



# Impact of a gaming company's CSR on residents' perceived benefits, quality of life, and support



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## HIGHLIGHTS

- This study examined the effects of CSR on residents' quality of life (QOL), perceived benefits (BEN), and support.
- This study developed a research framework based on both stakeholder theory and social exchange theory.
- This study found that CSR was comprised of four dimensions (i.e., economic, legal, ethical, and philanthropic CSR).
- CSR positively influenced residents' QOL, BEN, and support.
- Residents' QOL and BEN played significant roles in mediating the relationship between CSR and residents' support.

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## ABSTRACT

Despite increasing research interest in the field of gaming and corporate social responsibility (CSR), empirical studies on the impact of a gaming company's CSR on residents have been limited. Thus, the purpose of this study is to examine the impact of a gaming company's CSR on residents' quality of life, perceived benefits, and support for the company's casino development based on stakeholder theory and social exchange theory. This study also investigates the mediating roles of residents' quality of life and perceived benefits. An onsite survey was conducted with 459 residents in a gaming community. This study found that the gaming company's CSR was comprised of four dimensions (economic, legal, ethical, and philanthropic) and positively influenced residents' quality of life and perceived benefits. CSR also influenced residents' support directly and indirectly. In particular, residents' quality of life and perceived benefits played significant roles in mediating the relationship between CSR and support.

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## 1. Introduction

As legalization of the gaming industry has expanded worldwide, researchers have conducted studies focusing on the impact of gaming legalization on communities (Hsu, 2000; Lee & Back, 2003; Lee, Kang, Long, & Reisinger, 2010; Long, 1996; Perdue, Long, & Kang, 1995). Both positive and negative impacts of casino developments on communities have been extensively examined in the context of Western (e.g., Kang, Lee, Yoon, & Long, 2008, Long, 1996) and Eastern countries (e.g., Lee & Back, 2003), as well as in longitudinal (e.g., Lee & Back, 2006) and comparative studies (e.g., Lee et al., 2010). In particular, one study (Lee & Back, 2006)

investigated social, economic, and environmental impacts with residents before and after a casino opened. Their study found that positive economic factor (e.g., business and employment opportunities) was the most important predictor of perceived benefits which, in turn, influenced residents' support. On the other hand, negative social factor (e.g., problem gambling) was significant for residents' lack of support for casino development. Consistent with social exchange theory (Hormans, 1958), these findings indicate that it is critical for gaming companies to continually provide residents with personal and community benefits via positive social and economic initiatives to earn their support. However, few studies have explored the impacts of a gaming company's socially responsible initiatives on residents' benefits, quality of life, and support toward gaming businesses.

In recent years, major gaming companies such as MGM Resorts International and Caesars Entertainment have allocated more

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resources to corporate social responsibility (CSR), which 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 family as well as the local community and society at large” (World Business Council for Sustainability Development, 2000, p. 6). For example, MGM provided education support to more than 100,000 children as well as food, housing, and self-sufficiency assistance to more than 200,000 individuals and families in 2015 (MGM Resorts International, 2015).

Recent empirical studies with customers and employees provide an explanation for this phenomenon by suggesting that implementing CSR activities can help casino companies balance short-term financial goals with long-term sustainable issues by increasing support from stakeholders (Kim, Song, & Lee, 2016; Lee, Song, Lee, Lee, & Bernhard, 2013). Lee et al. (2013) also predicted casino companies' CSR activities to be a more critical management concern in the near future. According to stakeholder theory (Freeman, 1984), stakeholders are those who can affect and are affected by companies; thus, residents should be considered one of the important stakeholders in the gaming industry. Given the lack of CSR studies conducted with residents in the context of the gaming industry, it should be valuable to explore how a gaming company's CSR activities impact this stakeholder group's perceived benefits and quality of life from casino development, as well as their support toward casino development.

