The business-case for community investment: Evidence from Fiji's tourism industry

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Purpose: This paper argues that the rationale for community investment in developing countries is broader and more complex than in the West, and that the usual drivers of CSR behaviour are less explicit and robust in these settings.

Design/methodology/approach: Development of descriptive theory using the results of a qualitative study of 42 firms in Fiji's tourism industry. The primary data was derived from in-depth interviews with senior managers about their firm's CSR values and practices. This paper focuses on one aspect of CSR practice, community investment, and provides a comparative analysis of the results from the interview data.

Findings: The paper presents evidence that shows the rationale for engaging with and supporting local communities is more concerned with long-term sustainability than short-term profitability. The findings reveal that issues of legitimacy, interdependence, and risk management are important strategic reasons for undertaking community investment.

Research implications: The paper adds to theoretical understanding of the nature of CSR practices in developing countries. In particular, it reveals the importance of institutional factors in community investment decision-making and argues for an expanded theory of the business-case for CSR.

Originality/value: This research adds to the growing number of developing country case studies by focusing on a region that has been largely absent from empirical CSR research.

Keywords: Corporate social responsibility, community investment, developing countries, tourism, Fiji

Article classification: Case study

1. Introduction

In recent years the corporate sector has been increasingly attracted to the notion of the business-case as a justification for pursuing a Corporate Social Responsibility (CSR) agenda (Salzmann, Ionescu-Somers & Steger, 2005). This paper argues that the business-case fails to adequately explain the drivers of CSR among small and medium-sized enterprises (SMEs) in developing countries. Furthermore, it presents evidence for an expanded view of the drivers and benefits of pursuing a CSR agenda and contributes to the growing empirical record that shows business-society relationships are considerably more complex in developing countries. The evidence suggests that longer-term sustainability is a more critical determinant of CSR behaviour than the pursuit of short-term profitability. Drawing on evidence from a larger study of CSR in Fiji's tourism industry, the paper explores the legitimacy of the business-case in explaining patterns of community investment as one manifestation of CSR. It shows that community investment by Fiji's tourism firms was largely motivated by a need for legitimacy, interdependence, and risk management. Furthermore, the research demonstrates that voluntary initiatives in the community that may appear unconnected to a firm's central business interests can nonetheless provide strategic long-term value.

2. An overview of the business-case argument

Academic enquiry of CSR has been dominated by what may be termed as the narrow business-case, which attempts to demonstrate a positive relationship between a firm's financial and social performance (Smith and Ward, 2007). Its proponents argue that CSR gives firms distinct marketing advantages, particularly among increasingly socially aware consumers, thereby creating a competitive advantage and increasing revenue while enhancing the firm's public reputation. This performance-driven approach to CSR attempts to link a firm's

CSR actions with business outcomes and has become the dominant rationale for firms undertaking CSR initiatives (Basu and Palazzo, 2008; Lee, 2008). Using various measures, scholars have largely been concerned with demonstrating the positive effects that CSR has on bottom-line financial performance (Kanter, 1999; Halal, 2001; Paine, 2003; Schuler and Cording, 2006). Others have argued that CSR improves reputation and maintains customer loyalty (Kotler and Lee, 2005), helps in employee retention (Turban and Greening, 1997), and preserves firms' reputations through environmental responsibility (Kozminets and Handelman, 2004).

The strategic value of CSR programs has also been argued by various authors (Porter and Kramer, 2002; McWilliams et al., 2006). For example, Porter and Kramer (2002) criticise the diffuse and unfocused nature of many CSR initiatives, arguing they are mostly driven by the beliefs and values of managers and not sufficiently tied to the firm's objectives. They advocate a strategic or context-focused philanthropy whereby a firm targets its contributions to the locations in which it operates. This, they claim, creates alignment between what a firm is able to contribute and what the community most needs while influencing its competitive context (2002, pp. 60-62).

Despite the obvious appeal of the business-case, this justification for CSR-related expenditures remains somewhat elusive. Some empirical evidence suggests that the quantitative record of financial benefits from CSR is inconclusive (Doane, 2005; Vogel, 2005). Furthermore, many managers struggle to measure the impact, both to the firm and society, of their firm's social initiatives (Salzmann et al., 2005; Weber, 2008). Promotion of the narrow business-case has also led to an almost exclusive empirical focus on large publicly-traded corporations (Lee, 2007). This emphasis has been largely at the neglect of SMEs, particularly in developing countries where financial data are less readily available and less is known about their CSR activities (Raynard and Forstater, 2002).

