Corporate social responsibility in cruising:

using materiality analysis to create shared value

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Xavier Font (a)
Mireia Guix (b)
Mª Jesús Bonilla-Priego (c)

a, International Centre for Research in Events, Tourism and Hospitality, School of Events, Tourism & Hospitality, Leeds Beckett University, Leeds, UK

b, Research Group in Tourism, Hospitality and Mobilities, School of Tourism and Hospitality Management Sant Ignasi, Ramon Llull University, Barcelona, Spain

c, Departamento de Economía Financiera y Contabilidad I, Facultad de Ciencias Jurídicas y Sociales Universidad Rey Juan Carlos, Madrid, Spain

Abstract: Creating Shared Value hinges on the interdependence between a company's success and social welfare, and also the identification and expansion of connections between that company and society. Because critics say the concept is counterproductive, in that it focuses too narrowly on the company´s economic value creation, we take a materiality analysis approach of corporate social responsibility (CSR). This approach provides evidence of what is important to stakeholders and promotes meaningful corporate disclosure, central to the Global Reporting Initiative. This study reports on a materiality analysis of the cruise industry, comparing stakeholder concerns/demands with both the relevant literature and existing CSR reports to determine to what extent the current industry definition of its social responsibility matches the expectations of its stakeholders, and subsequently, to theorise reasons for the patterns found. Results evidence that cruise companies tend to both over-report immaterial issues and under-report material issues, without responding to stakeholders' requests.

Keywords: corporate reporting, Global Reporting Initiative, corporate governance, stakeholder management, stakeholder engagement.

1. Introduction

The responsibilities of businesses towards society and the environment we live within are defined by the economic, legal, ethical and discretionary expectations that society has of organisations at a given point in time (Carroll, 1999; Carroll and Shabana, 2010). Corporate Social Responsibility CSR is therefore dynamic; shifting in line with environmental and social changes, external demands and the moral maturity of the organisations themselves. Demands come in the form of expectations from stakeholders who also experience the effects of corporate behaviour and evaluate the fit of corporate performance with their expectations (Wood and Jones, 1995).

Organisations have come to recognise the need to identify the expectations and concerns of a wide group of stakeholders in order to define an approach for meeting those expectations. In so doing, the companies can move towards sustainable development, rather than limiting their approaches to the resolution of specific conflicts. The stakeholder engagement process allows the companies to identify the relevant and material issues for their stakeholders, which are vital for a company to drive its strategy and create value with society; the process indicates the information needed by the stakeholders to judge the organisation's performance. CSR practicing and reporting are inextricably intertwined and "cannot be understood in isolation of each other or the organisational functions and operations on which they impinge" (Adams, 2008). However, the information is not necessarily material because there is Little evidence that stakeholders are being genuinely engagedbecause there is (Unerman, 2007; Manetti, 2011). This is why materiality analysis has been placed at the centre of the Global Reporting Initiative (GRI) G4 sustainability reporting guidelines.

This research undertakes a materiality analysis of the cruise industry comparing stakeholders' concerns/demands with both the relevant literature and cruise industry CSR reports firstly, to determine to what extent the current industry definition of its social responsibility matches the expectations of its stakeholders and secondly, to understand the reasons for any patterns found.

2. The reasons for materiality analysis

The need to ensure that CSR practices are material to stakeholders, and that those stakeholders are engaged in shaping and delivering the CSR practices of any given firm, is not new. In line with the firm's CSR strategy, the range of stakeholders to be taken into consideration, and the dialogue and attitudes towards them, will be directly dependent upon its motives for engagement in CSR and its social and environmental reporting. Sustainability reporting "is a process that assists organisations in setting goals, measuring performance and managing change towards a sustainable global economy – one that combines long term profitability with social responsibility and environmental care" (GRI, 2013a:85). It is a platform for the external accounting of economic, environmental, social and governance impacts and how the organisation is taking responsibility for continuous improvement. Sustainability reporting complements financial accounting and provides a complete view of a company's performance and value creation (SASB, 2013; Murninghan, 2013). The existing literature uses four alternative frameworks to explain the reasons for CSR engagement, which help explain the shift towards more material CSR practices, and consequently communication.

