, trips to local markets, museums, historical monuments, art-and-craft stores, marine conservation centres and the like will be offered.

7.3.7.3 SV-Framework Quadrant 3: Contingency & Risk Mitigation Strategy

Fragility of the Maldives will hit the business in the long-run. As contingency measures, Villa-H.K should allocate more resources to other markets and withdraw resources from low-value-added segment.

7.3.7.3.1 Exploring New Destinations

Feasibility studies should be carried out by examining other long-haul destinations such as U.K and Canada. The latter in particular, since visa requirements have been relaxed recently and the author has good connection with existing travel businesses in Vancouver. As for short-haul destinations, Singapore will be a great city to be promoted. With the rich cultural heritage, great varieties of fine-

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

dining and entertaining experience Singapore offers, PRC tourists will surely not be disappointed. Besides, promotion effort should be strengthened for hotel and air-ticket products.

7.3.7.3.2 Market Penetration

Penetrating into the PRC outbound travel market seems a feasible way to safeguard Villa-H.K's market share of the Maldivian Sun & Sea Travel product portfolio. It can also be thought as a measure to deal with the possible threat of PRC travel agent clients discontinuing their patronage of Villa-H.K's service. Taking the advantage of CEPA initiated by the HKSAR Government, Villa-H.K may set up their first PRC office in Ningbo and hire graduates from the NUBS. Not only current customers in Jiangsu province can be looked after, the huge market potential offered by the province itself can also be captured.

7.3.7.3.3 Divestment

Villa-H.K should withdraw their effort and resources allocated on the 'cruise holiday' segment since it only accounts for 1% of the revenue in FY 2010.

7.3.7.4 SV-Framework Quadrant 4: Sustainable Vision Strategy

7.3.7.4.1 Further Collaboration with Stakeholders

Addressing the sustainability issues shall require the concerted efforts of all parties at both firm and destination level as what Villa-H/K engaged their stakeholders (see Appendix 24). Management should proactively contribute towards environmental conservation and social development projects as directed by Villa Group's senior management. This can be realised by on-going stakeholder dialogue and partnership with NGOs and government authorities. As such, initiatives or activities targeted towards sustainability can be guaranteed made credible and lead to sustained positive changes.

7.3.7.4 .2 Improving on Customer Relations

To create and sustain valuable resources, a consensus was reached during the meeting with resort management that professional training sessions in service delivery, professional tour-escorting and crisis management will be delivered to PRC travel agent clients by Villa-H.K management. Upon completion of the sessions, PRC travel agent staff will be more able to educate and give informed

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

choices to their customers when a booking is made. Any hidden charges, guidelines for tipping, potential danger or risks, liabilities or responsibilities of joining excursions activities or water sport activities such as diving or scuba-diving tours will be explained clearly to customers. In addition, front desk staff of Villa-Hotel Group will take part in a cultural immersion programme in Hong Kong to learn the Chinese culture.

7.3.7.4.3 Service Supplier Audit

To create and sustain rare resources, all upper-streamed service providers/suppliers in the TSC will be audited annually by Villa-Group to ensure labour regulations and human rights are strictly adhered to. Suppliers who are found trading in an unethical/irresponsible manner or who have violated Villa-H.K's Code of Supplier Conduct will risk the termination of service contract.

7.3.8 Step 8: Benchmarking

Unlike other sizable travel agents such as Hong Thai Travel who use TQM, ISO9002 and ISO10002, for quality assurance accreditation, Villa-H.K should strive to become a Q-mark-accredited company and/or caring company (a HKCSS initiative) as Charlotte Travel and Jetime-Tours (Appendix 28) did. It is advisable to reflect on experience and use learning as a positive loop for feedback to improve their quality-assurance, innovate products/services and build new business model to serve the unserved markets as suggested by Jenkin (2009).

Most importantly, measuring and reporting on operational, financial or CSR performances to improve transparency to stakeholders should be included in their mid-long term strategic plan. This can be realised, in the initial stage of the new CSR-integrated strategy, through responding to stakeholders' needs by addressing three-out-of-seven core subjects of socially-responsibility prescribed by ISO 26000 – a voluntary sustainability reporting initiative - as illustrated in Figure 7.6.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Figure 1: A 'business opportunity' model of corporate social responsibility (CSR) for SMEs.

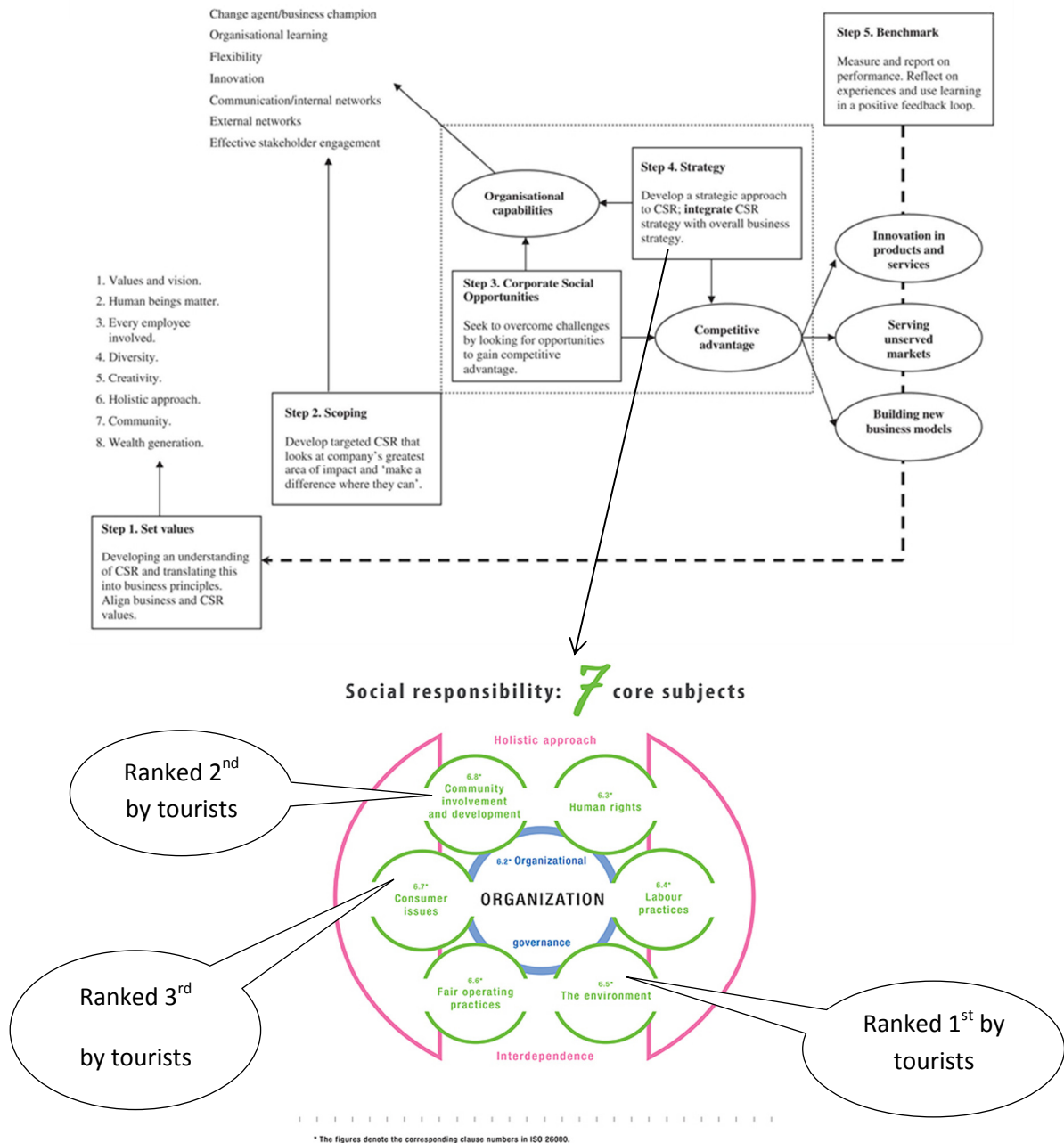


Figure 7.6 Seven Core Subjects of Socially-responsibility prescribed by ISO 26000

Chapter 8 Conclusion

Supplemented by Wilson's (2003) 'corporate sustainability' concept and Barney's (1991) RBV of firms, Jenkin's (2009) "Business Opportunities of CSR for SMEs" model has been extended and materialised for Villa-H.K. Previous chapters have not only validated that SMEs like Villa-H.K can also jump on the CSR bandwagon, but also justified why stakeholder engagement is paramount for sustainable value creation.

Consolidated findings indicates various stakeholder groups have various degree of expectation on Villa-H.K - from internal work-stream operational efficiency perspective regarding service delivery and ethics to external issues on the environmental and society - all of which are highlighted in the discussion section. Besides, tourists' views gathered inform how best a CSR-integrated strategy can be materialised. In the recommendation section, detailed steps on how Villa-H.K may move from a "profitable" business into a more "future-focused" sustainable one are discussed and operationalised by Hart & Milstein's (2003) 'Sustainable Value Framework'. A new business language for the travel business has finally been defined.

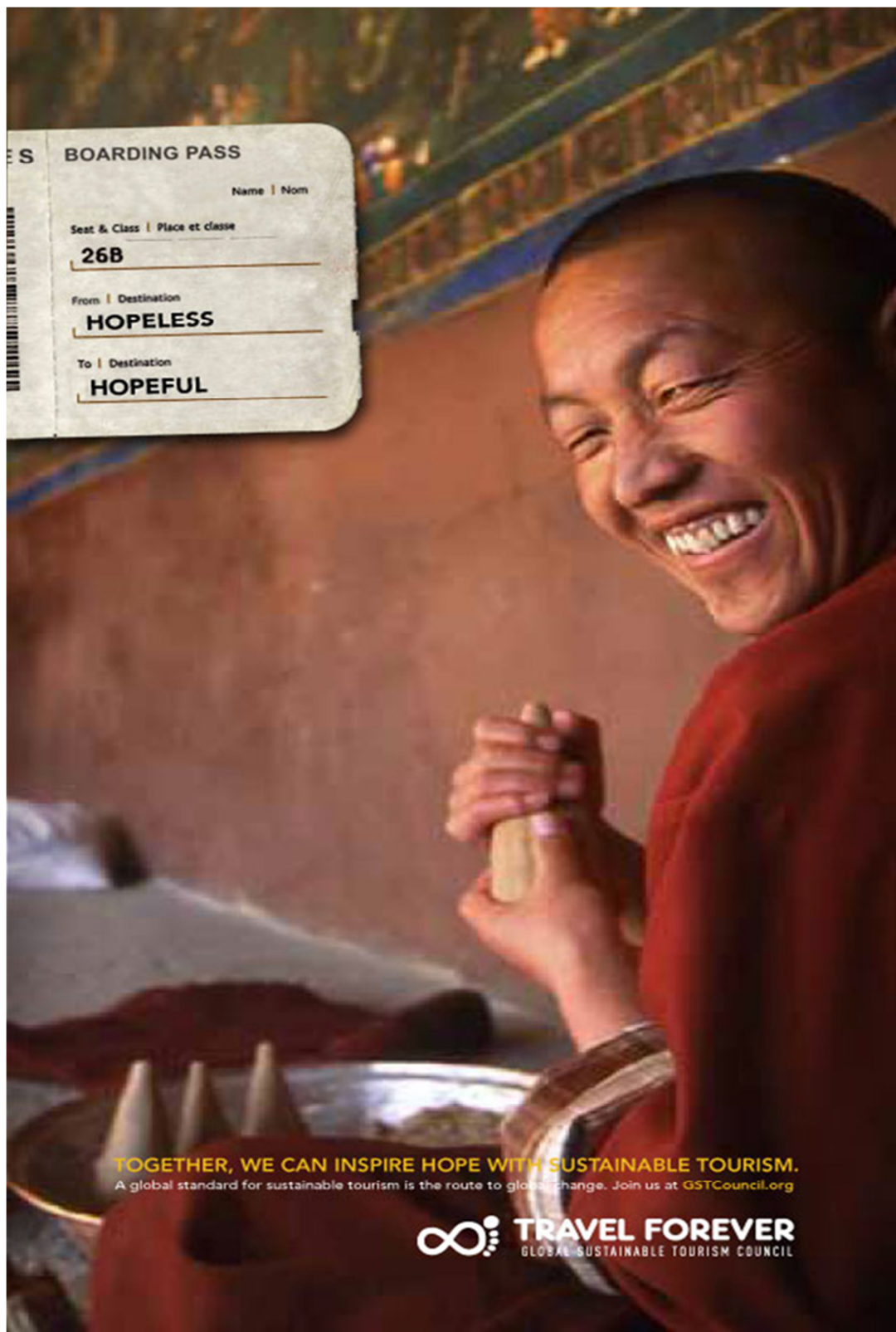
The author contends that throughout this 6-month research, Villa-H.K's management shows a remarkable progress in accepting the sustainability concept and trying to deliver more value to stakeholders. Such move in promoting "good corporate governance and tourism sustainability" (Chairman's Speech, see Appendix 35) was praised by the Villa-Group Chairman and they were encouraged to do more in future (Appendix 36) by other stakeholders.

One should note that "SD" has become the global trend and is now a necessary condition for a business's long-term success. If Villa-H.K succeeds in incorporating a company culture that supports ethical and responsible practices and implementing the CSR-integrated strategy smartly, more wealth would be created for stakeholders in both the originating and destination markets. However, Villa-H.K should note that tourists' low awareness on sustainability does not imply their low expectation on a travel business's social responsibility. Nevertheless, management must be reminded that "investing in CSR without improving the quality of travel products/services to meet stakeholders' needs (tourists for this business in particular) is meaningless" (Chan 2012).

Finally, focus of future empirical research may shift from strategy formulation/implementation to the benefits brought by CSR.

(20,117 words)

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business



Appendix (1) Survey Conducted for Tourists on December 2011 at Paradise & Sun Island Resort

Question 1:

The main objective of social responsibility is to contribute to SD.

企业实行社会责任目的是为了得到可持续发展。

Strongly agree ☐ 極同意 *Agree* ☐ 同意 *No Comment* ☐ 無意見 *Disagree* ☐ 不同意 *Strongly Disagree* ☐ 極不同意

Question 2:

Organisations around the world and their stakeholders are becoming increasingly aware of the need for socially-responsible behaviour and the benefits of practising it.

世界各地的工商机构和其相关的持份者（利益既得者）日益关注企业是否承担社会责任及社会责任所带来的益处。

Strongly agree ☐ 極同意 *Agree* ☐ 同意 *No Comment* ☐ 無意見 *Disagree* ☐ 不同意 *Strongly Disagree* ☐ 極不同意

Question 3:

Firms operating in the 21 century are subject to greater degree of scrutiny by their various stakeholder groups and this is not only limited to a particular industry or sector.

当今的商业机构正面对着各方持份者就其业务对环境和社会造成的影响的关注。这情况不只限于某一个特定行业或机构规模。

Strongly agree ☐ 極同意 *Agree* ☐ 同意 *No Comment* ☐ 無意見 *Disagree* ☐ 不同意 *Strongly Disagree* ☐ 極不同意

Question 4:

Sadly, as of to date, not many travel businesses aware the urgent need to integrate the social-responsible agenda throughout the company for sustainability.

可惜，很多外游旅行社只是着重金钱利益，甚少关注社会责任和可持续发展。

Strongly agree ☐ 極同意 *Agree* ☐ 同意 *No Comment* ☐ 無意見 *Disagree* ☐ 不同意 *Strongly Disagree* ☐ 極不同意

Question 5: In the long-run, all firms/organisations' activities rely heavily on the health of the world's ecosystem, particularly travel agents who send tourists to places. To sustain the travel business, firms should find ways not only to secure their bottom line performance but also their social and environmental performance.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

工商机构能否持续经营，有赖一个健康的地球生态环境。特别是安排游客到外地游的旅行社。因此，除了确保盈利，为顾客、员工、服务供应商持份者创造价值外，同时也考虑业务对社会的贡献及环境的保护。我对这些旅行社的核心价值和愿景表示支持。

Strongly agree ☐ 極同意 *Agree* ☐ 同意 *No Comment* ☐ 無意見 *Disagree* ☐ 不同意 *Strongly Disagree* ☐ 極不同意

Question 6:

7 core subjects of social responsibility are prescribed by ISO 26000 that assists firms to contribute to SD. Based on your views, which of these areas do you think should be integrated into their business agenda?

ISO26000 倡议 7 项有助机构可持续发展的领域，你认为旅行社应把以上哪些范畴纳入其业务的战略内？ (Please put a tick ✓ in the corresponding box)

Human Rights	人权	<input type="checkbox"/>
Labour Practices	劳工权益	<input type="checkbox"/>
The Environment	环境保育	<input type="checkbox"/>
Fair Operating Practices	公平营运	<input type="checkbox"/>
Consumer Issues	消费者利益	<input type="checkbox"/>
Community Involvement & Development	社会服务与发展	<input type="checkbox"/>

Question 7.

I support a travel business's management decision to integrate the socially-responsible practices into their business agenda in order to sustain their CA since this would not only enable it to build valuable resources that rivals cannot imitate in a short timeframe, but also maximise its contribution to SD.

我支持旅行社管理层将这些社会责任公益纳入其中长期业务战略计划，从而创造更坚实的发展优势。这些宝贵资源，是竞争对手将无法在短时间内仿效的。有助旅行社业务可持续发展。

Strongly agree ☐ 極同意 *Agree* ☐ 同意 *No Comment* ☐ 無意見 *Disagree* ☐ 不同意 *Strongly Disagree* ☐ 極不同意

Question 8.

Addressing operational efficiency and devising a more robust mid-long term strategy with successful implementation will differentiate a travel business from other rivals in the long-run. I have confidence on the future success of that travel business.

透过优化部门工作流程提升效率外，设计及落实一个中长期策略性业务发展计划，将更能凸显旅行社的优良核心价值和前瞻性的经营理念，我对其业务长期成功充满信心。

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Strongly agree ☐ 極同意 *Agree* ☐ 同意 *No Comment* ☐ 無意見 *Disagree* ☐ 不同意 *Strongly Disagree* ☐ 極不同意

Question 9.

As long as a travel agent's products provide me a meaningful travel experience, I do not mind paying a little bit extra knowing that my travel would not cause much societal, cultural and environmental impact to the destination.

就算多付一点金钱，只要旅行社的产品给我一个有意义的旅行经历，对目的地社会，文化，环境的影响程度减到最低，我都必将选择购买旅行社的产品。

Strongly agree ☐ 極同意 *Agree* ☐ 同意 *No Comment* ☐ 無意見 *Disagree* ☐ 不同意 *Strongly Disagree* ☐ 極不同意

Question 10.

“Save the Planet, Save the Maldives” Membership Scheme helps spreading the message of environmental conservation and marine biodiversity to the general public. Their niche travel products such as Medical Volunteering, Marine Conservation Summer Exchange Programme for Hong Kong students' etc. to be introduced to the market are very meaningful since these initiatives help a lot of people. I will not only give full support to these initiatives but also promote them to my friends and relatives.

我会支持旅行社将来提供的另类自由行选择，例如马尔代夫医务义工游，海洋多样性保育交流营等。

Strongly agree ☐ 極同意 *Agree* ☐ 同意 *No Comment* ☐ 無意見 *Disagree* ☐ 不同意 *Strongly Disagree* ☐ 極不同意

Appendix (2) Tourists at Resort



Photo Caption: A pair of Welsh pensioner couple who had assisted the author to complete the survey



Photo Caption: PRC tourists at Paradise Resort who had assisted to complete the survey

(Remark: To protect survey participants' privacy, their eyes are shaded with highlighted colour.)

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Appendix (3) – Sampler Letter for Villa-Hong Kong's Stakeholders

Dear XXX

Re: Field Study to the Maldives by our student researcher

Villa Holiday's (PVT) Ltd. has long been recognized as one of the market leaders in the Hong Kong travel industry which provides premium travel products to our valuable customers from all over the world, particularly the Hong Kong and China market. We have been serving the Maldives market for nearly 10 years. This translates the huge economic benefits we have brought to Maldivian community.

Next year will mark our 10th anniversary. To us, it is a new milestone! In order to demonstrate our continuous commitment not only to our customers and suppliers, but also more importantly, to the Maldives community at large, we would like to engage our stakeholders by learning from them their concerns and needs with regard to the impact of our travel operation. As you may be recalled, climate change is an agenda in which world organizations such as the UN, Green Peace and Bluepeace (Maldives) have recently paid much attention to. The huge damage hit by the tsunami in 2004 to the Maldives' atoll reef is good evidence proving how vulnerable Maldives is. Therefore, every effort has to be made to ensure Maldives's natural resources and environment is not spoiled by irresponsible tourism practices and visitors' travel behaviour.

To demonstrate our determination to the SD of Maldives, we seriously consider adopting a more responsible approach in our business operation in future. The concept of Corporate Social Responsibility (CSR) is not new to large multi-national corporations such as Nike, Body Shop, Cathay Pacific Airways and Thomas Cook Travel. However, not much effort had been made by Hong Kong travel agents (whether they are big or small in scale) to treat CSR as an integral part of their overall business strategy.

We therefore wish to take this great opportunity to learn from you what we can, within our humble resources and ability, to further contribute by adding value to the Maldives community, e.g. staff community involvement, minimizing the carbon footprint of our visitors, funding for turtle protection or local community projects etc. Our student researcher, Mr. Gary Siu, who is also currently a MBA student at the Nottingham University Business School (U.K), will pay a visit to Maldives and conduct a research for the aforesaid purposes in November 2011. During his stay in the Maldives, it is hoped that Focus-group meetings can be held and interviews conducted for key leaders/delegates selected from respective Maldivian departments and associations.

Please confirm with us your interest in this initiative. We believe our commitment will make a difference to the Maldivian culture, society and environment; Moreover, your support will further enable us to excel further and play the role of market leader in Hong Kong tourism industry. Further details will be sent to your organization in due course. Looking forward to receiving your favourable reply.

Yours sincerely,

Gary Cham Man Siu (*for Claudia Ng, Managing Director – Villa-H.K' (PVT) Hong Kong Ltd.*)

Appendix (4) – Interview Transcript

First Interview for Managing Director of Villa Hong Kong.

Date: 12 October 2011

Venue: Central, Hong Kong Office

1. What is your role at Villa-H.K?

Being appointed as Managing Director under the Villa Hotel Group (Maldives), my role is to oversee the daily operation of Villa-H.K's business at the Hong Kong office and communicate with our Maldives Headquarter. I am responsible for planning the roles of different business functions, allocating human and financial resources which I think would create added-value to Villa-H.K business as well as giving advice to different work streams with regard to the operation effectiveness and process improvement. At our Hong Kong branch, our work streams consist of Sales & Ticketing function, Accounting function, Operations function. Marketing and H.R function. Since our scale is rather small, we don't have a particular staff assigned to the Marketing and H.R function. Ronny, our Senior Operation Manager and I myself also work on occasional ad hoc Marketing and HR events. Since our business nature and travel product/services are largely perceived as customer-oriented, I play a vital role in handling customers' complaints, negotiating with them on compensation matters which are agreeable to both sides. As you know, customer's dissatisfaction and complaint will finally result in the loss of their future business, which translates not only to harm our reputation but also our future profits. Besides, I am also responsible for coordinating and controlling activities, forecasting travel products/services demand, estimating costs and setting prices for our range of travel products.

2. Having in business for almost a decade, have you, as Managing Director of Villa-H.K, set measurable and time-specific objectives for your company? For example, percentage increase in annual turnover, revenue, profit, market share?

I understand that it is ideal to conduct market analysis, forecast demand, and allocate resources through annual budgeting to meet this forecasted travel product demand as well as setting measurable objectives and targets for each department to follow. However, we do not set rigid performance indicators or financial figures for our staff to 'chase after'. The underlying reasons are: First, to me, this target-setting seems too rigid because there are too many factors or variables which are not under our control. Human and natural disasters, namely, the SARs in 2003, the South-Asian Tsunami in 2004 and the Financial Crisis in 2008 are some typical examples. Also, it is very time-consuming and so far

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

we don't have adequate resources, i.e. human resources and time, to set measurable objectives and targets in a scientific/systematic way.

Despite this, Villa-H.K demonstrates a positive growth in annual turnover and after-tax profits, particularly our B2B segment (as an intermediary to serve our mainland Chinese travel agents through making resort hotel room reservations and flight bookings or other services for their customers) which now accounts for almost 90% of our total revenue generation. During the past five years, our annual turnover had grown substantially from some HK\$30M to nearly HK\$58.4M, almost doubled of the figure. This is very encouraging news for us! However, please be reminded that our annual net gross profit is roughly about 5% of the total annual revenues. Although making profits, we still find it a big challenge to survive in the coming years given the external factors such as high inflation, increase in service suppliers' charges/fees, and increase in labour wages, increase in utility bills and other overheads.

At present, our B2C segment (serving our "walk-in" or 'regular' Hong Kong local customers who directly make resort hotel room reservations and flight bookings or other services through us) only accounts for the remaining 10%. I confess that we are not proactive enough to enlarge our market share in the B2C market segment. We don't have enough resources to expand this area in which we believe beneficial (in financial terms) to our company's bottom-line.

3. Would you tell me more about Villa Holiday's strategy? For example, are you using cost leadership or product differentiation strategy to distinguish yourself from other competitors?

We had long been differentiating ourselves from other competitors by adopting a product differentiation approach through providing quality travel products so that we can charge a premium price. In recent years, we have noticed an increasing number of rivalries in the marketplace. Most of them are mainland Chinese travel agents who have license to operate outbound tours. Due to this fierce competition, price of travel products had been dropped dramatically. In the past 1-2 years, we have cut down the price of our travel products in order to compete with them. The result is the squeezing of operating margin to unprecedentedly low.

4. What is your role in resource management?

Although having said that we have different work streams and each employee is assigned to work in their specialised area, it is inevitable that most of the times we have to work collaboratively and

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

perform cross-functional duties. Given the constraints in resources such as labour and time, this is a real challenge for me.

5. *How do you describe the culture of your workplace?*

Everyone must work hard here. I always encourage my staff to share their thoughts and feelings with fellow colleagues or even myself. They are always welcome to discuss issues which they think important to the company or among themselves. Transparency and open-mindedness is our culture. I have to make sure everyone working for us here is happy. If not, it means they do not fit into our company culture and must resign and leave the company.

Prior to working for this company as MD, I had served different travel companies in Hong Kong. Although I am now in senior management level, I totally understand the feeling and the mind-sets of my staff. I don't believe anyone working in this office is merely for pursuing her interest; rather, our employees are just working here to earn higher salaries/wages and work at a more comfortable workplace environment. Due to limitation of resources, we cannot implement flexible working hours or encourage workplace creativity. Our staff are asked to adhere to the prescribed company rules, norms, company policies and how things are doing here.

Villa Holiday's social responsibility:

To Employee

1. *Do you treat your staff fairly?*

Yes, every effort is made to ensure the appraisal system is as fair as possible.

2. *Is there any written contract describing their duties at work, terms of service and details of remuneration?*

No, we don't ask our staff to sign employment contract with us. But we comply strictly with the labour laws stipulated by the Hong Kong SAR Government.

3. *Do you have an appraisal system in place?*

Yes, we do. I am responsible for appraising Mandy, the one who is in-charge of the accounting work stream. Our senior Operations Manager, Ronny, is responsible for appraising her subordinates, Dalal and Shirley in the operations work-stream (Sales & Ticketing, Customer Relation Management).

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

They will be interviewed at the end of the year and feedback would be given to them. Both appraiser and interviewee have to sign upon mutual agreement of the outcome of the appraisal.

4. *What is the turnover rate?*

Very low.

5. *Do you offer them career development opportunity?*

Yes, a 1-day annual retreat.