This study selected Kangwon Land Casino (hereafter K-Land) in South Korea (hereafter Korea) as the study site. The residents in this casino community played a key role in legalizing casino gambling in Korea. Historically, the community surrounding K-Land experienced an economic boom when people and industries used coal as a major energy source (Lee & Back, 2003). However, the economy of the communities was devastated when oil became cheaper than coal. Although the Korean government implemented various economic policies by investing a significant amount of money, no notable improvement was achieved in the area. As the residents repeatedly urged the Korean government to take substantial measures, such as tourism development with a casino, the Korean government finally proposed the “Special Act on the Assistance to the Development of Abandoned Mine Areas,” which was approved by the Korean Parliament in 1995. After the legalization of gambling, the community quickly became an attractive tourist destination by hosting the first casino allowing Korean nationals. Although casinos had existed in Korea since 1967, they were only for foreigners, and Koreans were banned from entering these casinos. K-Land was first opened as a small casino in October 2000, and it has successfully expanded into a casino resort. Currently, it provides diverse gaming and non-gaming facilities including 200 table games and 1360 machine games, an 18-hole golf course, 18 ski slopes, hotels with 700 rooms, condominiums with 903 rooms, and a convention center hosting up to 2040 attendees. To recapitulate, the Special Act was aimed to revitalize the economy of the abandoned mining communities while improving residents' quality of life.

Thus, this casino provides an ideal study site to explore whether a gaming company's CSR activities can contribute to improving local residents' quality of life. This study further explores whether (1) CSR is comprised of four distinctive but related dimensions (i.e., economic, legal, ethical, and philanthropic); (2) CSR influences residents' perceived benefits; and (3) residents' perceived benefits and quality of life mediate the relationship between a gaming company's CSR initiatives and residents' support for the company's casino development. This study contributes to the body of knowledge in CSR, hospitality, and gaming by developing a comprehensive research framework based on both stakeholder theory and social exchange theory and empirically testing it with an

understudied but important stakeholder group, residents. Considering the importance of residents in casino-based communities, the findings of this study will contribute to a deeper and more meaningful understanding of the impact of CSR on residents' benefits and support for casino development.

## 2. Theoretical background and hypotheses development

### 2.1. Stakeholder theory and social exchange theory

Carroll (1991) emphasized that the benefits of a company's CSR should include both financial performance of the company and the interest of and the impacts on the company's stakeholders. She further claimed a natural fit between the concept of CSR and a company's stakeholders. Other researchers have supported her claim by applying stakeholder theory (Freeman, 1984) to their CSR studies (e.g., Bhattacharya & Sen, 2004; Jones, 1995; Mohr & Webb, 2005; Sen & Bhattacharya, 2001). This theory defines a stakeholder as “any group or individual who can affect, or is affected by, the achievement of the organization's objectives” (Freeman, 1984, p. 46). One important stakeholder group that appears to be influenced by a gaming company's CSR initiatives is local residents.

To further develop the stakeholder model and draw additional insights for Carroll's social performance model (1979), Jones (1995) proposed a formal instrumental theory of stakeholder management. He posited that the demonstrations of certain types of a company's ethical behavior would result in that company's competitive advantage by developing relationships with its stakeholders based on mutual trust and cooperation. Similarly, other previous studies argued that a company that sincerely addressed its social responsibilities and left good impressions on its stakeholders tended to show healthy financial performance (Bhattacharya & Sen, 2004; Mohr & Webb, 2005; Sen & Bhattacharya, 2001). In a more recent study by Barnett (2007), CSR was characterized as a company's investment to improve social welfare and relationships with its stakeholders, and it was differentiated from other types of corporate resource allocations. That is, stakeholder theory can explain why a gaming company conducting certain CSR activities receives strong support from its neighboring community and improves its financial performance.

Hormans (1958) proposed social exchange theory to describe an individual's social behavior in economic undertakings in interaction with another individual. The central theme of social exchange theory is that all human relationships are based on a subjective cost-benefit analysis and comparison of alternatives as a process of negotiated exchanges between parties (Hormans, 1958). This theory also suggests that if an individual evaluates the perceived costs of a relationship as higher than the perceived benefits, he or she will suspend the relationship (Kang et al., 2008). In the tourism context, several studies have employed this theory to evaluate residents' perceptions toward the impacts of tourism development (e.g., Ap, 1992; Caneday & Zeiger, 1991; Kaplanidou et al., 2013; King, Pizam, & Milman, 1993; Milman & Pizam, 1988; Pizam, 1978). In particular, Ap (1992) supported this theory as an appropriate research framework to understand an individual's perception of the impact of tourism development and his or her attitude toward tourism development. He asserted that residents tend to evaluate a tourism development project by comparing the expected benefits and costs from the project. In other words, if residents believe they will significantly benefit from tourism development, they will support the development by showing positive attitudes toward it.

Social exchange theory has been applied to gaming research as well since casino development is considered alternative tourism development (Kang et al., 2008). For instance, previous studies (Lee

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