The first theory, reputation and risk management, is based on the avoidance of factors that can negatively influence corporate brands, thus avoiding public relations scandals (Bebbington, Larrinaga and Moneva, 2008). The theory relies on the use of sustainability reports to restore a positive image of the firm and recognises the importance of transparency to reputation (Adams, 2008). The second provides a resource-based view of the firm and suggests that companies act responsibly to maximise their competitive advantage in a way that cannot be imitated easily by competitors (Russo and Fouts, 1997), although this traditional form of value creation focuses on short term profits, not on a holistic view (Porter and Kramer, 2011). These two reasons would respond to what Porter and Kramer (2006) call "responsive CSR" i.e. addressing generic social issues and value chain impacts with an inward, often short term, focus. Firms following these reasons would engage in shallow stakeholder engagement such as posturing, and any so-called materiality analysis would be "an end-of-pipe filter to help produce more streamlined and useful annual sustainability reports"

(AccountAbility, 2006: 29) to reduce corporate risks from CSR reporting.The third framework for CSR engagement is that of stakeholder theory, which argues that corporations act in response to stakeholder requests, either in a preventive or a proactive way (Wood, 1991). The level of proactivity would define whether this third approach is also responsive or more strategic. Sustainability reporting then becomes a channel to cater to the information needs of different stakeholder groups by explaining how the company addresses their expectations. The move towards more inclusively addressing the value chain and the competitive context by transforming value chain activities to benefit society is “strategic CSR” that Creates Shared Value. Finally, Creating Shared Value (CSV) explains engagement for the purpose of value creation and product differentiation. This should combine a respectful and proactive attitude towards stakeholders and provide success and creation of value (Wheeler, Colbert and Freeman, 2003; Porter and Kramer, 2006). Strategic CSR is corporate strategy integrated with the core business objectives and competencies to create triple bottom line returns, a driver for innovation and economic growth. Porter and Kramer (2006) predict a necessary move from CSR to CSV, as social responsibility moves from damage control or public relations campaigning to building shared value between society and business. CSV should “supersede CSR in guiding the investment of companies in their communities” (Porter and Kramer, 2011:76) because it is businesses’ best chance at restoring legitimacy, increase trust and reputation (Farache and Perks, 2010; Leavy, 2012; Porter and Kramer, 2006).

The principle of CSV focuses on “identifying and expanding the connections between social and economic progress” (Porter and Kramer, 2011:66). This is characterised by policies and operating procedures that enhance competitive positioning, while simultaneously advancing the economic and social conditions of the communities within which the company operates (Maltz and Schein, 2012; Jonikas, 2013; Pfitzer, Bockstette and Stamp, 2013). Porter and Kramer (2011) stress that CSV exceeds ethical standards, law compliance and the mitigation of negative impacts caused by the business; it represents a new way of understanding customers, productivity and the external influences on a corporation’s success. CSV is about expanding value through improved operational processes, not about sharing the value already created (Porter and Kramer, 2011; Camilleri, 2012).

CSV differs from CSR in how it is practised. First, re-conceiving products and markets means innovating and developing products to satisfy previously unmet needs that existed in the market before their creation (Porter, Hills, Pfitzer, Patscheke. and Hawkins, 2012). Second, CSV requires businesses to identify their positive and negative social impacts and then to re-imagine value chains and redefine productivity accordingly. Porter (1986) refers to the value chain as a tool to identify those operational issues that have an effect on both the companies' performance and the social consequences of business activities. In practice, CSV entails channelling resources for innovations to solve social problems (Pfitzer et al., 2013). Third, developing supportive clusters generates new value and is rooted in the idea that "the success of every company is affected by the supporting companies and infrastructure around it" (Porter and Kramer, 2011:77).

Nevertheless, the active pursuit of shared value requires different thinking and internal actions, such as establishing and embedding shared value within the corporate culture. This may be achieved by defining a clear social purpose, to be subsequently publicised or embedded in core processes such as strategic planning and budgeting (Pfitzer et al., 2013). Since there is a fundamental interdependence between a company's success and social welfare (Nohria and Ghoshal, 1994) the difficulty lies in balancing short-term costs against long-term externalities (Kramer, 2006).

3. Materiality analysis as a multi-purpose tool

Materiality analysis has a role to play in CSV as a tool for prioritising issues and strategic planning, allowing an integrated approach to defining a sustainability strategy and to reporting. CSV requires stakeholders to be involved in the identification of problems (Pfitzer et al., 2013) (one of the core steps of the materiality analysis methodology), as more value is created when companies diligently seek to serve the interests of a broad group of stakeholders (Freeman, 1984; Harrison and Wicks, 2013). Due to the growing relevance in the agenda of non-financial, social, environmental and governance issues, there is no way back from integrating environmental and social governance outcomes into business strategies by highlighting those issues that provide current or potential opportunities for social progress and where, by innovating and developing products accordingly, shared value can be created. Defining which issues arematerial to the company encompasses discerning materiality to its stakeholders, industry and the environment.