The narrow business-case also becomes problematic as a justification for supporting community initiatives. As an external stakeholder, communities are sometimes regarded as less important than other stakeholders due to the absence of a financial interest and having fewer legitimate claims on a firm's resources (Jennings, 1999). This line of reasoning suggests that community initiatives have the potential to be a costly distraction for firms as they lose sight of their primary commercial objectives and attempt to satisfy wider community interests. Moreover, it has been argued that CSR burdens managers who are not specifically trained to engage with community stakeholders, particularly where voluntary initiatives require elaborate monitoring, accounting and reporting systems (Henderson, 2001).

Despite the theoretical objections, the growing empirical record suggests that both domestic and transnational firms are increasingly engaged in CSR initiatives in developing countries (Fox, 2004; Prieto-Carrón et al., 2006). However, there is a greater need for understanding how CSR values are shaping the behaviour of firms in the developing world, including how it is perceived and practiced in different societal contexts (Aguilera et al., 2007; Jamali, 2007; Perrini et al., 2007). As Lee (2008, p. 69) points out, "...each country has a distinct social structure, dominant issues, institutions and interests, shaped by its unique history and cultural tradition". Moreover, many countries have long cultural traditions of philanthropy and community embeddedness that shape that informally regulate the practices of the private sector (Fox, 2004; Lee, 2008; Visser, 2008). Hence, there is a greater need to understand the drivers of CSR, and community investment in particular, within these social and cultural contexts.

In recent years, institutional theory has been applied to CSR research and offers a useful explanation of why firms engage with external stakeholders, particularly in a developing country setting. While a systematic review of the institutional literature is beyond the scope of this paper, institutional theory has been applied

to CSR to explain, among others, the role of legal institutions, regulatory systems, and competitive pressures in shaping the behavior of firms (Campbell, 2007). Firms are expected to respond to the prevailing societal values and norms by meeting mandatory or customary expectations (Husted and Allen, 2006; Matten and Moon, 2008). For example, Vilke's (2011) study of CSR in Lithuania revealed how factors in the institutional environment can both promote and hinder the development of CSR within a country.

However, Marquis et al. (2007) suggest that community-level influences are frequently overlooked in the institutional literature due to an emphasis on political and economic conditions as drivers of CSR. Their model suggests that geographic communities influence the type and level of CSR through several distinctive forces. First, cultural cognitive forces establish shared frames of reference leading to community isomorphism. This can be seen in countries such as Fiji where indigenous communities share common traditions of collectivism and reciprocity (Thomas, 1992). Second, social normative factors determine the level of connection between firms, communities and civil society. For example, studies of CSR in Africa (Ashley and Wolmer, 2003; Hamann, 2002; Idemudia, 2009) have identified the important role played by civil society organizations in partnering with businesses to address social problems. Third, regulative community forces establish rules of conduct or control sanctions (rewards and punishments) that encourage firms to comply.

There is now growing recognition of the non-monetary and qualitative benefits from CSR. For example, in an empirical study of CSR in Thailand, Kraisornsuthasinee and Swierczek (2009) found that the benefits of CSR for the respondent firms included the social license to operate in addition to cost reductions, enhanced brand image, and a positive impact on sales. However, there is still insufficient recognition in the CSR literature of the importance of intangible benefits as a rationale for pursuing CSR (Dyllick and Hockerts, 2002; Salzmänn et al., 2005). Institutional pressures for CSR behaviour represent an

expanded business case, which I argue offers a more pertinent explanation of why firms undertake community investment in developing countries. Among the various elements of the expanded business case, three are identified in this paper as being important, yet insufficiently studied, in a developing country context – legitimacy, mutual dependence, and risk management.

