

All is one:
Enhancing the CSR practice
of



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The Hague, March 2008

PREFACE

This paper allows me to demonstrate the knowledge I have gained at HEBO within the specialization of Communication Management. My internship in the Marketing Communications department of Hard Rock Hotel Bali has given me a taste of the complex yet interesting world of communication professionals.

I would like to dedicate this paper to people at HRHB who have taught me more than just theories and practices in my scope; my greatest appreciation for the cultural experience and hospitality all of you have offered. My utmost thanks to Mrs. Kahar who has been more than patient to guide me in completing this paper.

Keep on rockin' the planet! Bless you all...

Natasha Alexandra Kindangen

The Hague, March 2008

EXECUTIVE SUMMARY

Corporate Social Responsibility (CSR) cannot be separated from today's business world. The ability for a business to reflect responsibility toward its stakeholders on its daily operation has becoming increasingly important in recent years as the pressure to implement is constantly higher. Consequently, there is a shift from obligation for "doing good to look good" to strategic decision "doing good and feeling good".

The situation above creates a challenge for Hard Rock Hotel Bali (HRHB) to demonstrate its CSR practice. Research, which was conducted by means of desk research, interviews, and observations, has shown that HRHB already has clear concept of CSR embodied in its 4 core philosophies: All is One, Save The Planet, Take Time To Be Kind, and Love All – Serve All. However, the practice is somewhat unfocused and unclear to the stakeholders. More than half of HRHB's employees are strangers to the term of "CSR".

Another main finding that may requires special attention is HRHB's relationship with the local authority. During the research, difficulties were found in accessing the authority. It is expected through solid interpersonal approach this barrier could be broken.

The purpose of this paper is to pinpoint the areas which need further attention so that the practice can be more tangible. Therefore, the communication goals are to ensure the target groups know how HRHB practices CSR and to generate belief that HRHB is socially responsible hotel.

Local community, employees, local authority, and guests are the target groups of this plan respectively; while the media serves as a channel. As it is acceptable to publicize CSR practice through media in Indonesia, HRHB should not miss this opportunity. Communication objectives are designed to meet what wants to be achieved per target group.

The following recommendations are to be implemented to obtain the desired results:

- Training sessions for employees
- Initiate events or hands-on participation which involve all target groups
- Maximize the use of website and e-newsletter to reach general public

As an official document that specifically records the CSR code of conduct was not found, it is a must for the management to create one immediately.

The commitment from top management to provide financial and non-financial support is considered to be critical for this plan. Nonetheless, the loyal engagement to CSR practice by all involved parties will ensure the continuity of this plan.

TABLE OF CONTENTS

CHAPTER 1: INTRODUCTION	1
1.1 Research questions	2
1.2 Justification of research	2
 CHAPTER 2: SITUATION ANALYSIS	 5
2.1 HRCI as licensor	5
2.1.1 Decentralization of Hard Rock	5
2.1.2 HRCI's CSR policy	7
2.2 HPL Hotels & Resorts as licensee	9
2.3 Internal analysis of HRHB	9
2.3.1 Mission statement	9
2.3.1.1 Employees	10
2.3.1.2 Environment	11
2.3.1.3 Community	11
2.3.2 HRHB's CSR policy	12
2.4 External analysis of HRHB	13
2.4.1 Macro environment	13
2.4.2 Meso environment	14
2.5 Conclusion	15
 CHAPTER 3: ANALYSIS OF TARGET GROUPS AND MEDIA AS A CHANNEL	 16
3.1 Primary communication target group: Local Community and Employees	15
3.1.1 Local community	16
3.1.2 Employees	17
3.2 Secondary communication target group: Local Authority	18
3.3 Tertiary communication target group: Guests	20
3.4 Media as a channel	21

CHAPTER 4: GENERAL CONCLUSION	22
CHAPTER 5: COMMUNICATING CSR – THE RECOMMENDATIONS	24
5.1 Communication objectives	24
5.2 Communication strategy	26
5.3 Tools and activities	28
5.3.1 Local community	28
5.3.2 Employees	29
5.3.3 Local authority	29
5.3.4 Media	30
5.3.5 Guests	30
5.3.6 Other tools and activities	31
5.4 Time planning	31
5.5 Further recommendations	32
5.6 Conclusion	33
CHAPTER 6: EVALUATION PLAN	34
CHAPTER 7: FINAL CONCLUSION	36
REFERENCE LIST	i
APPENDIX	

CHAPTER 1:

INTRODUCTION

According to the survey conducted by AC Nielsen in April 2007, 84% of urban Indonesians would be more likely to support a company that is known to be socially responsible (P. Guntensperger, personal e-mail, May 10, 2007). Corporate Social Responsibility or simply abbreviated as CSR has become a buzzword in recent years. It is defined as the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large (Holme & Watts, 2000, p. 8). CSR is an evolution in the approach towards sustainable development. A responsible attitude towards society can make a business more competitive, more likely to attract and maintain employees and customers, greater acknowledgement from the government and communities, appreciated by many interest groups, and better performance in stock market (Hanssen, 2006, slide 5).

Consequently, being able to run a business that is socially responsible becomes a challenge for every industry, including hotel and tourism industry. As one of the world's most popular tourist destinations, Bali has been carrying heavy social and environmental burdens in recent years. The rapid growth of the tourism industry has significantly boosted the local economy, yet it has also contributed to massive environmental degradation as well as numerous social problems (Widiadana, 2007, p. 21). Thus, the challenge is apparent. To Hard Rock Hotel Bali (HRHB), being engaged to CSR means adhering to the philosophies of "All is One", "Save the Planet", "Take Time to Be Kind", and "Love All – Serve All", that were created by the founders of Hard Rock in 1971. As a result of brand-licensing agreement¹, HRHB has rights to determine its own CSR policy; on how HRHB respond to stakeholders' needs and expectations concerning their well-being which covers human conditions as well as environmental issues. Marketing Communications (Marcom) department is the active motor to communicate CSR policy and its practice; as at HRHB, Marcom department partly serves the public relations (PR) role which features developing credibility and raising visibility.

¹ Brand licensing is the state when a company sells the rights to use a brand name to another company for use on a non-competing product or in another geographical area (Altekar, 2005, p. 160).

1.1 *Research questions*

Central Question

How has HRHB practiced its CSR policy to ensure the sustainability² of the local community and environment in Bali?

Sub Questions

To assist on finding answers to the central question, the following sub questions have been formulated.

1. Does HRHB have a written CSR policy?
 - What is the policy?
 - What is the procedure of implementing the policy?
 - What are the strengths and weaknesses of the policy?
2. What CSR means to the stakeholders?
 - Who are the stakeholders of HRHB?
 - Which CSR issues are the priorities of the stakeholders?
 - Are the stakeholders aware of HRHB's CSR practice?
 - What are the expectations of the stakeholders to HRHB?

1.2 *Justification of research*

The overall goal of this research is to evaluate HRHB's CSR policy and practice and provide recommendations on how to effectively communicate them afterward. The research was divided into three parts: preliminary, primary, and secondary.

Preliminary

Preliminary research has been executed to obtain information on the recent trends as well as to identify the macro and meso environment of HRHB; and to be able to formulate the central question and sub questions. Preliminary research is mainly based on media monitoring mostly by reading local and national newspapers. With this

² Sustainability is defined as social and environmental practices that protect and enhance the human and natural resources needed by future generations to enjoy a quality of life equal to or greater than our own (USEPA, 2007, "Glossary of Terms" section, ¶ 1).

information the problem can be defined and provide ground to proceed with the further research.