6. *I know that you also reward your staff in year-end dinner and provide senior staff incentive tours to show your appreciation of their service to the company. Apart from these incentives, any other rewards?*

It depends on our performance of the previous year. I am very generous actually. Usually they will be given more than they expected, e.g. 14 months' salary for senior staff in good years together with bonus and commission. At least 13 months for junior staff.

To Service Suppliers

1. *Do you pay suppliers on time?*

Yes. I usually settle the bills in advance. I am very proud to tell you that we have never ever delayed payment to our suppliers. In contrast, we usually pay them in advance. So we have built a very good relationship and trust during the past 10 years with them. This is our CAI suppose. During the peak season period, we have received great support from them to guarantee room, flight and other services' availabilities. Without any of each would result in the loss of customers' patronage.

To Customers

1. *Do you offer your customer informed choice on itineraries, prices, and other travel product dimensions that you believe is important prior to their making of any purchase decisions?*

Yes, we have published our product details on our website. Our dedicated staff are also very knowledgeable of the travel products/services Villa-H.K offer to our customers. We have a dedicated staff who is responsible for answering any enquiries that B2B regular customers may have.

2. *Are there any channels to collect customers' feedback/appreciation/complaints with regard to their experience of the destination, travel product/services?*

We lack of a proper channel for customers to communicate with us. Since most of them are from mainland China and not permanently reside in Hong Kong, they usually gave feedback to their

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

domestic travel agents in China. Usually our mainland Chinese partner travel agents communicate with and report to us the complaints they had received.

3. How do you guarantee the service rendered by external tour-escorts appointed by a third-party agent?

Of course, all outbound tour-escorts are certified by Travel industry Council (TIC) of Hong Kong, but sometimes customers and tour-escorts may have different perceptions on quality and service. The people factor is a problem for us. Since our regular clients are mainland Chinese travel agents, tour leaders or escorts are usually hired and dispatched by them so we are not able to control or monitor their service standard.

To Pressure Groups/NGOs

1. Has your door been knocked by pressure groups such as the Friends of the Earth, WWF, Greenpeace or Blue peace since 2002?

No, never.

2. What responsibilities do you think Villa-H.K have in order to reduce the chance of being accused of lacking the responsibility towards caring the environment and conservation of destination's culture and social cohesion?

I have made donations in the past.

Maldivian Travel Association (MATATO)

1. Do you communicate with MATATO on a regular basis with regard to the latest development of the travel industry?

We seldom communicate with them. We have just received their newsletter every 3-4 months in a year.

2. What do you think Villa Holiday's position would be in the Hong Kong outbound Travel market in 1 year, 5 years' and 10 years' time?

I would imagine there would be an increasing number of potential mainland Chinese customers who come to us in the next 12 months since we already have excellent software and hardware in place. Human capitals such as staff knowledge, expertise and hospitality of the destination's resort staff are our assets.

I am afraid it is a bit difficult to tell you what position we will be in 5 years due to uncertainties of the world's economy, climate change on natural environment and more importantly, the change of the management structure and personnel of Villa Hotel Group in the Maldives. Let me share with you my

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

thoughts about my boss. He has excellent financial resources to invest in other community projects apart from hotel property and travel business. The only thing I am concerned is that he is not educated and does not analyse return on investment (ROI) thoroughly before any investment decision is made. At times, when available cash flow is inadequate, he then asked around from other branches for bail-out. So the leadership issue should be addressed before business expansion is to take place. Moreover, another 'big' issue is the lack of communication. We don't know what each other is doing; they also don't really know what our problems are and the impact of our travel business problems on their resort hotel operations. This area has first priority to address.

3. Any customer satisfaction performance indicators in place? If not, why?

No, we didn't develop any systems to monitor the service quality. We just rely on our mainland Chinese travel agent clients/partners to give us feedback, or let us know what their complaints are.

Appendix (5) – Interview Transcript

Second Interview for Managing Director of Villa Hong Kong.

Date: 18th November 2011

Venue: Central, Hong Kong Office

1. What challenges do you think Villa-H.K is currently facing?

One of our competitive advantages is that we had long been offered favorable contract rates from our hotel group. These rates are even better than what the hotel group offer to other travel agents. I understand that the management of Villa Hotel group had long been arguing whether this favorable rate should still be offered to us in future. Financial controllers are always chasing the sales targets; they just don't want not to miss out any opportunities to earn a single dollar. They seem to have forgotten our close working relationship with our mother hotel group. Of course from my point of view, they should continue to offer us the best rates. You know, we are their subsidiary company in Hong Kong and we are here to help them market their resorts and generate revenues. We are bound by their prescribed trading policies. If they're not going to offer us favorable rates over our competitors, we don't see the point to collaborate anymore. Why not I go out and start my own business. At least I have my own right to market my own travel product and I have wider choice to cooperate with the resorts I want. What makes me worrying about is the frequent change of their financial controller. Having a new financial controller means new policy will be put into force. It really affects our bottom line.

2. Do you think the mainland Chinese travel agents, i.e., your downstream partners, are about to eat off your business?

I don't think they are eating off our market share in the market, but I believe it is a real threat to us. Let me tell you the reasons. The hotel group management, especially the financial controller, might think that our presence may affect their bottom line since travel agents in China are eager to collaborate and close a more favorable deal with them. Despite this fact, I still have confidence that we are still gain a solid foothold in the marketplace. Why? It is because our knowledge, expertise and trust had been built up in the past. We are highly trusted. Also, the strict control of foreign exchange policies in mainland China still a major factor impedes their market penetration capability.

3. I had been to the Maldives two decades ago. I believe that things have changed dramatically during the last two decades. Is the tourism industry also undergone a radical change due to the rapid growth of China, India and Eastern Europe market?

Definitely. Nowadays you see many mainland Chinese people receiving their tourist groups at the Male Airport. Some of them even unlicensed and not eligible to work there as tour guides. Also, you

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

may find many local tour operators in the Capital Male. In order to compete for potential customers, they cut down the margin from US \$10 per resort hotel booking to US \$3 or even US \$1 in some extreme case. In my memory, there was a notorious incident occurred some years ago in one of the resorts, not ours. Some customers were not able to secure a resort room upon their arrival; they were sleeping on the hotel lobby. Who's fault? Of course, it was the unscrupulous travel agents who promised to offer them everything the moment they pay, but the reality is no promise got materialised. So I can tell you or my Maldives business partners, to exercise caution whenever they trade with local tour operators there, especially those from mainland China, Russia or Eastern European countries, nowadays even Western European countries (during the financial crisis in 2008). Unlicensed or illegal tour operators are not only your financial, but also reputational risks.

Appendix (6) – Interview Transcript

Interview for Managing Director of Center Point Personnel

Date: 24th October 2011

Venue: Tsim Sha Tsui, Kowloon Office

1. Why Human Resources function is so important to a firm/travel agent?

Of course HR function is very important to a company. Travel agent is not excluded. The main role of HR is to assist companies to match the people with the right skills to the right positions. In the travel agent context, staff who possess good knowledge and hands-on experience of air-ticketing and hotel reservation is particularly important. Through a sophisticated system of scanning, background check, line managers will be given a list of shortlisted candidates for their selection. Besides, a set of HR strategies are devised to align with the defined overall business objectives of the firm in question for value creation. Besides recruitment and selection, others HR programmes such as manpower planning, new staff orientation, team-building, employee training and staff development, performance appraisal, employee reward and year-end bonus, incentives or contract-end gratuity scheme planning are also vital to long-term success of a firm.

2. What are the advantages for the travel agent owner-managers to carry out the HR exercise by herself?

I think there're numerous advantages for the owner-manager herself to take up the recruitment exercise. Firstly, she is more able to identify the most suitable candidates for a particular job opening. Secondly, since she is more familiarised with the market trend and what skill sets (both hard and soft skills) are needed for the job openings, she can easily formulate a set of strategies to ensure the newly-hired employees add value to the business through on-the-job training, mentoring or job shadowing.

3. How owner-managers of a travel agent reduce the turnover rate?

Before a decision is made for hiring a potential candidate for the new position, he/she must carry out a reference check on the job applicant such as requesting him/her to furnish a reference letter from previous employers. I would believe that such measure would help improve the turnover rate to about 80%. Apart from that, owner-manager should also find out what makes employees resign and leave the company. Is it attributed to the salary or the remuneration factor, working condition factor or job satisfaction factor? Office politics factor? Or simply the development opportunities?

4. Do you think training should be offered to newly-appointed employees?

I believe that with the humble resources possessed by the travel agent in question, it would be quite difficult for them to invest on employee training. What I would suggest them is to employ flexible

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

and easy-to-implement mentoring system, job-shadowing, on-the-job training or retreat to upgrade the skills of the newly-hired employees. If possible, it would also be a good idea to send them to travel-industry-related training association such as the Travel Industry Council of Hong Kong to receive training programme related to their daily job duties.

5. What measures do you think owner manager of small travel agent can use to reduce the impact of staff resignation?

I would believe job-rotation is a very effective tool to motivate staff since they can acquire different skill-sets through working at different work streams. This not only enables staff to pick up new skills, but also enrich their work experience which results in reduction of the possibilities of their resignation. The tangible benefits to the employer is that even if one resigns from her job another staff can take over her duties, so the disturbance to the workflow of the travel agent in question would be minimal.

6. How can staff be motivated and work towards the overall strategy of the travel agent?

I imagine the issue of shares may help motivate the workforce. Also, I would like to share with you a good example – the Giordano in Hong Kong is a wonderful example in motivating their employees. Their line managers set measurable and attainable targets for their respective departments to achieve. Once these targets are reached, high-performers will be awarded accordingly. For example, outstanding shop managers of the month; outstanding customer service branch etc.

7. What's your view on a workforce that is dominated by the same gender?

This phenomenon is not very good I suppose. A workforce dominated by the same gender may hinder innovation. Besides, having a good balance of gender in the workforce would promote creativity and organisational learning. A synergised workforce may be resulted.

8. What can the owner-manager do to ensure her workforce a happy one?

It is trend nowadays to pay attention to the work-life balance. I believe the owner-manager of the travel agent in question should adopt some feasible measures to ensure her workforce a happy one. For example, consider:

- implementing flexible working hours;
- promoting occupational safety and occupational health;
- encouraging staff to spare 10-15 minutes during office hours to do stretching exercise;
- encouraging staff to enrol in after-work Yoga or Gymnasium workshops;
- playing soft music at the workplace.

Appendix (7) – Interview Transcript

Interviewee: Mr. Ginge Ayres, Chief Diving Instructor – British Sub-Aqua Club (Hong Kong)

Interviewer:

Hi Ginge, many thanks for your time for this interview. My name is Gary Siu, MBA student of the Nottingham Business School. Recently, I am working on my graduation management project. I have fixed the research project's title as: "Adopting Ethical & Responsible business practices for sustainability". I am currently attaching to a travel agent in Hong Kong. Through this project, I would like to study their operations and we love to integrate a more socially-responsible agenda into our business operations as I imagine our tourist activities mainly is in destination such as the Maldives and other sun and sea destinations. We would like to learn from your views/expertise, your professional point of views. The first question is: first of all, could you tell me about your diving experience at the Maldives, so environmentally speaking, what concern you most as a professional diver?

Interviewee:

Well, I dive in the Maldives once. But we did manage to go to two different atolls. Gan (island) which is the most southernly atoll and the other one is Hadhdhunmathee (atoll) which is due west of the capital Male where the airport and the capital is. So we tried two different locations.

Interviewer:

How long ago?

Interviewee:

A couple of years ago. I have been waiting to go there for long time and just haven't time to fit it in. So, we finally managed to get around to do and intend to back there again because we really enjoy it and diving is, as you properly realise, it's pretty exceptional. A bit limited. It's only about 4-5 days diving, properly the wrong time of the year.....

Interviewer:

That's an amazing experience I believe.

Interviewee: I got around a bit. So because there's a lot of places but the Maldives for most people is one of those wish-list places to go to, but it does tend to offer good diving and other things that you want on a holiday.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Environmentally speaking, what concerns me most as a diving instructor? Well...lots of marine conservation got to be right out there. No.1. Things like shark-fining is not on, explosive fishing, cyanide fishing....as divers, we would like to see marine life intact and available for us to see. Sustainable fishing practices are fine as long as people don't waste the products as much as shark fishing is really wasteful. The whale shark, when they caught it, I wouldn't mind; but just cut the fins off and throw the live sharks back into the sea, it's not just protest but it's a waste, and shark meat is quite tasty. It's just wasteful to do that.

Interviewer:

It's wasteful and you know such kind of practices is really damaging the environment and, you know, its damaging the biodiversity as well.

Interviewee:

Not only sharks are apex predators, but they do tend to clear up the sea a lot. So it takes sharks out of the equation, the rest of the ecosystem is going to be problematic. Smaller fishes are going to run riot and then they're not going to get taken out by the apex predators. So if too many sharks are taken out, we are going to have real problems with our sea in the future. Whale sharks...Take the whale sharks out of the equation, well, they're predator feeders, quite part of the ecosystem. It's all about imbalance. The sea is imbalanced. And if we as the external agent interfere about that balance, we're going to have the problems in the future. Let's say our environment; the ocean produces the atmosphere for us etc., so if we mess up we've got problems in the future. So most divers, if they have the right sort of training and background understanding realising this, (but) the rest of the population may not be so aware, so we, as diving instructors, trying to educate at least when someone come to us to learn about diving and we'll tell them, for example, marine biology, marine ecosystem, marine conservation etc. The rest of the population may need a bit more waking up, luckily, things like the WWF, National Geographic, BBC programmes put on so much on the TV that they educate people, people are not realising that they are being educated, they got to put the message out.

Interviewer:

As a diving instructor, you not only teach the skills to your members, but also you want to raise their awareness on "ethics of diving" and how with their resources, or with the skills, to protect their environment as much as they can.

Interviewee:

So particularly in the BSAC, we push that more than that of other agencies. Other agencies may have programme like "Project Aware", they aspire to, but we trained all our divers and say our policy:

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

“Look (but) don’t touch”. The only thing you take is photographs and the only thing you generate is bubbles. So we try to push those sorts of things right in the beginning and when we take them out diving, slap them if they start walking on the coral, touching things too much and things like that, so it’s all about personal discipline. We have to educate people and discipline them to make sure their behaviour or manner is approvable rather than just going there and just for their benefits, which you get from a lot of people....other agencies is or other ethnic groups. It’s all about educating the drivers, especially the BSAC divers are well-known as being more environmentally-friendly, but that’s because they had been educated properly, lots of others had just learnt to dive and they are not told about this is all about marine life, don’t get too close to it, don’t damage it, don’t touch it, don’t destroy it, don’t step on it. The reason why it is so important why you shouldn’t do that and if you do do this, this is what’s going to happen in the future, it won’t be there for you to see next time.

Interviewer:

Well, I can see your passion, through being a diving instructor....

Interviewee:

I have been diving for over 20 plus years, almost 25 years. And you see the change in environment in different places, and you see operations overseas where you go to visit, they don’t necessarily stick to the rules all the things they should be teaching people and you think that divers that haven’t been educated properly in marine conservation and ethics. So the main concern to summarise is just marine conservation because if we don’t conserve our sea, not just the seabed, but the marine life. It’s not going to be anything for us to do in the future.

Interviewer:

So from you message, I strongly believe that as a business owner-manager of a local Hong Kong outbound travel agent, we should do something to educate our customers or our divers in the future and see how we can embrace the CSR agenda in our business I believe.

Interviewee:

Yeh, definitely. Everybody involves in diving or anything in marine activities in any way should be socially-aware and aware of their impact on the marine environment. No matter who they are, whether he is a boat diver, dropping anchor in the sea should be restricted. We certainly do that in our bases in the Philippines. The local boat operator’s don’t like it, but I just say, well, if you are not going to obey our rules, then you are not going to work for us. Who’s losing out? You are! Because we have to maintain, if we go dropping anchors all over the corals, there’s not going to be any coral

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

left, there wasn't any reef fish left, certainly there won't be any tourists in the future. So if you don't stick to some basic rules, dropping litter, anchoring, making loud noises, or that sort of stuff.

Interviewer:

So your message behind is every effort as you can to act responsibly and to avoid doing things that are going to ruin the environment. For the sustainability of the destinations?

Interviewee:

It's just the same as Hong Kong since (the establishment of) SAR. Not so much spitting on the street and people are now a little bit more aware of the hygiene requirement. Just to make it a better living condition for everybody so car divers need to be restricted in a bit on the pollution, which is the same as in the sea, so whether in the actions of divers, the holiday (makers), or the dive operators in the resort or the travel agents that taking people there, everybody has a part to play, and everybody can be educated or should be educating other people as what behaviour is expected of people that go to these places such as the Maldives because if we all act irresponsibly, the Maldives won't have any tourists going there for diving because nothing is left.

Interviewer:

If the Maldives is not sustainable, then the travel business won't be sustainable.

Interviewee:

Won't be sustainable. There won't be anything to look at and people will not go and look at and go to a place where they know there's nothing there. The Maldives has a high reputation for offering good diving experiences, so the resorts thus have to be careful and the operators has to be careful that they don't do anything to destroy that and, the travel agents, they are going to make benefits from the practices of good diving. The ruin for good diving is not the location that you're going to send people to. You are not going to make profits because it is not sustainable.

Interviewer:

So it's really important for them to consider integrating the socially-responsible agenda.

Interviewee:

Absolutely, all tourists have their duties to safeguard the environment.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Interviewer:

From the very basic, such as to educate the tourists (at destination-level) or to introduce (at firm-level) the Low-Carbon–Office Programme (organised by the WWF).

Interviewee:

It's not only the diving tourist but all tourists.

Interviewer:

What make you feel disgusting about the tourist behaviour in sun and beach destinations like the Maldives?

Interviewee:

I think generally, things were improving a lot. Because I think the educational work is getting through with the amount of stuff that is put through the media, especially TV, we take most information fromshown on TV sets as a good example. WWF's efforts or good documentary and things and the word is push at all the times and locations such as the Maldivians. Their advertising is pushing the fact that that they are clean, or their marketing efforts they put on TV and stuff and people look at it and say I'm going to Fiji this X'mas they avoid some of the nasty things...6.5 earthquake last week...they avoid mentioning the fact that you may have earthquake going on and tidal waves or things like these.....the Maldives is expectable to have tsunami and stuff which is a slight effect from the big tsunami in Sumatra..

Interviewer:

I think the Maldivian is already doing their best to find ways to protect their environment or protect marine biodiversity.

Interviewee:

I think for the Maldives, there is a particular problem. With the Government and the friends and relatives of most of the people in Government own the majority of the resorts.

Interviewer:

Oh, that's terrible. They have their hidden agenda?

Interviewee:

If you look at the Amnesty International, they actually warn you about going to Various resorts because they are owned by people that are locking up your opposition, as there is a lot of opposition

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

locked up for a particular reason in that country. So it's a politically-incorrect country to go to like Burma, or Myanmar, but people avoid that issue and they still go to the Maldives because this is not commonly-known as there is that problem in the Maldives. It is not a marine conservation problem, but actually is a political problem. But most people don't aware of that.

Interviewer:

So they don't value human right, in a way?

Interviewee:

So human right is a very low in the agenda, the higher in agenda is to making profits. So wherever it is possible, it's quite difficult for outside agency to buy resorts because obviously there is a monopoly by the Government and friends of the government and families and the president etc. owned the majority of the resorts.

Interviewer:

That's the picture of the operations here.

Interviewee:

I'm sure the other resorts are paying a lot of back-hander revenues to make sure they have the right to operate there. Big hotel chains they are operating there....

Interviewer:

Like the Hilton or the Banyan Trees?

Interviewee:

Yes, Shangri-La is an example. And they must be paying a big premium just in order to get into that location, so whether everybody's aware that problem or not or whether cares about it is another issue. Divers tend to care about marine conservation; they properly care less about human rights, depending on where they come from.

Interviewee:

.....Think about the Maldives, it's not just the sustainability of the marine environment, but its other things such as human right. In my experience, I was aware before I went there of that there's this problem and I am actually look at the Amnesty International site and I've found resorts that were or weren't recommended or don't visit this becauseetc, and.....

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Interviewer:

You have any idea about the Paradise, Royal Island and Sun Island? They belong to our hotel group?

Interviewee:

I can't. When I research where I wanted to go to, I consider criteria such as costs; the diving experience is a very high up in the criteria. I look at places offer are I wish to see whale-shark, I want to see this, I want to see this and then I have to consider because my wife doesn't dive, she just snorkels. What's the suitability of accommodation for a non-diver, person, and what activities are available etc. So I've got...as the same as you are working at trips for a branch or of a group. You've got to think about non-divers as well. So you've got the experienced divers, the novice divers, the non-divers, maybe kids etc. The different people that might be taken with you and what sort of environment they want, so I did think about which resorts might or might not be recommended by the Amnesty International.....

Interviewer: (27'45)

So do you think apart from the value for money and diving experience, do you think customer services is also important as part of your consideration for choosing a travel agent?

Interviewee:

In terms of individual, generally just individual wants to go for a dive trip, they are not going to know what services like until they've been and seen it, have it. But it's just too late if they have a bad experience, that's too late.

Interviewer:

Just from words of mouth or reputation of travel agents?

Interviewee:

For reputation, not much as the travel agent, as the hosts of the resort itself and the dive operator, often dive operators and the resorts are two different entities. That's why we operate in the Philippines, we don't actually have our resorts. We operate in a number of locations based in a resort. So sometimes the operator isn't run by the resort, sometimes it is. So if you are looking around for someone to go and dive with, then it does come down to word-of-mouth. You can read as much as you like in Lonely Planet or in literature from an operation or whatever or websites. But at the end of the day, as marketing what for, it doesn't necessarily mean the truth. You can have a high expectation, you go somewhere and you can be disappointed, it doesn't fit the bill. You certainly find there is no TV in the room. So word-of-mouth comes very high, so in a branch situation, individuals are relying on the

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

organiser of the trip who has done his homework properly and I have been doing a familiarisation trip and I have actually been there see what it's like and I don't go and tell them who I am until I have left so I want to get the normal sort of service that everybody gets and the problems, and then, from my experience, then I can take my group back there again because I know I'm going to have the right sort of service. If we don't get the right sort of service, I'm not going to go there again so I have great satisfaction when I leave and leave my business card and the people there(a great surprise)!

Interviewer:

Value for money, diving experience, words-of-mouth, customer services, reputation, your own experience to influence them, to tell them about your own experience, give them informed choices.....

Interviewee:

If I am trying to get the group together I have got to market that trip and encourage them and get along show with my photos with the information night, dragging the right wind and tell them I intend to go to the Maldives next year. Anybody wants to go on that trip? So they want to know about it...So they come in on a club night, have a chat about it, promote it, say, we've been there and my members will go to places that I recommend because they know I have got first-hand experience.

Interviewer:

And you are trusted?

Interviewee:

And they trust me, if I say it's rubbish then they know it's rubbish...Of course, if they go and they say well it wasn't as good as said what it has to be. Then why not, I will be back on that resort...so hang on a minute...or my members are going somewhere anywhere already where I had sent them to or recommended, I would normally contact that resort in advance and tell them some of my members are coming, please look after them.

Interviewer:

Wow, that's special attention.

Interviewee:

Not just that special but I'll just to make sure they get the right service, because it is the word-of-mouth. If they come back and tell me that a bad time or have problems, then we have to look twice again about going there another time or the estimations I have on the resorts is brought down a little bit. It's too easy when being a chief instructor to go visit somewhere...oh yeah...we've got to look

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

after Ginge because he is the Chief Instructor to go visit somewhere, because I may bring people in future, so again that's special attention. I don't actually want it because I want to see what's the normal attention. And then when I finish mine, tell them...by the way, so and so....

Interviewer:

Tell them what's good and what's bad?

Interviewee:

I give feedback, I really want to see a comment sheet and I will fill it in. I don't care what level of resort hotel is. I'll tell them because they can't improve unless they hear from us. And I don't expect people just leave: "Oh, I had a lousy time!" If we don't tell them that you had a lousy time, why? Then they are not able to improve. Certainly I want my clients in giving feedbacks. So customer services.....what you say you're going to provide somebody with, you actually got to provide it at the right level, and friendliness. Some places you go to, people are naturally friendly and the Philipinos are naturally sort of friendly people and they're quite good in customer relations.

Interviewer:

That's important. Customer services in the service industry?

Interviewee:

Some countries are not. For example, you go to a place in the Maldives. You can go to maybe one location because the company is generating the right sort of organisational behaviour in their staff...the culture...customer-related culture has been developed and then all the staff are friendly. But some countries you go to...lousy.....an example....I go to Shangri-La a lot as I am a Golden Circle Member. So we stay in the Shangri-La in Singapore recently, and the customer services are not the standard I expect as that of Shangri-La as compared to that of the Shangri-La we had stayed in the Philippines. The same organisation but different people.

Interviewer:

It's about the leadership then?

Interviewee:

Yes, it's the management skills, and to make sure that everybody goes around, smiling and doing everything they can by smiling, but do everything they can for the customers. But if you balance it off against, are you a 5-star resort or a 2-star resort? You get what you had paid for. You know, if you go for a 5-star hotel, you know what you get and go for a 2-star, I know what I'm going to get. So

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

customer-services can depend on essentially related to the price ...some people are expecting too much frankly.

Interviewer:

This is what you are learning from the MBA programme. By the way, Ginge, you've been living in Hong Kong for over two decades, and what's your perception of the outbound travel agents of Hong Kong? Do you think owners of travel agents really profit-seeking but not really care about (the needs of) wider stakeholder groups?

Interviewee:

To be honest, I don't normally use outbound travel agencies because I do the desktop study, I work it out myself and I'll organise my own trip. In BSAC, at my level of diver, first-class diver, we were trained or we are able to organise our own trips globally. We organise our own trips as this is part of our training and development as divers. At that level we would be able to do that. We organise our own diving trips, we have our own dive teams in the club, we don't need anybody else providing that for us. We go and organise that ourselves, and that's half of the fun for me. I've done a couple of organised trips so I have a little bit of experience of outbound travel agents. We have done 2 or 3 times as I can remember, and usually it wasn't a good experience which is why we tend to do our own thing. It didn't meet our expectations; we can do a better job.

Interviewer:

Because they don't really understand your needs, isn't it?

Interviewee:

Sometimes. Some outbound travel agents you know most of the dive shops in Hong Kong have their own travel agencies, or they operate as a travel agent - the larger ones especially. So we tended in the past to go with a dive shop, a big travel agent, because their organising trips and packages to another location, they are getting their commissions on that to take you to a resort in another country...so.....

Interviewer:

But's it's not reliable?.....To some extent?

Interviewee:

One trip we did as it wasn't my turn to organise the trip, one of the other guys. We went on the trip and the other people on the trip weren't adequately qualified to actually do the diving we were doing, so make it more dangerous for us. The actual itinerary offered was OK. The price you get what you

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

had paid for, the price was OK. Since we tied along with other people we then had to accept the people who paid the money to be on that trip and the travel agent's responsibility stop at taking money when they should be more qualified. If they said when you got to be certain qualification to go diving on wrecks, then you got to be having that qualification, but they...oh no, what we can't get up people like that...get the money from anybody who wants to go. There was a death in the Subic Bay in the Philippines last month. A diver from Hong Kong with an instructor and I know the guy. The instructors down there with two locals had gone on the trip down there and they properly weren't qualified to dive on wrecks, but at the end of the day – people after money. So you ask one of the questions about sustainability of the diving operation. At the end of the day, they want money from people and they are making money for cash flow etc. And the ethics are.....that they had accepted people to go on a specific shore of diving without having the right qualification.

Interviewer:

Oh, that's disastrous.

Interviewee:

That's unethical.

Interviewer:

That's not ethically really.

Interviewee:

Exactly. So that's one of the problems you've got because at the end of the day...

Interviewer:

Is it the fault of the travel agent or the fault of diving club in the destination?