SASB (2013) defines materiality as a long-term focus on issues that make a major difference to both an organisation's performance and the information needed to make sound judgements. This provides a methodology to evaluate which issues are material to an industry overall and/or to a specific business, in order to determine materiality both for management priorities and subsequently for disclosure. AccountAbility (2006) provides a three stage framework corresponding to the criteria of inclusivity, alignment and embeddedness: (1) identify, as extensively as possible, a list of issues that are relevant to the business and its stakeholders; (2) prioritise the issues; and (3) ensure that the outcomes this consultation inform internal decision making and external assurance.

GRI G4 (2013b) offers a complete implementation manual on how to standardise the prioritisation of issues, risks, and opportunities using stakeholder inputs and company insights to determine material issues and report content. Briefly this consists of first, identifying triple bottom line aspects and topics (within and outside the company), applying the principles (GRI G4, part 2, 2013) of sustainability and stakeholder engagement (Messier, Martinov-Bennie and

Eilifsen, 2005); second, of prioritising by employing the principles of materiality and stakeholder inclusiveness, commonly captured and visually represented in a Materiality Matrix (Murninghan, 2013; GRI, 2014); then, validating using the principles of stakeholder inclusiveness to assess the aspects against scope, boundaries and time, ensuring the report provides reasonable and balanced triple bottom line impacts; and finally, reviewing the outcome by using the principles of sustainability and stakeholder engagement by revising the aspects that were material in the previous reporting period.

The main, practical difficulty is how to categorise issues as 'material' or 'immaterial' (Lo, 2010; FRC, 2011), not only because this assessment is based on a qualitative analysis, but also because it requires internal and external criteria to be clearly defined (i.e. the various parameters that label an issue as material), in order to evaluate the impact of each potentially material issue against those criteria. Materiality is "the potential change in expectations that determines whether an item is relevant" (Lo, 2010:133) and therefore a complex matter of well-reasoned professional judgement (Messier et al., 2005; Iyer and Whitecotton, 2007). A threshold is needed to indicate which issue will be considered material enough and which actions this label will result in. GRI (2006) defines the materiality threshold as the degree of importance attached to each issue, indicator, or item of information at which aspects become sufficiently important to be reported/disclosed.

CSR reports look considerably different when viewed from a materiality perspective. Rather than accounting for all the CSR actions undertaken (both relevant and not), the reports become an account of the state of the art on all material impacts (whether the company has chosen to act towards them or not). A cruise company therefore would report on staff wages and working conditions rather than on philanthropic progammes for their families, for example. We currently know more about the disclosure of immaterial CSR actions (60–70% of CSR reported data, according to CSR Wire (2013) and Deloitte (2013)), than we do about the omission of material aspects (Murninghan, 2013). KPMG (2011) and FRC (2011) found that the main causes for disclosure of immaterial information are the expectations of regulators and external auditors, the social pressure for certain content and a lack of confidence in the managers responsible for making materiality judgements (Lo, 2010).

A change in focus to what is material to a company's value (to their business and their key stakeholders) allows for more credible, relevant and user-friendly reports (GRI, 2013a) that are aligned with the principles of CSV. Yet in 2014, no cruise company has reported under the G4 criteria (GRI, 2014). Also, current academic research focuses on measuring CSR activity, rather than assessing the reasons behind those activities, measuring their impacts or determining links to stakeholder needs (Moneva, Archel and Correa, 2006; Basu and Palazzo, 2008). The present research attempts to establish the reasons behind CSR reporting and disclosure, as perceived by different stakeholders in the cruise industry, and thus to provide a new angle to the literature. Additionally, by performing a materiality analysis of CSR indicators in the cruise industry, we identify stakeholder relevant aspects (including a gap analysis of the list of issues considered to be important by stakeholders versus the list addressed in reports) and reveal a measure of how businesses respond to what stakeholders consider relevant. Considering that CSV is about "finding ways to leverage the connections between social and economic progress to create more value shared among multiple stakeholders" (Maltz and Shein, 2012: 58), this research identifies areas that create the greatest shared value, provides guidance for future CSR reporting and offers an opportunity for leveraging competitiveness.

4. Methods

This study builds on Bonilla-Priego, Font and Pacheco-Olivares' (2014) cruise industry CSR reporting system and baseline data and compares cruise companies' current reporting practices. In this study we test how material the indicators in that system are, according to internal and external stakeholders, before assessing current cruise reporting against the material indicators.