As soon as the central question and sub questions have been determined, the following data collection methods are applied to facilitate situation analysis of HRHB. Both primary and secondary data are used throughout the research, which include quantitative and qualitative sources.

Primary

Primary data are those which are collected to fulfill the demands of the current research project, and have to be gathered should the secondary sources of data fail to provide the information necessary to meet the research objectives (Baker M.J., 2003, p. 177). The primary data was collected through observation and interview respectively.

Observation was performed during the working hours and principally on casual basis; by attending daily briefing and observing the working process. Through the direct and indirect participation during this phase, a great deal of organizational behavior has been learned.

The purpose of conducting interview is to acquire information from the stakeholders of HRHB. Individual depth interviews with key figures such as General Manager, Marcom Manager, Assistant Marcom Manager, representative of local community, and CSR analyst were carried out during the placement period from January up to June 2007 as well as informal interviews with few employees of HRHB, while interviews by means of phone calls, e-mail and instant messaging were done up to last stage of finalizing this paper. The writer has decided not to do survey since interviews has been able to provide answers and represent stakeholders' opinion at large, particularly in regard to local community and employees as stakeholders.

Secondary

Secondary data refers to the results of studies done by others and for different purposes than the one for which the data are being reviewed (Cooper & Schindler, 2006, p. 717). The sources of secondary data are gathered from HRHB's internal documents as well as from books, newspapers, and websites. By studying these internal documents, insight

on the written policy and procedures was gained; while the use of books, newspapers, and websites were continued to provide theoretical background and suggestions. Apart from the basic reading materials to write paper of Communication Management students, *Setting up a Strategic Communication Plan* and *Integrated Communication: Concern, Internal, and Marketing Communication*, the following books were used:

- *Corporate Social Responsibility: Doing the Most Good for Your Company and Your Cause* by Phillip Kotler and Nancy Lee
- *Strategic Corporate Social Responsibility: Stakeholders in a Global Environment* by David Chandler
- *Monitoring Public Perception of Organizations* by Marita Vos and Henny Schoemaker
- *Marketing Communications: An Integrated Approach* by P. R. Smith and Jonathan Taylor
- *Business Research Methods* by Donald Cooper and Pamela Schindler
- *Strategi Public Relations: Bagaimana Membangun Citra, Mengendalikan Krisis, dan Merebut Hati Konsumen [Public Relations Strategy: How to Build Image, Control Crisis, and Win Consumers' Heart]* by Silih Agung Wasesa

CHAPTER 2:

SITUATION ANALYSIS

This chapter attempts to provide systematic internal and external analyses of HRHB. Prior to that, it is important to understand to what extent Hard Rock Café International (HRCI) and HRHB are related. This query will be answered through examining the history of Hard Rock. Internal analysis will focus on HRHB's current CSR policy and practice while external analysis comprises macro and meso environment³ of HRHB where CSR trends seem to occur. By the end of this chapter, it is anticipated that an insight of HRHB's position in response to CSR can be obtained and solid foundation for subsequent chapters can be accommodated.

2.1 *HRCI as licensor*

History of HRCI will provide answer to the extent of relationship between HRCI and HRHB; the second section highlights HRCI's CSR policy which is underpinned by its CSR activities.

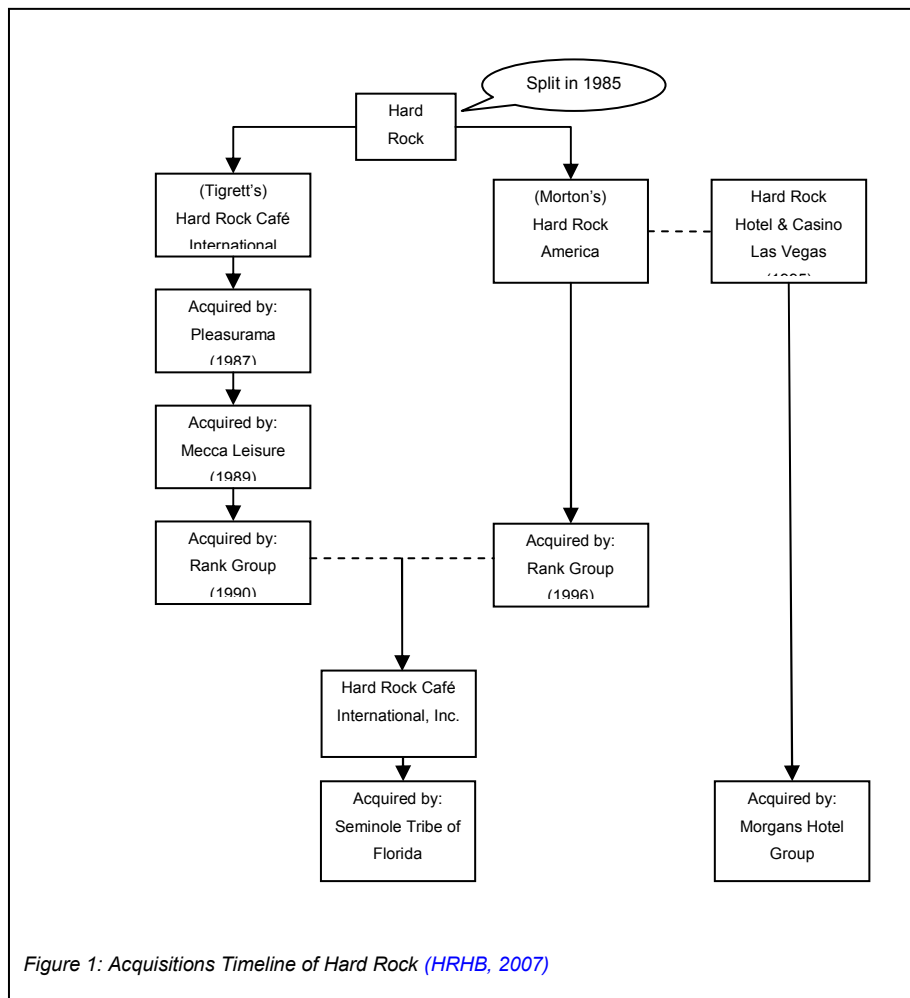
2.1.1 Decentralization of Hard Rock

As one of the world's most recognized brands, the story began in 1971 with the opening of Hard Rock Café in London by Isaac Tigrett and Peter Morton. Today's decentralized HRCI can be traced back to the early 1980s, when the two co-founders had irreconcilable dispute that resulted in legal action pursuant to an agreement in which they divided their Hard Rock Café properties. HRCI was Tigrett's division of Hard Rock while Morton's part was then renamed as Hard Rock America. Each of them continued to expand their business by licensing the brand to different parties based on geographical location. Morton expanded his version of Hard Rock by opening Hard Rock Hotel & Casino in Las Vegas in 1995, making him the founding father of today's Hard Rock Hotels. Nevertheless, the license to operate other Hard Rock hotels around the

³ Macro environment refers to the general setting in which an organization operates; the organization cannot exercise any influence but is certainly affected by any changes occurred. Meso environment is directly related to an organization; the organization has no direct control of developments within the environment yet it can try to influence the developments (Vos, et al., 2003, pp. 30-31).

world, including HRHB, is granted by HRCI ([Answers, “Hard Rock Café International Inc. section”, 2006, ¶ 11](#)).

After several complex acquisitions (see Figure 1), HRCI is currently owned by Seminole Tribe of Florida aside from 56 licensed locations ([Krantz, 2006, “The deal” section, ¶ 4](#)). Accordingly, the present HRCI is the franchisor/licensor of Hard Rock establishments around the world; except for Hard Rock Hotel & Casino Las Vegas that was under Morton’s management until he sold it to Morgans Hotel Group in early 2007.