Interviewee:

The travel agent. And then when these people turn up in the location, the dive operator doesn't say: "sorry we can't take you because you are not qualified". Because they had already paid, they've got to go on the trip. We don't take people on trips unless they are suitably qualified. That's our ethics....we went on a trip and the other people on the trip weren't properly qualified, we were, no problem, The BSAC divers are usually better qualified than anybody else out there.....our training is more thorough.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Interviewee:

For BSAC members, they are the higher-calibre divers, other people are holiday divers, we are sport-divers, and we do it as sports like sailing or whatever, you do it as a regular sport, whereas the vast majority of divers in the world are holiday divers. So if your target market is to take people on holiday, that's different sort of divers because they are very low-qualified compared to BSAC divers who are professionals like accountants etc.....but they do it regularly. They are not just as a holiday divers do in every weekend or do it in a regular basis. They've got a lot of experience. You have novice divers, holiday divers or you have experienced sport divers. There are two different markets.

Interviewer:

So it's really hard for travel agents to design a travel product to cater for their needs?

Interviewee:

You can offer a product for inexperienced diver but a lot of inexperienced divers think they are experienced divers. So unless the travel agent says I want to see your qualifications, check it before they go, before you sign up.

Interviewer:

That's an important step.

Interviewee:

Then if something happens. The trouble is, as I mentioned, the travel agent wants cash flows, the ethics come in. So the ethics come in, do I need the money? I can't run this trip unless I got six people, I'll take the first six people to sign up and that my problem solved, the package sold, and I have made my money. But then these people turn up in the resorts, four out of six are unqualified.

Interviewee:

They still.....They had paid for their holiday. And then the operator would then break their ethics and say we'll take you to diving anyway. Another example would be on a live-aboard where we turned up and all supposed to be at certain level and one woman wasn't. I was saying [to her]...hey, you got to be supposed to be a certain level of diver, so limited of what we could do as a whole group so we couldn't dive as deep as we should be able to. Because this woman couldn't. So that the operator's answer to that was: doesn't matter, you are with me and I am instructor. In fact, I am a dive master and I can take you dive, just sign in, and you have signed your life away. This woman was not qualified to dive, so I didn't use this operator again because they break the safety rules...so my personal experience was don't recommend them because they are prepared to break the safety rules.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Interviewer:

I would say this is a problem in some Asian sun and sea destinations.

Interviewee:

Well, I got to be fair, it's not just an Asian problem, not necessarily, it's just anybody that wants to make cash flow.....

Interviewer: (50'50)

Do you think as a responsible travel agent, we have to consider some kind of carbon-offsetting or tell our customers that they can pay a little bit higher price, say, the HK\$200-300 can be allocated to renewable energy (investment project)?

Interviewee:

I think this is another one of those favourite of the month things. Everyone is jumping on the bandwagon; we have got to tick the box: Do they say they are eco-friendly? Do they say they're offsetting carbon?

Interviewer:

What's your point of views?

Interviewee:

I am not too sure if I pay an extra amount of money where that's actually goes to.

Interviewer:

So you have to make sure the travel agent do that?

Interviewee:

Well how can you be sure they do that?

Interviewer:

How about if they have produced sustainability reports?

Interviewee:

This is a kind of marketability. They can buffer as much as they like. But do they actually do it? So I'll try to make the efforts myself rather relying on somebody's saying. Yes, you had paid more money, we've going to offset this and the other.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Interviewer:

If they have transparency like the publishing of a sustainability report on their website, with the performance assessed and that is validated by a third party, say, a NGO, would it convince you?

Interviewee:

Maybe. As the same thing as donating to a charity, where the money actually go?

Interviewer:

That's important. Accountability.

Interviewee:

Yeah, otherwise they had wasted my money and I may be able to spend the 300 dollars better in somewhere else. Who wrote the report? Who audit the report, so prove it? And if they are going to give me a sheet of paper when I sign up for the travel insurance or they say I am doing a carbon-offsetting and they give me another piece of paper to say.....let's just a waste of another piece of paper. You got to have ethics. If you've got a reputable company and you recognise their ethics as a reputable company, then you can believe what they say. If it's a small company, it's just a small company, how can they possibly be doing all these things they claimed as they had been doing. They give me a piece of paper to say this and the other.....

Interviewer:

Greenwashing. This is what you meant I think.

Interviewee:

Seriously, company like BA, says it's doing it. Do I really believe it? Seriously, I would think they are jumping on the bandwagon. And does it do any good?

Interviewer:

So they have to find some ways to convince you?

Interviewee:

Yeah...it's not a marketing point for me. If somebody says they're eco-friendly or carbon-offsetting...so what?

Interviewer:

So the owner-managers of the travel agents should be very careful.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Interviewee:

They can say it. I think if companies just do it internally and do it any way as least they have a satisfaction knowing that they have done it. They don't have to push it as a marketing point to other people. It's the ethics of business...in this stage an age....and if they're thinking themselves as being a green person themselves as Managing Director, this is what I want us to do like this, paperless offices. I don't believe it, paperless office, it doesn't work frankly. If they say this fact of the others, but that's the way we want to try and cut back on carbon on....everything....within our company, fine, but to tell that everybody else is actually doing it, you've got to support that with something (concrete).

Interviewer:

So maybe having a third party to audit would make it more convincing.

Interviewee:

It just involves another organisation burning more carbon to prove the situation, so why bother doing it in the first place? Just do it on your own ethics in the company, and if you are manager and if have your own ethics about being greenest stuff, do it yourself, from individual, you can state as much as you can but the time and effort to generate the print where eco-friendly, less burning carbon and all the paper etc. produced to do that.

On the website, that doesn't take anything extra, or does it? Because it is taken the time and effort to type in during which the time in an air-conditioned office burning out electricity is actually taking time to just type the buzzwords. So I am not persuaded by people with buzzwords, favourite of the month, sort of concepts. See what you can do, you can say it.

Interviewer:

Well, you have a wonderful insight!

Interviewee:

I'm already very pessimistic. I just don't trust a lot of buzzwords, I'm very sceptical.

Interviewer:

They say even CSR is a kind of marketing tool, firms shouldn't use it too much. They should be humble in their communication of their CSR effort to the wider general public, because if they are doing too much or a bit exaggerated, or it will become...you will receive negative publicity.

Interviewee:

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Actually, I am very sceptical about it. How you put so much effort into it, how much of carbon have you wasted to do that? Just to get me to think you are better guy?

Interviewer:

So, in a way, with the actions but not just by speaking or by your words.

Interviewee:

It's hard to strike a good balance.

Interviewer:

Let's move on to the next question. So do you think outbound travel agents in Hong Kong, no matter their sizes, they should also change their management philosophy from profit maximisation towards a more ethically and responsible approach, especially in nowadays' business landscape?

Interviewee:

I think if they do, they've got to be going out of business because if you are not running for a profit, you are going to go bust. You can't change (the concept) that anything in business, you got to be thinking about profit. Profit, first, for survival. But how you reach such profit you can change that model, but at the end of the day, the strategy is I am going to make profits to run a company and the tactics of it like how am I trying to pay my staff, how am I trying to overwork them, all those sort of ethical things which is a different matter, you can change the tactics, but I think you can't really change the management philosophy from profit maximisation. You can't do that.

Interviewer:

HR perspectives.

Interviewee:

You can change the management philosophy of profit maximisation.

Interviewer:

But this is the basic, just like (human being) need oxygen for survival.

Interviewee:

Different to NGOs or no-profit takers, if you're business entity you're going to be making profits.

Interviewer:

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Of course, but apart from profit-making, we still have a role to play.....we have to consider...

Interviewee:

If you are offering services to somebody, then they are going to come to you knowing you're making a profit, no matter what the margin is, you still are able to be making a profit. Unfortunately diving, because it's pushed as being a cheap and easily-done thing, especially in Hong Kong, you can get a cheap course downtown, and how the hell the management offers such a low amount is unbelievable. We don't. We are properly the most expensive diver training organisation in Hong Kong.

Interviewer:

So you deliver value to your divers in Hong Kong?

Interviewee:

We deliver value with quality. You get what you had paid for. But a lot of people's expectation is it should be cheap, this is a very technical thing to learn, how it's going to be cheap?

Interviewer:

Well, I think it's a problem of...I mean it's the phenomenon in the Hong Kong market....the culture.

Interviewee:

It's the perception generated by what had been put in the media and because the operators here all fighting each other only on costs, not on quality, because they offer the same product, we offer a different product....so they compromise the quality by offering cheap prices.....(1'00'42) So the ethics of the diving industry is, they are not necessarily profit-maximising, you get what you had paid for. And if you are offering a product, it's worth that much. You can't give a Rolls-Royce away for half what it's actually worth.....But in Hong Kong, that's what actually happens in the majority of the people of the training schools here because they haven't got the ethics for the schools because they are treating them as customers, not thinking about the students.

Interviewer:

They just squeeze the price, make it cheaper...cheaper...and get the (sales) volume.

Interviewee:

Because they are all travel agents, they are all operating their own travel agencies. They attract this clientele, train them at cheap prices and then they're selling their products in the shop because they

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

need cash flow in the shops to make their business work. And then they are also selling their travel agency's products to these clients as well.

Interviewer:

From the diving equipment shops, is it? In the high streets?

Interviewee:

Yes, they also offer travel agency service as well which they are offering as cheap as it can be.....

Interviewer:

It sounds not really professional to me, travel agents used other channels to market their products....

Interviewee:

Yes, you can say they go hand-in-hand, so a diving travel agent. Yes, it works, because these operators are still there. All the time I've been operating over 10 years in Hong Kong they are still there. How can they actually could offer such cheap courses, but it's more involved in selling the hard product to diving equipment and to sell the travel agents' rather than selling a diving course. What's their objectives?

Interviewer:

That's interesting, that's the Hong Kong way.

Interviewee:

It is the Hong Kong phenomenon; you don't necessarily get this elsewhere; where you have the diving course products which worth so much.....

Interviewer:

They all have to make cash flow. And the bottom line is they've got to look at their bottom line and ensure their cash-flow....

Interviewee:

On your market is dictated to you what they are prepared to pay...

Interviewer:

Whether they are price sensitive or not?

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Interviewee:

Yeah. If it's someone like the Maldives, I want to go there because of the diving experience and I don't care about the cost, that's fine. But then it comes to ask you how much people can afford, which means in most cases I can't go to the Maldives because it's just too expensive.

Interviewer:

Well, but the thing is emerging markets like mainland China and India, they are getting wealthier. They can afford (indulging themselves in the sun and beach destinations) to enjoy for a 5-star or 6-star experience.

Interviewee:

Yes, it goes back to how can charge the right amount of money for the product and there's people out there who will pay it.

Interviewer:

We can charge them higher and convince them that we'll allocate some funding.....for protection of the environment....that's important...we have to educate them.....

Interviewee:

Yeah..if you can convince them that the reason why it costs so much is this because.....the customer service is high and the customer experience is got to be high for that the high costs. We stop using some operators here because they didn't offer the customer services we want. And if it's too cheap it scares me off just like tendering, you don't go to the cheapest tender, or the top tender, you go somewhere to the middle or towards to top. You have never expected the lowest tender, they haven't done their work properly. So if I see to cheap package, right? You get what you pay for. I expect there is a problem with the airport, flights delay, equipment lousy etc...When you come back, you'll about it.....So you want to be charging a reasonable amount for what you sell it for your products. But then you can make sure you got plenty of added-value which we do a lot of....we don't tell them where they're going to get it, and then when they come back they get the added value. Well, extra value for money. The bottom line is if I come back from the trip and I say well that's crap, it wasn't value for money then you're not going to use them again. The words of mouth is going to gets round and we are not going to use them anymore.

Interviewer:

I think travel agents have their role to play by protecting their customers.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Interviewee:

They have to make sure the dive operator is operating at the right customer services in an ethical, responsible way....

Interviewer:

Also in a regular basis, the travel agent should also audit its service providers or suppliers.

Interviewee:

.....So the customers are relying on the fact that the agent has done its research to check things by sending somebody there and experienced their services. So I do an audit, I do a familiarisation trip whatever what you want to call it or whatever, I got to check first before I commit to organise a trip.

Interviewer:

Or go for a familiarisation tour?

Interviewee:

Yes, to experience whether its services are as good as said, or as promised. That's important.

Interviewer:

I agree with you strongly. How about this statement? Is the following statement true, Ginge? Do you think your members tend to purchase a travel package which is more socially, culturally and environmentally-friendly and they don't mind paying a little bit extra, say, 1-3%, of the package fees to ensure our service satisfies their needs.....

Interviewee:

First of all, they prefer to purchase a travel product which is socially, culturally and environmentally-friendly as we had discussed before the individual is selfish, they don't actually care the socially, culturally and environmentally- friendly bottom line. They get our product because we, as I mentioned before, about the tactics of the company, or the company owner has to be eco-friendly himself and pushes that aspect through organising our trips, our members will go on a trip that we've organised that is, maybe, as far as we can maintain socially, culturally and environmentally-friendly. But they, as an individual are actually don't bother, because they are selfish. So make sense? Me, as an individual, when I'm going on my trips then I might be selfish or I might consider these things. If I want to go there, I'll try to make sure the money goes to the hand of the locals and not to the hand of the government. I can do my bit to make things socially-correct, and environmentally correct, I am not going to generate more rubbish. If somebody else throws rubbish in, I would tell them off by

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

doing that, I have done my bit to improve the situation, but I don't rely on the fact that the government says we are environmentally-friendly, we're doing this more than the others.....

Interviewer:

Start from individuals.

Interviewee:

I would not saying they will purchase an item that is said to be socially, culturally and environmentally friendly. For A: that they don't come; and for B: that it is difficult to prove. So therefore the costs... if you said we are charging you 1-3% extra of the package fees because that for good-social causes, then prove it where have you spent the money. So frankly, it's small print and people are going to step go over it, they're not going to worry about it, they just want to see the costs. If it includes the 1-3% package fees in there, they are not really going to care.

Interviewer:

Your message is if you promised that you do good social causes by charging them a little bit, but if they can prove that the good social cause is really convincing them and its transparent they don't care.

Interviewee:

And it's hard to prove! If the company charges me extra, whether I know about it or not, it doesn't matter, if they do charge me for extra, and then they actually do have a social programme, whether it convinces me or not, the fact that they do it in reality, because let's back to the MD, having a good eco-awareness himself, and he wants to prove to the local community or whatever, if they are doing that, that they are abiding the company's ethics, they get the satisfaction knowing that they do something to the community. The individual diver, frankly, doesn't keep doing that.....whether you've done it or not...If you take the diver along and said we have just built this school. If part of the trip on the day where you can dive where you should be off to have a rest. You take him down to a local community as your day trip. And say, with the money we've got from you, we build this school and show them and convince them, and all happy smiling faces, things like that...then fine...but if it's just a piece of paper and said we did this. But they may get some personal satisfaction out of it themselves for the selfish satisfaction from seeing that and feel nice and warm inside, oh that's good to know that I had spent some money, or not, and on their individual make-up whether this is socially-aware or whether they give it out, and the vast majority of people don't give it out. They are just selfish. And also, if they then say on the website or whatever that this is what we did what the extra premium, it's proved then. That's you can see something quantitative that has been with it. I have a really big problem with lots of places you go to and they charge you extra money per day for

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

being there and they say this is paid for the marine reserve or marine park....rubbish, where is the evidence? If you then go on dive sites and see a floating buoy that is what the boat is tied up on. That's what you actually physically used the money for. When I paid the 100 Peso or whatever per day to go on diving in that area and I want to see some physical evidence and I want to see ranges of boats going around, people picking up rubbish, that sort of stuff. I want to see evidence that I have actually spent this money. As in Subic Bay in the Philippines, two months ago, and they said, oh the Bay is just started to charge as so much per dive, not per day, but per dive, say, a few hundreds Peso for it. And I asked what is it for? And they couldn't really come back to me, so when I see the bill, I said I am not paying that unless I get a receipt from Subic Bay Authority.

Interviewer:

So you mean they find every single excuse to levy an extra tax

Interviewee:

Yes, people come up extra more to be levied or taxed, but they get the extra money, a lot of these places I started to realise that they get the extra money from the tourism or they spin off from tourists/divers spending money in the local areas and is keeping the cash flow going all over the local shops. If there wasn't a tourist they wouldn't have that to operate, so they are actually start...not a lot of money, but it's just a little bit of money here and there and everywhere.

Interviewer:

So again, you convey a very strong message to business owners that whether their claim as CSR....

Interviewee:

It doesn't matter how little it is, but you are going to change me and state that you are charging me something; I want to see what you are going to spend with my money.

Interviewer:

The value for money, and whether it's convincing or the transparency as well. It's not buzzword. They should produce the evidence of the good social causes they had claimed.

Interviewee:

To alleviate poverty, the best way to do that it's to give people the means not to be poor, to give them a job. So educating people and employing them in the business of diving and educate them about the marine environment from the work. If therein that tourist area, all the money in that area relies on tourists, diving areas, all the monies relies on diving tourists. So you start educate the kid right from

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

kindergarten about the marine environment, educate - that's the most important. The next thing is to give them the means to live at. So they don't have to go and de-fin the sharks and things to make a living. You make them tour-guides, make them part of the eco-friendly systems, so it's got to be jobs in the diving tourist industry for as many locals as possible to alleviate poverty.

Interviewer:

We have to educate the kids in the community by giving them jobs, raise their awareness and give them a concept of conservation and preservation.

Interviewee:

Everybody is doing in the same thing. Marine conservation and the diving.....to attract people there, I mean, some of the best places I have been to you got everybody in the community working for the dive operators, whether they're cooks, diving guides, cleaners, boat boys whatever, everybody is involved in that operations they get in money and if they haven't the money to spend on their needs and they will go and fish, take it out from the sea, because it is free, and they think it's free, they don't understand that the scarce resources once they've gone, there isn't anything left. That's' why the fishing industry in Hong Kong is almost collapsed because the fishermen had taken too many fishes because it's free.

Interviewer:

To me, I have a sense that like the consumption of credit card, we are now withdrawing our future generation's resources but we are not able to re-generate those resources consumed, just like not being able to pay back the debt to the bank. So as what you said we have to educate kids and raise their awareness and create some opportunities for them, engage them in the marine biodiversity so on and so forth. I would believe that this is a kind of "corporate social opportunities" for the travel agent itself.

Interviewee:

Yes, absolutely. So the travel agent wants to ensure the local operators are actually employing the locals. Sometimes we have to employ Westerners because the locals...we are unable to train them up to a certain standard as the dive leaders, dive managers, dive guides, but when you use the locals...with the jobs they can do with their education background in boat boys, cleaners are that sort of stuff, sometimes you can't take a local, some places it's just come up hampers with the education standard. We hear that in the Philippines, their English isn't good enough to be one of our instructors because we train in English. So there's never got to be very few ever going to make qualified instructors because their English isn't good enough, or dive leaders where they need to do an awful lot

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

of paper work. They could be dive guides, but then, there is only percentage of the ones I take to start with as trainee dive guide that actually make it because they haven't got the right prospective. The Maldives is probably the same.....Sometimes you can't hire locals in certain jobs so you got to be realistic about what they are capable of doing. Match capabilities to employability.

Interviewer:

Well, I think you know, as a travel agent or local operators we also should put our focus on by checking as part of the audit, are they employing locals, human rights, employment standards, whether there's any sweatshop, whether they are paid fairly, the right working hours etc...

Interviewee:

You mentioned sweatshop, that's what it's all about. In the few resorts I went to, I look at which I am going to stay in beforehand, look at all the websites I could, got others' comments on the website, things like that, and asked very useful and convincing people to go to certain locations and get the feedback on your own website, but then I can write that comment on my website, look at other ones that had comment on your sites or your operations, and ask or give you feedback on services, diving or etc. When you're doing an audit, you can't have a much larger than this. No child labour etc. There're lots of things to check. So the travel agents have a responsibility to doing a good audit on their operations that they use it. If they don't check on these things, they're going to be the ones who lose out eventually because they can't offer the right product and people do it once and not going to them again because they had a bad experience with suppliers, or the dive operators, then the travel agents are not going to use them again, I'm not going to use their package and I'm going to somewhere else to shop next time. Because the operator is no good, the travel agent suffers.

Interviewer:

No matter how good services you provided to customers. At firm-level, but if you don't carry out audit to your suppliers, you still face the risks.

Interviewee:

The travel agent is going to be the one that hits all the problems. If you can solve the problems in the first place....

Interviewer:

Sometimes travel agents can be the scapegoat, something they can't control.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Interviewee:

The customers are selfish and unreasonable all the time. I mean let's say about that customers are always right, that's rubbish, especially in diving because where there is a safety issue. Let's come along with us...I'm in charge...I'm in charge of diving you are guaranteed safe. The customers are not always right. But by checking at the first place to make sure things are on track or up to the standards, then you know yourself that is just been unreasonable.

Interviewer:

Am I right to say that no matter big firms or small firms they should also incorporate the socially-responsible agenda into their business but the thing is CSR is not an overall strategy of a firm, but it's only be treated as a small integral part of the firm's overall/ holistic strategy.

Interviewee:

It's a means to an end.

Interviewer:

What's your advice to small outbound travel business?

Interviewee:

If your MD thinks green and wants his company to be like that, then they have their own personal satisfaction about it. It doesn't need to become a buzzword - an ISO 9000, CSR whatever it is. You don't need to state it. It's simple that the means initially to attract the customers, but do the customers really care? I don't think so. This is a more if I'm going to get some awards in Hong Kong for being the best management, best marketing award, things like these, to be in that sort of programmes, the customer doesn't matter, but if it's the ethics of the company, if you've got an ethical MD, that's not just top up, maximising profits he wants to offer it and make a responsible profit by offering good services because in the long-run, they will get reward in dividends as people know he's got those. It's just the ethics as the way they are doing business, they like the way it's done...personal touch....you don't have to deal with any programme that is pushy. Especially for SMEs, it's difficult to maintain all these different things; you haven't got the manpower, headcounts to be producing all these stuff.

Interviewer:

May I narrow it down a bit. Travel agents who have their core operation in destination market like the Maldives, Bali or some vulnerable places where they are struck by disasters, such as tsunami or hurricane, what's your advice to those kinds of travel agents?

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Interviewee:

You've got to think about the products before you start. Think about where you want to send your customers to in the first place, because you think that is a higher risk, you're going to be the one that is sorted it all out. For example, Thailand at the moment, all the travel agents such as Hong Thai Travel etc., send people to Bangkok. How can all these satisfy the customers? A, they stuck there; B: they are so lost. Who's fault is it? Actually, the God. Flooding. But think about it before you go there, it's a risk. The customers themselves should be thinking and should have a little bit of risk assessment that they should not go in there.

Interviewer:

They have responsibility to assess whether it's safe to go there or not.

Interviewee:

It's the same as diving and travel business. The individuals and the diving operators are held responsible they are in travel agents, the individual weight up the risks and the travel agents weights up the risks. As example, shows that it fits the typhoon season, don't go to the Guam because you get typhoon all the time.....don't send people in the hurricane season....if you hear about earthquake, don't send customers to that place. That's the agent's responsibility make sure it's safe place that they send people to. Same as Iceland, due to the volcanic-ash risk. Thinking all about that risks. The travel agent should raise their awareness by informing their tourists there's a potential of social unrest, political instability and so on. Don't just rely on the Government's red warning and don't go to Bangkok. But you have to do your own to assess the risks of your locations or the operators in and tell people in advance if there is a high risk of going there...before he is going to buy your products.

Interviewer:

Should a travel agent also have to address wider stakeholder concerns?

Interviewee:

What are the wider stakeholders and their concerns?

Interviewer:

Our primary stakeholders who we perceived as our urgent stakeholders are our suppliers, customers and our employees, and service providers, because if we don't have customers purchasing our products we will go bust and the secondary stakeholders are NGOs and the Government etc.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Interviewee:

Such as the dive operators in the resorts, what are their concerns? So I think you have to involve everybody involved in it. It's got to be the clients, the company, dive operators at the resorts and the travel agents, they all concern to a lesser or smaller degree.

Interviewer:

Ginge, you mean, to identify them, prioritise them and to address their concerns?

Interviewee:

Yes, I think you have to look at and find out what their concerns are and ask each of them in turn what their concerns are.

Interviewer:

Or some emerging issues?

Interviewee:

Ask each of them in turn and learn their concern, like environmental group such as WWF, their concern is the environmental-bottom-line. Everybody's concern is whether his business can make profits. My concern is I'm going to make profit, how am I going to do it? I've got to have business, cash flow, I've got to have customers, how do I get those customers? What's my market?

Interviewer:

I think we have to do everything from the bottom of our heart.

Interviewee:

Yes, I think that's the key. As the MD, if she is ready got the right heart/goal, he can project that into his company and the company will work in that way. If the MD is just there to maximise profits in this sort of business where the marine environment comes in, and we got to have the sustainability of the marine life and everybody involves in the whole thing, it's going to work. In the supply chain, of course, we have to make profits but we are to be doing it for the right reason. And the customers all accept that you have the right to make profit because you are giving the service. In Hong Kong, people don't seem that I have the right to charge what I charged. As everybody else charge so little, so I said it's fine, if you don't want to pay.

Interviewer:

But this is your strategy to differentiate your product.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Interviewee:

Exactly, it's a different product.....

Interviewer:

This is a similar lesson for travel agents as well, we have to define our mission, vision. To me, yes, your mission statement is just like a kind of guiding principle for this small travel agent because it seems that they don't have any direction at the moment.

Interviewee:

I think a mission statement can identify what their direction is but the process of methods stage is making them think about it. It's not coming up with some nice flowery words. It's that they should actually sit down and think about it. Why we are doing it? Where are we going to move? The what, when, where and how factors etc.

Appendix (8) – Interview Transcription

Interview for Mrs. Jackie Harris, Director of Charlotte Travel Ltd

Date: 24th October 2011

Venue: Tsim Sha Tsui, Kowloon Office

Interviewee:

I am the sole owner of Charlotte Travel and basically I do everything here. I studied Tourism and since I graduated in 1981, I had started working for the tourism industry non-stop. I had been working in different countries include London, Malaysia and Hong Kong. In 2001, I decided to start up the travel company 11 days before the Sept 11th. With three staff, so you can imagine how hard it was. After the terrorist attack, we had SARs, Tsunami, Asian Financial Crisis, Bali Explosion, you name it. The volcanic explosion in Iceland etc. I am totally in-charge of this company, I am already hand-on with everything, I started from zero. I have no client-based before I started the business because I had lived overseas. I came back and started the company with three people, no client, and we are 100% of business at the moment. I do everything basically from planning, I mean, design a company strategic planning, operations, and accounting. Of course, now we have about 15 staff, so it's getting ready for the staff to take over, so I hope that I had answered your question. This is a relatively small company, if you want to do it right, I need to be around.

Interviewer:

Q.1 How can you increase the number of employees from three to fifteen in such a short time?

Interviewee:

I won't say in such a short time actually. I do it very carefully because I don't really want to expand too fast. The type of the business I am focusing is quite niche, I have to say. We have a slogan call: "For Travellers Who Still Value Service". So actually, maybe before you move on....let me present to you some details about my company. The company was established in 2001 and we are a one-stop travel agent in Hong Kong that specialises in corporate, leisure and incentive travel. We're a travel agent in Hong Kong for travellers who still value services. And our staff use very creative suggestions based on the knowledge of the clients, products and the personal experience, so now obviously we are very customer-focused. We're in the travel business after all.

Interviewer:

So you deliver value to customers.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Interviewee:

Yes, we have to. Everybody knows that the travel industry especially in the ticketing business now we are coming to zero-commission. It happened 10 years ago in the States, then Singapore followed 7 years ago, and it will happen in Hong Kong I believe.

Interviewer:

It's the trend, isn't it?

Interviewee:

It's the trend, it's coming definitely.