3. Research approach

The data presented here is drawn from a larger study of CSR practices in Fiji's tourism industry undertaken by the author. However, this paper focuses on community investment as one form of CSR activity. For the purposes of this research, community investment was defined as the voluntary transfer of resources to community stakeholders, which may include the provision of infrastructure, education, healthcare or other forms of financial or in-kind support intended for the short or long-term benefit of a community. Although differing in purpose to financial investment, community investment is nonetheless expected to produce a positive return for the firm (BCA, 2007), and in this context, positive development outcomes for society. In this study, a firm's voluntary expenditure (contributions in excess of legal obligations) was used as a proxy measure for assessing a firm's community commitment.

As the second largest economy among Pacific Island countries, Fiji presents as an ideal case for examination of CSR issues for several reasons. First, as a region the South Pacific is yet to receive sufficient research attention on CSR issues, although some aspects of social performance have been previously researched (Levett and McNally, 2003; Harrison, 2004a; Harrison, 2004b). Second, community development and poverty-reduction feature prominently as a policy priority of the Fijian government (Fiji Ministry of Finance and National Planning, 2002). Hence, there is considerable scope to assess the potential role the private sector plays in social development through CSR initiatives. Third, the

archipelagic geography of Fiji was thought to highlight the importance of certain firms whose involvement with local communities could be critical for social development, particularly on smaller and remote islands.

The results are based on semi-structured interviews with the owners and/or managers of 42 tourism enterprises in Fiji. The adoption of a case study approach is consistent with other empirical studies of CSR in developing nations, including Hamann (2002), Amaeshi et al. (2006), Jamali (2007), and Merwe and Wöcke's (2007). Each manager was questioned about their firm's values and practices with regard to CSR in general, and community investment in particular. A questionnaire was used in the interviews, which were conducted in-person in all but two cases where the data was collected by telephone. The introductory questions focused on the background and characteristics of the firm while the remaining questions covered the firm's values, strategy, CSR practices, and motivations and experiences of community investment. While qualitative techniques were the primary method of data analysis, the study also utilized frequency analysis to determine the significance of the firm and CSR variables. However, the study did not attempt to establish correlation or causality between these variables.

The tourism industry was chosen because at the time of research it was Fiji's largest industry in terms of contribution to Gross Domestic Product, export earnings and employment (Fiji Ministry of Information, Communications and Media Relations, 2005), and had not been studied in a CSR context. All of the respondent firms operated in the accommodation segment of the tourism industry although a cruise line was also included because of its interactions with multiple communities and because it too offered on-shore accommodation to passengers. The 42 firms interviewed for the study accounted for 3,762 rooms or about 56 per cent of the 6,713 rooms available in Fiji at the time. The selection of firms was based on four criteria. First, the four key tourism regions in Western Fiji were represented in the sample, which comprised the Coral Coast and Nadi/Lautoka

regions on the main island of Viti Levu, and the more remote Mamanuca and Yasawa Islands. Second, firms were selected according to size (number of available rooms) and standard of accommodation (star rating), with the 42 firms accounting for about 56 per cent of the available rooms at the time of the study. The third criterion was based on ownership characteristics, which included domestically-owned enterprises (Fijian and Indo-Fijian owned), and foreign-owned resorts and hotels. Finally, the sample included firms that were subject to the various land tenure arrangements that exist in Fiji. Around 87 per cent of all land in Fiji is subject to customary ownership (iTaukei Land Trust Board, 2013); hence the majority of hotels and resorts outside of Fiji's urban areas are operating on native land and subject to annual lease commitments. Firms that operated on freehold and crown land were also included in the sample. The interview results and analysis of secondary data is presented below.

4. Research findings

4.1 Business values and strategy

Interviews with the respondent firms revealed the importance of local communities to Fiji's tourism industry, despite these values being rarely reflected in statements of corporate values. When asked to identify which groups were regarded as stakeholders, 36 of the 42 (86 per cent) managers identified the community as having an important stake in their firm's operations. Communities were most typically understood to constitute indigenous Fijian villages, which had well defined cultural and geographic margins. In most cases, villages in close proximity to the firm were considered as the most important community stakeholder, although non-government organisations (NGOs) and religious and ethnic organisations were also among those included as the 'community'.