Despite the perplexing state of ownership, Hard Rock as a brand can maintain its image as one sole unity. The logo probably plays the most important role above all as franchisees and licensees are obligated to abide by the corporate guidelines. In late 2006, HRCI issued a new handbook of guidelines for using logo in which moderate alterations on logo's color, outline, and style are justified (see Figure 2 & 3). As a result, website, promotion materials, stationery, as well as personnel uniforms have been gradually renewed (D. Banowati, personal interview, May 04, 2007).



Figure 2: Current Hard Rock Logos (HRCI, 2007)



Figure 3: HRHB Logo Old & New (HRHB, 2007)

2.1.2 HRCI's CSR policy

Hard Rock's 4 core philosophies: "All is One", "Save the Planet", "Take Time to Be Kind", and "Love All – Serve All" are preserved and embedded not only as branding strategy but also to HRCI's CSR policy. Emphasizing on Save The Planet, Hard Rock has been committed to a wide variety of philanthropic causes and activities around the world:

Hard Rock International began working hard to "Save the Planet" long before the environment became a widely supported cause. Its pioneering mission to give something back - both on a global basis and by involvement in smaller community projects - has not only served as a catalyst to raise funds, but it has also enhanced the very profile of corporate charity work. (HRCI, 2007, "Hard Rock International" section, ¶ 2)

In *Corporate Social Responsibility: Doing the Most Good for Your Company and Your Cause*, corporate social initiatives⁴ are divided into six models (Kotler & Lee, 2005, pp. 23-24):

- Cause promotions
- Cause-related marketing (CRM)
- Corporate social marketing (CSM)
- Corporate philanthropy
- Community volunteering
- Socially responsible business practices (SRBP)

Historically, corporate philanthropy had been the main practice of HRCI's corporate social initiative, in which HRCI makes a direct contribution to a cause in the form of donations. Over the years, the model has advanced to SRBP, the model when a corporation adopts and conducts discretionary business practices and investments that support social causes to improve community well-being and protect the environment. What distinguishes SRBP from the other models is that in addition to creating social value, operating costs can be reduced (Kotler & Lee, 2005, p. 232).

The realization of SRBP includes HRCI teams up with various non-profit organizations, Nelson Mandela's Children's Fund, and American Cancer Association, to name a few; and encourages the use of recyclable materials in daily operations and employees' active participation to benefit the community through the so-called Ambassador Program (HRCI, 2007, "Hard Rock International" section, ¶ 3).

Another aspect that also reflects SRBP is career opportunities. HRCI promises that it is an equal opportunity employer, by practicing honesty, integrity, and professionalism. Nevertheless, corporate social initiatives sometimes overlap one another. On the next page (see Table 1) we can see how each practice fits to one particular initiative:

⁴ Corporate social initiatives are major initiatives undertaken by a corporation to support social causes and to fulfill commitment to CSR (Kotler & Lee, 2005, p. 22).

	Cause Promotions	CRM	CSM	Corporate Philanthropy	Community Volunteering	SRBP
Description	Supporting social causes through promotional sponsorships	Making a contribution or donating a percentage of revenue to a specific cause based on product sales or usage	Supporting behavior change campaigns	Making direct contributions to a charity or cause	Providing volunteer services in the community	Adopting and conducting discretionary business practices and investments that support social causes
Example	<ul style="list-style-type: none"> • Sponsoring music concerts e.g. Nelson Mandela Tribute at Wembley in London, The Wall concert in Berlin, Bob Dylan Tribute in New York 	<ul style="list-style-type: none"> • Signature Series T-shirt line • Global Angels Pin 	<ul style="list-style-type: none"> • Partnership with American Cancer Society • Increasing awareness of AIDS through Elton John AIDS Foundation 	<ul style="list-style-type: none"> • “Crank It Up” program to benefit victims of the Asian Tsunami and Hurricane Katrina – direct donation to the American Red Cross Disaster Relief Fund 	<ul style="list-style-type: none"> • Ambassador Program run by employees – neighborhood recycling, beach clean-ups, meals for the homeless 	<ul style="list-style-type: none"> • Use environmentally-safe cleaning materials, as well as only recycled or recyclable paper products; with the goal of making all Hard Rocks 100 percent “recyclable.” • Equal opportunities employer

Table 1: HRCI's Corporate Social Initiatives (HRCI, 2007)

2.2 Hotel Properties Limited (HPL) Hotels & Resorts as licensee

HPL Hotels & Resorts is a wholly-owned subsidiary of HPL Group whose major businesses include hotel and hotel management, property development and investment, and retail. In 1997, HPL Hotels & Resorts and HRCI entered an Area Development Agreement for Hard Rock Hotels. This agreement grants HPL Hotels & Resorts exclusive rights to build up to seven Hard Rock Hotels worldwide over a period of twelve years in defined territories (HRHB, 2000, “Business Plan”, p. 2). The Area Development Agreement also indicates activities that are consistent with general parameters of HRCI do not require HRCI's further consent. As a result, HRHB is entirely detached from HRCI in terms of management. HPL Hotels & Resorts gives HRHB, as a business unit, autonomy to develop its own policy and procedures; yet HRHB needs the approval from HPL Hotels & Resorts before implementing them (D. Marsden, personal interview, May 17, 2007).

2.3 Internal analysis of HRHB

The objective of this internal analysis is to seek for insight into the functioning of HRHB in which CSR behavior is demonstrated. The first section deals with mission statement that predisposes the CSR policy. Then, HRHB's CSR policy will be reviewed again from corporate social initiatives perspective.

2.3.1 Mission statement

The hotel's mission statement is the starting point to further analyze internal situation. Containing the most important objectives, standards, and values, the mission statement reflects what HRHB wants to achieve:

As the leading entertainment hotel in Bali, the Hard Rock Hotel Bali always provides the highest value, quality, service and product possible while creating a fun and unique experience for our guests. We maximize returns for our owners, through innovative sales and marketing efforts and effective cost management. By practicing empowerment with clear lines of accountability and responsibility on every level, we enhance employee motivation and performance. We train and coach our employees while maintaining a safe, secure and green environment and keeping our facilities in top shape. (HRHB, 2000, "Business Plan", p. 7)

Through this statement, HRHB reflects its responsibility toward some of the most important stakeholders: guests, employees, owners (shareholders), and environment at large. The mission statement underlies the CSR policy on three aspects below:

2.3.1.1 Employees

HRHB strives to support personnel development through regular training and coaching sessions such as English lessons and practical "how-to" knowledge to boost effectiveness of employees' performance. It is indispensable to invest on the employees as most of them are the members of local community. HRHB's employee benefits are considered as one of the best in Bali, as indicated by personnel who have previously worked for other hotels, in respect to health insurance and vacation leave.

2.3.1.2 Environment

HRHB also persuades employees to take part in its effort to “Save the Planet”. Human Resources department organizes “Cleanup Day” once every two weeks focusing on one location either inside or outside the hotel e.g. locker room, parking lot, and Kuta beach. At least two representatives from each department at HRHB are encouraged to participate on that day. Earth Day (April 22) is annually commemorated with ‘Cleanup the Kuta Beach’ event where personnel and guests were asked to collect rubbish scattered on the beach, followed by competing in various beach games.

Visible materials that HRHB utilize to represent its establishment such as business cards and stationery are printed on recyclable paper. Conforming to environmental standards, HRHB indicates towel and bed sheet change options and also remind guests to turn off unnecessarily lights. Energy-saving lamps are used every time it is possible (D. Marsden, personal interview, May 17, 2007).