Interviewer:

And with online, B2C e-commerce is so common but obviously everybody goes online, you go online, now we have old people get online, of course, young people always get online. This is definitely a trend of today.

Interviewee:

Buying online is so complicated, time-consuming but it doesn't guarantee the best-deal. Our responsibility is to become an agent for the buyer rather than the seller with the help of I.C.T. That's why our customer-service has to be the highest standard of professionalism, trust and efficiency. Obviously over the years we have (built) a lot of trust from our clients as you can read from the testimonials. The achievement I have to say quite lucky we get the service excellence awards three times. The first time we got it was 2004, we had a bronze award for the company and we nominate our manager she gets a silver award as an individual award. The 2nd time we joined in 2007, we got a Gold award which is a top one, and the latest one we have is 2009. It's the top 10 customer service excellence award. I told them I'm not going to join this championship anymore.

Interviewer:

Why?

Interviewee:

Because I have done enough I suppose. When you get to the top, there's no point to do anymore.

Interviewer:

You just carry on what you are doing and try to make continuous improvement as much as you can.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Interviewee:

Yes, I don't need them to tell me how well we do because we've already get the best award already, so far 3 times already, so we should let the others to try it.

Interviewer:

So maybe you consider go for the next level.

Interviewee:

Maybe something else. So we also receive award by the first ERB Manpower Developer Award. This is awarded by the Hong Kong Government for the SME sector.

Interviewer:

Is it something about HR development?

Interviewee:

Yes, this award is certainly about staff development. Actually we have been selected for the second time now. They are coming here for the second interview very soon.

Interviewer:

I am going to ask you lots of question how you are going to train your staff, what kind of incentives you offer them?

Interviewee:

Let see. We also receive the Hong Kong Bank Living Business Award. We first received the Ruby Award. And we are qualified as a Caring Company in Hong Kong.

Interviewer: Is it awarded by the HKCCS?

Interviewee:

Yes.

Interviewer:

I don't know whether you have noticed that, we have new websites 2 weeks ago.

Interviewee:

Yes, you used to have a pink one.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Interviewer:

We have changed it now.

Interviewee:

We want to be a bit more up to the market and more trendy. Two weeks ago and with the websites we are trying to have more unique products we have a Facebook and we have a regular newsletter.

Interviewer:

So customers after they had travelled, they can simply click “like” to tell the public how much they had enjoyed the services we rendered to them.

Interviewee:

Also, we have team-building. We do team-building trip. We take staff on sailing, we take staff overseas, treasure hunt...to do different charity work.

Interviewer:

So what’s the purpose of that?

Interviewee:

Team-building.

Interviewer:

To make sure everyone get involved.....

Interviewee:

OK, When we do overseas trips, it’s an incentive it gives them some sort of award, especially some of those trips we did during the economy downturn. So when everybody is trying to save money, we actually put more in the training. So we have different staff have been. We have so many staff have been on different overseas trip, so we try to do as much as possible, because for training, as what you are asking, we provide more international educational trips so that they gain more personal travel experience which not everybody will have that sort of level because I will send them quite higher level trade delegation team, attend on local **trade fair function**, so like the cruise visit, Airline Fun Day, and hotel seminars. We do overseas conference, management training programme like we send them out for some sharing seminar. We have IT training with the Hong Kong International information Technology Federation; of course, we have weekly training in our office as well. Community contribution – over the years I have been providing voluntary consultancy and the instruction

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

knowledge to the trade and to some social services organisations and we allow site visit for different organisations come and visit us after we received the award. Giving talks at the City-University of Hong Kong, St. James Settlement and I have been a mentor for the programme for the Hong Kong Polytechnic University for their Hotel Management Programme. I'm also taking internship student from the Vocational Training Council (VTC).

Interviewer:

Apart from staff training and development, what other CSR activities Charlotte Travel had done in the past?

Interviewee:

CSR, we try to do whenever we can. So over the years we have participated the Sedan Chair Race & Bazar, different schools...we have them (our staff) to do fundraising. There's also one coming on 28th Nov, Renaissance School we do that regularly.

Interviewer:

What makes you decided which good social causes you go for like the sedan chair race and bazer? How do you choose them?

Interviewee:

OK. Well, when we started of course. They are our clients. It's always business-related. If a customer/client comes and ask us , we then give them more support because they support us, so we support each other.

Interviewer:

That's great. It's mutual-benefits, a win-win for both parties. Can I move on to Question 2? Having in business for over a decade, have you, as Director of Charlotte Travel, set measurable and time-specific objectives for your business? If so, what are the tangible benefits of these measures to your business?

Interviewee:

No, not at all. Because we are always on the move. We are always on doing better, doing better than the others. Considered in the last 10 years, how bad environment was for the travel business, so it's hard to predict or forecast in such a turbulent environment.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Interviewer:

So even if you have made some forecasts, it's not that easy to attain the expected outcomes.

Interviewee:

You mentioned a lot about your CSR efforts on social causes, as you said, they are your customers and help them by supporting them, and they bring you some benefits. Is it the only tangible benefits for you? Or you perceive there will be more benefits for your business/company?

Interviewer:

Well, over the years, there are so many people ask us for supports, more than what you've seen. But we can't do it for everybody. Being a small company, we can only do a certain level. We have limitation. So of course we have to decide which the best is for them, for us and for our staff. We normally pick something our staff can attend within their physical limit. They learn personally if they know what's happening, so they involved in the Charity Fund Day, they stand-by the counter and they talked to the participants (for more exposure), like they go sailing, they go LaLa Team for the Sedan Chair Race and they do the voluntary work behind the counter so such sort of staff training development.

Interviewer:

So through those social causes like the charity fund day, they can pick up the soft skills and hard skills as you see it as part of their staff development.

Interviewee:

Of course, like the sedan chair race. The first time we have done it we've got ten staff so two of them are at the front door and keep the people away just like security. Four of them (were responsible for) manning the water and pass the bottle-water to the fund-raisers, so they all are doing different roles (to play).

Interviewer:

So you mean each of them being assigned different duties, so from that duty they've learnt something and they can bring the skills (acquired) back to the office.

Interviewee:

So the CSR actually gives us a lot of additional benefits not only business of course.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Interviewer:

Not only business, but also staff can pick up soft skills.

Interviewee:

We're doing a lot here. I have to tell you.

Interviewer:

You've mentioned about the tangible benefits of CSR, as you may realise, business like sizable business they usually have their formally-written vision, mission, core values and business objectives. Do you think small size travel agents should also have formally-written vision, mission statements like what the big firms are doing?

Interviewee:

Of course, they should have. For example, we have our staff handbook. Our handbook is quite clearly-written of our expectations and everything. Although we are small, as I said I used to work for a big travel company, so we do have something similar. For any staff who joins us, they will be given what we call the staff handbook, and this handbook we have covered issues like Charlotte culture, staff benefits, staff development, I.T guides and almost everything.

Interviewer:

That's very systematic really.

Interviewee:

So this is for our internal staff to use of course there's always room for more, but I have to consider how much time I have to put into it. It's good for the staff to have some guidelines, but for small company we are more flexible.

Interviewer:

Flexibility really helps as you can make decision more quickly. Things are more effectively, small size somehow is good for the management. By the way, or if you don't mind, would you tell me more about your strategy with respect to the outbound travel products/services? For example, travel product/service differentiation. I accessed to your website and I did realise that, well, maybe, compare to other travel agents, you charge a little bit higher than others do. Is it because your management philosophy of delivering premium services/products to customers so that you can charge them a bit more?

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Interviewee:

When you said we charge them bit more, you have to understand that travel business is a low-yield business. It's a volume business. The margin is very thin. I believe we charge a reasonable price to the service and the knowledge we provide. In fact, if we charge less than that, I believe a travel agent will not be able to survive. And even for what we are charging, we hardly make any money I have to say. Of course, we have to identify our own market, we can't do everything. So as I said, we target for those people who still value our services. Because if it comes to zero-commission, can we charge \$50 for tickets and making a reasonable living? Consider that we are providing a very good website, user-friendly; I have a full-time staff doing it. So in our size of the business, I can't imagine I have been told hardly will have any full-time staff doing it.

Interviewer:

So as long as it's reasonable and you have your right to charge higher?

Interviewee:

Reasonable and reliable. If you go to somewhere cheap, they are not reliable; I always tell my clients when you have a problem at the airport. You wanna get on a flight you have to pay anything to get on the flight if you have problem so reliable travel we are very good at problem-solving.

Interviewer:

You also travel, do you find it important?

Interviewee:

Of course, especially we want to get rid of airline delay or other hassle things.

Interviewer:

In terms of resource-management, why do you think resource-management is so important to the success of your business?

Interviewee:

You need to have the right staff, make sure they've been given staff development (and training opportunities). Also we provide them very good working environment.

Interviewer:

How about your competitive advantages?

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Interviewee:

I think if you are looking at our staff, they all young. I hire for people who have passion. I can do development. I can do staff training myself which a lot of people don't want to do it in the trade.

Interviewer:

I heard a lot of owner-managers of small travel agent, oh, come on, we don't have time, we have no resources. I would rather my staff give more price quotation to the customers or do more business.

Interviewee:

I had spent a lot of my time on coaching and mentoring.

Interviewer:

You highly value their development?

Interviewee:

Yes, of course. These are all babies for now, they start as a baby.

Interviewer:

But with your support and coaching, some day they grow up and they can contribute more to the business. How do you perceive "sustainability" because the term is so commonly-used nowadays "SD", like we have to care about not only economic aspect, but also social and environmental aspect, as we call it as "triple bottom-line, is it what you perceive the TBL is so important to the business, that's why you jump on the CSR bandwagon?

Interviewee:

I'm not sure whether I understand your question, but what we've done so far is because if you look at the Living Business Award with the Hong Kong Bank, it basically is to do with environmental (aspect). So I believe we must did the right thing to get this kind of award. OK. I think we are very eco-friendly in the office, everybody understands and trying to go for the same direction.

Interviewer:

Say, use less paper, or try to save more energy, so on and so forth, recycling....

Interviewee:

I've been told 10 years ago when I had started the business. This office is highly paperless as compared with the rest of the trade.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Interviewer:

I'm very pleased to hear that because a lot of travel agents in Hong Kong, piles and piles of invoices and quotation (on the desk).....we educate our staff, we educate the client as well. It seems your customers are the upper-tier end of the market, aren't they?

Interviewee:

In general I think they are better-off. They are educated customers I have to say.

Interviewer:

You really made a strategic fit of CSR to your strategy because as you said, your clients are more educated and it seems they buy your concept of CSR or if you show them you're more socially-responsible business (than others), they feel more happy to purchase your products.

Interviewee:

The CSR part is just come later, that's all. It comes as it goes on. We have no intention to push on, but as it comes along, we will do it.

Interviewer:

Is it because of the social trend that CSR is promoted, like HKCCS is currently promoting the CSR agenda in Hong Kong?

Interviewee:

We didn't try to do that as they are approaching me. Over the years, we've never really tried it. It just happened we have a few awards, they keep coming.

Interviewer:

OK. Right.

Interviewer:

So far you think (CSR) is not that difficult to manage or get on with.

Interviewee:

At this moment.

Interviewer:

At this moment. Yes. It's management even with limited resources.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Interviewee:

It's not easy. It's not easy. It's not easy, because this is not necessary. OK. It's not really tangible you know, and it's just because we are doing it, we (our staff) are happy to do it and the company will benefit, the society benefits. It's part of our responsibility, so why not and we set a good example in the travel trade as well I hope.

Interviewer:

Right, your staff feels also very happy about what the company is doing and they feel they're part of the family of the company and contribute more.

Interviewee:

I think so; we have zero-turnover for the last 12 months.

Interviewer:

Congratulations! That's really good. You can retain human capital after training (is offered). Because if firms can't retain their staff after training, if they just work for 6-7 months in the company, then they leave the company, it's a huge loss to the business because you have to train the people again.

Interviewee:

You can't stop people leaving for very good reason which you have to understand, but we are very lucky, we have low turnover. I think you have to give more talk later on.

Interviewer:

Well, by the way, how do you describe your organisational culture? As you said on the handbook, the first section of it is all about Charlotte Travel culture and you'd like your staff to know more about the ways of doing things at this office. So Is there anything that you can share with me about your idea of this move/approach?

Interviewee:

The Charlotte culture at the beginning is what we alert to our staff is the fundamental value of Charlotte Travel is customer-focused, ownership, and enthusiasm, integrity, team-work, respect and innovation. So if they understand this, they can carry on to working here under comprehensive training.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Interviewer:

So make it very clear to the new staff that the Charlotte culture customer-focused, ownership, and enthusiasm, integrity, team-work, respect and innovation as the core value of your business. That's seems very important make it explicit to them, because somehow there is no written contract may lead to misunderstanding or, you know, staff may not realise your psychological contract. So what For Question 8, how do you describe the organisational culture of Charlotte Travel?

- a. An innovative culture – new ideas are valued and developed;
- b. A paternalistic culture – owner-manager(s) treat(s) their employees as if they were children;
- c. A power/coercive culture – a dominant figure at the centre of Charlotte Travel who must agree all decisions;
- d. A task-based “can-do” culture – emphasis is placed on getting the job done. Only if individuals who are believed capable would then brought in to contribute to meetings and projects. There is nothing to do with their seniority in the company;
- e. A people culture – welfare of individual is the main consideration prior to a managerial decision is to be made

Interviewee:

Oh, ok. Maybe you tell me, what you think now after you've heard what I said.

Interviewer:

I heard what you say about a “people culture”, you covered some, the welfare of individual is the main consideration of the management because you give them training, staff development, you give them wider (access to learning) opportunities in the community for their personal development. As well, I believe that “innovative culture” is also in place.

Interviewee:

In fact, actually they seem like they all like my kid, OK.

Interviewer:

I can't use “paternalistic culture” to describe your company, but it seems that some other travel agents or most of the small travel agents in Hong Kong are doing B.

Interviewee:

What I mean is they like my children but I grow them up.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Interviewer:

And you take care of them without reservation.

Interviewee:

I think innovation is that we do slightly different. So I think you've got the answer.

Interviewer:

So for innovation, do you mean that you've regular meetings (with staff) and discuss about the product dimensions of travel products with them?

Interviewee:

We have weekly meeting, we all talk about the problems.

Interviewer:

Weekly meeting on product development?

Interviewee:

Yes. Absolutely. (Basically) everything.

Interviewer:

So to get everybody on board about the development of the business and find ways to work out what can be improved. That's great. May I move on to the next question? I imagine you are very busy so I'll try to cut the question short.....Do you think individual customers are becoming more concern on the ways the travel agents do business before a purchase decision is made? People shop around?

Interviewee:

Obviously, people want to shop around. Everybody does.

Interviewer:

Apart from shop around, like you know, comparing the quality of the product, flight, departure date.....

Interviewee:

But some people want to stay with what they know.

Interviewer:

For example?

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Interviewee:

We have lots of loyal customers so we don't have that sort of problems

Interviewer:

Loyal clients. So how can you keep your loyal customers?

Interviewee:

Doing better than the others.

Interviewer:

OK, that's the "golden rule".

Interviewee:

Not necessarily cheaper.

Interviewer:

But you offer more care and more services to customers? Don't you think that Hong Kong and mainland Chinese customers are more price-sensitive?

Interviewee:

I believe so, yeah.

Interviewer:

So they judge the products on prices.

Interviewee:

Yes.

Interviewer:

And only consider good quality, cheaper travel products rather than purchasing travel products that charge extra merely for the purposes of good social causes? Am I correct to say that according to your experience, they don't really care much about whether the business is doing in a socially-responsible way, but they place top priority in the quality, price and so on.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Interviewee:

In general, yes. I think as time goes on, you know, more educated people, they (do) concern. So our clients concern. If they want to give somebody a business, they would rather give us a business because they know what we are doing.

Interviewer:

Will you offer them an option before they purchase an air-ticket. I think a responsible customer may want to reduce carbon-emission through their flight journey, will you offer them some advice or give them some mechanism to offer carbon-offsetting or tree-planting....?

Interviewee:

At the moment, I don't think anybody is doing that, not even big travel agents. We talked about that, I mean, at the top management level, we did talk about that but it's not coming this way yet.

Interviewer:

Especially in Hong Kong, in the culture here.....Because it seems to me that other sizable agents like Hong Thai and Wing On Travel or on and so forth, they just emphasizes on ISO 9001 and all kinds of service awards but nothing more than that, yeah..so I believe that you are the pioneer in this perspective. So you believe that as time goes on, those educated customers or those who are aware of the socially-responsible things.

Interviewee:

And with the global warming, I think everyone now aware. Ok, so that's why we have these entire problems, we have all these disasters, the business is hard enough, and everything affects travel. You can realise that. Now, people don't go to Thailand, flooding, people don't go to Iceland, volcanic ashes. So for us, I mean it affects us tremendously. Now the last question about the Asian encounter.

Interviewer:

This is what I'm very interested to learn about. As I notice from the website that you had contributed quite a lot to this NGO, and seems that this NGO helps alleviate poverty in the destination markets, can you tell me more about it, so that if other travel agents are interested, can they join?

Interviewee:

Charlotte Travel has two owners. Me and my husband. My husband is the founder of Asian Encounter, this is a community-based tourism project, and he works a lot with the World Bank in the UN in this area. So in this area, it's about poverty reduction and we've worked a lot with the remote countries basis. So at the moment, in Asia. Yes. In the past, what we've done is we get funding from

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Tourism Board to run some tours to like homestay programme. To me, these are non-profit making. We don't make money but it's just a kind of supporting an NGO and more on then we support the other village. And that's part of the relationship because I got personal relationship, the whole company do it. There's a platform and if everyone benefits, why not. We don't benefit directly, but its someone like you have noticed it.

Interviewer:

That's quite good, like me, in the future when I get married, I'll purchase your travel product, and I will book a tour for my honeymoon. Many thanks indeed, Jackie, for your time for this interview.

Appendix (9) – Interview an Experienced Ticketing/Reservation Manager

Information Sheet (for face-to-face interview)

Project title:

“Adopting Ethical and Responsible Practices for Sustainability?

Shaping of a New Business Model for a Small Travel Agent in Hong Kong.”

Date: 04 Nov 2011

Time: 12:30 -2:00 p.m.

Interviewee: Ms. Helen Au – Ticketing & Reservation Manager

Part I – Introduction

In order to satisfy the partial requirement for the award of MBA degree, I am now investigating how socially-responsible small Hong Kong outbound travel agents do their business at present, and the possibilities for them to embrace the CSR agenda in future. The first company case I am examining is XXX Holidays.

This research can be enriched by examining a second example, the XXX Travel case - a successful Hong Kong-based outbound travel agent that incorporates CSR initiatives into its business agenda for some years. I wish to support my argument that “SME travel agents can also adopt a more responsible and ethical approach as an integral component of their overall business strategy, not merely by focusing on profit maximization, in order to achieve sustainability”.

I would like to invite you to participate in a face-to-face interview which will take approximately 30-40 minutes. Information/data obtained from the interview are solely for the preparation of the project. The author respects the right of the interviewee by choosing not to answer particular questions in which he/she believes may pose any harm to the interests to their company/organization or to themselves as individuals.

Audio-recording will be taken and transcriptions will be prepared for data analysis. I would like to stress that all information collected will be treated in a strict confidential manner. Only my project supervisor and external examiners will have access to the research report. Individual details will not be disclosed or identifiable from this interview. All data, including both the audio records and transcripts will be used strictly for this project only and will be erased once the project is submitted.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

1) Would you tell me your experience in the ticketing/reservation function of your travel business?

Interviewee:

We're a small outbound travel agent in Hong Kong serving corporate clients and regular customers. We seldom serve walk-in customers due to our small scale. We position ourselves as a travel retailer, or an intermediary if you like to call it. It's difficult for us to compete with large travel agents which have a large distribution network in high streets or shopping malls across Hong Kong. Therefore, we rely on our close business relationship with corporate clients. Since we understand their needs, our strength or CA is to customize their itineraries and choose the best possible service suppliers such as flight and hotel room for them. They perceive such good service as value-added.

2) Why keeping up with the latest IT infrastructure or reservation/booking software is so important to the travel business?

Interviewee:

The travel agent can obtain first-hand and instant information such as ticket fare, hotel special rate etc. This is very important as small travel agents/travel retailers rely heavily on commission earned through offering of services/products to customers. Their business is not as much vertically-integrated as big travel agents. So keeping up with the latest business process IT infrastructure or reservation/booking software would guarantee their competitiveness.

3) How travel agents compete for customers, particularly FIT customers who require package products such as air and hotel package, apart from price and quality of products/services?

Interviewee:

Apart from product/service quality and price, the time required handling their enquiries and knowledge of travel consultant and ticketing staff are the prime factors making a travel agent stand out of the crowd. I strongly believe that our relationship with customers, our reputation etc. make them rely on us.

4) What are the benefits of providing an e-booking service for customers?

Interviewee:

There are plenty of benefits by offering customers e-booking service on our website. Since customers nowadays highly value the easy access to information at their fingertips. Customers tend to compare travel products/services before any purchase decision is made. Also, online booking offers them fast and hassle-free convenience.

5) In other words, it is worth for the owner-managers to invest on I.T and reservation/booking infrastructure to gain long-term benefits?

Interviewee:

Yes, absolutely. Not only customers' enquires can be dealt with instantly, but also enable the reservation/ticketing team to keep tracking on the special offers by airlines or hotels. Regular customers would then be informed of such offer quickly which translates to higher ticket sales volume, more transaction means more profits for us. Investment in this area is worthwhile in the beginning since you will see the tangible benefits in long-run.

6) For outbound travel operation, which ticketing systems are required?

Interviewee:

I agreed what you have just mentioned; Abacus Space is a popular one-stop reservations system today. It is believed to be one of the best advanced reservations system technology in the travel industry. Travel agents can rely on this system to boost their bottom-line. Now, access to the global reservation/ticketing system is easier than before. Travel content such as hotels, flights, car rentals, cruises and tour itineraries can be accessed easily through a single point of access. In other words, productivity and efficiency are greatly improved which enable a travel business to grow faster. For travel agents which aim to pursue accuracy and a comprehensive range of information on flights, hotels, travel visa requirements and weather information, this advanced reservation is a must for them.

7) How can travel agents be more efficient in responding to customers' enquiry and preparing quotation?

Interviewee:

Travel agents may consider using a reservation system that offers 7/24 itinerary update service such as the "Abacus Virtually-There", so customers can receive accurate updates on any changes on their booked-itinerary.

8) How do you see the future development of the hotel and air reservation system?

Interviewee:

The network coverage will be further enhanced. The popularity of I-Phone technology makes Abacus reservation system becomes more accessible by the public.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Appendix (10) - Focus-group Information Sheet (Session1)

Overall objective: To achieve sustainability, it is very important for Villa Group to address the triple bottom line of their business, i.e., economic, social and environmental aspects central to their business operation. The researcher therefore wishes to learn from different stakeholders and gather their views through the following Focus-group meetings. Details are as follows:

Finalised Focus-group Information Sheet (Session 1)

<p>Focus-group 1 – Economic Aspect</p> <p>Date: 28 Nov 2011 2:15- 3:15 p.m.</p> <p>Venue: Meeting Room at Paradise Resort</p> <p>Issues to discuss:</p> <ol style="list-style-type: none"> 1. Service Delivery 2. Customer Satisfaction 3. Service/product Innovation <p>Purpose:</p> <p>Through this 1 hour discussion, the researcher wishes to find out how customers value Villa Hotel/Villa-H.K services and what areas need to improve. Since services and facilities offered at the resort are the key factors of their resort selection criteria, if customers are satisfied with our services, they would properly refer more future customers for us in future.</p> <p>Outcome:</p> <p>Villa Hotel Group and its subsidiary travel agent set as a good example in the industry by continuously innovating products/services to promote quality customer service. Wonderful holiday experience is assured through professional travel package arrangement, superb relaxation, entertainment and fine-dining experience.</p>	<p>Target Participants:</p> <ol style="list-style-type: none"> 1. Hotel Group Director or Representative 2. F&B Manager 3. Guest Relations Manager 4. Assistant Guest Relations Manager 5. Reservation Manager 6. Villa Holiday Student researcher
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Abridged version of F.G - Economic Aspect of the Group's Sustainability

Part 1 – Introduction (5 minutes)

1.1 Introduction by moderator (Gary)

1.2 Warm-up question to participants: "Will you each introduce yourself and share with us about your perception of quality customer services."

Part 2 – Service Delivery (10 minutes) - 2 mins for each participant

"Using your own experience in the past, would you give an account of a good customer experience and a bad customer experience you had received respectively in the past." (Go around the room).

"Why do you think giving customers an unforgettable positive experience is so important in hotel or travel industry?"

Part 3 – The Concept of Service (10 minutes) - 2-3 mins for each participant

"Service is not giving customers what they want, but also providing something beyond their normal expectations" (Kumar, 2010). Apart from giving customers what they want, what other customer needs should also be fulfilled? Participants can use examples drawn from their job role, e.g. restaurant to provide.....spa centre to offer.....dive centre to offer.....resort to provide....etc. (Go around the room).

Part 4 – Measuring Customer Satisfaction (10 minutes) - 2-3 mins for each participant

Do you think a systematic customer satisfaction survey is important to the sustainability of the resort business? If so, why? (Go around the room). Martin (); cited in Kumar (2010) enlisted the Various steps that can be adopted to improve the customer satisfaction. Work as a group together (staff only) to arrange the following in a sensible order, or modify this 5-step process model which suits the Hospitality/Tourism context. Justify your answers:

Part 5 – Three-step Process to Exceed Customer Expectations (10 minutes)

Customer-centred organisations like resort, hotels, airline companies or travel agents should study what customers' value and then prepare an offering that exceeds their expectations. Share with other participants what you are going to do to win loyal customers and outperform competitors. (Only for staff)

You may refer to the 3-step process suggested by (Crego and Schiffrin 1995) as follows:

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

STEP 1:

Defining the customer Value Model – the company first lists all the products and services factors that might influence the target customers, perception of value.

STEP 2:

Building the customer value hierarchy – the company assigns each factor to one of four groups – basic, expected, desired and unanticipated. For example, according to (Kumar 2010), a restaurant may reach:

- **Basic expectation:** timely delivery of food or drinks
- **Expected expectation:** nice decoration and pleasant atmosphere, e.g. china and tableware, a linen table cloth and napkin, flower.....
- **Desired Expectation:** pleasant, quiet, good food....
- **Unanticipated Expectation:** good music, complimentary ice-cream/sorbet, candy....

STEP 3:

Deciding on the Customer Value Package: A mixed of tangible and intangible items, experiences, and outcomes to outperform competitors, and win customers loyalty and delight.

Part 6 – Product & Service Innovation (10 minutes)

How VILLA-H.K can set a role model example in the industry through product & service innovation to outperform competitors?