To date, 23 parameters have been identified that evaluate the relevance of an issue and, using these parameters, 71 issues have been defined as clearly material across several related industries, based on the academic (Benoit, 1995; Bebbington et al, 2008; Lydenberg, Rogers and Wood, 2010; Gibson, Papathanassis and Milde, 2011; Muñoz-Torres, Fernandes-Izquierdo, Rivera-Lirio, Leon-Soriano, Escrig-Olmedo, and Ferrero-Ferrero, 2012) and grey literature (SASB, 2013; GRI, 2013a). These material issues and parameters were compared to Bonilla-Priego et al's (2014) baseline indicators to pre-test the materiality of these indicators. Some of the material issues, such as employee skills, health and safety, resource usage and environmental impacts, have strong links with competitive advantage (Porter and Kramer, 2011). Most parameters are linked with the creation of a competitive advantage such as attracting and retaining talent, peer-based norms and innovation. First, this research reduces the initial 200 baseline indicators to 63 indicators, deleting those that the literature review does not define as material, and those that are seldom reported in Bonilla-Priego et al. (2014), to keep the questionnaire manageable (see Table 1).

*** Insert table 1 here

This research maintains the indicators within the original categories used by Bonilla-Priego et al. (2014); the indicators use accepted definitions supplied by the GRI, and by tourism and maritime navigation international organisations. Accordingly, when calculating the average value of a category, the multiple indicators in the same category are given the same weight. The list distinguishes between management and performance indicators, and hard and soft indicators, to later identify the types preferred by each stakeholder group, as well as the most reported.

The instrument employed in this research is a self-selected, online, Likert-scale questionnaire. Respondents are asked to answer the same three questions for each of the 63 indicators divided into four sections: a) general strategic and management approaches to CSR, b) economic, c) social and d) environmental. The three questions focus on the areas of: (1) relevance, (2) influence and (3) reasons to report. More specifically: (1) Relevance: “How important is it that the cruise sector reports on this indicator?”, which addresses CSR materiality, aligned with the second step of materiality analysis guidelines of GRI (2013b); (2) Influence: “What is your influence in the cruise sector addressing this indicator?”, which assesses stakeholder influence, an issue hardly researched to date (Rodrigue, Magnan, and Boulanne, 2013) and relevant to effective involvement of stakeholders in decision-making (Manetti, 2011); and (3) Reasons to report: This question offers four alternatives for why the cruise sector might report on an issue: i) avoidance of negative impacts influencing corporate brands, based on reputation and risk management theory, ii) economic, based on the resource based view of the firm, iii) in response to stakeholders’ requests, based on stakeholder theory and iv) value creation and product differentiation, based on CSV.

The research utilises a selected panel of experts to assess materiality as the industry-specific terminology of the indicators makes it more pertinent to use cruise industry experts, rather than non-experts, to evaluate materiality. An alternative method, convenience sampling, tends to increase response rates but suffers from self-selection bias (Coombes, 2001), rendering it less suitable. The use of a non-representative sample of experts is more pertinent in arriving at a correct decision than a representative sample of non-experts (Rowe and Wright, 1999; Worrell, Di Gangi, and Bush, 2013). Therefore, stakeholders are selected from university networks, relevant conference proceedings and websites from the cruise companies, destinations, and non-governmental organisations. Those contacted via email are encouraged to identify additional stakeholders in the field. Moreover, the questionnaire link is shared on professional online networks to gained a broader access to expert opinions. To ensure that respondents meet the profile quality criteria, participants are asked to include their company name and e-mail. This information allows the researchers to disqualify those participants that are not representative of any stakeholder group selected, while maintaining anonymity. Confidentiality and anonymity help to reduce (but not avoid) individual biases, personal influences and group-thinking.

The press release for the Bonilla-Priego et al. (2014) study invited stakeholders to download the full article if they completed the materiality questionnaire. Over a period of two months, this research obtained data from 59 respondents distributed across nine initial stakeholder groups, based on Freeman (1984) and Clarkson (1995) (see Table 2). Of the nine stakeholder groups (communities where the company operates, customers, labourers and suppliers of capital, equipment and materials) seven were legitimate stakeholders (Phillips, 2003). Two groups (owners and creditors/shareholders) were removed from the analysis because less than five observations were received for each and the ninth, a consultants group, was created because there were enough representatives to justify it.