2.3.1.3 Community

HRHB has an annual event called “Rock ‘n Run”. The idea of this event is to draw the public to join in a running competition; where the registration fee is donated to those in needs. In October 2007, the event was held for the seventh times. The funds raised from this event were donated to Rotary Club Bali’s ongoing program of free cleft lip and palate surgery. “Rock ‘n Run” has gained a great amount of success due to the continuously increasing number of participants which resulted more funds.

HRHB also continues to coincide with various local, national and, international festivities and commemorative days. HRHB participates in a parade prior to Nyepi Day, Balinese Hindu New Year by making *ogoh-ogoh*, a giant puppet that represents evil, which is essential to the parade. Blood donation corner was opened during the World Red Cross Day (May 8).

2.3.2 HRHB’s CSR policy

Similar to HRCI, 4 core philosophies can be seen in daily activities of HRHB. “All is One” sum up the next three philosophies as one unity. “Save the Planet” is the outline of environmental aspect, while “Take Time to Be Kind” and “Love All – Serve All” are of

social aspect. Again, the practice can be categorized according to corporate social initiatives (see Table 2):

	Cause Promotions	CRM	CSM	Corporate Philanthropy	Community Volunteering	SRBP
Description	Supporting social causes through promotional sponsorships	Making a contribution or donating a percentage of revenue to a specific cause based on product sales or usage	Supporting behavior change campaigns	Making direct contributions to a charity or cause	Providing volunteer services in the community	Adopting and conducting discretionary business practices and investments that support social causes
Example	<ul style="list-style-type: none"> • Participate in environmental campaign, "Clean Up the World" • Support Bali Street Dog Foundation (Yayasan Yudisthira Swarga) 	-	<ul style="list-style-type: none"> • Towel and bed sheet change options • Reminder to turn-off unnecessary lights 	<ul style="list-style-type: none"> • Annual "Rock 'n Run" event – 5 kilometers charity fun run 	<ul style="list-style-type: none"> • Cleanup Day • Blood Donation 	<ul style="list-style-type: none"> • Sports room for employees • Employee benefits • Business cards printed on recycled paper
						<ul style="list-style-type: none"> • Habit of using scrap papers • Using energy-saving lamps whenever possible • Celebrating local festivities

Table 2: HRHB's Corporate Social Initiatives (HRHB, 2007)

Despite the embedment of CSR in daily activities, research shows that HRHB does not have official document to be read as procedures of practicing CSR. Any CSR events are merely planned on quarterly marketing plan and executed within the short time frame (L.Cahyani, personal interview, October 17, 2007). Therefore, we can find recommendations to create code of conduct on the later stage.

2.4 External analysis of HRHB

The call for performing CSR comes from both macro and meso environment⁵. While the macro reveals the global trends, meso covers the demand within Indonesia as the country where HRHB is situated.

2.4.1 Macro environment

The driving force of CSR comes from international global movement of business ethics. There are several international initiatives attempt to standardize or provide guidelines to CSR. Among others are the Sullivan Principles, Global Reporting Initiative, SA8000, and ISO 26000:

- The Global Sullivan Principles of Social Responsibility (GSP) is a voluntary code of conduct that seeks to enhance human rights, social justice, protection of the environment, and economic opportunity for all workers, in all industries, in all nations. The Principles were designed to be adopted on a voluntary basis, by all types of organizations around the globe, with the spirit of exchanging ideas so that society as a whole can benefit (*Leon H. Sullivan Foundation, 2007, "FAQ's" section, ¶ 1*).
- As an organization, the Global Reporting Initiative (GRI) has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. This framework sets out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance (*GRI, 2007, "What we do" section, ¶ 1*).
- Published in late 1997 and revised in 2001, the SA8000 Standard and verification system is a credible, comprehensive, and efficient tool for assuring humane workplaces (*Social Accountability International, 2007, "Overview of SA8000" section, ¶ 1*).

⁵ Macro environment refers to the general setting in which an organization operates; the organization cannot exercise any influence but is certainly affected by any changes occurred. Meso environment is directly related to an organization; the organization has no direct control of developments within the environment yet it can try to influence the developments (Vos, et al., 2003, pp. 30-31).

- ISO 26000 will be published in 2010 as an International Standard providing guidelines for social responsibility (SR). However, it will not include requirements and will thus not be a certification standard (ISO, 2007, "Social Responsibility" section, ¶ 1).

Simple CSR models are divided in two: American and European model. In the United States, CSR has been defined much more in terms of a philanthropic model where companies make profits and donate a certain share of the profits to charitable causes. The European model emphasizes on operating business in a socially responsible way and has more advantages if managed properly (Baker M., 2008, "CSR – What does it mean?" section, ¶ 1). Nowadays, the European model is highly preferred.

Particularly in tourism industry, there is an increasing demand of sustainable tourism⁶ especially from well-established organizations such as UN World Tourism Organization (UNWTO) and Pacific Asia Travel Association (PATA). Hotel industry as a part of the larger tourism industry is expected to make contribution in the global sustainability agenda in line with the guidelines provided in the previous page.

Additionally, United Nations Climate Change Conference (UNFCCC) taking place in Bali, 3-14 December 2007 have made Bali as the international center of attention to be able to promote sustainability.

2.4.2 Meso environment

There is a growing interest on the subject of CSR within the meso environment. In an article published in *The Jakarta Post*, representative of Indonesia's Coordinating Ministry for People's Welfare, Sujana Royat, mentioned that the government is very concerned that CSR be implemented accurately. The article also mentioned that community development activities are favored rather than merely charity-based project ("Firms Urged to Empower People in CSR Programs", 2007, p.9). This confirms the influence of macro environment that the European model is much favored.

⁶ Sustainable development has been defined as development that meets the needs of present and host regions while protecting and enhancing opportunities for the future. Sustainable tourism, in addition to the criteria of sustainable development requires a holistic, integrated perspective that takes into account all the industries and resources upon which tourism relies (Dodds & Joppe, 2005, p. 9).

Traditionally, the majority of people in Indonesia still perceive CSR as corporate philanthropy, comparable to the American model. Religious institutions and values are the two major factors that motivated Indonesian people to involve in philanthropic activities (APPC, 2006, “Indonesia: History of Philanthropy” section, ¶ 1). For instance, as over 85% of Indonesians are Muslims, they believe it is obligatory to donate 2.5% of annual wealth to the unfortunates (*zakat*). The Hindus recognize *pania* fund which is collected in temples during religious ceremonies. Indonesians at large are familiar with the culture of *gotong royong*, the spirit of doing things together and helping each other in needs. *Gotong royong* is somewhat more able to reflect the content of CSR.

As mentioned in the introduction part of this paper, Bali has been carrying heavy social and environmental burdens in recent years. Environmentally speaking, water pollution that is caused by poor waste management as well as litter of ignorant tourists has been the main problem as Bali has many popular beaches. From social aspect, many people still live below poverty line in various regions of Bali; though in the region where HRHB operates most of the community enjoys a decent living. As many hotel operators in Bali are foreign establishments or carrying the name of international renowned brands, the call to make vivid contribution to the well-being of Balinese is apparent to avoid perception that foreign hotel operators only take advantages of the popularity of Bali.

2.5 Conclusion

The management of HRHB is entirely detached from HRCI; therefore, their affiliation merely lies in the brand and concept Hard Rock offers. Nonetheless, we can see that CSR values have been embedded in both HRCI and HRHB daily activities with 4 core philosophies providing substantial guidelines. In this manner, HRHB has fulfilled the current CSR trends of being responsible organization. Even so, official document that serves as specific procedures of practicing CSR cannot be found.