Part 7 – Feedback & Close (5 minutes)

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Appendix (11) - Focus-group Information Sheet (Session 2)

<p>Focus-group 2 – Social & Environmental Aspect</p> <p>Date: 29 Nov 2011 2:30 p.m. – 3:30 p.m.</p> <p>Venue: Meeting Room at Villa Group Headquarter, Male</p> <p>Issues to discuss:</p> <ol style="list-style-type: none"> 1. Community Investment Opportunities 2. Measures to Protect Biodiversity 3. Marine Conservation in the Maldives <p>Purpose:</p> <p>Through this 50-min discussion, the researcher wishes:</p> <ol style="list-style-type: none"> 1) To learn the values of Villa Foundation; 2) To explore future social investment opportunities for the hotel group and/or its subsidiary travel agent. For example, investing in renewable energy project in the Maldives, setting up a diving training school/tour-guide training school to train local dive guides/instructors/tour-guides to open-up more employment opportunities for local adults, especially those poor people in the North Maldives. 3) To find out how hotel group and/or the travel agent can collaborate with the local tour operators or diving associations in order to ensure customers have a wonderful diving experience, while, at the same time, ensure their diving activities create minimal impact on the environment through briefing/education. 4) To explore future social investment opportunities for the hotel group and/or its subsidiary travel agent. For example, collaborating with local NGOs such as Bluepeace or UNICEF to address the problems of limited access to education. <p>Outcome:</p> <p>Villa Hotel Group and its subsidiary travel agent set a good example in the industry through social investment to realise their commitment to the general Maldivian public. This will promote social cohesion, culture and environmental awareness. More importantly, Villa-H.K's reputation will be further promoted.</p>	<p>Target Participants:</p> <ol style="list-style-type: none"> 1. Executive Director 2. Community Leader 3. Local NGOs such as UNICEF or Bluepeace 4. Local Maldivian people who live in the North 5. Villa Holiday Student researcher
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Abridged version of F.G – Social & Environmental Aspect of the Group’s Sustainability

Part 1 – Introduction (5 minutes)

- 1.1 Introduction the session by moderator (Gary)
- 1.2 Warm-up question to participants: "Will you each introduce yourself and share with us about your perception of social/community investments."

Part 2 – The Challenges Facing People of the Maldives (10 minutes) - 2 mins for each participant

"As Maldivian, what are the challenges concern you most?" For example, water, sanitation, health and nutrition or education opportunities for young people. Please give your views.

Part 3 – Exploring social investment opportunities (15 minutes) - 2-3 mins for each participant

"Some social investors chose to finance social enterprises - generally, organizations that are socially owned and that pursue a combination of social and economic objectives through (more or less) market-based operations. Cooperatives - in housing, retail, agriculture and financial services - are a historically familiar form of social enterprise, and they remain a major presence in several sectors of the U.K economy. Over the last 20 years new forms of social enterprise have been developing to tackle new social challenges in a wide range of fields".

In the Maldives context, do you think setting up of a dive training school or tour-guide training school to train local dive guides/instructors/tour-guides is a good option to promote social and economic well-being of the Maldives? (Go around the room).

Part 4 – Consensus, Feedback & Close (5 minutes)

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Appendix (12) – Transcription of Focus-group 1

Date of Focus-group Meeting 1 on Economic Aspect: 28 November 2011

Venue: Conference Room on Paradise Island Resort

Participants' Details:

(Name order in clockwise direction)

Participant A:

Name: Mr. Mohamed Ahmed

Position: F&B Manager

Participant B:

Name: Mr. Afif

Position: F&B Coordinator

Participant C:

Name: Mr. Sunil d' Silva

Position: Executive Chef

Participant D:

Name: Ms. Kiotte

Position: G.M. Secretary

Participant E:

Name: Ms. Joan

Position: Assistant Guest Service Manager

Participant F:

Name: Ms. Tanu

Position: Guest Service Manager

Participant G:

Name: Mr. Shafeeu

Position: Reservation Manager

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Researcher/Facilitator:

Good afternoon, ladies and gentlemen, may I introduce myself? My name is Gary and I am Claudia's colleague. I am a student researcher of Villa-H.K Hong Kong. The reason I'm visiting the Maldives is to learn from your views on how we can improve [the quality] of our travel products. So [on the one hand] we hope to bring in more customers to the Maldives which foster the economic growth; on the other hand, the environment and the society concern, we also have [a role to play] to take care of it because the Maldives is such a beautiful place – the last paradise on the planet in which we have to protect it, to protect your home, right? Not only you but also everybody cares about the environment, so the reason I am here is, first of all, we would like you to exchange views. The objectives of this Focus-group Meeting is to have all of you to discuss about the economic issues, how we can [work together] to improve the revenue streams for Villa Holiday Travel in Hong Kong. I'm not sure whether the structure is correct but according to the website, under the Villa Group companies we have hotels, shipping, import & export, general trade and Villa-H.K is under here. We're the subsidiary of the Villa Hotel Group, which means the Villa Hotel Group's mission, vision and objectives we have to follow. Villa-H.K have to follow our mother company. This is very important. That's why I'm here and that's why Claudia sends me here to learn from your views, so is there any problem with the map (organisational chart)? If you have no problem with it, we will start now. It takes me three months to prepare the documents, as you can see [from the slide] this is the Villa-H.K's customer analysis. The data are obtained from Claudia. As you notice, there are 80% of our Chinese customers are in the age group from 31 to 42 years old, whereas we have 10% from [the age group of] 22-30 and 46-50 [respectively]. That means, for the age group of 18-22 and 60+, we don't have customers lie in this age ranges. But this group is very important as well, we will have to see how we're going to tap into this market (age group of 18-22) today [as this age group is becoming more affluent these days].

Let's have a look at the Focus-group schedule for today. Don't take it too serious because I'm not going to give you a lecture although I used to be a lecturer in Hong Kong teaching in a college setting. During my MBA studies, I had acquired some management skills and learnt some knowledge from the University of Nottingham in the U.K. I've already finished the MBA but I need to learn from you because you are in the real world.

First of all, could you turn to page 1 – issues to discuss? Today we mainly discuss about (some economic issues) in service delivery, customer satisfaction and service/products innovation. We're very lucky to have all of you today to share your views. As for today's Focus-group meeting so I'm very glad that we have F&B manager, F&B Coordinator, Executive Chef, Guest Service Manager and

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who else? And GM's Secretary and Reservation Manager. You're all very important to us because we need to do bookings/reservations, we have to design travel products and services to our customers, so we need your views [and contributions], so may I pass over the microphone to you so please introduce yourself and tell us a bit about your duties/roles in your work function and could you please share with us about your experience especially on handling of Chinese customers?

Participant A:

Good afternoon, Mr Gary and my colleagues. I am F&B Manager on the Paradise Resort and I had worked in Paradise for the Villa Hotel Group for 2.5 years serving the Chinese market customers. Because I have experience dealing with the Chinese people, and then with regard to delivery of service, my main concern or difficulties that we are facing is the language barrier that they have.

Researcher/Facilitator:

The language barrier.

Participant A:

Language barrier. Because there is no person in any outlets who can speak Chinese. Because most of the travellers who are coming from Chinese cities they don't know [English] and their [tour] guide are not with them all the time. And also when the groups come, there are some requests they are making, we didn't know actually how to serve their requests due to the language barrier.

Researcher/Facilitator:

I see.

Participant A:

And then what we have only sometimes even if the guides are coming, they are also having some problems such as passing misleading information and taking advantages of outlets sometimes.

Researcher/Facilitator:

You mean the tour leaders from China? Can you give us specific examples on that so we can address the problems?

Participant A:

Sometimes they are giving the room cards/key cards and these things to those who are not eligible and then ask them to take advantages of us. For example, like those who are staying on the beach [room], they give their room cards because they are colleagues and they are staying there like a group. Those

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who are staying in the water-villa they're giving their keys to beach villa people and they are asking them to go to their rooms to have their meals. So these kinds of small small issues.

Researcher/Facilitator:

So they shouldn't use the water-bungalow because they are not paying that price but they let the keys for others to use it. Or to abuse the system...as far as you know, which travel agent is doing that? Any idea? We're very opened, open-discussion here.....

Other Participants from the floor:

Villa-H.K

Researcher/Facilitator:

We're very opened, so pleased don't mind [to tells me more on the issue]. We can see what we can do to help.

Participant A:

I think when there's such a problem, we usually deal with the tone you want with regard to this room number and get their room keys and these things. They're taking/buying drinks from outside especially when they go for excursions. They purchase soft drinks, mineral waters and they're taking inside and sometimes the guests want to buy a drink or something, the tour leader asks them not to buy and all these things.

Researcher/Facilitator:

You mean the travel agent should have the responsibility to tell and educate their customers well before their departure and some rules or policies of the hotel. They have to observe. That's very important, just like me, I don't bring my own water and I consume bottled water in the restaurant because I respect this hotel and I respect the policies because those who are working here need to earn their daily bread. So this is the issue you want to raise.

Participant A:

Another thing is normally they are mediator. They have to act like a mediator. They have to think about their customers and the hotel and restaurants. But normally they are only thinking about themselves and their clients and don't think about hotel and all these things. Some of them are extremely able who are coming along with them.

Researcher/Facilitator:

How long the problems last for? Is it a recent problem?

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Participant A:

From the beginning.....

Researcher/Facilitator:

It had been there for quite some time.

Participant A:

I believe this it's not a problem of clients. It's the problem of the one coming along with them, i.e. the so-called "tour-leader".

Researcher/Facilitator:

That's why Claudia is concerned about this problem and she did mention earlier, but I haven't been informed of this problem very well. Her vision is to create an excellent branding. When Chinese people think of spending their holidays in [any] Sun, Sea and Beach destinations, they will associate the Maldives with Villa Hotel and Villa Holiday Travel, so we want to create a good branding. But creating a good branding we need to cooperate. Hotel has these advice or problems, we have to think about what we can do to [rectify the problems] and fit in [the solutions] to our strategy in the next few years and see how we're going to address the problems. OK.

Participant A:

Another issue I would like to mention with regard to drying their clothes and bikinis. Because sometimes it looks like a mess from the beach because they are using the outlets and they're sitting and they're sitting there and keeping their things scattered to dry up on the trees and sometimes...which is a bad reflection for those who are coming in.

Researcher/Facilitator:

You mean outside their rooms?

Participant A:

No...no...here on the beach. Sometimes you will see them sleeping under the shades of the restaurant. Then the people who are passing by....easily visible to them.

Researcher/Facilitator:

So you mean the proper manner?

Participant A:

It's a bad reflection for the hotel.

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Researcher/Facilitator:

Of course. The image of the hotel. If the customers behave well and talk quietly and not shouting, then it creates a better image to other customers as well.

Participant A:

And then the other thing is that especially when they're dining in the restaurants, other nationalities such as European customers don't like to sit with the Chinese people because of their table manners and these things are not most of the Chinese guests who are coming here. Eastern European or Europeans they are complaining.

Researcher/Facilitator:

As far as I understand, Paradise Island, the majority of tourists are Chinese and the minority are the Europeans and other nationalities. So how about other islands? Royal Island? Fun Island?

Participant A:

I think Royal island and Fun Island have very less Chinese, [even so] they maybe their local clients. But in here the percentage of Chinese tourists are very high.

Researcher/Facilitator:

So this is one important issue that Villa-H.K has to address.

Participant B:

Same issue we have.

Researcher/Facilitator:

I see. So you are in F&B, the same department with Mr. Mohammed.

Participant B:

While they speak English, we have no problem with them. There wouldn't be any problem. But I think what I have to highlight is the tour-guides' problem.

Researcher/Facilitator:

Tour guides? Are some of them lazy? Do they feel that they're also having holiday there?

Participant A:

They're not available when problem arises. They seem escaping away from problems and not going to solve them.

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Researcher/Facilitator:

They're not "stand-by" not stationed in the right place to help hotel [people] to solve problems. Can you give me some ideas, say, 10 tour guides, roughly how many of them don't behave up to hotel's expectation?

Participant F:

Maybe could be around three to four of them don't cooperate or coordinate. The rest of them are OK.

Researcher/Facilitator:

Why are they not cooperating?

Participant E:

The problem facing us at the moment is sometimes maybe they want to create their own ways of doing things like interchanging rooms by themselves. In that case it is very difficult for us to have them settling the payment. Sometimes they interchange the room nos. without informing the reception.

Participant E:

But during the check-in, we do inform them that you are not supposed to interchange the room numbers. But at the end of the departure, like when they come over to settle the bills it becomes a problem because they said this is not my room number.

Researcher/Facilitator:

So they changed the room no. by themselves and they didn't notify the reception. They didn't let you know they have changed the room.

Participant F:

And also when they're changing the room numbers, sometimes because the guests maybe on full-board (FB) and other guest maybe on half-board (HB). So what happened is that when they interchanged, the meal plan is also changed and the guests are not aware of it because the guests think they are on the full-board. But we know according to the systems, they are just on half-board, so we'll be charging them for the lunch, so when the guests come over to settle the payment, they are charged already. We don't have the information.

Researcher/Facilitator:

Do you have this problem with Hong Kong customers?

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Participant F:

Yes.

Researcher/Facilitator:

Yes, also.

Participant E:

Yes, Hong Kong customers as well. Recently.

Researcher/Facilitator:

The message is clear to me.

All Participants laughing

Researcher/Facilitator:

This is very important information for us. Some of the tour-leaders are not really cooperating, not really observing the system. A hotel is like a family, different departments work together to give a happy, unforgettable experience to our guests. If they're not observing the rules, then it would make it difficult for you to serve them. Am I correct? Now we compromise. I'm getting your message across. So they interchange room number by themselves; the tour-leaders are not really cooperating and sometimes they are hiding away and not solving the problems. So, may I invite Mr. Sunil d' Silva.

Participant C:

I've been working here for 1.5 years and I'm the chef in charge and responsible for the catering aspect of the hotel operator.

Researcher/Facilitator:

First of all, I really appreciate the [good] food that offered at the restaurant. I really love the food and am still very full after the lunch buffet.

Participant C:

The Chinese customers are generally happy with the food that we serve. They are not fuzzy as compared to other guests of nationalities I must say that. And also we are making full effort to make them happy because realising we have the majority of Chinese guest we have changed our menu accordingly to suit their habits. For example, we prepared Chinese soups, rice and at least one or two Chinese dishes. Also we have just introduced a new Chinese menu in our Farumathi Restaurant that

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is our specially-rated restaurant of fine dining and seafood restaurant located in the water-bungalow. In there we have introduced many Chinese that suit their tastes like seafood dishes, crabs, menus with Chinese translation as well.

Researcher/Facilitator:

If they want to order dishes customised their needs. Is it possible as well?

Participant C:

Yes, that's possible. We do that also. We cater to all needs according to their requirements. So generally speaking I don't have anything or words to say about or Chinese guests in this concern or anything apart from that. They are a bit noisy when they come over to the restaurant. Regarding to food quality, they are generally happy.

Researcher/Facilitator:

I understand there're some concerns/complaints about tour leaders or customers. But what really impressed me this morning was [the scene] in the restaurant. When I line up in the restaurants, quite most of them did line up and not jumping the queue. You know, in the old days they even didn't know how to line up for food, but it seems they have changed their attitude. But of course, we've to keep educating them. This is also travel agent's responsibility. While they're making a booking, we have to tell them what should and shouldn't do. (27:49)

Researcher/Facilitator: 28:05

May I have the Reservation Manager now?

Participant G:

I've been working here since 2004. We've an inventory of 282 rooms on this resort island. Basically we don't have any problem with the Chinese friends because from 2004 till today, I notice that the number of Chinese tourists is increasing.

Researcher/Facilitator:

So more room sales revenues or turnover from room sales from (incoming) Chinese groups.

Participant G:

I don't actually have that much problem with the guests, but sometimes there's problem with the tour leaders. They're refused to share with us information that is supposed to share it us such as the plans of meals because according to the agents, they're sending us room list of the names and it has

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mentioned clearly that tour leaders sometimes have to share with the guests, and the guests refused to share with the tour leaders.

Researcher/Facilitator:

Usually for single male or female customers are to pair up with the tour leaders of the same sex sharing the same room.

Participant F:

Sometimes the tour leaders have to share with the couple which is inappropriate. It's no good also.

Researcher/Facilitator:

With the couple?

(All participants laughing)

Researcher/Facilitator:

Oh, dear. Everything can happen. Would it be a problem of business ethics? Sometimes you know, Chinese travel agents they want to squeeze their cists a bit and then try to fit in the tour leader to the couple room. Is there any possibility for that?

Participant A:

No, although the possibility is there I think a person who is coming to give directions or guidelines to those who can't (speak in English), he'll be the person in charge of the group, he'll be the person from that tour agents, I think mixing with those guests is not ethical, I think he should stay in a separate room.

Researcher/Facilitator:

So this is the way of their doing business, am I correct?

All participants:

Yes.

Researcher/Facilitator:

This is one of the issues in terms of reservation, it's all about ethics. OK. Now about guest service. Can I have someone from the guest service to share with us?

Participant F:

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My name is Tanu and I'm the Guest Service Manager. The issue what we have is like us we mentioned about that usually the tour-leaders come and sleep in the lobby and sometimes they sleep in the bar which is not allowed. We've already informed them it is no good. They corrected this now. Another next issue like we used to have late evening departure. At present, we don't have a departure lounge but we're planning for this. The lobby is a place where all the guests come and pass by. In the afternoon, after they checked out, we see them sleeping on the couch or lying down over there.

Participant E:

We don't have any problem with their excursions and everything is fine. The only thing we have in recent days is their early departure which we've not been informed yet. The tour leader is conducting an early departure which we believe they are making money by their own arrangement. They will create an early departure out from there and then they'll go to Male and from there they have some particular persons who they have contact to do this exclusive submarine trips and other sightseeing excursions. They are doing it by themselves to create money (through bypassing the hotel).

Researcher/Facilitator:

So whenever there's a conflict of interest, we can't arrive a solution for both parties so this kind of problem emerges.

Participant E:

And recently, we found that one of the tour leaders even provide us wrong information of their departure flights.

Researcher/Facilitator:

So they arrange their own programmes separately by themselves to male. Can you identify which travel agent or....?

Participant E+F:

Villa Hong Kong.

(All laughing)

Researcher/Facilitator:

As we said, they like to make money, but they should make money in a reasonable way or mutually-agreed kind of practices. If you agree, hotel agrees, then they can carry on this practice, but if it violates the hotel policy, then it's another issue.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Participant E+F:

Honestly, we give them commission from the excursions. If they have excursions through us, they've given very good commission.

Researcher/Facilitator:

Many thanks for telling me the problems. We've to look at the problems because my project is to....Why I'm here for this Focus-group because I want to learn from you the problems. If you don't tell me the problems I don't see the point why I am standing here. As a Student researcher, what I'm going to advise Villa-H.K to do in the next couple of years is I would like to help them formulate a better strategy which responds to external factors like climate change, global warming, sea-level rising etc. What we have to do is in the travel industry the irresponsible behaviour of (travel businesses) and our tourists make bigger impact to the Maldives. So we have to be responsible and educate our tourists to be responsible as what all the problems you have mentioned. Call for what? Call for responsible tourism practices and call for [more] ethical and moral business practices. These are the drivers [or priority] for us Villa-H.K in future [business dealings]. We've to engage you as you are our stakeholders. According to Claudia, they have a practice donating money to some organisations or charity to help poor people or things like that. But in future I will advise Claudia to donate money to the local Maldivian associations or NGOs like the Bluepeace or UNICEF or those poor people in the North Maldives.

Then for corporate responsibility, we should be accountable for all our stakeholders, so your problems I'll bring them back to Villa-H.K and we'll find ways to rectify the situations. So after I have learnt from you the problems, I would like your help. What we're going to do in the next 20 minutes is, the issues you had raised are the gaps or inefficiencies or deficiencies or whatever you would like to call. The gaps we have to fill in order to identify some new business opportunities to strengthen Villa-H.K's competencies and capabilities. It's very important so we use resources...our [valuable] resources are you! The Villa Hotel people because you have the expertise, knowledge and more importantly, you are close to the customers and you know what the [real] problems are. Since Villa-H.K is in Hong Kong and we are very remote, it's very difficult for us to call you every day and learn what problems we have and how we can help. Now I need your help today in the economic aspect, what we can do having these problems learnt from you, I'd like you to contribute in terms of service delivery and customer satisfaction. As you said, language is a problem, so how Villa-H.K can help solving this problem?

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Participant F:

I think they' have a tour leader and so a tour leader who can translate should be present in the outlets for the guests to assist the guests to be seated during breakfast, lunch and dinner.

Facilitator/Researcher:

So in the future we have to monitor the service quality of tour leaders and monitor how tour leaders cooperate with the hotel staff to do better work. Or else, if tour leaders' English is not good, then customers would encounter problems, no one solve their problems, then customers complaints. The result is their impression of the hotel or the travel agents would be very bad and they'll not come back again, am I right?

Participant C:

And also I think the tour leaders should conduct briefing, I know they have conducted briefing on arrival but I think it is still sensible to conduct more briefing/explanations to the guests.

Facilitator/Researcher:

Proper explanation, I see. Should we take a look at Part III – Service Delivery. We'll use the next 5 minutes to discuss this. So, restaurant, F&B, apart from creating a wonderful menu to customers, what else do you think restaurants can provide better service to customers according to your experience.

Participant C:

Beach parties, candle-light dinners etc. They request a separate BBQ for them as well; we can provide that sort of service upon their requests.

Facilitator/Researcher:

OK. To improve the service standard and make them feel happier. I think the Chinese customers are actually very friendly people but because their rapid economic development during the last few years, they think they have money, they are wealthy and can spend the money to buy whatever they like. Sometimes their attitude needs to be changed, this is how I feel. But generally they are friendly people. If they enjoy the service, when they go home they will pass the message to friends and relatives, and in the future, more and more customers will come back and stay with Villa Hotel Group.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Participant A:

From my understanding, their spending power is very high as compared to other nationalities. So if we display more colourful cocktails or display the pictures of the islands and all sort of these things they will buy it, especially with regard to FIT customers.

Facilitator/Researcher:

Yes, I take your point. When I had lunch buffet this afternoon, some customers approached me and told me that they can't speak in English but wish ordering good food, but they emphasise that they had money to spend and they love to spend the money, so after this meeting around 7:30 p.m. I will wait a group of 4-5 customers of them, Cantonese speaking, they don't have tour leader, and they really really want to order good food and they don't mind paying extra, so I'm sure the chef will be very busy this evening. In a way it's good to the hotel, more profits. Good food, good pictures, colourful things make them more appealing [to Chinese customers].

By the way, have they ever asked you about shark's fin soup or sea-turtle soup or those kinds of endangered species?

Participant E:

Maybe they asked but we didn't understand.

Facilitator/Researcher:

Have they ever done so? No, not at all. Maybe the tour leaders did a good job by warning them not to consume shark's fin soup anymore because they are highly protected, [especially sharks which are] the apex predator in the sea. We have to protect them.

Participant C:

There is no way that we can get their feedback about the food quality offered in our outlets. For Chinese guests, since they are not able to fill out the questionnaire written in English, so we are not sure whether they are happy with the food or not. We assume that they are happy because they did not make any complaints. But we don't really know.

Facilitator/Researcher:

Do you think we can help?

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Participant C:

If our services are not up to their satisfaction, if we know that, we can take some measures to improve on that and make sure they are happy with the food and services at the outlets.

Facilitator/Researcher:

So we can design some surveys to measure their satisfaction on F&B. I think food is the customers' main concern while they're enjoying their holiday, they want good food.....So how about entertainment activities? How can they be improved?

Participant A:

I think if we introduce more varieties. Normally they like something that we don't have like wines, beverages or Chinese alcohols imported from China.....

Facilitator/Researcher:

So services can be improved through the provision of more varieties of food, wine and beverages as well as more programmes and activities for them to keep them engaged during their stay on this resort island. May them coming back again and not going to other islands. That's why we have to work together with you.....

I really appreciate your help by giving me some idea because I want Villa-H.K (Hong Kong) to move from here – the present position – to - the future position. Our future position is what I want [both] the Villa-H.K and destination...because the majority of our products is, we send tourists here, so we want destination's sustainability as well. Sustainability for both firm and destination. So we want to move Villa-H.K to a “future-focused” sustainable business, so in a way it means after all you stakeholders' views collected today, the problems of our customers, the emerging issues and the service improvement [needs] had been identified. What we can do together is to improve service delivery in future and how we can collaborate better through [enhanced] communication. Communication is so important, isn't it? So we have to communicate more. When I go back to Hong Kong I will help Claudia set values. How we can be more creative and how our financial and human resources can be used more efficiently. And I want to help them build capabilities. To build capabilities, we need innovation, we need entrepreneurial mind-set just like Claudia. I'll help them make Villa-H.K becomes an organisation which promotes organisational learning. That means the feedback learnt from customers or other stakeholders will be taken into account of our strategic formulation. Although it sounds very theoretical [to you] but it works in some ways. I will devise a strategy for them so we need three things together:

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First: Innovation of services and products such as the F&B innovation. The menu innovation. [We] make customers happy and spend more money in the hotel, so the [F&B] balance sheet will get a better shape, right? Profits.

Second: To serve the unserved market. The unserved market(s) are those age groups of 18-22 and 65+, which currently [accounts for] 0% [in Villa-H.K' customer portfolio]. Well, for the 65+ age group I really have no idea 65+ as long as we have a hospital here for medical tourism. I think at the moment, I'm not going to advise them to design travel products for this age group. I'm sorry. No age discrimination, but you know, I have to see what resources we have in order to tap into this untapped market.

And third: then we have to build a new business model. I'll advise Claudia to build a business model how to improve the economic aspect [as what we are discussing in this session] and then social and environmental aspects [which scheduled for discussion in tomorrow's Focus-group meetings] because as a [responsible] travel business I have already told Claudia that small Hong Kong travel agents are concerned just making money. Yes, but this is important, because if you don't have money, how can you be responsible and do other good social causes? So the first key pre-requisite is to make money, once you make money, you have a good balance sheet then you can do some good social causes. So now Villa-H.K marks 10 years [of their operation] and they are going to celebrate their 10 years' anniversary. That's why I initiate this programme for Claudia. You need to make a strategic move/plan which you should have a mission, vision and objectives how Villa-H.K merge with the Villa Hotel's value. This is extremely important because your value is our value, your objectives is our objectives. And then we have to go hand in hand together, like this (converging).....not this (diverging).....So to build a new business model. The dotted line is the learning process, we learn from you and from customers. Once issues identified and then we're going back to setting values again. So for the next 5 years... Can you help by putting on a piece of paper about innovation of products and services that we can consider, and second, the unserved market we can tap into and finally, the new business model we can design for both firm's and destination's sustainability of the hotel and the travel business?

Would you work in two groups, three of you in one group and four of you in one group? So imagine, can you from Villa-H.K' point of view...imagine you're working for Villa-H.K' in Hong Kong, what you can do by building CA by the adoption of these three methods:

- 1: Innovation of services and products;
- 2: Serving unserved market;

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

3: Building a new business model.

Just imagine you're the travel agent's staff.

(Group Discussion 01:06:33 – 01:10:44)

Participant E:

For the innovation of products and services, we suggest that more promotion of excursion and packages like that because for the Chinese markets, they like to do excursion a lot.

Participant D:

Online advertisements....for nowadays people are always easily influenced by TV commercials, just like other brands as you have seen on the TV.

Researcher/Facilitator:

Yes. It's important because nowadays the e-commerce is so popular, isn't it? So the travel agents can consider enhancing the online platform for them to make online booking/reservation etc. So to make their purchase [decisions] easier.

Participant D:

Because if you show them pictures they even don't expect anything.

Participant E:

Even if you could have served the unserved market because sometimes they don't know what the Maldives is. So if you advertise what the Maldives is, then they would be attracted. Because to be very frankly, there are many things that Maldives can offer to them.

Researcher/Facilitator:

Oh I see. Just like the Hong Kong TV commercials or programmes or like travel documentary/commercials. Some popular singers, film stars or artists are invited to come over to the Maldives and produce music video programmes and make this place becomes popular [among the potential Chinese tourists]. And broadcast the programmes in China, then the mainland Chinese people will be interested to know where the place is. For sure, they will feel like to go to visit the place.

Participant E:

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

You can advertise this commercial in Hong Kong they will come over to your Hong Kong Villa-H.K' agent because they can see this place broadcasted on TV.

Researcher/Facilitator:

So far the marketing perspective [had been covered]. We have to do more promotion to make customers aware of this place.

Participant D:

Maybe we can also serve the market of this age group, i.e., 18-22.

Researcher/Facilitator:

That's very creative. So far the TV commercials they can come over for filming or whatever they can go to the restaurant, film our chef, how gourmet cuisine is made to cater the needs of the Chinese tourists.