Despite the stated importance of the local community as a stakeholder, only 15 firms (36 per cent) had formalized statements of business values and objectives. Of these, only eight firms had a publicly available mission statement of which only three had specifically identified the community as a stakeholder. Such lack of values documentation is perhaps not unusual in smaller enterprises, particularly in developing countries. This contrasts sharply with the practice of many Transnational Corporations (TNCs) where commitment to CSR is more likely to be embedded in an organization's values statements and planning documents. However, various authors (Basu and Palazzo, 2008; Hoffman and Bazerman, 2006) suggest there has been an over-emphasis on the content of CSR activities without a commensurate understanding of the institutional factors that drive CSR decision-making. Hence, the absence of CSR in statements of business values may not in itself imply a lack of managerial commitment to CSR, which can only be gauged by reference to CSR behaviours in addition to a firm's stated values. Furthermore, values statements are likely to convey little about a firm's motivations in undertaking CSR activities.

4.2 The nature and extent of community investment

Despite the absence of explicitly-stated CSR values, voluntary support for communities was a regular business activity for 39 of the 42 firms (93 per cent) included in the sample. In practice, voluntary community investment took various forms, which included direct outlays of funds, income forgone, services provided without charge, goods donated to host communities, and corporate volunteering. The annual value of voluntary community investment provided by the 39 respondent firms was estimated to exceed F\$1.3 million at the time of the study. Although the annual amount provided is likely to fluctuate with circumstances such as changing revenues, the frequency of community requests for assistance, and even the shifting CSR commitment of the firm, it nonetheless represents a significant injection of funds into the social fabric of Fiji's indigenous villages and other communities. As Figure 1 shows, the type of support offered by the 39

respondent firms was diverse and typically reflected the distinctive relationship that each firm had with its neighboring villages.

Figure 1: Types of community initiatives undertaken

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Although community investment decisions were frequently determined through firm-village negotiation, most respondents stated that their firms ultimately decided on the type and level of support that would be offered. As a consequence, 32 of the 39 respondents (82 per cent) reported that community initiatives had not adversely affected their firms either operationally or financially. Larger, foreign-owned resorts typically applied strict criteria over community investment decisions with most preferring to support longer-term infrastructure projects and adhering to a “no-cash” policy. To manage the type and frequency of requests, many larger firms had attempted to formalise their communication with neighboring villages. This typically took one of two forms. First, village elders would be asked to nominate a representative who would submit all requests on behalf of the village to the firm at an agreed time. The second method of communication, and one favoured by larger firms, was for the firm’s management to meet regularly with village elders to discuss the village’s requests for assistance. This conduit to the community had the added advantage of enabling managers to also present requests if the firm required cooperation from the village. Both means of community dialogue were an attempt to minimise frequent or ad hoc requests from villagers who often sought assistance for their own needs rather than those of their village. Formalising communication channels also enabled some managers to signal their preference for undertaking projects that address longer-term community needs.

In contrast to foreign-owned firms, indigenously-owned firms were less reticent about responding to requests for consumable items such as food, fuel for boats, and services such as free passage on the firm's vessels. These firms also tended to be smaller with less capacity to undertake more enduring forms of community investment. Furthermore, they were often subject to strong kinship obligations associated with their owner's membership of a local village. As Berno and Douglas (1998) have noted, the strong Melanesian kinship system can be at odds with commercial objectives by threatening the profitability of some small tourism operations. Expectations to meet village requests also meant that some owners had to distance themselves from their relatives for their businesses to remain viable. While some respondents believed that customary obligations created unrealistic expectations, others believed that frequent requests from villages were a consequence of poverty and unmet needs.

4.3 Why firms undertake community investment

Each respondent was asked to identify the reasons why their firms had chosen to voluntarily support local communities. Motivations are typically complex and multi-faceted and hence the respondents usually offered more than one reason for undertaking community initiatives. Table 1 categorizes the reasons why the 39 firms undertook community investment initiatives. While the personal commitment of owners or managers was the most commonly cited reason for undertaking community investment (72 per cent of respondents), instrumental motives were also apparent in most cases. However, unlike the typical business-case for CSR, the data shows that the potential marketing and taxation benefits associated with undertaking community investment were conspicuously absent from the responses. Even in the category of 'other', most respondents offered reasons that were closely linked to the needs of the business. For example, two firms saw community investment as important for maintaining close relationships because assistance from the village may be needed in the future. This behavior

is indicative of strategic philanthropy as described by Porter and Kramer (2002) and Jamali (2007).