The circumstances in macro and meso environment to some extent provide stimuli to what HRHB has to do next; as both environments have revealed that CSR is inevitable part of today's business life. Therefore, to ensure the target groups know how HRHB practices CSR and generate belief that HRHB is a socially responsible hotel are the communication goals of this paper.

CHAPTER 3:

ANALYSIS OF TARGET GROUPS AND MEDIA AS A CHANNEL

After internally and externally analyzing HRHB, identifying its stakeholders would be the appropriate next step. To scrutinize one by one the stakeholders of HRHB would be too wide-ranging and irrelevant to this paper. Therefore, only stakeholders who are the key players of this plan will be scrutinized. The key players include target groups and media as a channel of communication.

In *Setting up a Strategic Communication Plan*, four criteria are taken into account to establish target groups (Vos, et al., 2003, pp. 59-60):

- Priority: the importance to communicate of the target group
- Urgency: the timing to communicate with the target group
- Feasibility: the chance of success by communicating with the target group
- Accessibility: the ease to contact the target group

Derived from these preconditions, target groups are divided into primary, secondary, and tertiary.

3.1 Primary communication target group: Local Community and Employees

3.1.1 Local community

Both cultural dimensions theories posed by Hall and Hall as well as Fons Trompenaar mentioned 'time' as one of the dimensions. Both theories agree that Balinese has past-oriented culture. If a culture is predominantly oriented toward the past, the future is seen as a repetition of past experiences; respect for ancestors and collective historical experiences are characteristic of this culture (Trompenaar Hampden-Turner, 2008, "Time" section, ¶ 3). In other words, past-oriented culture is substantially concerned with traditional values and ways of doing things. In contrast to the vast majority of Indonesians, the dominant religion in Bali is Hinduism. One of the philosophies the Hindus believe in is *Atman*, that each organism in the world has a soul; including

animals, plants, and even stones (PHDI, 2007, “Pokok-Pokok Keimanan Agama Hindu” section, ¶ 2). Consequently, keeping the balance with nature is vital.

In order to be more precise, the local community in this paper refers to *Banjar*⁷ *Pande Mas*, the district where HRHB is located. The representative of the *Banjar* revealed that environment becomes the main concern as many hotels operate within the area; this shows the importance of *Atman* philosophy. During the holiday season which results on a high concentration of tourists, the *Banjar* not only depends on the Municipal Sanitation Department (*Dinas Kebersihan*) but also to hotel operators to maintain the cleanliness of streets and alleys around the area and Kuta beach at large..

Up to this point the *Banjar* has never had any issues with HRHB and they feel grateful of HRHB’s active participation like cleaning up the beach and celebrating the local festivities (A. A. I. Maheswari, personal e-mail, November 01, 2007). The *Banjar* expects HRHB in future to maintain its commitment toward community and environment. By communicating with the *Banjar*, HRHB can benefit from the feedback they give and also gain the advantage of word-of-mouth the *Banjar* can stimulate.

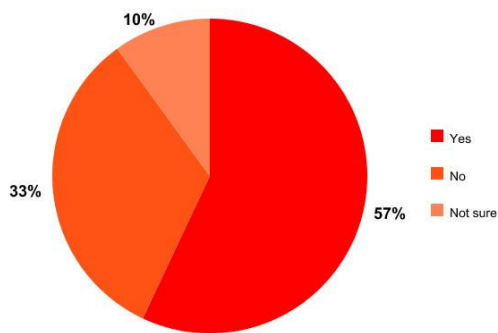
3.1.2 Employees

Interviews conducted among the employees from various levels and departments demonstrated different level of awareness of the hotel’s CSR practice. 57% of the employees do not recognize the term “CSR” yet when explained what CSR stands for, they are fully aware of the practice. By giving the examples, 66% of them agree that employees’ well-being is the most important aspect of CSR (see Figure 4).

It is important that employees feel that they belong to the community and belief that their actions have direct impact toward the community. HRHB also wants their personnel to possess the skills to practice CSR on their daily performance. Additionally, good CSR is likely to retain employees to work for HRHB.

⁷ Banjar is typical Balinese community district and has nothing to do with the government structure. Although Banjar does not receive financial support from the government, Banjar as a group has a strong influence in local government decisions. Every Balinese is obliged to join Banjar.

Are you familiar with the term “CSR”?



(After explaining what CSR is) what kind of practice do you see as the most important CSR to you?

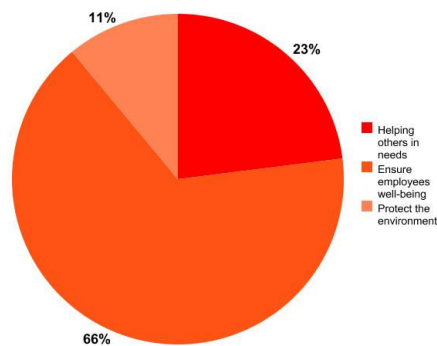


Figure 4: CSR to employees of HRHB (HRHB, 2007)

3.2 Secondary communication target group: Local authority

The local authority here is represented by local governmental body, Bali Tourism Board (BTB) who is the official embodiment of the travel industry, government, and local community in Bali. BTB aims to increase the quality of life of the Balinese people while facilitating and enhancing the travel experiences of both domestic and international tourists through synergy with relevant non-governmental organizations, the mass media, and local authorities (BTB, 2007, “What is the Bali Tourism Board?” section, ¶ 2).

The representative of BTB pointed out that CSR is law in Indonesia per July 2007 but it is enforced mainly for business in natural resources. Nevertheless, it does not mean hotel industry can disregard the requirements for CSR. With United Nations Climate Change Conference (UNFCCC) held in Bali, it is a real challenge for hotel and tourism industry to prove they are actually executing CSR.

Therefore, to be closely in contact with BTB will result to favorable position to HRHB. Informing how HRHB acts upon CSR also secures HRHB image whenever the implementation of CSR is questioned. Another importance of local authority is that the information will be more credible.

In general, based on global CSR survey conducted by APCO Worldwide, more than 90% of the respondents agree that information from independent authorities is more credible (see Figure 5). Clearly this shows the importance of local authority to HRHB as the government of Indonesia recognizes decentralized structure.

How much more credible or less credible is information from companies on their social and environmental practices when it is verified by independent third-parties, like NGOs or local government, or does it make no difference?

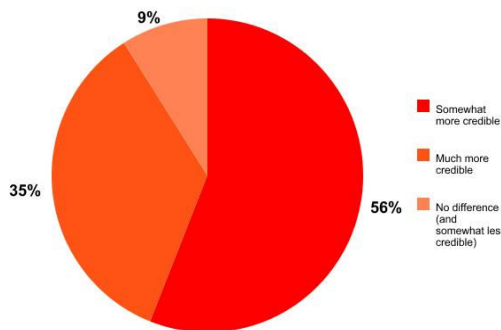


Figure 5: Credibility of CSR activities (APCO Worldwide, 2004)

Accessing other governmental bodies which eventually make up the local authority have been and will continue to be a challenge. Besides the nature of high power distance⁸ culture, Balinese is also high-context society where in the message delivered from one person to another, most of the information is already in the person, while very little is in the coded, explicit, transmitted part of the message (Hall & Hall, 1990, p. 6). This cause interpersonal relationship with the authority to be crucial as the society less recognizes a clear separation between personal, work, and many aspects of daily life.

3.3 Tertiary communication target group: Guests

Tertiary group is the target group HRHB wishes to communicate with on the later stage after first and secondary target groups have been approached. HRHB wants to enhance guests' full-entertainment experience while staying at HRHB by adding CSR values on it. The outcome HRHB seek to have is that guests will return to stay at HRHB and stimulate word-of-mouth to larger audience.