Participant F:

Because for that age group, they watch TV a lot, 18-22, so they can see, if they can see the commercials and also even online, what is suggested them to do because they like to browsing, so when browse attractive pictures....[they may like to pay a visit to Maldives]

Researcher/Facilitator:

Maybe Villa-H.K can consider advancing their website for online reservation/marketing as well as promoting from the social networking platform to attract more customers. Brilliant, what else?

Participant E:

New business model. And also nowadays people come as FIT without accompanied by tour-leaders travelling together in a group. We are suggesting that while tourists purchase their holidays, travel agents can give them information in Chinese what they can do and what they can't do.

Researcher/Facilitator:

Some language or instruction cards?

Participant E:

Yes, so in order for us to communicate easily with them, they know what they can do, so even makes your job easier as well.

Researcher/Facilitator:

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Written rules, explicit regulations...it's all about the psychological contract. Because they think they know [the rules], but somehow they don't know. Yes, sometimes you expect them behave in a way you expect them but they are not doing, so the communication and understanding [may be the root causes of that]. We'll see how we can do to promote that. That's great! It's good enough at least we've addressed the key issue things like communication, promotion, and marketing. That's why I ask you imagine if you were not working for this Villa Hotel but Villa-H.K travel instead, then you give some ideas based on your perspective because you work in Villa Hotel and you understand what the problems are. Then if you stand from the travel agent's position, I think the advice or suggestions you made would be very helpful and constructive....So may I invite Mr. Mohammed to give us his suggestions, please?

Participant A:

With regard to innovation of services and products, we think weekly assigning a hostesses from Villa-H.K just like an in-house doctor changing places to places in a weekly or monthly basis so the person can be a female or male, so whenever problems arise in the outlets, when restaurant staff have difficulties in communicating with the Chinese guests, they will be offering assistance to them and fixing the problems. So to them, they can help translating the menu and other things as well. You can target on people who has have just finished their school or who are not involving in any work so legally, they come as tourist and work in our office while they are [spending their working-holiday] here.

Researcher/Facilitator:

You mean the school-leavers?

Participant A:

Yes. The school leavers from Hong Kong can come over here as internship students. I think we can also launch a series of promotion of activities. The other thing is introducing Chinese drinks and Chinese karaoke in the disco bar. They will spend more money I am pretty sure.

Researcher/Facilitator:

In the disco area...disco bar...I'm pretty sure they will be very busy.

Participant A:

If they are busy, we would be making a good business.

Researcher/Facilitator:

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Of course, you make very good suggestions. Chinese karaoke...why not?

Participant A:

Because normally, when they are coming to the outlet, the only people spending even though we have other nationalities in the bar. They just want to enjoy themselves. If we're going to introduce something that is not available at the moment, I think there'll be good potential.

Researcher/Facilitator:

Is it a kind of educational tour?

Participant E:

Even for a family package, if you include some fishing or special activities....

Researcher/Facilitator:

Which are good for all family members to enjoy.....

Participant A:

When we talk about the untouched segment, we have mentioned the age group of 18-22, we have to find what type of activities that they are engaging.

Researcher/Facilitator:

I think they may be too young and hard for them to afford to spend a holiday in the Maldives. Is this age group a bit too young?

Participant A:

But still, there may be people who can afford to travel. But we have to find out what activities they are engaging back in their home. If there are similar things we can offer here as what they're doing at home, I would believe that they may invite more friends to come over to engage in such kind of activities.

Researcher/Facilitator:

One more question. Have you heard about volunteering tourism? I'm thinking if for the age group 18-22, if they can't afford to pay in full package price, say, they can't afford HK\$10,000 but only HK\$5,000, for the enjoyment of a holiday experience, but on top of that, they offer themselves to do some volunteering work, do you think it works here?

Participant E:

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

It doesn't work here.

Researcher/Facilitator:

I see. It doesn't matter. Because one size doesn't fit all shoes. It really depends on the context. Thanks a lot. I had really learnt a lot. One more issue to exchange. Do you know why we have the concept of sustainability? Why do we need to promote SD?

Participant A:

So that we will not use up the resources for our next generation.

Researcher/Facilitator:

Yes, very good answer. Because we don't want to use up all the resources of our next generation. This is one of the definition [given by] the UN. I would like to show you the last picture, OK? So you see the picture...very nice, isn't it? Have you ever been to Hong Kong? But I can tell you [a shocking fact], according to a recent survey findings published by the WWF Hong Kong, Hong Kong people's consumption pattern is not very good. We use 2.2 planet resources such as electricity and water consumption, so on and so forth. Next to the picture of Hong Kong, we have the Palace of Beijing. As you know, Hong Kong and China cooperate hand in hand by sending customers here, but we want to keep this beautiful scene not just for today but we have to do something to help keep this beautiful place sustainable.

Participant A:

Why you keep a different picture, but not the Paradise Island?

Researcher/Facilitator:

I couldn't find it, but after this trip I will change it.

Participant A:

That's fine.

Researcher/Facilitator:

Now, we have all of you. Now you see these pictures are taken locally. They are Maldivians, the locals. You see. They really need help. The kids need to go to schools and the people needs medicines or need medical care. So as a responsible business, we have to promote while we're making money we also need to help them. Or in tomorrow's meeting, about society, how we can do more to contribute to local society by allocating a little bit of financial resources to train local tour

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

guides or dive instructors, help them get the skills they need. Then once in a while, in a few years' time, Villa-H.K can hire them to work here on the resort, so we create job opportunities while at the same time, we promote benefits to the local Maldivian society. This is the concept, so all in all, the last picture is as what Mr Mohammed commented, why we need sustainability because we used up the resources, we're using next generation's resources. That's why we need to be aware of our consumption. You'll be scared by this last picture.

Here...the world population, we've already passed seven Billion in 2010, but imagine in 40 years' time the world population will increase from 7 Billion to 9 Billion, the more population grows the more resources will be depleted. That's why every one of us has to do something by helping the society and environment while making profits. As the Maldives will become carbon-neutral in a few years' time. I would say it is a pioneer in the world. So Villa-H.K as a good travel agent, we create the branding that making some of our customers think about us when they think about Sun, Sea and Beach destinations. They will associate Villa-H.K as a responsible travel business which helps protect the well-being of the society. This is the message I want to convey to you. And I also convey this important message to Claudia. Do you all agree that?

All Participants:

Yes.

Appendix (13) – Transcription of Focus-group 2

Interview Transcript

Date of Focus-group Meeting 2 on Social & Environmental Aspect: 29 November 2011

Venue: Conference Room at the Villa Hotel Group Office at Male, the Maldives

Participants' Details:

(Name order in clockwise direction)

Participant A:

Name: Mr. Muaviyath Umar (Position: Executive Director)

Participant B:

Name: Mr. Hossein (Position: Office staff who is also a North Maldivian resident)

Participant C:

Name: Mr. Qiasar (Position: Paradise Resort General Manager)

Participant C:

Name: Mr. Mohamed Azmeel (Position: Senior Marketing & Sales Manager)

Participant D:

Name: Ms. Khadeeja Sana (Position: Marketing & Promotion Manager)

Participant E & F: Bluepeace & VRIN Representative

(Reason for Absence: Villa Hotel Personnel had failed to invite these two parties)

Researcher/Facilitator:

Good afternoon. Thanks you very much for your time attending this Focus-group Meeting. It's my great honour to have senior management of Villa Hotel Group to be here today to share with us regarding the social and environment aspects of their operations. Well, actually Villa Group had been operating in the Maldives for long time and they have good experience operating in the Maldives. They have good experience operating the hotel business. They enjoy very good reputation not only in the Maldives but also in Asia like Hong Kong and China. Most Chinese tourist visiting the Maldives can recall Villa's name which gives them unforgettable experience.

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Today we have Mr. Umar. Mr. Umar is the Executive Director of the Villa Hotel Group. And we also invite someone from the community who is from the North of the Maldives. What's your name, please?

Participant B:

My name is Mohammed Hossein.

Researcher/Facilitator:

OK Mr Hossein. And also we have Senior Sales & Marketing Manager, Mr Mohammed Azmeel. Thanks to all of you. Yes, we've already discussed about how our services can be improved and how we can attract more customers to come over to the Maldives so that Villa-H.K will expand in the short-term, say, in 5 years' time. So we, as a travel agent in Hong Kong, have to work hand in hand with our mother company – Villa Hotel Group – so in terms of social aspect I think Villa Hotel Group and Villa Holiday will work together in the next couple of years. So maybe let's start with our Executive Director to share with us his perspective and what he's going to do to make the Maldives [becomes more] sustainable and a lovely place for the people. Mr. Umar.

Participant A:

Thank you very much. As you've just highlighted briefly how Villa Group has developed along with being in the Maldivian economy in industry such as tourism, I think from the very beginning our Chairman is very much focused on the community-based activities and because the result of that he has established a totally different entity called the Villa Foundation which primary focuses to help all the Maldivian communities in terms of education, health and also a better living. In the past years....this is not-for-profit foundation....invest lots of money for education purpose and medical purposes. It is open for all Maldivians, not limiting to anyone. Anyone who is in need of this education purpose or medical purpose can go to Villa Foundation and the Villa Foundation will help them to get their health benefit and also education benefits.

Researcher/Facilitator:

How long has it been established?

Participant C:

Over 10 years.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Researcher/Facilitator:

So you have already done good social causes for long time to benefit the local people?

Participant A:

Yes, and hundreds of students...and include himself. Myself is also a fine example. I'm also benefited from the fund. We both studied from our Villa Foundations from overseas. I studied in Malaysia. I did my Master degree in Finance and sponsored by the Villa Foundation from our Chairman.

Researcher/Facilitator:

You benefit from the foundation.

Participant A:

It's not benefit, those expenses are sponsored...because after we've finished our studies and also the other good reasonable established job as well. I don't think there's any much better than that they can do. They gave you education and gave you a job. I think in my personal opinion, there's no more than our chairman or in terms of groups or companies who do more than Villa. And I can give you a good example: our resort properties. At the moment, we're running five resort properties, and each property is located in different areas of the Maldives. As you know, in the Maldives, islands are separated and each resort maybe they are located in nearby islands where the local population and local community live. In our company, we can be very proud to say that, in the managerial level like our supervisors or coordinators, almost 95% of all our staff are locals. Only very few jobs like accounting or chefs are foreigners. Otherwise, all the management staff are locals.

Researcher/Facilitator:

So local staff are employed which accounts for the majority [of the hotel workforce].

Participant A:

Not majority. It's liked 99% of staff are locals. If you consider it as the majority. Yes, it's the majority. And then most of them are educated and benefited from the Villa Foundation. And also the other good things are the management are relatively young and educated. If you talk about social responsibility, I think Villa, we're very fine example in terms of people development, community development and also people development in the Maldives.

Researcher/Facilitator:

Especially job creation for the locals.....As you know, Villa Hotel has been doing good in Various aspects such as education, medical and health as well as job creation. May I ask the next speaker? As

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

you come from the North Maldives in a [relatively] deprived area and maybe the people there are quite poor and they need some jobs/trainings so what are the needs of the people? Can you be more specifically tell us?

Participant B:

Basically we live on the islands; we need like health, education and medical facilities. Since this company. Actually I'd like to highlight that before the foundation was existing, Mr. Qasim had been helping the people of the Maldives since the beginning of this company. He had been helping all the people in the Maldives.

Researcher/Facilitator:

As you see now for that community, what is most needed apart from access to education, health etc.?

Participant B:

Harbours, like some islands they don't have natural harbours so we need to create harbours. So Mr Qasim had been helping some of the islands to make those harbours by investing in equipment, providing equipment and manpower.

Researcher/Facilitator:

For fishing or what?

Participant A:

For fishing

Researcher/Facilitator:

So create not only job opportunities but also provide the basic infrastructure for the community to benefit people. If they have more needs in building infrastructure or some future projects in environmental aspect, do you think the foundation is going to contribute?

Participant A:

Of course. It's established and registered as a non-profit-making organisation. The sole purpose is to help Maldivian community in terms of their including all aspects for help such as education; any infrastructure and the combination of....their better living to make the Maldivian community that are better place to live. It's a continuing process as long as he is.....and then the Foundation would pay they will pay off their duties [by supporting these social investments].

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Researcher/Facilitator:

I think you're doing such good social causes will convince the investors as well as the banks and financial institutions. So in the future, if you are going to create or build some (social) projects you can convince the banks for borrowing [capitals] or loans for the group so that you can grow not only organically but exponentially.

Well, the hotel group, our mother company has been doing good social cases. How about the travel business side? As you may be aware, Villa-H.K will mark its 10th anniversary next year and they're going to create something innovative and to take this opportunity [to promote the message] not only by making profits but also trying to fill up the gaps in society needs as well as the environmental concerns of the locals because the Maldives is a vulnerable place that hit by climate change and global warming. And everyone is thinking some solutions/ideas to help the local people. So Mr Mohamed, since you are Senior Sales & Marketing manager, what advice are you going to give Villa-H.K in their operations?

Participant C:

Villa-H.K' is concentrating more on the Paradise island, which is close to Male. 15 minutes away. Since right now we have five resort islands, we are also planning to develop and promote our hotel and resort products which Villa-H.K can also concentrate to these other islands as much as they are concentrating on the Paradise islands. That's why they have to do it right now.

Participant A:

Very importantly, as recently the travel impact of Chinese and Hong Kong which are source markets request to stay near the airport. But for now, because of Chairman's recent development of our new airport and near the atoll near to Sun island and Holiday island which is also towards our [resort] properties. And in fact very good properties. There is no time restriction in comparison to China and Hong Kong. As I highlighted, I would like to open up their mind by advising Villa Holiday to concentrate also on the Sun Island and Holiday Island because we have opened up the market. of their close proximity to our own airport – [Villa Airport Maamigili that was launched on 1st October 2011.] We hope they can market these two islands and now about 95% [of the tourist they sent to us] are staying on Paradise island. The reason I highlighted before and Now the gap and the barrier of transit waiting times at the Male airport had been gone because we've started our own airline now.

Researcher/Facilitator:

Villa Air

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

All Participants:

Our Own Airlines.

Participant B:

We have started our own airlines and it takes only 17 minutes from the Male International airport to Maamigili Airport.

Researcher/Facilitator:

The airline under Villa Group operating between the airport and the resort island.

Participant A:

We have our own airport located near to Sun island and holiday Island. These two properties belong to Villa Group. We have our own flight which is called Villa Air, they are operating now from Male International airport to Maamigili Airport. They are taking responsibilities transporting all our clients from Male to these two resort properties. Before earlier, starting from November, we can only do the day transfer done by the seaplane. Now since Villa Air has just started, there is no time restriction so clients can take the night flights as well. For that reason, we are suggesting Villa-H.K as well to concentrate these two properties to sell in the Chinese market.

Researcher/Facilitator:

The CA is our own airlines which provide flexibility of transport between the airport and the resort islands. And those two islands, [namely], the Sun Island and the Holiday Island now have easy access from the Male airport.

Participant A:

The market advantage is for Chinese they are travelling here and only stay here for three nights and then before there was no availability of night transport, hence they will have to stay in Male or any resorts near Male. And now even they arrive at night they can do the transfer at night time, so that's our market advantage.

Researcher/Facilitator:

So for other resort, travellers have to stay in Male for at least one night because of no flexibilities of air transfer. But now, for us, the market advantage is the flexibility of the schedule, is that correct?

15'31''

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

In terms of social opportunities, do you think Villa-H.K can consider environmentally-friendly Family Packages? My concept is that if Villa-H.K can bring over families, parents together with kids, they can enjoy lovely Sun & Sea destination not only enjoying the holiday experience but also through staying on the environmentally-friendly island, their kids can be educated or can receive some environmental education, i.e. how to protect sea-turtle and promote marine biodiversity. In other words, Villa-H.K is already a good corporate citizen because even our travel products also have some socially-responsible consideration by promoting environmental education to the kids. Do you agree? Or, what's your opinion on that?

If they develop new travel products, say, the Environmentally-friendly Maldives Family Package, do you think this is a good [business] opportunity for them in future?

Participant A:

Anything causes you to protect the environment or help to improve the environment will be positive. I can't say it is negative. It doesn't make any sense if I say this is wrong. Being a tour operator, to make their clients aware of the environment, I think it's a very general and very common thing, almost generally....maybe in Hong Kong or China is not very board (widely promoted)?

Researcher/Facilitator:

As compared to the UK or other developed countries.

Participant A:

One way Villa-H.K develops environmentally-friendly products or work with environmental groups and then promote the operator's responsibility who is more keen on promoting the environment and also when they sell the travel products/packages they can provide the information on how fragile the environment of the Maldives is and especially the properties where they are taking their holiday. They can also develop a system where they can provide the information on how to protect the environment, and also the can provide information on how environment of the Maldives can be improved through the protection of corals, beaches and so on. This is a generic thing and rather common thing you can promote for Chinese tourists. But if you concentrate on product development, it's a positive thing!

Researcher/Facilitator:

So it's a strategy for them I believe. When I go back to Hong Kong, I'll discuss about this. This can be treated as good business opportunities by incorporating the socially-responsible agenda in the VILLA-H.K business model so that new travel products like the Environmentally-friendly Family Package can be introduced. I imagine not only Villa-H.K will have more customers [who appreciate

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

the travel product dimension], the resort will then have higher per room night occupancy rate, but also helps parents educate their kids and promote the environmentally-friendly concept. That's a good way...it's a win-win.

21'55

Participant A:

The very good idea is that since they are going to celebrate their 10th anniversary, and we have five properties... it would be a good idea for them to invite the management staff from our resorts to Hong Kong and China, give them the opportunities to educate those staff and learn about the Hong Kong and Chinese culture. When they come back here they can deal with the Chinese tourists easily.

Researcher/Facilitator:

That's a piece of very good advice. It's all about the culture because staff on the resorts somehow don't understand the culture of the guests. Since they haven't been to Hong Kong or China, and they hardly imagine the Chinese tourists' culture really.

Participant A:

They can give a social-awareness 2 to 3 weeks-long programme so they can be sent to Hong Kong and receive education on socio-cultural or socio-environmental issues. So when they come back to resorts and directly face the Chinese customers, they will be more flexible and more aware and they know how to deal with them better. So you can suggest that to Villa-H.K.

24:25''

To make others working in these properties to make them become more socially-responsible then to add that value to Villa-H.K's profile. Because now if you take Villa as an example, in our company, our chairman's profile is high in social responsibility, the foundation.....from here as well you see myself...him, him and her....all receive the funding from and educated by Villa and after the education, we are all given a job.

Researcher/Facilitator:

So Villa Travel should consider seriously the socially-responsible practice in their strategy so that they can match (in line) with the hotel group. What you are doing, what we are doing. So we are moving together.....By inviting the staff to Hong Kong and China, not only can they communication to Villa Staff, but also they can understand the culture, values, beliefs and norms of the people there.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Participant A:

This shouldn't be limited to Hong Kong. It depends on Villa's Hong Kong management to decide even if [such proposed trainings to be held in] India and Sri-Lanka, it doesn't matter. The point is give them the opportunity, devote themselves to make others educated.

Researcher/Facilitator:

To foster communication, to promote the awareness of others' culture and as well as to promote organisational learning. It's a good move.

Participant A:

There's no better move than that.

Researcher/Facilitator: 28:06''

Through my observation during the last few days, I notice that the hotel room, I mean the air-conditioning didn't turn off by itself even if guests had left their rooms. It seems that it not only creates problems to the environment but also create burdens to the bills. Am I correct?

Participant C:

You are right, Mr Gary. In fact, we have started changing the electrical system and the key card systems. We have started within two to three months' time.

Researcher/Facilitator:

I am sure this would save your bills. So we can consider CSR as a way to save money!

Participant C:

We've started changing all the bulbs to LEDs...It is, when compared to normal lights, 3 Watts can produce the same amount of electricity as bulbs.

Researcher/Facilitator:

We have exchanged a lot of ideas on social environmental issues and economic aspects and how to cut bills through CSR initiatives. That's great. The final issue I would like to discuss is about biodiversity. How are we going to protect biodiversity and how we can help the NGO like the Bluepeace to protect the environment? It is my second time [visiting Maldives] and staying on the Paradise island, but as compared to 14 years ago, I can see the difference. In terms of sea water [quality] and the current of the sea are changing a lot.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Participant C:

The climate change, right?

Researcher/Facilitator:

Yes, because of the climate change. How can we do together, the hotel group and travel agent to promote this environmental awareness to our customers?

Participant A:

Are you concentrating on the NGOs or...?

Researcher/Facilitator:

Yes, the NGOs first.

Participant A:

There are a lot of national NGOs and there're a lots of international NGOs here. They're working on the environmental field and also I think a lot of resorts in the Maldives at the moment have already established environmental clubs so within the staff, every single island, there is either green club or staff environmental conservation campaigns. Their main aim is to educate the staff and the clients and also help at national level and the other NGOs in partnership not only in protecting environment, but also make the awareness and education programmes and fund-raising...almost everything. These are the initiatives taken by their staff again not for profits. The like to run some programmes to raise funds but still their focus is not for profits so they are based on the resorts, run different programmes. There're so many so many things they're doing. And individually, also if you take a partnership with local NGOs, this is like a chain (network) you know, they have a communication circle that links to this NGO at national level. If there's national level projects they organise, then they will communicate to the resort clubs and then they'll organise this. It's very common here in the Maldives. And those environmental programmes are through these clubs.

Researcher/Facilitator:

What are the tangible benefits to our hotel groups?

Participant A:

They have more knowledge, they have more education, they have more facilities, and they have more resources. They provide us all these things and go to the resorts, talk to the resort staff/club and make planning process and support to implement these programmes, so huge benefits.....

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Researcher/Facilitator:

So Villa Hotel Group also contributes financial resources to NGOs and supports their initiatives?

Participant A:

Definitely

Participant A:

In terms of sponsorship, resources and facilities.

Researcher/Facilitator:

So this sets a very good example for the Villa-H.K.

Participant A:

Another idea for Villa-H.K, just like to educate their employees they can have a programme which sets a year for NGO, they're going to contribute certain amount of or certain sponsorship to national NGOs specially for specialising in environmental protection so you can give this idea to Villa-H.K if they can implement this or not.....

Researcher/Facilitator:

As far as I know, Villa-H.K staff will come over during X'mas for a retreat so do you think it's a good idea for their staff to help the local NGOs here or go together to do the volunteering work or simply cleaning the beaches so on and so forth?

Participant A:

Every individual can do something. Well, if they come over during the festive season, it's definitely a good benefit for them.

Researcher/Facilitator:

Qiasir, do you think this is a good promotion strategy?

Participant C:

Of course. This is a very good promotion/marketing strategy.

Appendix (14) - Interview Transcript

Interview Transcript

Date of Interview: 29 November 2011

Interviewee: Mr. Ali Rilwan, Co-founder of the Bluepeace Maldives

Venue: Balcony of a residential building facing the Male Harbour in the Maldives

Researcher:

Hello Mr Ali, many thanks for your time for this interview. It's such a great chance to have you – someone from the Bluepeace Maldives to receive this interview. As you know, I came all the way from Hong Kong and currently working on a research project. My research title is “Should ethical and responsible tourism practices be included in the new business model of a small outbound travel agent [for sustainability]?” As [far as] I know, the tourists, especially the mainland Chinese tourists [were] growing during the last two years. It seems that tourists had created some impact not only environmental, but also social and cultural [aspects], so from your perspective as a NGO in the Maldives, can you share with us your views and tell us more about the environmental impact of tourism activities in this country? Thanks.

Interviewee:

Well, amongst most of the Muslim countries, I would say the environmental standard of the Maldives is quite high, but then again you know with the arrival figures have been going up year by year, the garbage also becoming a serious issue here and especially the plastics and non-biodegradable sources and also some hazardous materials like batteries and e-waste are also becoming an issue here, and we don't have proper facilities to dispose these kinds of rubbish here. That's the kind of concern here.

Researcher:

So where [is] the rubbish dumped?

Interviewee:

The rubbish is dumped at nearby in the south atoll, the Hudhufushi – the garbage island. And also again the non-biodegradable garbage are also being dumped into the sea. And also again the toxic [substances] like e-waste such as electronic wastes, batteries and all sorts of broken equipment's /electronics are also dumped into garbage field which then fill into the ocean. So that's become an issue and we don't have the facilities here properly to dispose these [kinds of] waste.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Researcher:

So at the moment the garbage is still dumped on an island near the airport. I did some research and I realise that one or two islands are being polluted by those non-biodegradable rubbish as you mentioned, plastics, batteries....

Interviewee:

In Hudhufushi, there's a foreign company. The Government has been contracted theirs within 2 years. There's going to be coming up with a proper land to garbage island and also from the garbage, they're going to produce energy and also they are trying to manage the sought-after the plastic and recyclables on this island. Obviously, there's lots of money invested, but then again, it even we have these facilities within two years' time, we need to reduce the garbage as research shows that 6 kg of garbage per day produced by each tourist when it compared to about 2-3 kg [produced] from the capital Male, and about 1.5 kg from other islands. So even though it's like 4 to 5 times more garbage is produced by tourists. So even though we have these waste disposal facilities, still we have to minimise the waste, for example, plastic bottles.

Researcher:

Right, as the consumption of mineral water...the bottles....

Interviewee:

Well, or bring their own bottle and fill it rather than throw each bottle after consumption.

Researcher:

Do you think this kind of product helps protect the environment? Refillable bottle...

Interviewee:

Of course. These are quite easy to carry and also quite fancy and we'd love to reuse it rather than every time you buy a bottle and throw and as more island state like the Maldives. We cannot have, we don't have this facility to, and then, it's a water-surrounded island state so normally it's end up in the ocean.

Researcher:

Pollute the ocean and pollute the food chain.

Interviewee:

Food chain...yes, of course. Plastics become a kind of daily rubbish ends up in the ocean.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Researcher:

The Maldives is such a beautiful place [on the planet].

Interviewee:

So it gets flooded small islands and ends up...ocean basically everything, and what it's like on the ground, it might take into the ocean and then it ends up in the ocean and then get these stuff on the beach...you know...So these days, instead of old and inhabited islands you get the bottles all over.

Researcher:

I see. So what's your feeling towards the tourists? Do you think most of the travel agents don't really care too much about the environmental impact of the tourists made to the destination here?

Interviewee:

I would say as compared to other parts of the world, our tour operators are also quite concerned, but then, but still even the tourists have to be well-informed. Because we are capturing the upper market basically what we have for this country. They are quite educated tourists and quite green. I think it is the fact that the tour operators have to inform the tourists that we don't have these facilities in the Maldives and do it'd be better to take back the batteries or the broken forms of electronics products. Actually we don't have the facilities. Imagine if we send ten thousands of tourists and each leaves one battery here, it ends up in the ocean and these batteries have heavy metals ends up discharging toxic chemical substances that will easily get into the food chain.

Researcher:

I agree with you. So, we, as a travel agent in Hong Kong, I think we have a role to play. To educate the customers, educate the tour leaders, tour-escorts [and then to] give good information to the tourists, educate and tell them they should be aware of their environmental impact to the Maldives because I have been here 14 years ago, and I witness the change. The Maldives was very quiet, very peaceful, not much rubbish as [compared to that] of today. Now I see the change and that's why I approach you. As you said travel agents have a responsibility to inform their customers and educate them. What else?

Interviewee:

Well, apart from like.....lots of the endangered species like the [sea] turtles and other things are banned here. Sharks and black corals and a lot of species are banned here. So we don't have much issue here regarding that.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Researcher:

So the shark's fin [soup] is already banned?

Interviewee:

OK, so no shark gets killed and the turtles are also protected. So in that sense, most of the environmental [conservation measures] are already been taken. And [as] compared to the social impact also it's quite minimal because the tourists normally stayed in one island of the resort and the impact from them on the community is very much limited. But also I think even though it's not an environment issue...the tourist have to be informed of the products they are buying and the handicrafts....I mean, buy something from the Maldives.