*** insert table 2 here

On average, respondents took approximately 15 minutes to complete the pre-piloted and improved questionnaire. The research employed a Rensis Likert scale, commonly used in questionnaires when measuring opinions, attitudes or beliefs (Li, 2013), with a “forced choice” six-point scale (avoiding middle point answers). Closed questions asked respondents to choose from a defined list of options and the questions were tested for clarity. The design of the questionnaires recognised the impact of wording on the quality of data obtained in multi-item scales (Swain, Weathers, and Niedrich, 2008). The questions were not hypothetical, reliant on memory, double barrelled or leading, and no question was in the negative i.e. no reverse thinking is needed (Hartley, 2014). The risk of common variance, which could be avoided using reverse questions, is lower by surveying experts. Questionnaires of this character are easy to administer, and by providing uniform answers, they are easy to code, process and analyse (Coombes, 2001). Questions were expressed as affirmations, to minimise mis-responses due to the use of negations (Swain et al., 2008). To ensure consistency with the different indicators, in terms of what ‘agree’ and ‘disagree’ implies, the research did not combine negatively and positively keyed items and reverse coding. Each scale was anchored to the left by the answer “extremely high" and to the right by "extremely low". Although negatively worded (reverse-coded) items may reduce common method variance (Podsakoff et al., 2003), research has shown that reverse-coded items may produce artifactual response factors consisting exclusively of negatively worded items (Harvey, Billing and Nilan, 1985), and respondents may establish a pattern of responding to the questionnaire that may fail to attend to the positive-negative wording of the items (Schmitt and Stults, 1986).

Each question was analysed separately and in some cases, responses were totalled to create group scores. The study analysed Likert scale items as interval-level data (Carifio and Perla, 2008). The use of parametric tests can be applied regardless of the original data distribution; what matters is the distribution of the means. According to the Central Limit Theorem, with a sample size per group of greater than 5, means are normally distributed, although small samples require larger effects to have the power to detect statistical significance (Norman, 2010). Therefore, since previous materiality analyses have not provided enough information to determine the minimum number of respondents, the minimum sample size per group for this research was set at 5. The research used a t-test to assess the statistical significance of the difference between two sample means. If the mean of a manager's indicator sample equaled 4.7 the research tested if the sample mean was statistically significant at 4 (High) or 5 (Very High). The two requirements used to detect the most material indicators were: i) statistical significance of the mean was 5 (Very High), and ii) the value of 5 was included in the 95% confidence interval.

5. Materiality assessment of cruise baseline indicators

The results show that 54 of the 63 indicators meet the materiality baseline of a mean of five (out of six), and a confidence interval of 95% (see Table 3). The majority of the material indicators are categorised as social indicators (25), followed by general company information (12) and environmental (12). It is worth noting that all five economic indicators from the original Bonilla-Priego et al study were returned as material. In addition to the 54 material indicators, the nine remaining indicators are defined as 'somewhat material' and belong to three categories: i) labour and management relations; ii) diversity and equal opportunities; and iii) materials. No indicator is considered as extremely important (with a score of 6 out of 6), as survey participants are typically reluctant to give extreme answers (Li, 2013).

There are differences in what is perceived as material by different stakeholder groups (see Table 3). In social categories for example, managers have an overall score of 4.2, compared to employees with a score of 5.0 or customers of 5.2. Within this category the indicator "LA9 Health and safety topics covered in formal agreements with trade unions" is extremely unimportant for managers, yet all other stakeholders consider it to be very important. Furthermore, there is a high level of disagreement on the importance of human rights between managers and employees, and in the environmental dimension between managers and consumers. Questions relating to society (within the social dimension), which cover issues related with destinations, receive a high score by consumers, but not by managers, employees and suppliers. Managers (from ports and cruise companies) rate every indicator category as less important than any other stakeholder group, notably employees, rates them.

*** insert table 3 here

Table 4 shows that stakeholders value material soft disclosure slightly more (although it is less verifiable, see Clarkson, Li, Richardson, and Vasvari, 2008; Bonilla-Priego et al, 2014) than hard disclosure. Equally management indicators are perceived as highly important, above performance indicators (e.g. human rights under investment on procurement practices, compared to non-discrimination, at 4.6 versus 3.2). Based on the literature we expected internal stakeholders to prefer soft and management indicators because they demonstrate the actions taken (rather than being judged by the outcomes). So, in the short term, internal stakeholders would favour reporting on “vision and strategy claims” rather than hard evidence of “compliance with regulations” and “number of sanctions”. Adams and Zutshi (2014) suggest that stakeholders want to see the big picture rather than the detail, which coincides with the findings in this study. Reporting expectations vary across stakeholders (Azzone, Brophy, Noci, Welford, and Young, 1997; Tilt, 2007) and further qualitative research is needed to understand preferences.

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6. Cruise stakeholders' perceptions of their own influence

We continue by analysing how the cruise industry's stakeholders perceive their own influence on the way in which the cruise sector addresses its impacts (Table 5). Results indicate that CSR cruise reports do not reflect the voice of the stakeholders but that of the companies instead, and they fail to create sufficient value and market legitimacy (Schuman, 1995; Camilleri, 2012; Bosch-Badilla, Montllor-Serrats, and Tarrazon, 2013). As expected, internal stakeholders perceive they have more influence than external stakeholders (Freeman, 1984; Clarkson, 1995). Suppliers, a primary but external stakeholder, have the lowest perception of influence, possibly explained by the strong buying power of cruise companies. Representatives of destinations also perceive that they have a low influence, which can be explained by the history of cruising companies playing-off destinations against each other (Lester and Weeden, 2004; Garin, 2005). Klein (2011) argues that stakeholders directly impacted by the cruise industry do not take part in determining sustainability. Our data shows that consumers and society that do not depend on the industry perceive they have the highest power to influence cruise sustainability practices and reporting.