For a second time, the results of APCO Worldwide's global CSR study reveal how respondents behave to a company that is (or not) socially responsible (see Figure 6). The first two, if translated to HRHB's expectations, show promising opportunities (72%) on returning guests and word-of-mouth (61%) guests will spread to other people they know.

⁸ Based on Hofstede theory of cultural dimensions, power distance is the extent to which the less powerful members of organizations and institutions (like the family) accept and expect that power is distributed unequally.

In the past 12 months, have you done any of the following things in response to news or information that made you believe a company is...

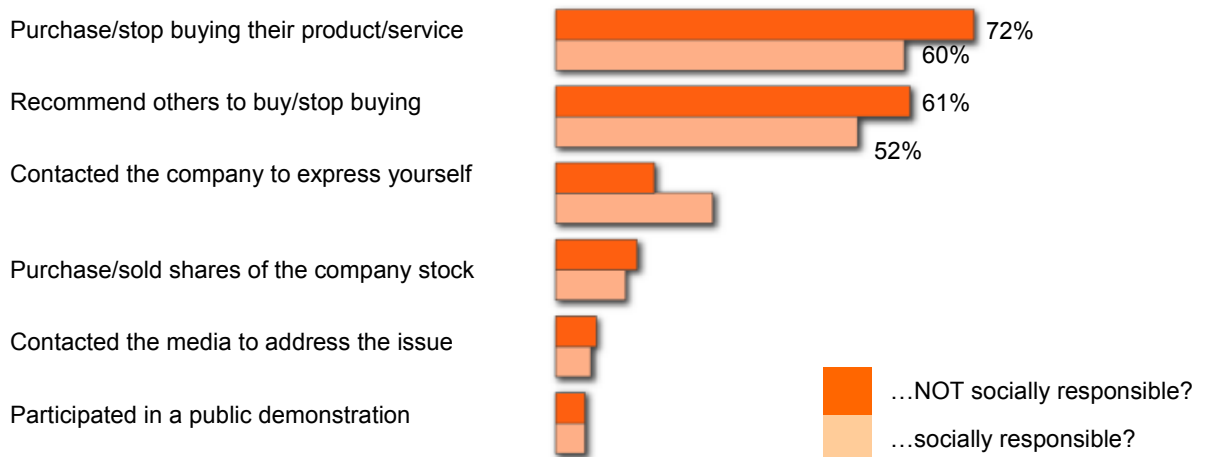


Figure 6: Impact of CSR communication (APCO Worldwide, 2004)

3.4 Media as a channel

Media fall in this category since media fulfill the prerequisites for the secondary communication target group: would like to be informed, feel closely involved yet it is not a target group since HRHB has no issues with the media to date. The media have an intermediary function in communication with the public and thus are very important to HRHB image. Articles published by the media can have either positive or negative impact to HRHB. In order to receive good publicity, maintaining good relationships with the media are crucial to generate free publicity and editorial coverage. These forms of publicity are favored as there is no media cost and the message has higher credibility (Vos & Schoemaker, 2005, pp. 66-67).

CHAPTER 4:

GENERAL CONCLUSION

After thoroughly exploring both facts and opinions, a profound understanding is achieved. Insight gained from internal and external analysis, both HRHB and the target groups, provide an answer to the central question.

The central question reads as follows:

How has HRHB practiced its CSR policy to ensure the sustainability of the local community and environment in Bali?

HRHB has been practicing CSR since it was established in 1998 and continuing to advance the practice. HRHB has practiced its CSR policy to ensure the sustainability of the local community and environment in Bali **by means of practicing socially responsible business practices (SRBP)**. This model is based on six corporate social initiatives set by Philip Kotler and Nancy Lee in their book, CSR: Doing the Most Good for Your Company and Your Cause.

Main finding discovered from the research include:

- Despite embedding CSR in daily routine, no official document that serves as specific procedures of practicing CSR can be found.
- More than half of the employees do not recognize what CSR literally means; however after the meaning has been explained, they can directly relate to CSR and actually already practice it and able to see the management's commitment to CSR which include employee benefits issue. Most of the employees are satisfied with HRHB's employee benefits.
- Local community is content with HRHB's active participation as corporate citizen.
- Proving that HRHB is indeed executing CSR is the challenge posed by local authority. However, obtaining more information directly from the authority has

been a major obstacle during the research. Desk research is the foremost source in gathering information of local authority.

Questions on whether HRHB has done something to correspond to the situation may arise. Thus, the main communication goal is **to ensure the target groups know how HRHB practices CSR**. Based on observation, it is common to publicize CSR activities in Indonesia. This is because the society seems to be in favor of knowing CSR activities of an organization through mass media. This can be seen from the amount of articles, press releases, and editorials concerning CSR. Furthermore, HRHB wants to be recognized as socially responsible hotel. The subsequent communication goal is **to generate belief that HRHB is a socially responsible hotel**.

Consequently, the communication goals mentioned above need realization. Next chapter will provide recommendations on how to achieve those goals by using practical approach to be applied in HRHB's daily operation.

Finally, it is functional to understand that CSR is able to create a difference in the tight competition among star-rated hotels in Bali. When room rate is not the main concern of (future) guests, CSR is an added value that might be one of the considerations in selecting holiday accommodation.

CHAPTER 5:

COMMUNICATING CSR – THE RECOMMENDATIONS

This chapter is the vital part of the overall paper as this chapter serves as recommendations on how to effectively communicate CSR to the target groups. Firstly, communication objectives are defined per target group and the communication strategy will ensue on how to achieve those objectives. Tools and activities are used to promote HRHB's messages to target groups, followed by time planning which points out when and what activities are going to take place within a certain period. Finally, further recommendations bring up matters that should be taken into serious consideration to maximize the effects of practicing and communicating CSR.

5.1 *Communication objectives*

Communication objectives are formulated in terms of what the target group needs to know, want, feel, find, be able to or do within a certain period. Hence, communication objectives are divided into knowledge-attitude-behavior objectives in principal. The tables below show the outline of communication objectives per target group.

Local community

<i>Knowledge</i>	<i>Attitude</i>	<i>Behavior</i>
Ensure they are aware of HRHB's CSR policy	Generate belief that HRHB is socially responsible hotel Respect and trust HRHB as socially responsible hotel	Support HRHB's CSR policy

Employees

<i>Knowledge</i>	<i>Attitude</i>	<i>Behavior</i>
Ensure personnel know what CSR is	Sense of belonging to the community	Possess skills to reflect CSR in daily operations
Ensure personnel know the CSR policy	Feel proud working for HRHB	Prefer to continue working for HRHB in the long run

Local authority

<i>Knowledge</i>	<i>Attitude</i>	<i>Behavior</i>
Ensure they are aware of HRHB's CSR policy	Generate belief that HRHB is socially responsible hotel	Associate HRHB with good CSR
	Respect and trust HRHB as socially responsible hotel	Request more information on HRHB's CSR activities

Guests

<i>Knowledge</i>	<i>Attitude</i>	<i>Behavior</i>
Increase awareness on CSR in general	Generate belief that HRHB is socially responsible hotel	Maintain HRHB as the preferred hotel to stay at

Media as a channel

<i>Knowledge</i>	<i>Attitude</i>	<i>Behavior</i>
Ensure they are aware of HRHB's CSR practice	Generate belief that HRHB is socially responsible hotel	Request more information on HRHB's CSR activities
		Exposure on HRHB's CSR practice