Researcher:

Oh, I see. To buy the locally-made products.

Interviewee:

But lots of things here are not actually produced in here. They might be produced in Thailand, Indonesia or imported from China...and actually the impact...the possible impact on our local handicraft industry is [that locals are] not benefited actually. Handicraft and also art...

Researcher:

I had studied a recent research published last year by my colleague at the University of Nottingham. He was also from the Maldives and he did a research about community involvement on how the souvenir industry [of the Maldives] can be improved because as you said, in his research, he found out that a lot of souvenir/handicraft items [are] imported from other countries, it created impact to the local employment and then it reduces the job opportunities for the locals.

Interviewee:

Exactly. If you look at other countries, the positive impact should have been for the local handicraft industry not faulty (counterfeit or faked) because [of] its cheap production [due to] mass production in the Southeast Asian countries, and that sometimes "the Maldives" is written on it so I think the tourists have to be very well-informed of what they are buying and improving the quality, improving our handicraft locally, and at the same time, by improving the product standard you can still improve the environment.

Researcher:

So it's a chain reaction...

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Interviewee:

Yes, it's chain reaction. We can't improve the environment without creating jobs and also the benefits should have been there.

Researcher:

So as you said, the hotel industry has a role to play as well. They can think this is a kind of corporate social opportunity by creating jobs....by running a social enterprise?

Interviewee:

And in the hotel industry, they have a monopoly. They own the shops and they have the transport. They also control the transport, so the tourists are not normally accessible to the communities nearby.

Researcher:

Yes, that's the problem I realise.

Interviewee:

And it's also very expensive from the resort to go to nearby islands. They have limited transport and the limitation is that also sometimes it is not even provided, and even if it is provided, [transportation] is very expensive. So that the tourists [are] not able to reach the communities and buy the products they had produced.

Researcher:

So tourists are confined to the resort.

Interviewee:

Exactly. And also the locally-produced handicrafts and arts and other things are not properly brought in to these resorts and I guess the shops so that they have their monopoly and the hotel industry not include the local art industry. They import [the products] in bulk from Thailand, Vietnam or Indonesia.

Researcher:

I got you. The message behind is what does it mean by sustainability is the fact that in order to achieve SD, shareholders, owner-managers or the employers of a hotel chain or travel agents not only just care about making profits, but also they have to find some ways to promote social cohesion, cultural richness and uniqueness, as well as to find ways to address environmental and social problems or through donation or through staff volunteering works to help the community by giving back some percentage of their profits to the community.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Interviewee:

Well, even though without donations or without staff volunteering, even buy the products produced by the locals can help to improve the living standard of the local community and also by improving the living standard, then also properly manage the garbage and properly improve the living standards of the nearby islands. So without improving the living standards of these islands and properly managing the garbage, the well-being of people would not be possibly promoted.

Researcher:

Yes, so this is the issue. It's all about their mind-set, Profit-maximisation...

Interviewee:

That's right. As you know, the resources are very much confined and the locals are not accessible. That's the problem; sometimes they buy fishes or a few vegetables.

Researcher:

So will the Government try to improve the transportation network?

Interviewee:

Yes, the Government is improving the transportation networks. There are the local ferries, now scheduled ferry services introduced. More frequent ferry service than before. Before, there were no scheduled ferry services. Well, at least for the last 2 years the transportation services have been improving quite a lot.

Researcher:

How about the diving activities of tourists?

Interviewee:

Well, the diving also. We don't see that kind of major negative impact from diving to our environment. So far because it's the last area and people dive in different sizes and not concentrated on one bid dive site and the water-safari also. And also we have well-trained diving instructors so I don't think it is as a big issue in that area.

Researcher:

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

I really appreciate what you have done/are doing to promote the social awareness of well-being of the local people or help improving the living standards or quality of life of the people, making the Maldives a better place to live and everybody happy; make the Maldives a sustainable island state.

Interviewee:

We are not against tourism. We are just here to ensure the promotion of SD. We support tourism then the beneficiaries, therefore, are for the stakeholders.

Researcher:

So you think the stakeholder concept of firm works?

Interviewee:

Yes.

Researcher:

And it's really helpful for firms, hotels or travel agents business if their strategies consider all stakeholders' needs and concerns in a reasonable ways. It helps!

Interviewee:

Exactly. Yes, it helps. If you do not educate your neighbourhood, they will start polluting and start killing endangered species, and at the end of the day, the resort next to the island will be disadvantaged by what the communities are doing.

Researcher:

So it's a very simple logic actually. If this country [becomes] no more sustainable, they don't have business anymore because the tourists would not come.

Interviewee:

Yes, exactly. Our wealth is the natural beauty so to sustain the natural beauty, we have to invest more on sewage treatment here in the Maldives. It's compulsory for the resorts to have sewage treatment, so all the new resorts are coming up with the sewage treatment.

Researcher:

Or renewable energy projects?

Interviewee:

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

It's not compulsory to have renewable energy equipment, but sewage treatment is compulsory.

Researcher:

So sewage treatment is mandatory?

Interviewee:

Sewage treatment is mandatory. Disposal has to be in place. And also some resorts are becoming more into renewable energy.

Researcher:

Can I ask you an interesting question? Well, actually I ask my hotel group to approach you. Bluepeace is the only NGO in the Maldives promoting environmental conservation. That's why I want to approach you. I asked the hotel people assist me to contact you, but why they didn't do so as asked (but why they didn't entertain my request)? I originally scheduled this Focus-group Session 3 meeting which mainly discuss issues related to environmental aspect. I also want to invite you, a representative from the Bluepeace, but they didn't. Do you know why?

Interviewee:

Well. We've been taking quite seriously about the garbage issues even we had been able to say that to the Guardians reporters for a few times. I don't know they're happy with that or not. I am sure we are not popular with the tourism sector. But I think it's our duty because especially with this openness and democracy you know, the transparency. In four or five years' back you know, people were scared because you're not allowed to talk, because people say you're destroying the tourism and tourists do not care. But without the openness we can't tell the truth, and so we started talking about the garbage island and now the Government has come up for this problem.

Researcher:

As far as you know, do you know some best-practices in the tourism sector or hotel chains? Is Hilton a good hotel chain or a very responsible business? They adopt some environmental practice, reduce the impact so on and so forth...?

Interviewee:

Well. Most of the resorts are trying to come up with a caring neighbour. Of course they care about their islands and the coral reef but then some resorts are coming up with reusable water bottles like the glass bottles. You know, they are using glass bottles rather than plastic [ones].

Researcher:

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

That's encouraging news!

Interviewee:

And sometimes, for the laundry, they use full-loading and are also use less chemicals (washing powder), organic shampoo and different sizes of flushes, washroom towels not to change every day.

Researcher:

Am I right to say that owner-managers or CEO s of hotel groups or travel businesses are still think that doing some environmental-friendly initiatives will cost them money and then, you know, [they think] ...no way...what kind of tangible benefits?

Interviewee:

Now it's becoming the mainstream trying to reduce the number of laundry. It's a trend not to change the bed sheet every day, or washing the towels every day, or having towels everywhere.

Researcher:

So everybody is doing CSR.

Interviewee:

So that's becoming the mainstream, and becoming fashionable.

Researcher:

It's not only for the sake of marketing, but you have the responsibility...[It's] just like individuals [having responsibility on their travel].

Interviewee:

And also the tourists [are] also demanding that.

Researcher:

They need informed choices and want to see how good or how well the hotel is doing.

Interviewee:

Because we're getting of quite well-informed upper-market tourists today and they're also demanding these kinds of initiatives.

Researcher:

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

But not the mainland Chinese tourists at the moment I would say...

Interviewee:

But the resorts are not giving enough information to the tourists. [Policies on the use of] towels and shampoo....

Researcher:

You mean the notice inside the bathroom?

Interviewee:

The notice inside the washroom...they're not providing that kind of information on environmental-conservation message by encouraging tourists to reduce the use of shampoo bottles. Lots of resorts here already have their green standard.

Researcher:

Only the educated tourists or those who have awareness [are] concern[ed] about it but the mainstream of the Chinese tourists are still lagging behind.

Interviewee:

Yes, lagging behind. You know, our resorts are set up for the European tourists, but as I said, the mainland Chinese tourists coming over may be demanding for those services. The resort should [therefore] provide such resources.

Researcher:

Do you strongly agree my statement that nowadays the Chinese tourists...their awareness are quite low in terms of socially-responsible [travel] but our travel business or some other travel businesses in China have a role to play to educate them?

Interviewee:

Have a role to play not only the environmental impact, but also on safety and security....

Researcher:

For example, can you be more specific on that?

Interviewee:

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

They are not very much aware about how these islands are formed and the currents.....and when to jump into the ocean....

Researcher:

So they should be informed...

Interviewee:

Yes, well-informed. Because last year we had numbers of sad incidents of drowning.

Researcher:

Chinese tourists? What their travel agents did for them?

Interviewee:

Well, so [for] these safety issues I'm sure have to be in place.

Researcher:

Swimming, diving, snorkelling, scuba-diving....

Interviewee:

Not they are getting to unless it's not diving accidents...

Researcher:

Because they think they can swim but somehow because of the current, they don't think the energy to [swim further].

Interviewee:

Yes, yes....

Researcher:

Even for myself, I swim but I don't take the risk.

Interviewee:

The thing is you're [swimming] around the island; you have very strong current even on the island, depends on the geography of the island, and depends on the timing, the tide and the season, so it's not advisable to just jump from the water into ocean without the life-jacket or without informing the management of the course swimming in a certain proper areas. To inform and to warn them. And

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

also for those who are not able to swim properly can get assistance from the resorts, diving schools or instructors.

Researcher:

There're many emerging issues to address. Well...what a shame that you couldn't attend our Focus-Group meeting this afternoon as scheduled. I would say that the discussion would have been much fruitful [if you were there]. But still OK, I'm very happy now...

Interviewee:

It's a pity that someone drowned from swimming. But diving accidents [are handled properly]...

Researcher:

But tourists are informed already of the risk of diving.So what kind of assistance or help your NGO need especially from the U.K? As you know, I have association with the University of Nottingham and they are so good/famous in [environmental engineering], renewable energy projects, marine conservation or technology innovation for environmental protection as well as good students from the Business Management School. What help do you need from them?

Interviewee:

Well, I think funding is very limited here. Here we have such a vast area to cover and the traveling (commuting from one island to another island) is very expensive here.

Researcher:

Do you think it's a good idea for them to send some Year 3 students or graduate students to come over here to help develop some projects, give some training workshops to the locals or help in some community projects?

Interviewee:

It depends on the type of projects, the time...Because we are trying to give workshops to the trainer. It depends on the time. We're looking for coming up with the resort facilities affiliated with the universities....

Researcher:

You have good access to local universities, haven't you?

Interviewee:

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Not here, but we're trying to engage with universities so that both schools and researchers can collaborate and be benefited from all our research and that research findings can benefit our communities. The kind of mutual benefits I would say, and I wish an overseas university can set up an Environmental Conservation Department here so as to set up a research centre here on one of our islands. Researchers can come over for research and share with us the data and this is what we're looking for.....

Researcher:

What would you expect from the travel agents?

Interviewee:

Travel agents are advised to educate and inform the tourists. I think you will be achieving our objectives.

Researcher:

So the responsibility of travel.....

Interviewee:

Like trying to minimise the waste or taking back their batteries...simple things...we're not expecting them to fund us on our works.

Researcher:

So doing CSR is not as costly as managers or owners would have imagined.

Interviewee:

Yes..yes...imagine...We're saying that buying the community products, visit the community and buy its products...at least people will be more well-off...and set a good example in the industry.

Researcher:

So maybe in the future, in 5 years or 10 years...5 years [I would say] more customers will buy travel products from a responsible travel agent which is [accredited as] a best-practice travel agent that places concerns on the environment, social and cultural aspects. So what's your appeal to the hotels/resorts and [travel businesses]?

Interviewee:

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

I would say...The key issue...No. 1...is to reduce the waste and reuse the glass...

Researcher:

The 3Rs. Recycle, reuse and reduce.

Interviewee:

Yes, exactly. Recycle, reuse and reduce. And then trying to buy products from local communities.

Researcher:

Buy products from the local community, buy souvenirs, and buy locally-made or locally-produced products. It would be ideal if they set up a small factory and hire 10 or about 15 staff on the resort by making locally-made souvenir.

Interviewee:

The resort helps the communities in developing the local industry.

Researcher:

To help the communities, especially the North Maldivian community, the North is the poorest part in the Maldives.

Interviewee:

And trying to buy more products from the communities like vegetables.

Researcher:

That's not difficult if they have the mind (willingness to do it).

Interviewee:

And also the resort informs the community the products they need like poultry, veggies or fruits, local produce etc. And trying to import into these areas. And also to educate the communities nearby the resort. If people haven't the sense of belonging or they might be destroying the diving sites or fishing access in that area, and things like that without improving the living standard of the neighbour or educating people near your neighbourhood.

Researcher:

So from your perspective, you agree that travel agents should also have a socially-responsible agenda in their business strategy?

Interviewee:

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Yes, they have to. We have over 100 resorts and we have 200 islands of people. If we help the schools, to develop...say, provide computers or things like that....simple...

Researcher:

Or create a small library for the kids. Then why not?

Interviewee:

Yeah..library....why not? They will feel great.

Researcher:

Or even ask the tourists to leave their books on the island and donate them to the community. Well, I also suggest the hotel group and the travel business consider some niche products for example, Educational, Environmental-friendly Family Package so parents can bring their kids to the resort in a package price which covers certain activities or programmes in which kids can learn something, e.g. how to protect the marine environment, how to protect the sea turtles, how to promote marine biodiversity and how to act in a more responsible ways in the daily life. So we actually exercise our social responsibility, isn't it?

Interviewee:

And also another thing the tourists can do...I think the resort should sponsor specialist doctors like 2-week-stay in a hotel but as a corporate responsibility, like eye-care or dental services...

Researcher:

For the staff?

Interviewee:

No...for the nearby communities.

Researcher:

Oh, I see, for the nearby communities. That's interesting. That's good advice. You mean the hotel/resort hires specialist doctors based on the island?

Interviewee:

No, they can get the tourists like professional doctors or specialists. Let them spend two weeks' holiday on the resort and everyday spend two hours or 3 hours volunteering for the local communities in providing either dental or eye-care services.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Researcher:

Similar to the Obis. OK. I know what to do then. When I return to Hong Kong, I will advise my employer of the travel agent try our best efforts to get some customers who are educated and who are also professional doctors, GPs, dentists or optometrists to come over here, enjoy their stay for longer time, say, for 2 or 3 weeks, while at the same time they can contribute some time in helping the local community who are very poor or who cannot able to afford seeing a doctor. Am I correct?

Interviewee:

Yes, especially the specialised area like skin, dental and eye-care...things like that...

Researcher:

It's a good way to promote health and well-being, so the local communities get the benefits from overseas doctors or medical professionals who pay a visit to examine their health problems.

Interviewee:

Not into deep...like major operation, but like dental care...

Researcher:

I understand you because this country is in the shortage of medical professionals such as nurses or doctors, dentists etc. If we are doing that, so would you think this travel agent is doing good because we are responsible and eventually we would be able to project a very good image to the public?

Interviewee:

Exactly. That would be a very [good social initiative].

Researcher:

Do you think the Maldivian Government would support us while we are doing this good social investment? Then in the future, say, if we are going to invest on some islands or gain access to some places, do you think the local Government will give us green light or more convenient channel? Of course, not bribery, we don't do that.

Interviewee:

Yes, definitely.

Researcher:

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Ok, let me sum up the whole meeting today. You appeal to the travel business is the 3Rs, i.e. recycle, reuse and reduce; try to minimise the rubbish and environmental impact of tourist activities on the destination market such as the Maldives.

Interviewee:

Yes, like batteries and plastic bags to take back home.

Researcher:

Exactly. Take back the used batteries, plastic bags so on and so forth. And the second thing is to bring over some professional doctors, dentists and optometrists while they are enjoying their holiday here, they can do some volunteering work to promote the health or the well-being of the locals. [At the end of the trip,] tourists can leave their books, magazines or whatever in the country so the books can be donated to the local community.

Interviewee:

But the books have to be [good in content]...you know, the sensitivity of our culture.

Researcher:

Of course, we understand the culture issue. Of course no pornography or obscene pictures, naked bodies...etc. That kind of images...

Interviewee:

And buy the Maldivian products.

Researcher:

Yes, buy the locally-produced products, veggies or produces. This is good enough [for today] and I think we should make a good move [by considering all your valuable advice] by starting to integrate the socially-responsible agenda into our travel operations, of course, I will convince my employers that although benefits may not be seen in the short-run, this can be for sure beneficial to the mid or long-run by doing good.

Interviewee:

Yes. Because without improving the living standard in a neighbourhood, you would not be able to protect the environment. You need to protect the environment; you need to educate the communities!

Researcher:

*Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy
Formulation Exercise for a Small Hong Kong Travel Business*

So four words to conclude [today's interview]: "Sustainable destination, sustainable business".
Thanks very much indeed, Mr Ali, for your time and contribution by sharing with me your insights.

Appendix (15) – Transcription of Interview with PRC Tour Leaders

Interview Transcript

Date of Meeting: 30 November 2011
Content of Meeting: Villa Hotel Service Delivery
Venue: Hotel Lobby at the Paradise Island, the Maldives.

Participants' Details:

Participant A:

Name: Anonymous
Position: Tour-leader from mainland Chinese outbound travel agent

Participant B:

Name: Anonymous
Position: Tour-leader from mainland Chinese outbound travel agent

Participant C:

Name: Anonymous
Position: Tour-leader from mainland Chinese outbound travel agent

Summary of Meeting:

A formal meeting is being conducted to discuss how service quality of Villa hotel in Paradise Island can be improved. Today is my third day staying on the Paradise Island in the Maldives, three Chinese tour leaders are invited to discuss about service delivery issues, which serve as the basis for Villa Holiday's consideration for their next round of 5-year strategy formulation. OK. We've just discussed about what areas have to be improved such as:

1. Hotel room;
2. Water Bungalow;
3. Beach rooms are not up to the standard. No shampoo is provided in bathroom.
4. Bedding should also be improved;
5. Housekeeping service has to be speeded up as sometimes guests complaining that they had been waiting in their room for long time for housekeeping service.
6. Manner of hotel staff;

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

7. Travel Insurance – at present there is no travel insurance covering all areas such as loss of money and valuable personal items. If guests had lost their belongings, tour leaders are required to help them deal with the problem. However, if guests come across the same problems in other resorts, their cases are dealt with promptly by the resort staff. Disappointingly, staff on Paradise Island are not well-trained to deal with this.
8. Bottled water inside bedroom. Paradise hotel used to provide a 1.25L mineral water inside the room. Since November, I notice that the size of bottled water had been reduced to only 500ml without informing the travel agents. Indeed tourists have lots of comment on this arrangement. If the hotel considers cutting their operating costs, they should consider some other measures. For example, air-conditioner can be turned off while guests leave their rooms. This can save huge amount of electricity costs. However, it is not advisable to cut down the supplies of bottled water. And there's also another serious issue that needs to address, if customers request to leave the resort the day before their scheduled departure they are required to pay extra US\$ 114, which increased from that of US \$30, US \$51 a couple of months ago to present charge of US\$ 114. From tour leaders' point of view, such practice is not reasonable.

Participant B:

In my tour group there was a couple who requested for photo-taking service from a local hotel staff...not US\$5, US\$10...

Researcher/Facilitator:

Give US\$10 to the hotel staff and they'll take a number of photos for you.

Participant B:

Once photos were taken, my tourists were asked for tipping. In the beginning he asked for US\$20 then US\$10. My customers just gave him US\$2 for the tipping and then leave the scene.

Participant A:

It's all about the issues of credibility, services and....and for tipping they offered themselves to take photos for you or take photos with you together with them. After that, they ask you for money. I feel like a rip off on our customers' pocket. It's compulsory.

Researcher/Facilitator:

I think customers have every right to decide on how much to tip as long as services provided are up to their satisfaction.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Participant A:

As for tipping I believe that customers have right to decide how much tipping to offer, say, \$1 or \$2 US dollars. About the issue of the lost of personal belongings....Paradise Island is notorious of their reputation. Someone who had been staying on Paradise Island commented poorly on the island which is comparable to “a rip off island”. Actually you browse through the blogger and you will find lots of negative comments posted by mainland Chinese travellers.

Researcher/Facilitator:

So you think negative comment is more than positive comment [on the whole]?

Participant A:

During the old good days, positive comments are more. And now negative comments dominate. Actually it's not a matter of how much negative comment is out there. Even if there's a single negative comment, its impact can be huge. Once potential customers come across the negative comment, they would definitely not choose to stay on this resort island.

Researcher/Facilitator:

I would like to learn more about the extra charge of US \$114 imposed on the tourists who decided to depart the resort earlier than the scheduled time. It sounds a bit weird to me. This sounds not very reasonable to me. If the hotel continues to carry on imposing this charge to your guests, what do you think of the consequences to both the hotel and the travel agent?

Participant A:

From my rough estimation, since this measure had imposed in November the hotel had already lost US \$15,000. In the very beginning tourists did not have to pay any extra of earlier departure. Then the hotel had started to impose a charge from US \$30, US \$35 and finally US\$51 and now increased to US \$114. Because as for other resorts, customers are not required to pay an extra charge if they choose to depart earlier on the same departure date. From my point of view, it's technically possible for the resort to arrange a chartered boat for the whole tour group without imposing a charge on us. And now they impose an unreasonable charge on our customers. They didn't even understand why the hotel had such practices. They asked one question: We leave in the evening or we leave now, the hotel still has the responsibility to transfer us to the airport.

Researcher/Facilitator:

And also, if the tour group leaves earlier the hotel can save the dinner costs.

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Participant A:

Absolutely. We will not ask for refund.

Researcher/Facilitator:

Now basically I have already learnt what the problems are and your feedback on the practices of this hotel. What role can Villa-H.K Hong Kong play in order to soothe the tension between the resort and tour leaders? What aspects do you think we have to enhance?

Participant A:

I think communication is very important. It should be enhanced. The key is to improve the reputation of the resort.

Researcher/Facilitator:

I see. The first project is to promote the overall reputation of Paradise Island.

Participant A:

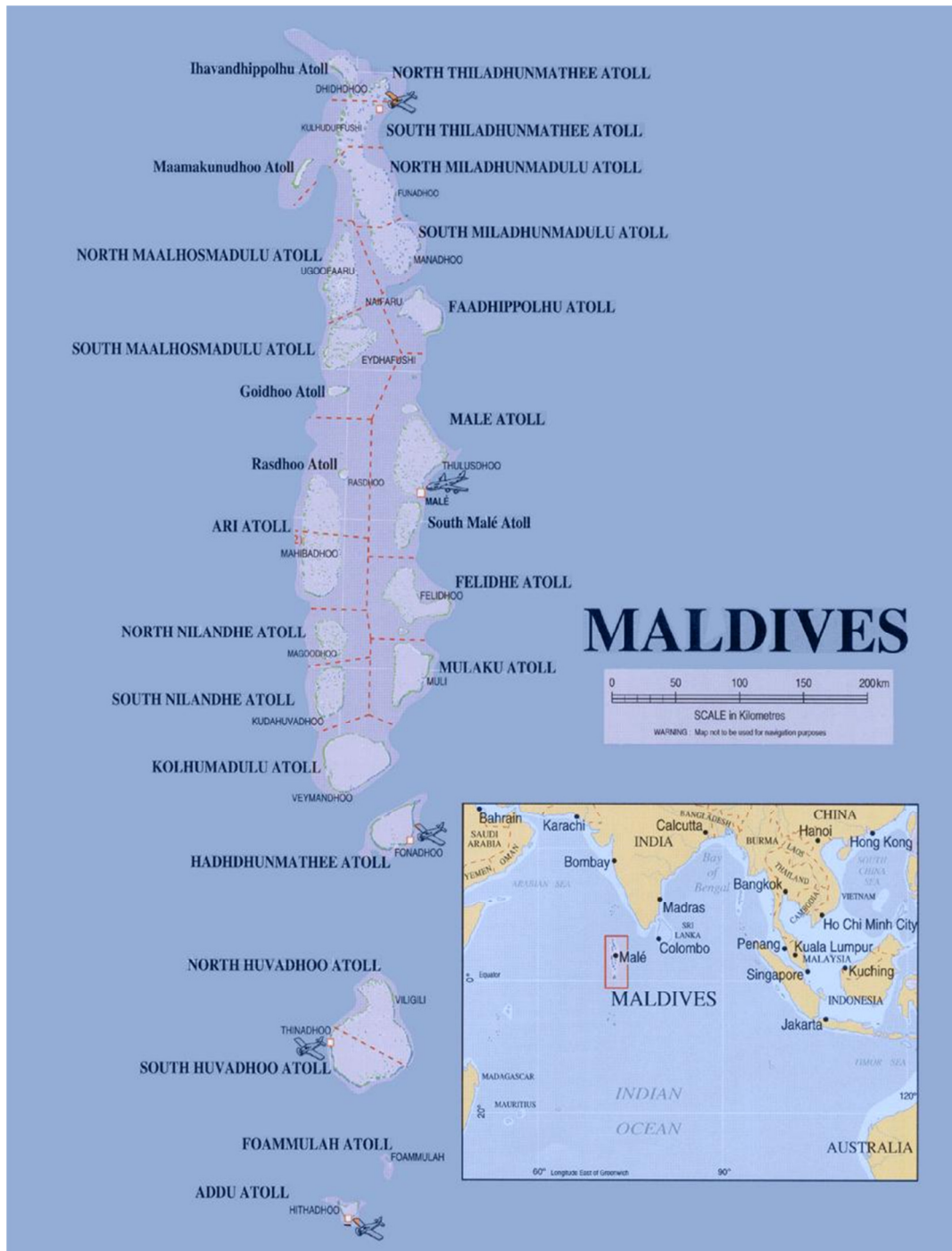
Otherwise, tourists will still associate this place as “a rip off place”. I can’t imagine if this message spreads across in China and I’m afraid potential customers will definitely not choose this resort. Your source market is China I am sure. As an enterprise, if the service you provide is not up to the expectation of our guests and you’re not going to protect their interest, I’m sure they will not return to this island next time. As for the travel agent, I believe they will definitely listen to our feedback. If so many issues or problems are raised, I’m pretty sure travel agents will also listen to our advice by simply switch to other resort islands.

The CA of Paradise is its large no. of rooms, but its price is not the cheapest. The room rate is relatively cheaper than that of other resorts explains the reason why travel agents in China still choose to put their guests here. But I can be sure if the problems persist, they will very soon replace Paradise by other resorts.

In the future I can ask the counter staff/sales to tell the customers who wish to visit the Maldives how notorious this resort is. And I’m pretty sure they will not choose to stay on Paradise Island and pay more to stay on a safer island. For example, let’s say if I have a group of 50 passengers, I would then separate them into two groups and have them stay on two different resort islands, but not the Paradise. We will guarantee your room sales drop dramatically and the situation deteriorates in short timeframe. Let’s wait and see how “paradise” this place will be!

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Appendix (16) – Map of the Maldives



Appendix (17) – Company Culture



Photo Caption: Villa-H.K's Central Office Layout



Photo Caption: Villa-H.K staff half-monthly attendance record card

Appendix (18) – Villa H-H.K's 10th Anniversary Dinner Invitation



Appendix (19) Save the Planet, Save the Maldives” Membership Scheme Brochure



Villa-H.K “Save the Planet, Save the Maldives” Membership

Mission

Striving to be the leader and a good corporate citizen in the travel industry in Hong Kong, being a SME, Villa-H.K would like to contribute our humble resources together with our customers’ efforts, to contribute to the betterment for tomorrow.