Table 1: Why firms undertook community investment

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In contrast to the experience in developed nations, several reasons explain the relative unimportance of marketing and taxation benefits in the Fijian context. First, most managers held the view that inbound visitors to Fiji were largely unconcerned about a firm's social performance when making accommodation decisions. Most tourists, they reasoned, were concerned only with a resort's location, amenities, and price. Hence, 31 firms (79 per cent) had chosen not to publicly promote their community investment initiatives in marketing campaigns in local and international media. This finding is consistent with earlier studies of the tourism industry, which also suggest that tourists are largely uninfluenced by social criteria and generally unwilling to pay more to stay in resorts that adhered to social and environmental standards (Sharpley, 2000; Dodds and Joppe, 2005).

A second reason for the reluctance of firms to advertise their community investment initiatives is concerned with cultural acceptability. Many managers clearly believed it was culturally inappropriate for their firms to use CSR for marketing purposes, particularly when Fiji had significant unmet social needs and widespread poverty. As one manager stated "...to advertise would look cheap because villages' needs are great". Even among the eight firms (21 per cent) whose managers reported advertising social or environmental initiatives, all but one had adopted a low-key approach. Rather than using CSR to target ethically-conscious tourists in international markets, these firms had adopted an informal

approach of informing guests upon arrival at the resort. The notable exception was a firm that had won numerous awards for its CSR practices, which it promoted in its marketing collateral. Overall, the relative unimportance in Fiji of CSR as a tool for competitive advantage is consistent with the findings from research in other developing countries such as Amaeshi et al.'s (2006) study of CSR in Nigeria and Merwe and Wöckel's (2007) study of South African hospitality firms. It also confirms the observations of Raynard and Forstater (2002) that CSR undertaken by SMEs typically goes unreported in many developing countries.

A third reason why the drivers of community investment contrasts with Western practice is that Fiji's taxation system does not offer tax deductibility for voluntary donations to communities except in limited circumstances (Fiji Revenue and Customs Authority, 2013). Tax deductibility for community initiatives reduces the after-tax cost of CSR expenditures and while this benefit of itself may not be sufficient to encourage a firm to become socially responsible, it nonetheless lessens the financial burden of CSR initiatives. While the Fijian Government recognises the social contribution made by the tourism industry (Fiji Ministry of Tourism and Transport, 2007), particularly the development of village infrastructure, its endorsement of CSR values does not extend to offering financial incentives or tax deductions for community investment except to approved charities (Fiji Revenue and Customs Authority, 2013). Like many governments, its tourism policy is focused on encouraging economic investment, particularly inbound foreign investment, and while community investment is encouraged it is not mandated. Although many of the 39 firms chose to donate cash or services to registered charities, some on a regular basis, this form of support was small compared to the level of support offered to indigenous villages in proximity to the firm.

The complexity of motivations for undertaking voluntary community investment was also apparent when respondents were asked to identify whether their firms

benefited from undertaking community investment and if so, what form these benefits took. Of the 39 tourism firms that undertook community investment initiatives, 27 firms (69 per cent) believed that voluntary support for communities was beneficial to the business. As indicated in Table 2 the perceived benefits took various forms with a number of respondents identifying multiple benefits arising from their community initiatives. The majority of respondents viewed 'good relationships' with local villages as providing a tangible benefit in itself, although most clearly valued indirect benefits that served to improve the firm's productivity, lower costs, or improve its attractiveness to the market. These indirect benefits included having more friendly staff, the support of landowners working in the business, greater hospitality towards guests during village visits, labor or other inputs supplied at lower prices than if sourced commercially, and reduced disruption to the firm's operations. Twelve firms (31 per cent) perceived their community investment initiatives were one-sided, that is the firm received no benefit from supporting local villages nor did they expect to in the future. Some of these firms acknowledged that community investment brought goodwill but did not consider goodwill as a tangible form of benefit in the same way as increasing revenue or lowering costs. Other firms simply viewed community investment as a necessary activity for which the firm did not expect anything in return.