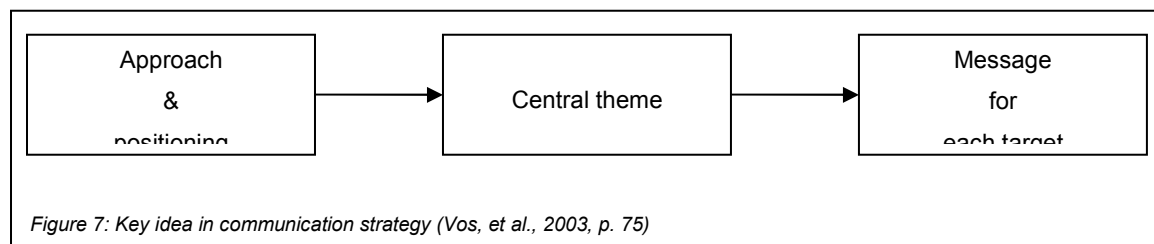
To gain maximum results, the communication objectives must conform to the following requirements (Vos, et al., 2003, pp. 65-67):

- Concrete: what effect needs to be obtained from the target group
- Quantified: the percentage of people within the target group who must be affected
- Timed: when the effect needs to be achieved
- Measurable: whether the effect on the target group was achieved or not

In short, the main communication objectives are:

- Generate trust and respect among 60% of the local community and authority toward HRHB within three months
- Ensure 90% of personnel feel belong to the community
- Ensure 75% of personnel familiar with HRHB's CSR policy and practice within two months
- 50% of all target groups believe that HRHB is a socially responsible hotel within six months
- 50% of all target groups associate HRHB with good CSR within six months
- 40% of guests maintain preference to stay at HRHB within a year

5.2 Communication strategy



According to Krijnen, strategies are decision rules that form a guide on the basis of which strategic decisions are taken with regard to activities directed at reaching objectives (as cited in Vos & Schoemaker, 2005, p. 204). The communication strategy will follow the model demonstrated in the above figure (see Figure 7).

Approach and positioning

The approach is based on the Vos and Schoemaker's degree of openness. They have categorized strategy into: closed-door strategy, door ajar strategy, open-door strategy,

influencing strategy, PR marketing strategy, and anticipation strategy⁹. Without neglecting the possibilities to apply other communication strategies, **PR marketing strategy** and **anticipation strategy** seems to be appropriate for HRHB in communicating CSR to the target groups. Table 3 aims to encapsulate the motive for choosing the strategies.

Communication strategy	Definition	Appropriate in terms of...
PR marketing strategy	The organization identifies needs and wishes in the environment and adjusts its communication to achieve the best possible effect	Meet or even exceed the expectations of current target groups
Anticipation strategy	Conducted by an organization that is strategically oriented on the future and that takes (future) developments into account in its communication so that it can anticipate these with flexibility	Providing answer to macro and meso environment's (future) challenge

Table 3: Appropriate communication strategies for HRHB (HRHB, 2007)

To date HRHB has managed to maintain its positioning on the market as “the Leading Entertainment Hotel in Bali”. This positioning has been able to differentiate HRHB with its close competitors. Sub-positioning which is relevant to CSR context will be “**the Leading Socially Responsible Hotel in Bali**”. To obtain this sub-positioning, HRHB must return to the 4 core philosophies: All is One, Save the Planet, Take Time to Be Kind, and Love All – Serve All. The philosophies are able to meet the **transformational positioning** since in the communication, HRHB is linked to values that are important to the target group, to emotions, and to lifestyle (Vos, et al., 2003, p. 80).

Central theme

Central theme needs to be aligned to the positioning and forms a long-term main thread throughout all of the promotional campaigns. Emphasis can be placed on **associating HRHB with good CSR practice**. The underlying message is that **HRHB is a socially responsible hotel**.

⁹ On the comprehensive descriptions of each strategy, see Vos & Schoemaker (2006, pp. 99-100).

Message per target group

Target group	Message
Personnel	We are part of the community and therefore we have to practice CSR
Local community	HRHB has always been a responsible hotel HRHB is an open and transparent hotel (financial and non-financial)
Local authority	
Media	
Guests	Get acquainted and (if possible) participated with HRHB's CSR activities

5.3 Tools and activities

To accomplish the predetermined communication objectives and strategy, the following set of tools and activities can be applied. They are designed to communicate HRHB's particular message to particular target group. In section 4.2.6, tools and activities to reach general public are indicated.

5.3.1 Local community

Meeting

Re-introducing HRHB's CSR practice to the local community (*Banjar*) can be done through meeting. HRHB will present proposal on activities to strengthen its relation with the *Banjar* and ask for their feedback. Employees who are the members of *Banjar Pande Mas* will be the spokespersons as it gives more sense of credibility.

Collaboration in various community events

As indicated earlier, Balinese is a past-oriented society and therefore has many cultural and religious events. HRHB can collaborate with the *Banjar* in terms of preparing for the festivities, join to celebrate them, and even help to cleanup after the festivities have finished.

5.3.2 Employees

Training sessions

Internal branding¹⁰ should be designed to allow employees to feel ownership toward HRHB, to be part of the defining vision and action of the hotel, and interpret it as it applies to their job function. Developing the sentimental values of Hard Rock's four philosophies will be necessary i.e. creating a connection between the philosophies and religious values. The organization of these sessions will be the responsibility of Human Resources department.

As HRHB currently employs approximately 400 personnel, it is proposed that the session is held twice or three times per week, with attendants of each session should be set on a maximum number of 25 to avoid overcrowding. This comes with expectation that in two months time, everyone is aware and familiar with the practice.

5.3.3 Local authority

Meeting

The meeting's concept is similar to the one with the local community. However, meeting with authority is generally more formal and will include more than one governmental body. HRHB seek to have suggestions on what can be improved to meet the authority standards. As mentioned in the general conclusion, contacting the local authority has been a substantial challenge. The meeting will serve as HRHB's interpersonal approach to involve the authority in the hotel's CSR practice.

Team-up in special projects

As the outcome of the meeting, HRHB might discover that the different governmental bodies have certain projects that need to be done. For instance, Balinese Department of Infrastructure might need to fix damaged roads, HRHB can sponsor the materials needed; or when the Department of Trade and Industry would like to organize bazaar for small and medium industry, HRHB can provide the venue.

¹⁰ Internal branding is about the translation of (external) brand values to (internal) organizational values. What an organization promises to customers must be implemented by employees. The behavior of employees must fit what the organization wants to communicate to the outside (Welsing, 2006, p. 33).

5.3.4 Media

Press release

At least once a month, press release that highlights HRHB's CSR activities should be sent out to the media. It can cover either employees or guests' activities.

Press conference

To inform the media at large about HRHB's ongoing CSR practice, press conference will be held in May 2008, approximately a month before school holidays begin. The conference will attempt to account for the CSR practice and what HRHB plans to do in coming months. Free publicity is the expected result of this press conference.

5.3.5 Guests

Hands-on participation

Guests will be asked to join community involvement activities on voluntary basis. For instance, HRHB informs guests that "Cleanup Day" with the employees is organized that day and HRHB look forward to having guests participate as well.

Another thought is to design team building activities based on the greater CSR activities. Team building activities are set up to meet the guest demand from MICE (Meeting, Incentive, Convention, and Exhibition) market. Proposed activities include cleaning up the beach and helping the local community to paint their houses or preparing for festivities. Further coordination with Sports Manager (who is responsible for team building activities at HRHB) is crucial.

Little guests can also participate in CSR activities. Lil' Rock Kids Club should organize Cleanup Day for kids and if possible also invite local children. Fun games that include teaming up with local children benefit both sides as the children will gain new experience and grasp sense of solidarity from early age. These activities are primarily to be performed during school holidays.