In general, stakeholders tend to perceive they have more influence on soft (not easily verifiable) indicators, than on hard indicators that cannot easily be mimicked (Bonilla-Priego, et al., 2014; Clarkson, et al., 2008). The same is true in relation to perceiving they have more influence on management than on performance indicators. These are both tests of the maturity of disclosure and stakeholder involvement, explained by the early stages of defining CSR agendas and the headline involvement of stakeholders, while the details are worked out internally. Management indicators are a precondition of implementing performance indicators that include specific actions (Bonilla-Priego et al, 2014). Managers, followed by employees, have the highest perception of their influence on both hard and soft data.

Stakeholder theory and legitimacy theory (Cormier, Gordon and Magan, 2004) advocate that stakeholder groups with the least power are the least addressed in reports. The data of perceived influence/power suggest that reports are written for a broad consumer audience and not for primary stakeholders like suppliers. Although there are aspects that consumers perceive to have high influence on what companies address, the cruise reports show that the coverage of these topics is very limited. For example, some reports include less than 25% of the indicators that consumers perceive to have a high influence such as product responsibility, health and safety or customer privacy.

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7. Materiality content of CSR reports from cruise companies

This study also compares disclosure of the 54 material CSR indicators against the original 200 baseline indicators from Bonilla-Priego et al. (2014), for the 29 cruise companies identified by the study that had some CSR published information by 2012, either as CSR reports (11) or on their website (18). The word ´companies´ is used loosely because multiple brands belonging to the same holding company often publish separate CSR reports (for example Princess Cruises, Holland America Line, Costa Cruises, P&O Australia, Carnival, Aida Cruises and Yachts of Seabourn, all publish separately but are part of Carnival PLC). Because the study compares CSR data available in 2012 (but sometimes dating back to 2009) with 2014 stakeholder expectations, and stakeholder expectations increase with time (Dawkins and Lewis, 2003; Bertels and Peloza, 2008), the analysis is reported using amalgamated figures rather than individual company data.

The results of the analysis show that the cruise industry is at an early stage of CSR engagement (Table 6), as cruise companies report more general than triple bottom line information. The materiality assessment evidences that the cruise industry displays only 40% of the material indicators from the industry baseline and that information is unbalanced, for example we have low scores for environmental and social initiatives, economic performance and society. Cruise companies report on only 33% of the environmental indicators that stakeholders consider material. This lack of transparency fuels the academic criticism of cruising’s negative impacts on the ecosystem (Gössling, Peeters, Hall, Ceron, Dubois, Lehmann, and Scott, 2012; Klein, n.d.). Disclosure is high for indicators such as water (64%) and emissions, effluents and waste (55%) that lead to cost savings or are increasingly regulated, but there is no disclosure for example of biodiversity material indicators. Older ships are criticised for not meeting operational specifications and for posing an environmental risk; to a great extent this is because higher standards have been brought in but retrofitting ships is unfeasible and changes only occur when renewing cruise fleets (Klein, 2011; Bonilla-Priego, et al., 2014).

CSR reporting might be a reactive answer to external pressures (Jose and Lee, 2007) driven by earlier cruise practices damaging brand reputation (see Garin, 2005), but the limited stakeholder pressure explains why only 30% of the social material indicators are disclosed. Within this, 25% of the human rights indicators are disclosed, perceived as having a low materiality by cruise managers (see earlier Table 3) despite media accusations (see for example BBC, 2014), and 24% of product responsibility information indicators are disclosed, despite media negative coverage of health and safety (Paterson, 2008). Cruises apply and display standards and regulations, as evidence of Labour and Decent work disclosure (52%), but fail to tackle some sensitive issues for which they are receiving negative press. The cruise industry publishes headline data on its positive economic contribution to the regions where cruises operate and on the creation of jobs (CLIA, 2013; FCCA; 2014), yet only discloses 23% of the economic indicators that stakeholders consider material.