Table 2: Perceived benefits from undertaking community investment

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The relative unimportance of financial benefits in the short-term suggests that other factors are more potent as drivers of community investment in Fiji's tourism industry. Accordingly, this study found that the rationale for community investment was more concerned with issues of long-term sustainability, through

legitimacy, interdependence, and risk management, rather than profit maximization. These factors, which characterize the expanded business-case for community investment, are more qualitative in nature but nonetheless helped secure the firm's place in Fijian society.

Legitimacy of operating in host communities

Organizational legitimacy occurs when the prevailing social system accepts an organization's utilization of resources that might otherwise be allocated elsewhere (Dowling and Pfeffer, 1975). The need for firms to establish legitimacy through CSR initiatives and gain societal acceptance is already well recognized in the CSR literature (Weber, 2008). However as Fox (2004) argues, the context for CSR is markedly different in developing countries where regulatory environments are typically weak yet long traditions of philanthropy are often evident. Furthermore, in most developing economies factors such as a firm's size, visibility, location and ownership structure will clearly be important in how CSR decisions are made (Fox, 2004).

Compared with many other industries, tourism is highly visible in developing countries due to the need to operate in close proximity to amenities and attractions. Tourism enterprises in remote regions are even more conspicuous and sometimes represent the most visible form of business enterprise, particularly in poorer regions. Two other factors add to the prominence of this industry in developing countries. First, as a provider of luxury goods and services the tourism business stands in stark contrast to the economic and social needs in surrounding communities. Unlike most industries with long supply chains the tourism product is consumed at its point of production, therefore bringing together relatively wealthy tourists with poorer host populations and potentially exacerbating a sense of inequality. A second factor is that government-provided infrastructure and services are typically lacking in remote regions, thereby creating expectations that private sector firms, particularly those

perceived as affluent, might 'fill the gaps'. These societal pressures are likely to be most pertinent where the state either lacks the resources or will to provide adequate public goods and services.

In Fiji, the need to establish legitimacy was particularly acute where firms operated in remote regions and among poorer populations. Resorts in these areas are highly visible and these regions were often poorly served in terms of infrastructure and other government-provided services. Many respondents reported a strong expectation among local villagers that their resorts would contribute to village development, particularly as these firms were perceived as wealthy entities due to the luxury services they provide. As a consequence, these firms reported receiving more frequent requests for community investment from local villages than their urban counterparts. As noted in Table 1, nearly half of the respondent firms identified community expectations as a reason why their firms undertook community initiatives. In the Melanesian context, there is a high expectation that indigenously-owned tourism firms will satisfy kinship obligations. The cultural tradition of *Kerekere* (to request goods and services) raises significant expectations that businesses will support village members and is emblematic of the communal nature of Fijian society (Thomas, 1992).

Another factor associated with the need for legitimacy is the importance of maintaining good relationships with land-owning villages. Land tenure arrangements are a significant and contentious issue in Fiji (Levett and McNally, 2003). As noted earlier, approximately 87 per cent of land in Fiji is subject to customary land tenure (iTaukei Land Trust Board, 2013). The majority of Fiji's tourism firms operate under long-term tourism leases administered by the iTaukei Land Trust Board (TLTB), an independent authority established to represent the interests of customary landowners. Of the 42 firms interviewed for this study, 14 had freehold title over their properties, one operated under a crown lease, 26 were subject to customary land tenure (most having tourism leases), and one firm had its seven properties under each type of land tenure arrangement.

Although less common, resorts on freehold land were scattered through the four regions covered in this study.

The research sought to establish whether land tenure arrangements have an important bearing on the level of community investment undertaken. In particular, it assessed whether customary land tenure necessitated closer links between tourism firms and their land-owning villages. If so, these firms might be expected to more actively contribute to these villages. Conversely, firms operating on freehold land, with no legal connection to neighboring villages, may feel less compelled to contribute voluntarily. The results showed that mean and median levels of community investment were significantly higher for firms that operate on native land. Most of these firms had a 99-year tourism lease and were required to make monthly lease payments of between three and seven and a half per cent of sales turnover to the TLTB, which is then redistributed to landowners. During the interviews it was explained by respondents that firms on native land tended to have more communication with their land-owning villages, had more village members working as employees, and were subject to more constant requests for voluntary community investment than firms that operated on freehold land.