Leaflet

The purpose of producing leaflet is to inform guests on HRHB's CSR practice. The booklet should also persuade guests to actively participate in the hotel's CSR activities. It is best to place the leaflet starts from school holidays season onwards (June 2008) as

guests usually stay for longer period of time and have more possibility to join the activities.

5.3.6 Other tools and activities

Website

A page dedicated to address CSR issues on the hotel's website: www.hardrockhotels.net/bali must be created. Again, the 4 core philosophies must be put in use and reflect how HRHB perceives CSR. All press releases related to CSR should also be placed under this page.

Monthly e-newsletter

E-newsletter should contain one section highlighting HRHB's particular CSR activity of the month; preferably the same content as the press release but in a more concise version.

5.4 Time planning

All of communication tools and activities are to be intensely implemented on the second quarter of 2008. The following table (see Table 4) provides the provisional activities program in sequential order:

	Target groups	Tools and activities	Coordinated by	Location	Cost
APR	Personnel of HRHB	Training session	HRM & MCM	Training room	-
	Media	Press release (April onwards)	(A)MCM	-	-
	Local community & authority	Meeting & interpersonal communication	GM & MCM	Hotel's meeting room	tba
MAY	Personnel of HRHB	Training session	HRM & MCM	Training room	-
	General public	Website & e-newsletter (May onwards)	(A)MCM	-	-

	Media	Press conference	MCM	Ballroom of HRHB	tba
JUNE	Guests	Hands-on participation (June onwards)	Sports Mgr	Various locations inside & outside HRHB	tba
		Booklet (June onwards)	(A)MCM	-	tba

Table 4: Sequential activities program (HRHB, 2007)

tba : to be advised

(A)MCM : (Assistant) Marketing Communications Manager

GM : General Manager

HRM : Human Resources Manager

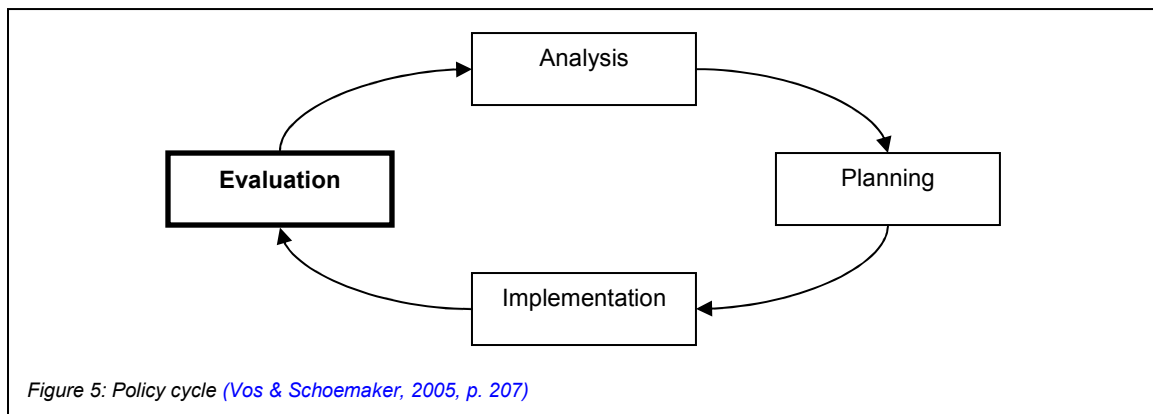
5.5 Further recommendations

- A document that specifically records the CSR code of conduct is vital and practical to provide clear and well-structured guidelines as well as reference to develop CSR activities.
- Marketing Communications department of HRHB consists of Marketing Communications Manager, Assistant Marcom Manager, two Graphic Designers, and one short-term intern. Establishing a sole PR sub-department is highly functional along with hiring PR executive to specifically monitor the progress and co-ordinate CSR activities; if necessary recruit two interns instead of one.
- HRHB should continue its partnerships with various NGOs and service clubs and if possible reach some more of them both local-wide and nationwide. Currently, HRHB maintains partnership with Rotary Club Bali Nusa Dua (part of larger Rotary International), Indonesian Red Cross, and Bali Street Dog Foundation. Recommended NGOs include: Indonesian AIDS Foundation, Indonesian Cancer Foundation, and Kehati Foundation.
- As Hard Rock reflects music culture, organizing music events at HRHB to raise fund for special cause will obtain maximum publicity.

5.6 Conclusion

PR marketing strategy and anticipation strategy have been selected as the approach in communicating CSR supported by transformational positioning which features the 4 core philosophies of Hard Rock. Associating HRHB with good CSR practice as the central theme steers the use of tools and activities. Further recommendations are to be implemented should time and funding allow.

CHAPTER 6: EVALUATION PLAN



After implementing communication tools and activities, it is necessary to evaluate whether the objectives were achieved. Despite the effect evaluation is the focal point of this evaluation plan, process evaluation should also be done from time to time.

Purpose of evaluation:

- To identify to what extent tools and activities are meeting the communication objectives
- To account for the effectiveness of communication tools and activities
- To measure how many percentage of the target groups actually grasp the message according to the communication objectives
- To name the obstacles that may occur along the process

Use of evaluation:

- To demonstrate developments and achievements occurring since the practice has been familiarized
- To contribute to the strategic corporate social initiatives of HPL Hotels & Resorts and HRCI

Method of evaluation:

- Content analysis to take stock of how much media attentions are gained and what image emerges from the media reports.
- Media reach studies to calculate how many people are reached by certain media
- Monitoring to determine which developments need further attention
- Survey among employees to gauge the level of appreciation and satisfaction

It is expected that by the first quarter of 2009, a full evaluation report can be produced and will be made available for the public.

CHAPTER 7: FINAL CONCLUSION

The philosophies of All is One, Save The Planet, Take Time to Be Kind, and Love All – Serve All have been taken into account in setting up HRHB's CSR policy. As a response to the central question, HRHB has practiced its CSR policy to ensure the sustainability of the local community and environment in Bali by means of practicing socially responsible business practices (SRBP).

The practice has been done through supporting personnel development and wellbeing, minimizing environmental damage by using recyclable materials and proper waste management as well as various community involvement activities. HRHB has understood CSR as the way of “making” money and not the way to “spend” them.

As the challenge was to make the practice more visible among target groups, they should be well-informed and the practice should be more publicized, considering the Indonesian society is in favor of being informed on CSR activities of an organization through mass media.

Regrettably, this paper cannot provide answers to some other aspects that are worth to be investigated:

- CSR issues related to suppliers (as one of the stakeholders) which may feature such issues as purchasing products that are fair-trade certified or green accredited. CSR and fair trade are interrelated in a way that both contribute to sustainable development.
- Correlation between the success of CSR practice and room occupancy rate. A further study on this correlation will be beneficial should the management team of HRHB wish to compare “before-and-after” financial performance once the practice has been familiarized.

Accessing local authority has been the major challenge in finalizing this paper. Undeniably, Indonesia has high power distance culture where sometimes the enormous gap still can be found. The writer hopes that in future the local authority can be more

cooperative. In order to gain their direct support, good interpersonal approach such as keeping the authority informed and engaged on HRHB's daily CSR practice is indispensable. Act local and think global is the key of the interpersonal approach that is to be implemented.

All in all, communicating CSR alone will not do the trick. Too much "talk" with little "walk" will quickly result in greenwashing, the term used to describe the act of misleading stakeholders regarding the environmental practice to benefit one's product or service. If so, how does HRHB reassure its stakeholders that the CSR practice is not merely a marketing tool?

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