We understand that our travel operations may have substantial impacts on the planet in our daily commercial activities. Through this **“Save the Planet, Save the Maldives”** scheme, we offer a platform for you so that you can help in certain areas of sustainability, e.g. maintain fresh air and clean water, alleviate poverty, promote social cohesion, marine biodiversity, tourists’ environmental and cultural awareness of the destination and to reflect on the importance of CSR through your booking with our travel consultants. Here you can start your first step to support our CSR effort which means so much to the world!

Commencing March 2012, Villa-HK will only partner with airlines that use fuel-efficient aircrafts and have earned reputable CSR credential accredited by a third-party auditor.

To reduce the environmental impact of passengers’ flight journey, we will strongly advise our customers to lengthen their holidays at one destination or visit one more nearby country.

We carefully select hoteliers that are operated in accordance with stringent eco-standards. Food and beverages provided at the resort restaurants/outlets must be sourced locally as far as possible through the fair-trade scheme. We will not tolerate “greenwashing” in our tourism supply chain.

We will make sure our land tour operators, dive centres, spa centres and excursion providers strictly adhere to the Maldivian labour regulations, human rights laws as well as protection of animal rights.

As a small outbound travel agent that bundle various travel products/services into a unique holiday package, every effort would be made to ensure our Tourism Supply Chain a socially-responsible one. Come and join us and you will not only contribute to the betterment of the world, but will also enjoy lots of great membership benefits.

Objectives

- Strengthen our CSR efforts while benefiting our valuable customers who care the environment and the society.
- Engage customers into action to fulfil their social responsibility efforts

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

- Draw public attention on social responsibility, environmental protection and marine biodiversity
- Contribute cash donations to the Bluepeace, the 1st environmental NGO in the Maldives and the SEED Foundation in Hong Kong
- Provide long-term opportunities for customers to contribute their social-responsibility efforts via responsible travel

Your Contribution

- One time contribution: HK\$1,000
- HK\$500 to Sustainable Ecological Ethical Development (SEED) Foundation in Hong Kong and HK\$500 will be donated to the Bluepeace in the Maldives respectively.

Your Privileges

- Free face-to-face travel advice provided by our experience travel consultants
- Quarterly Villa-H.K Newsletter
- Travel discount
- Last-minute deal
- 20% off for joining Villa-H.K's new volunteering holiday scheme
- Free room upgrade from beach room to water-bungalow for 2 nights
- 30% off in joining any optional excursions or water sport activities book through the Villa hotel tour desks.

Application Methods

Please submit the completed “**Save the Planet, Save the Maldives**” Membership Application Form together with the payment to Villa-Hong Kong. Should you have any queries, please contact us during office hours (Monday to Friday from 9:00 a.m. to 6:00 p.m. except Sunday and public holidays) at 2851 5162.

Our Partners:



Appendix (20) – Sample Itinerary Brochure

MALDIVES & SRI LANKA in 12 days

Introduction to the Maldives

There are about 1200 islands in the Maldives in total, among them 128 were leased for hotel groups to developed as luxurious resorts. Maldives is the world's flattest country. Interestingly, there is no natural land higher than 2.4m (7.9ft) above sea level. Since the 70s, the Maldives had been popular among European tourists as an ideal getaway sun & beach destination.

Which Maldives Island Resort?

With such a large number of resorts available it can be difficult to choose which one best suits you. Operating in the travel industry for over a decade, Villa-H.K know which Villa resort the most ideal one for you based on your needs and desires. When choosing your resort, one of the decisions you have to make is whether you want to stay on a larger, perhaps noisier island with more facilities or a smaller quieter island. As a basic rule of thumb, the diving is likely to be better from the smaller resorts. If you cannot decide which resort to stay, simply refer to the table below or tell us your preferences and we will make suggestion.

Ranking of Resort owned by Villa Hotel Group in the Maldives

A comprehensive ranking analysis covering 87 resorts in the Maldives had been conducted by the Lonely Planet in December 2012. Extracted and summarised in tabulated form below are the four resorts owned by the Villa Hotel Group, excluding the Haven:

Resort	Beach	Atmosphere	Social Activities	Entertainment	Children activities	Food	Design	Diving	Snorkeling	Water Sports
Paradise Island	A	B	A	B	B	C	C	A	A	A
Royal Island	A	B	C	B	C	B	B	A	A	A
Sun Island	B	C	A	C	A	A	C	A	A	A
Holiday Island	A	C	B	C	B	C	C	A	C	B

All sites are good for diving. Villa Hotel Group also segments its resort product offerings for different markets. The ideal resort for water sports are the Paradise, Royal and Sun Island. The Royal Island is ideal for travellers who prefer peaceful and quiet environment as little social activities are offered. The Sun Island is good for families with kids since plenty of children activities are on offered. For price-sensitive travellers, they should choose the Holiday Island or the Paradise Island.

Introduction to Sri Lanka

Sri Lanka is one of the most beautiful islands in the world and an exciting place to explore. Sri Lankans are warm, hospitable people, proud of their country and keen to share its riches with visitors. Just one hour flight or 3.5 hours by ferry from Male to Colombo.

Sri Lanka's culture, jungle and verdant hills make a superb combination with a Maldives holiday.



You can combine your Maldives plus Sri Lanka holiday in any order you like - just choose your ideal dates of departure and let our travel consultant know your preference and we will take care of the rest.

Travel Information

Singapore Airlines (SQ) offers a superb service from Singapore Changi Airport that easily links up a trip to the Maldives with a stay in Sri Lanka. The following is a sample 11 nights round-trip itinerary travelling from Hong Kong to Singapore to Male will give you 6 nights in the Maldives with 5 nights in Sri Lanka. The guided tour shown below incorporates 4 UNESCO World Heritage Sites of Sri Lanka: Have a pleasant flight with our strategic partner – the Singapore Airlines.



SINGAPORE AIRLINES 

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12 Day 11 Nights Itinerary for a Maldives and Sri Lanka combination holiday

Sat	Depart Hong Kong International Airport at 1530 hrs by SQ 866 on the direct overnight flight to Male via Singapore.
Sun	Arrive Male at 22:30 hrs and transfer to speedboat/seaplane or FlyeMe aircraft owned by the Villa Group to your chosen resort island.
Sun	Depart Male at 1300hrs for direct flight to Colombo, arriving at 1455hrs. Enjoy a City Sightseeing Tour of Colombo including the famous Gangaramaya Buddhist Temple, a Hindu Temple, Dutch Wolvendhal Church and the Town Hall. Overnight stay and dinner
Mon	After breakfast leave for a visit to the Elephant Orphanage, along the banks of the Maya Oya, to see the world's largest herd of domestic elephants. In the afternoon, climb the Rock Fortress of Sigiriya, a World Heritage Site and widely considered as the 8th Wonder of the modern world. Overnight stay and dinner at the Amaya Lake Resort, Dambulla or similar.
Tue	After breakfast leave for Polonnaruwa, the Medieval Capital of Sri Lanka dating back to the 11th Century AD. Continue on to Kandy - the Hill Capital, en route stopping to visit the Dambulla Cave Temple, famous for its wall paintings and statues of Lord Buddha. Visit a Spice Garden and learn about the growth and use of spices in the day to day life. Overnight stay and dinner at the Randholee Resort, Kandy or similar.
Wed	After breakfast leave for a City Tour of Kandy, including Upper Lake Drive with a panoramic view of the city, and the Royal Botanical Gardens - one of the best of its kind in Asia. In the evening watch a Cultural Performance by traditional Kandyan drummers and dancers, including "Fire Walking", and walk across in the star-lit night to the Temple of the Sacred Tooth Relic of Buddha - the most wonderful place of worship for Buddhists believers. Overnight stay and dinner at the Randholee Resort, Kandy or hotel of similar grade.
Thu	After breakfast depart for Nuwara Eliya through the beautiful Ramboda Pass with lush green hills, tea plantations and cascading Water Falls. Visit a Tea Factory and Plantation to witness the manufacturing process of world famous "Ceylon Tea". Free time for more sightseeing and overnight stay with dinner at the Tea Factory Hotel, Nuwara Eliya or similar.
Fri	After breakfast leave for Bentota on the south-west-coast via Hatton. You will enjoy the scenic beauty of this mountainous route passing two Water Falls - St. Claries and Devon's. See the location of David Lean's award winning film "Bridge on the River Kwai". Overnight stay and dinner at the Matina Hotel, Bentota Beach or hotel of the same grade.
Sat	Transfer to the airport for departure flight leaving at 1315hrs on the non-stop direct service to Hong Kong via Singapore by Singapore Airlines.

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Appendix (21) – Plastic Bottles Found on the Maldivian Beach



Photo Caption: Tourists' fault? Hoteliers' fault or Maldivian Government's fault? How can Villa-H.K help solving this problem? Educating tourists is one of the feasible solutions.

Appendix 21 a – Waste Disposal Issue



Photo Caption:

Domestic waste from Male is transported in lorries to Thilafushi by a landing craft.

Appendix (22) – Villa Air Domestic Flight Service (Male –Maamigili)



Photo Caption: Maamigili airport owned by Villa Group of Companies



Photo Caption: Interior of Villa Air 'FlyMe' aircraft

Remark:

- ❖ Only 17 minutes from Male to Maamigili Airport by Villa Air
- ❖ Maamigili Airport is in close proximity (about 15 minutes transfer by donhi boats) to the Sun Island, Royal Island & Holiday Island owned by Villa Hotels

Appendix (23) – Male, Capital of the Maldives

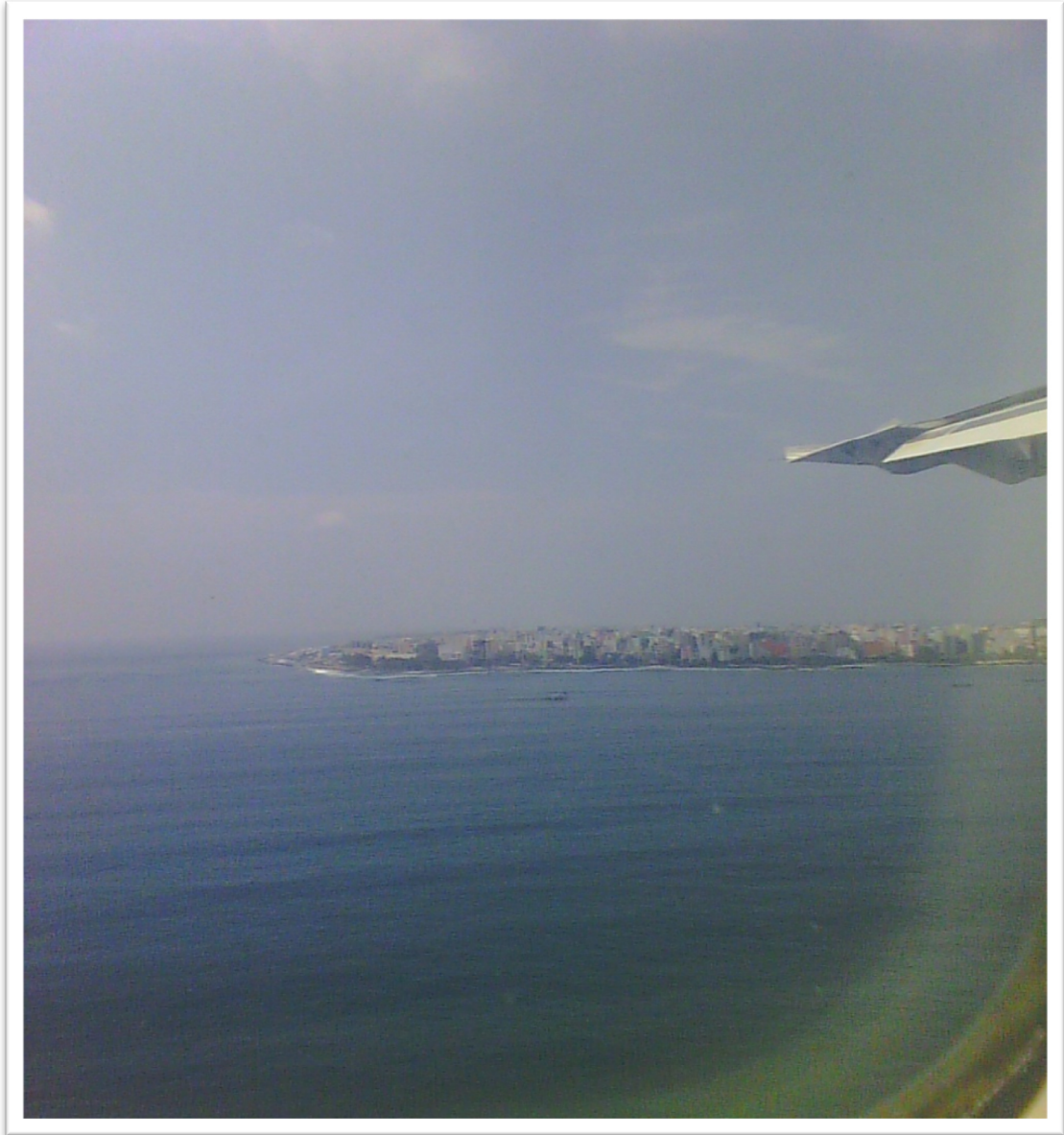


Photo Caption:

An aerial view of Male - the capital of Maldives – which is protected by a 2-metre high seawall.

Appendix (24) – Stakeholder Engagement in Maldives



Photo Caption:

A Two-hour Meeting to Discuss How to Improve Service Delivery in December 2011



Photo Caption:

Hotel Staff in Paradise Resort and the Travel Agent's Staff from Hong Kong working collaboratively to solve pressing issues.

Appendix (25) Maldivian Teenagers



Photo Caption: Talented Teenager Artists – Future of the Maldives



Photo Caption:

Would it be a good idea for the Hotel and Travel Business to set up a social enterprise at the resort for them demonstrate their talents to the tourists while making money?

Appendix (26) – New Vision, Mission & Values

Villa-H.K's New Vision

- Be the a leading outbound travel brand name in Hong Kong that creates value for stakeholders

Villa-H.K's New Mission

We endeavour to:

- Be a one-stop-shop travel agent in Hong Kong that promotes socially-responsible practices
- Provide meaningful travel products for our valuable customers
- Be the role model in the travel industry that promotes responsible tourism
- Be the most favorable choice for our customers who still value service
- Be the most favorable business partner for service suppliers
- Be the most favorable employer who values human capital and promotes work-life balance

Villa-H.K's New Values

People / Trust / Integrity / Efficiency / Choice / Change / Quality

Appendix (27) – Poster Displayed at Villa-H.K's Office

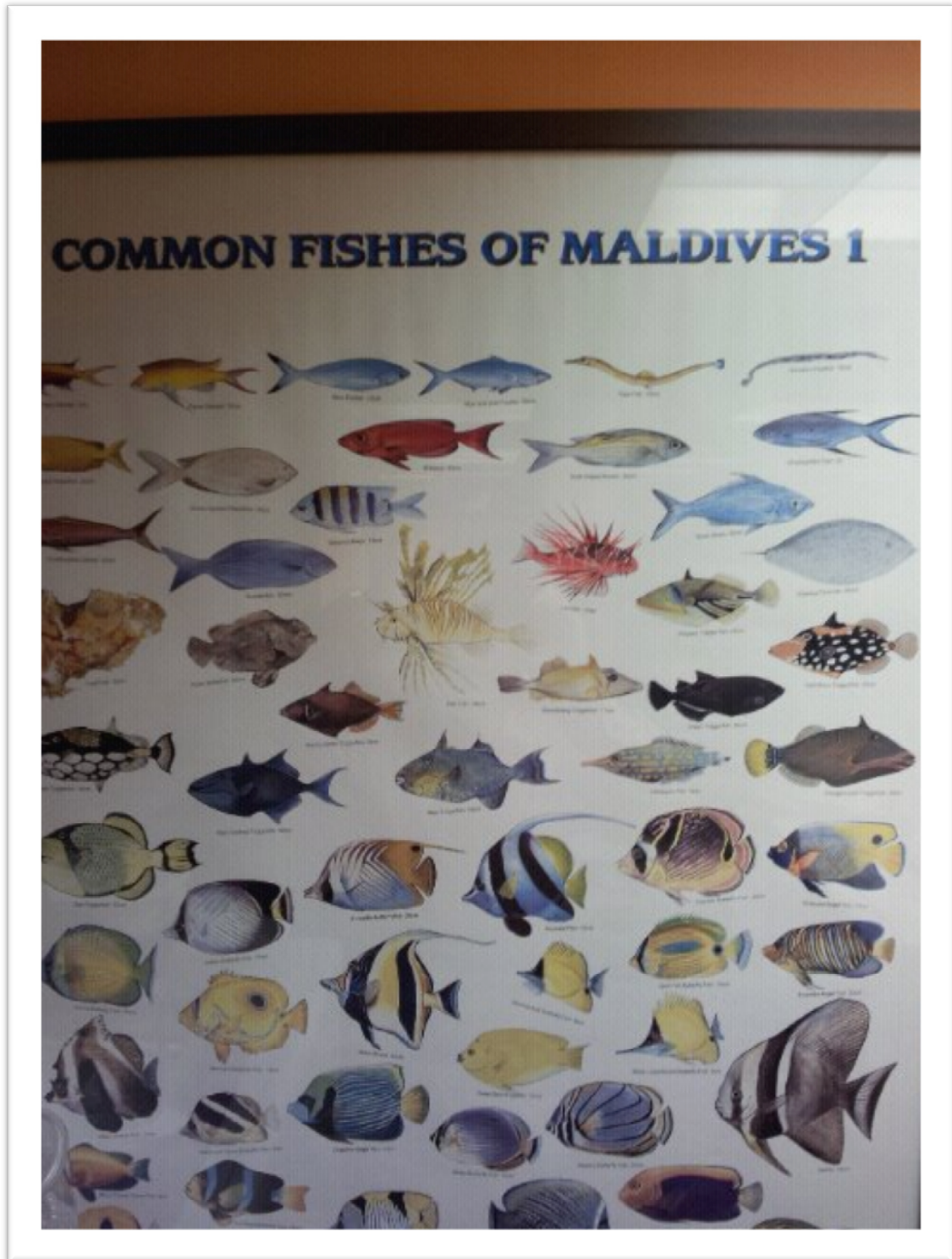


Photo Caption: A Poster Displayed at Villa-H.K Office

Appendix (28) – Local Travel Magazine Advertisement

全世界等緊你 www.jetimetours.com.hk

Jetime Tours
中泰旅運有限公司 牌照號碼:353096

機票 酒店 自遊行 郵輪

每逢旺季及長假期，出外旅遊時機位需求大增，價格亦相對提升。而我們作為專業的服務機構，深明此道！已於農曆新年期間預留大量台北、曼谷及布吉萬等之機位！保證出發，免受加價之苦！實貴假期有所保障，歡迎查詢!!!

我們的服務在2008年底亦同時榮獲香港Q-Mark優質服務計劃認證及國際ISO 9001:2008的品質管理證書。我們已連續四年榮獲香港社會服務聯會頒發的“商界展關懷”，更於2009年榮獲香港青年協會嘉許為“有心企業”。為感激各位貴客的支持，我們將繼續關注社會，並致力提供優質的顧客服務！

台北

4日3晚 中華航空
• 飛搭中華航空來回台北
• 3晚酒店住宿(指定酒店連早餐)
• 12年1月22(年廿九)至1月26日(年初四)出發

早機出發 夜機返港

1月22日至26日 已預留機位 天天出發

4日 3晚

Jetime Tours 會員價 **\$2990起**

曼谷

5日4晚 泰國東方航空
• 飛搭泰國東方航空來回
• 4晚酒店住宿(指定酒店連早餐)
• 可入住All Seasons Bangkok Victory Monument
• 12年1月23日(年初一)至1月26日(年初四)出發

早機出發 夜機返港

1月23日至26日 已預留機位 天天出發

5日 4晚

Jetime Tours 會員價 **\$3150起**

www.facebook.com/jetimetours

本公司代售士尼樂園及海洋公園入場券

特價學生來回機票

代訂國內出發之機票四折起

代訂香港酒店房間

旺角 2780 0388 永隆銀行中心 5樓512室

觀塘 2345 9991 觀塘廣場閣樓M22部

尖沙咀 2369 7199 宏威中心10樓全層

屯門 2111 4168 屯門市廣場1期2樓 2112-2113室

Photo Caption: A Small Outbound Hong Kong-based Travel Agent Promoting their CSR Effort in a Hong Kong Travel Magazine - U Travel, December 2011 Issue.

(English Translation) Our travel products/services are accredited by the Hong Kong Q-Mark Service Scheme and ISO9001:2008 Quality Management Certificate. We have been receiving “The Caring Company” award in the past four consecutive years. Moreover, we have received accreditation by the Hong Kong Youth Association as a “Responsible Enterprise”. In order to express our heartfelt thanks to our valuable customers’ support, we will continue to care our society and we are dedicated to provide quality travel service to them.

Appendix (29) Promotion of Green Concept at Sun Island Resort



Photo Caption: Promoting planting species diversity on Sun Island



Photo Caption: Promoting biodiversity on Sun Island

Appendix (30) Promotion of Marine Biodiversity at Sun Island Resort



Photo Caption: Water heaters in guest rooms at Sun Island are all powered by solar power



Photo Caption: A big poster displaying the fish species found in the Maldives right next to the entrance of the Paradise resort



Photo Caption: Sun Island Resort & Spa was given “President of Maldives Green Resort Award”.

Appendix (31) A Private Tertiary Institute Operated by Villa Group



Photo Caption: Knowledge Village on the Sun Island



Photo Caption: Faculty of Tourism & Hotel Management

Appendix (32) – Villa Holiday’s New Credo

Villa Holiday’s Credo

At Villa-H.K (H.K), we call ourselves not only a travel expert but also a socially-responsible travel business that promotes responsible travel.

Authentic “human-touch” service is our pledge

We take pride in the genuine customer care, comfort, safety
and product knowledge we offer to guests
who value quality service

Putting you on a world-leading flight carrier;
Placing you on our carefully-chosen resort;
Pampering you at our Spa & Wellness Centre;
Providing you with informed choices;
Letting you choose between ordinary package holidays and
volunteering holiday;
Enabling you to search for better meaning in life!

Appendix (33) – Factsheet of the Bluepeace

Bluepeace is the oldest environmental NGO in the Maldives. It was initiated by a young group of volunteers during the late 80s and was formally registered on 11th September 1989. The initial aim was at diverting some energy in conserving the delicate environment which is being misused and exploited on an unsustainable manner due to lack of awareness, knowledge and understanding. Since then the organisation has been instrumental in creating environmental awareness through its many campaigns and activities. Bluepeace is strictly a Non-Governmental Organisation and not-for-profit organisation. The organisation is not sponsored by any particular party or individual but depends on time given freely, voluntary effort, on subscriptions, donations and fund raising.

OBJECTIVES

- to protect the environment through environmental education and training.
- to increase awareness, understanding and knowledge among people of the Maldives about global environment
- to carry out research, build environmental monitoring and management skills.
- to initiate and carry out activities and projects at different levels in the Maldives for the protection of our delicate environment.
- to collaborate with all stakeholders who are interested in protecting the global environment.
- and all those little things that we could do together to save our environment for the future generations.

SOME FACTS

- the most influential environmental campaigning organisation in the Maldives.
- The Oldest environmental NGO in the country.
- Consists of largest active voluntary member base in the Maldives.
- Works with local communities to deliver and carry out environmental awareness campaigns and projects.
- Dependents on concerned individuals for its campaigns and income.
- Compiled and published the first comprehensive local environmental book.

Appendix (34) Recent Political Unrest in the Maldives on 6th February 2012



Photo Caption: Protests and demonstrations in the island city of Male on February 2012. Around 50 policemen stood down in favour of the protesters and refused to obey government orders. There were reports of rubber bullets being shot at protestors and protesting police officials according to FirstPost.com

Source: <http://www.firstpost.com/world/205983-205983.html> (Accessed on 7th Feb 2012)



Photo Caption: President Mohamed Nasheed of Maldives resigned on 7th Feb 2012 amid political protests in the island country.

Source: <http://www.firstpost.com/world/205983-205983.html> (Accessed on 7th Feb 2012)

Appendix (35) 10th Anniversary Dinner Speech Delivered by Villa Group's Delegate

Villa-H.K Hong Kong Managing Director, Ms. Claudia, distinguished guests, my dear colleagues, ladies and gentlemen. Good evening!

I have great pleasure and pleased to be given the opportunity to express my congratulations as Villa-H.K' Hong Kong marks the 10th Anniversary of service, and recognise the excellent relations between the clients, staff and corporate partners.

On behalf of our corporate head office and our chairman I thank Ms.Claudia for giving the opportunity for all our colleagues to be here tonight to celebrate the friendship and fellowship among our staff together with our distinguished guests.

With very humble beginning 10 years ago (Feb 2002), aiming to conceptualise the tourism opportunities here in Hong Kong and supported by China as well. Today Villa-H.K is well-established and consistently developing. The opportunity is taken to note that over the last decade Villa-H.K had focused not only on commercial activities but on **living up to the designation of “Good corporate governance and sustainability of tourism as well”**.

Given consideration to the performance I genuinely feel Villa-H.K has done praised worthy effort, as in the past Villa-H.K very much concentrated on Paradise Island Resort & Spa (this is because of the nature of tourism movement in Hong Kong and China and also the product is well positioned in these two markets. The result is very clear, i.e. in FY 2006 Villa-H.K shared 8.56% total occupied rooms. However, it gradually increased year by year, and if we compared year 2011 the year concluded with 21.70% share of total occupancy, which is an excellent effort!

I am almost certain and very much positive that this performance will increase this year as well. Furthermore, I would like to highlight that with a start of our domestic flight (Villa Air) we are positive that we can increase Hong Kong and Chinese market towards Sun Island (as the domestic transfer eliminates the time restriction and open for night flight).

On behalf of our corporate marketing department I would like to appreciate the support and cooperation rendered by Villa Hong Kong. The management and staff of Villa-H.K continue to do an excellent job as a team, as a corporate community together with us in the Maldives.

Villa Hotels is always committed to increase the effort and enhancing marketing strategies and reducing any possible barriers while increasing overall efficiency and productivity to cater our guests with the very best of what Maldives has to offer. I also wish to thank all the tour operators for their first rate collaboration to our mutual success.

More than a decade is a long period; it makes up almost three presidential terms and three Olympic Games. We value the long-standing relationship. Hence, once again, I offer my congratulations for achieving this important milestone and wish you success and a very happy 10th Anniversary celebration. Thank you very much! “Have a blessed night!”

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Appendix (36) Villa-H.K's 10th Anniversary Dinner Held on 12 Feb 2012 in Hong Kong



Photo Caption: Over 100 stakeholders (Villa-H.K employees, hoteliers, airline partners, PRC travel agent clients, customers, bankers, trade associations, NGOs, governmental officials and media (Hong Kong Cable TV) attended this meaningful and memorable evening celebrating success together.



Photo Caption: Villa-H.K's staff celebrated their success during the 10th Anniversary Dinner Held on 12 Feb 2012 at the Grand Hyatt Hotel, Hong Kong.



Photo Caption: The Student Management Consultant (first on the left) from the Nottingham University Business School (U.K) celebrated with Villa-H.K's staff and their stakeholders at the event to also celebrate the successful completion of the 6-month-long management dissertation that introducing the CSR-integrated strategic plan for Villa-H.K.

Should CSR be adopted for Sustainable Value Creation? – A CSR-integrated Strategy Formulation Exercise for a Small Hong Kong Travel Business

Two DVDs enclosed which contains:

Track 1: *Focus-group Meeting 2*
 (w/ Villa Group Senior Management)

Duration: *Approximately 43 minutes*

Track 2: *Interview with Bluepeace Co-founder*

Duration: *Approximately 45 minutes*

Track 3: *Focus-group Meeting 1 (w/ Hotel Staff)*

Duration: *Approximately 90 minutes*

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