The above societal and industry features create a need for firms to establish legitimacy in the communities in which they operate. Voluntary community investment provided firms with an important means of securing its place within this societal context. Although not unique to Fiji, these institutional pressures are less apparent in western nations with less direct pressures to support communities, less visible social needs, better government services provision, and more freehold ownership of land.

Interdependence between firms and host communities

The second element of the expanded business-case is the importance of an interdependent relationship between firms and their host communities. This is perhaps the most overlooked driver of CSR initiatives in developing countries, yet one of most pertinent in industries such as tourism. Community investment can be viewed as a reciprocal action whereby a firm offers support to a community with the implicit understanding and expectation that the community will support the firm's ongoing operations. In effect, these initiatives form the core of a social contract that exists between a firm and its local community, although the degree of interdependence in the firm-community interface may vary significantly. For example, a firm's need to interact with its local community may depend on how well the community is defined and organized, the community's capacity to offer goods and services of value to the firm, perceptions of threat or risk from non-engagement, and other variables that are specific to its context.

In addition to reinforcing legitimacy, community investment in the Fijian context was, in most cases, viewed as a necessary cost of eliciting village support and goodwill. While community goodwill was often viewed as a tangible benefit of itself, respondents also clearly valued the indirect benefits arising from a reciprocal relationship. Hence, it was evident from the data that firms which more generously contributed to village development enjoyed higher levels of support and cooperation from these villages. Although village members were remunerated for the goods or services they provided to the firm, most respondents believed that voluntary support of projects for the whole village was necessary because of their firm's economic and cultural dependence on these communities.

The respondent firms were dependent on neighbouring villages in three ways. First, they were reliant on neighbouring villages as the primary source of skilled and semi-skilled labor. This was especially evident where resorts operated in

remote regions that were geographically distant from population centres. Among the 42 firms interviewed, 37 (88 per cent) reported that indigenous Fijians comprised more than half of their workforce. The employment of individuals from villages in close proximity to the firm was a practical measure, particularly for firms in remote locations, but also served to satisfy lease conditions that stipulated preferential employment of villagers in resorts that operated on native land. Second, local villages were often an important supplier of goods, such as fresh food and vegetables, and traditional skills such as thatching of *bure* (huts), which were more difficult or expensive to obtain elsewhere. Hence, utilizing the services of local villagers was an important strategy for maintaining availability and cost control in the firm's supply arrangements. Third, because cultural entertainment and education represents an important part of the tourism product itself, the respondent firms were reliant upon the cooperation of neighbouring villages for activities such as traditional dancing, cooking, and village tours.

in all cases village tours were perceived by the respondent firms as being mutually beneficial. Paid tours not only raised revenue for the firm and extended the entertainment options for in-house guests, but also enabled the village to raise additional income from the sale of souvenirs and handicrafts. Although village tours might be considered as a form of guest entertainment they usually entailed an element of cultural education, which is consistent with responsible tourism practice (Dodds and Joppe, 2005). In this context the importance of the community as a business stakeholder is elevated, thereby strengthening the rationale for firms to contribute voluntarily to community development in addition to their commercial transactions. Hence, the support of indigenous communities is perhaps more critical for tourism enterprises in developing countries because the culture itself forms a crucial element of the tourism product (Kalisch, 2002). In summary, the practice of engaging with and supporting neighbouring villages represented a strategic choice for most tourism enterprises because of the reciprocal value of these relationships.

Risk management

Risk management is already a well-recognized reason for undertaking CSR (Schaltegger and Wagner, 2006; Smith and Ward, 2007; Weber, 2008), which in the narrow business-case is typically concerned with reducing the potential loss of public reputation, revenue, and profitability. In the case of tourism, it has been argued that an active CSR program helps to minimize business risk through loss of public reputation, consumer boycotts, host community discontent, staff dissatisfaction, excessive bureaucratic regulation, and environmental degradation that may jeopardize the future attractiveness of the destination (Kalisch 2002).

A reduction of stakeholder risk, particularly community stakeholders, was cited as an important reason for undertaking community investment. In the Fijian context, disputes with villages over land tenure are a tangible form of risk and remains a contentious issue in Fiji. Authors including Rao (2002), Levett and McNally (2003), Harrison (2004a; 2004b), and Narayan and Prasad (2004) all identify the threat to tourism enterprises posed by land tenure disputes in Fiji. It was therefore not surprising that six respondents (15 per cent) believed that support for local villages helped reduce the incidence of threats to their firm's assets and operations. In most cases, these firms had experienced problems of petty mischief by villagers, which was interpreted as dissatisfaction with the firm's earlier level of involvement with the community.