*** insert table 6 here

There are some noteworthy differences between CSR reporting and stakeholder expectations. Stakeholders place slightly more importance on soft and management indicators than the cruise companies do, while the cruise companies dedicate large parts of their reports to hard and performance indicators (but clearly not on the aspects that stakeholders value as much). The proportion of material indicators disclosed is not statistically different depending on whether companies disclose via CSR reports (39% in Bonilla-Priego et al (2014) compared to 40% of material indicators) or on their website only (3% versus 2%). However, the act of producing sustainability reports increases the quality of disclosure significantly, for example, Holland America and P&O Australia, top reporters in the Bonilla-Priego et al study, report more than 50% of all types of material indicators. Instead, companies with CSR information available only on their website (i.e. without a dedicated CSR report) make weak public declarations of commitment rather than displaying verifiable data, being reactive to sector wide pressures but failing to deliver (Bonilla-Priego et al., 2014).

This overall lack of information contrasts starkely with previous findings relating to the positive reasons for reporting i.e. mainly to minimise risks and avoid negative impacts on corporate brands. Transparency is opportunistic; the cruise industry displays favourable reports with environmental claims and positive aspects to maintain an environmental image while under-reporting on key issues. The lack of stakeholder management and engagement in the sector is evidenced by efficient contingency plans to minimise potential harm and deal with cases where expectations cannot be met. Finally, the failure to address material issues at an industry level (17% material disclosure) indicates a tendency of cruise companies to protect their interests by providing a positive bias that could be seen as greenwashing.

8. Perceived reasons for cruise companies reporting on CSR

Finally, this study finds that there are differences in perceptions between stakeholder groups with respect to why they think cruise companies report as seen in Table 7. We posit that CSR reporting is limited in its capacity to differentiate the product or to add value, primarily due to both a lack of stakeholder management and a lack of materiality content in CSR reports. The results have implications for stakeholder engagement and stakeholder management. This research demonstrates that the four CSR theories tested are complementary, with little variation between the reasons overall. As a benefit to their reputations, companies must engage more effectively with credible stakeholders in the future; a lack of engagement has been a constant in social reporting practices in cruising (Bonilla-Priego et al., 2014). There is potential for cruise companies to benefit significantly from improved stakeholder management and engagement, specifically with cases where expectations cannot be met (Howitt and McManus, 2012).

Legitimacy and reputation/risk management theories are better than CSV and stakeholder theories at helping to explain the reasons why cruise companies are undertaking more sustainability actions and reporting. Internal stakeholders claim to act responding to stakeholder requests, while external stakeholders attribute the companies´ actions to avoiding negative impacts. For example, stakeholders confirm the expectation from Bonilla-Priego et al. (2014) that cruise companies act and disclose predominantly on CSR aspects that lead to cost savings. “Avoiding negative impacts influencing the corporate brand” is a reputation and risk management option that confirms Bonilla-Priego et al.´s (2014) claim that cruise companies make weak public declarations when reacting to sector-specific pressures. Within the Social and Environmental dimensions category, both internal and external stakeholders state reputation and risk management as the main reason for reporting. The low scores given by Government Destination stakeholders are noteworthy, as the reasons to “differentiate products to create value” and “to respond to stakeholders’ requests” have low scores. Internal stakeholders perceive these as more important than any of the external stakeholders do, except consumers.

In 2007, Jose and Lee showed that cruise companies involve fewer stakeholders than other sectors. While CSR may be more inclusive seven years later, results demonstrate that the perceived influence of suppliers is still very low (33.7%) along with external suppliers' perceived control over what cruise companies address and report, whereas employee engagement can be seen as considerably improved; employees feel they have an influence on 62.3% of the aspects that cruises report on and they perceive they have high control. Cruise companies are missing out on the opportunity to increase their value and performance by engaging their suppliers and stakeholders more broadly.

*** insert table 7 here

9. Discussion and conclusions

This study makes a contribution to knowledge by illustrating the gap between corporate intent and stakeholder desires in CSR reporting for the cruise industry. It shows how materiality analysis can play an important role in readdressing CSR towards being more inclusive of the needs of stakeholders, hence facilitating CSV by co-conceiving the company's social responsibility agenda with society in a more strategic way (Leavy, 2012; Porter and Kramer, 2006). A clearer understanding of what is material to stakeholders points to future progress in managing and reporting CSR to respond to stakeholder expectations.

Although sustainability reporting has become standard practice among the largest companies in each industry, we still find big cruise line brands that are not reporting and others that are reporting poorly. This opens interesting questions about legitimacy motivations, and stakeholder management and engagement. Nearly fifteen years ago, companies claimed that their main reasons for not reporting on sustainability were confusion about what to report, the lack of information systems or the lack of a corporate social reporting committee (Adams, 2002), but today, these reasons are wearing thin. This study points towards a number of sector-specific characteristics that contribute to explain why the cruise industry is behind other sectors in reporting, and how what is reported differs from what stakeholders expect. The mobility of cruises, and their use of flags of convenience, reduces the stakeholders' sense of influence over these corporations. A ship is considered the territory of the country in which it is registered and this is why many vessels are registered in countries without stringent laws and without the capacity to monitor safety and working conditions or to investigate incidents. When the ship is in international waters, it comes under the jurisdiction of the flag registry plus international laws. Under these conditions, some cruise companies choose to ignore the business case for sustainability reporting (Stubbs et al., 2013).