Other resorts had experienced more significant disruption. For example, a study by Levett and McNally (2003) identified three incidents where land disputes arising from community dissatisfaction had resulted in significant disruption, and even violence. As an example, Harrison has suggested that Turtle Island Resort's extensive community investment initiatives in Fiji may be regarded as a long-term strategy to "safeguard the resort's operations" (2004b, p. 24) because villagers who "depend on the resort are less likely to threaten its existence"

(2004b, p. 23). Community investment may therefore minimize the risk of disruption to a firm's operations from disgruntled villagers thereby adding to the business-case for this form of stakeholder involvement. Despite isolated instances of disruption, most respondent firms reported having harmonious relationships with local villages and considered their voluntary community initiatives was a critical element in maintaining this goodwill.

5. Implications and conclusions

This research has added to the growing number of developing country case studies by focusing on a region that has been largely absent from empirical CSR research. It has focused on the tourism industry, which although studied in various contexts, has lacked sufficient research of a CSR nature despite the industry's global importance for economic output, employment, and export earnings. The evidence presented here suggests that in the context of the Fijian tourism industry, legitimacy, interdependence, and risk management are more potent drivers of community investment initiatives than the marketing benefits associated with CSR. As an industry, tourism is distinctive because of its strong reliance on local communities, particularly in developing countries where the culture itself forms part of the tourism product. Hence, the necessity for community involvement is likely to be stronger than for many other industries. Furthermore, threats of disruption and Fijian customary traditions were also significant drivers for firms to contribute to community development.

The above findings raise other important implications for academic understanding of business involvement in indigenous communities. The study confirms the importance of localized and socio-economic factors as drivers of CSR. Consistent with evidence from other developing countries, such as in Nigeria (Amaeshi et al., 2006) and South Africa (Merwe and Wöcke, 2007), local communities are frequently a more significant stakeholder in business

sustainability than for their Western counterparts. It has confirmed the views of Fox (2004) that the usual business-case arguments for engaging in CSR are weaker in developing countries and have focused too narrowly on marketing, profit, and reputational advantages.

This research also adds to the descriptive theory of CSR by providing insight into the strategic aspects of CSR decision-making. Authors such as Porter and Kramer (2002) claim that many CSR initiatives are diffused, lack strategic focus, and fail to align with the commercial goals of the firm. However, this research has shown that community investment initiatives can be strategically focused. While individual initiatives may appear to be altruistically motivated, and therefore disconnected from the firm's commercial goals, when viewed collectively they have a strategic purpose in furthering the firm's interests of maintaining harmony and reciprocity with neighbouring villages. This was evident in the tendency to support villages (usually land-owning villages) in close proximity to the firm and those with which it depended economically and culturally. The absence of support for distant villages suggests that strategic factors, albeit non-financial, significantly guided where and how community investment was undertaken.

As a final contribution, this study also provides empirical evidence that refutes the claims of theorists that CSR threatens profitability and places an unrealistic managerial burden on firms (e.g. Henderson, 2001), particularly in developing countries. Because most of the respondent firms applied strict criteria to the type and level of support given to local villages, profitability was not undermined. During the interviews it was made clear that most firms regarded their interactions with neighbouring villages positively and that community investment did not threaten the firm either operationally or financially.

Despite significant academic interest in the theoretical issues of CSR and a growing number of country, industry, and firm-level case studies, much remains to be done particularly in understanding development-focused CSR (Fox, 2004). In particular, further understanding is needed of how institutional pressures for

community investment can create strategic value for the firm, thereby reconciling strategic and institutional theories of CSR. As Jamali (2007) suggests efforts at reconciling self-interest with the common good holds particular promise for developing countries given their scarcity of State resources and a typically weaker enabling environment for CSR. This will require further understanding of the expanded business-case as a driver of CSR in general and community investment in particular. Hence, academics and policy-makers would benefit from further case studies of CSR in developing countries that identify the localized and contextual factors that drive socially responsible behaviour.

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