A gap analysis of the difference between stakeholders' expectations and industry reporting practices shows that the reporting is incomplete and there is a lack of stakeholder engagement and accountability, with companies dominating this one direction dialogue. Sustainability reporting is currently a legitimation tool to discharge responsibility and protect corporate image. The evidence would suggest that, to date, cruise companies consider legitimacy in terms of traditional business outcomes and not in terms of their responsibility towards society. Paraphrasing the Cape Town Declaration of Responsible Tourism, Goodwin (2011) would refer to this as society being used by the cruise industry, instead of the optimal situation of society using cruising. Cruise companies are currently characterised by large externalities, paid by the different stakeholders either as loss of revenue or actual costs passed down the supply chain. These may decrease profitability and competitiveness when they are internalised through social and political pressures or market mechanisms, unless they are appropriately managed through stakeholder engagement in a way that it creates shared value.

The current disclosure of already regulated or cost-saving activities will temporarily mitigate some short term criticism, but reporting can stagnate unless cruise companies engage stakeholders on the issues the latter consider important. Although involving stakeholders does not mean a specific moral intention (Greenwood, 2008) and reports can still be used as a legitimation tool (Adams, 2004), actual engagement and the disclosure of this process of engagement, as G4 emphasises, will help to increase the prominence of other stakeholders groups. The cruise sector should undertake strategic CSR by addressing a) generic social issues (such as practices to address forced and compulsory labour, which are reported by 45% of companies with reports) and b) value chain impacts (such as actions taken to not damage the biodiversity of ecosystems, currently not reported by any cruise companies). To create social value, the cruise sector must change its engagement from being reactive to external pressures, for instance changes in regulations or bad press (Petrick, 2011), to making internal decisions (Jose and Lee, 2007) to find opportunities to steadily create value for society. The difficulty lies in balancing short-term costs against long-term externalities (Kramer, 2006), adapting to upcoming regulations in undertaking the materiality process.

Scholars support that materiality plays an important role in CSV (Porter and Kramer, 2006; Kyte, 2008; Camilleri, 2012) by helping identify the most relevant issues for the long-term maximisation of value. Cruise companies are highly dependent on both human (labour and workforce) and environmental (water and energy) capital, which are neither owned nor controllable. Regarding long-term performance and financial perspective, companies are dependent on the availability and quality of those capital items to create value.

Material reporting favours targeted and focused reports, and avoids over-reporting and greenwashing. Nevertheless, there is a risk of irresponsible companies using isolated efforts towards stakeholders to counteract harmful operational actions (Crane, Palazzo, Spence, and Matten, 2014). Adequate use of material reporting facilitates the comparability of reports and stakeholder decisions; it can also assist cruise companies in decreasing the positive bias of information disclosed, which otherwise often includes immaterial items. By providing credible reports that address matters that are critical to achieving the organisation's goals and the value it provides to society, material reporting benefits an organisation by maximising its competitive advantage.

In practical terms, this study creates a set of material indicators for cruise company reporting, and improves the guidelines on minimum standards for industry material, comparable and meaningful CSR engagement and standardised reporting. Academics and practitioners expect the sustainability standards to move from a long collection of unrelated measures, to a much smaller number of meaningful metrics, highlighting their connection to strategy and the performance of those metrics (Jaeger, 2014; Anderson and Varney, 2015). Using this materiality principle, this study has reduced the 200 baseline indicators from Bonilla-Priego et al. (2014) to 54 material indicators selected by industry stakeholders. The findings help cruise executives to prioritise and reduce the resources allocated to reporting, in line with SASB and GRI, by contributing towards the identifaction, selection and reporting of the most material indicators. Moreover, this study gives evidence of the variability of how cruise stakeholders view sustainability indicators. Knowing the most relevant issues and indicators for each industry stakeholder group can assist cruise executives in aligning their sustainability efforts with their stakeholders' concerns. By discussing the most material sustainability issues, this article provides information on how to develop the CSV concept for the cruise industry. Understanding the reasons for reporting and the influence each stakeholder group has on the cruise company will provide clarity on how to address the needs of stakeholder groups. These results provide a new angle to improve stakeholder engagement and management in CSR reporting and disclosure.

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