CORPORATE SOCIAL RESPONSIBILITY IN THE TOP SPANISH HOTEL COMPANIES

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Abstract

Corporate social responsibility (CSR) in tourism is particularly interesting given the fact that society is part of the service and companies should assume a responsibility with the places they are located in. Several studies analyse the reporting of CSR activities, however, there is modest research relating CSR practices in the hospitality industry. The purpose of this paper is to provide two case studies in the Spanish hospitality industry, Sol Meliá and NH, which are the only top hotel companies that offer information about their CSR practices in their web sites and Annual Reports. Although the tourism industry still has a long way to do in the reporting of CSR activities to become equal to other industries, in the two cases analysed a clear commitment to CSR matters it is observed within its various spheres of action.

Keywords: corporate social responsibility, hospitality industry, hotel companies, Spain

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1. Introduction

Corporate social responsibility seems to be a matter of increasing interest among scholars and practitioners. The World Bark defines CSR as "a term describing a company´s obligation to be accountable to all of its stakeholders in all its operations and activities. Socially responsible companies consider the full scope of their impact on communities and the environment when making decisions, balancing the needs of stakeholders with their need to make a profit". The European Commission affirms that "CSR is about enterprises deciding to go beyond minimum legal requirements and obligations stemming from collective agreements in order to address societal needs". In the same line, the United Nations defend that "corporations have a social responsibility and moral duty to use the power of markets to make globalization a positive force for all". As it can be seen, the raison d'être of CSR is that firms have other responsibilities beyond financial and commercial conscientiousness (Hopkins, 1999). Furthermore, these definitions include business ethics and the relevance of stakeholders beyond owners (Schmidheiny et al., 1997). In other words, CSR is related to the triple pillars of sustainable development: social, environmental and economic returns (Zadeck, 2002) and it has become a core activity in many corporations as there is a general view that CSR is "the right thing to do" (Gan, 2006).

Despite the positive effect of CSR practices on the society is undeniable, the relationship between CSR and firm performance is arguable (Knox and Maklan, 2004). Porter and Kramer (2006) affirm that if corporations were to analyse their options for CSR using the same view that guides their core business choices, they would discover that CSR can be a source of competitive advantage. However, the strategic value of CSR is questionable as neoclassical theories do not easily reconcile social welfare with firm performance because imperfect markets do no maximize social welfare (Allison, 2004). In fact, studies conducted in order to analyse this relationship offer diverse results (Barnett, 2007; Vogel, 2005; McWilliams and Siegel, 2006; Nicolau, 2008). According to Maxfield (2008), while market imperfections (externalities, information asymmetries and compromised competition) partly explain the need for CSR, they are also the source of competitive advantage. On the one hand, in the face of market failures, society finds need for CSR. On the other hand, under Resourced-based View, CSR practices may be used as a differentiation strategy (Branco and Rodrigues, 2006), if and only if firms can prevent competitors from imitating their strategy (Reinghardt, 1998). Moreover, CSR activities closely linked to innovation strategies might be more profitable than those oriented toward public relation, marketing, etc. (Maxfield, 2008).

Henderson (2007) affirms that the particularities of tourism add an extra dimension to CSR: society is part of the product and firms should be thorough and responsible with the places they are located in. In this way, Porter and Kramer (2006) suggest that engaging socially responsibility as part of organizational strategy offers the host companies competitive

advantage within the market place, as environment and society in destinations are in close relationship with their products. The general conclusions from the literature review is that CSR has received increased attention over the past decade by hospitality and tourism association and firms, and these practices are strongly related to the broader corporate socially responsible initiatives occurring worldwide (Henderson, 2007). According to Nicolau (2008), the analysis of CSR in tourism is particularly interesting because these activities might contribute to its social force by means of both non-economic and economic mechanisms. Besides economic value, tourism offers social, cultural and environmental benefits contributing to development, because tourism is a social-economic phenomenon that acts as an engine of social force an economic progress (Higgins-Desbiolles, 2006).

There are several studies which analyse the CSR reporting activities (Esrock and Leichty, 1998; Lewis, 2003; Philip, 2003; Jenkins and Yakovelva, 2005, Brammer and Pavelin, 2006; Holcomb et al., 2007; Nicolau, 2008). Although most of them do not verify those activities that might have existed but for some reason were not publicly reported, it is supposed that the great majority of firms report their CSR efforts with the intention of improving their image. So, nowadays the biggest companies tend to report their CSR activities through internet (Line et al, 2002). There is little research relating CSR practices in the hospitality and tourism industry and, as Holcomb et al. (2007) have pointed out, in their paper about top hotel companies, this industry has to go so far in order to catch up other industries in the reporting of CSR activities. Nicolau (2008) states that people tend to put their trust in responsible firms and in tourism trust is essential. What is more, tourism firms, with the aim of making their clients aware that uncertainty does no exist in their service provision, may seek for CSR practices as a robust public relations strategy, particularly in the current market environment in which stakeholders may have strong social concerns. In this sense, this author points out that the most important managerial implication of his study is that acting as a responsible citizen in not incompatible with obtaining economic profits.

2. Methodology

Case studies provides a methodological tool for generating and testing theory in the strategic management field (Eisengardt and Graebner, 2007; Siggelkow, 2007, Weick, 2007, Gibbert et al., 2008). In particular, case studies are ideal to create managerial relevant knowledge (Amabile et al. 2001), above all in early phases of a new theory, when key variables are being explored (Yin, 1994). An important difference with other research methods is that case studies try to study phenomena in their context (VanWynsberghe and Khan, 2007) in which the aims, strategies, data analysis and validity are woven together in the process of the study (Maxwell, 1996; Lloyd-Jones, 2003).

The purpose of this study is to provide two case studies in the Spanish hospitality industry, Sol Meliá and NH, which are the only top hotel companies that offer information about their CSR practices in their web sites and Annual Reports. Table 1 shows the ranking of the main Spanish hotel companies.

Table 1. Ranking of the Spanish hotel companies 2007

HOTEL COMPANY	NUMBER OF HOTELS	NUMBER OF ROOMS
SOL MELIA HOTELS & RESORTS	143	33.051
NH HOTELES	123	13.936
BARCELO HOTELS & RESORTS	46	11.210
RIU HOTELS	37	10.985
H10 HOTELS	30	8.375
HUSA HOTELES	77	7.624
BEST HOTELS	24	7.495
AC HOTELS	74	7.392
FIESTA HOTEL GROUP	27	6.944
IBEROSTAR HOTELS & RESORTS	19	6.274

Source: Hostelmarket

A socially responsible company must conduct itself in an appropriate manner within its various spheres of action (Henderson, 2007). This fact means that different companies often may label similar responsible conduct in a different way, so this paper selects the five categories that better fit the activities that hotel companies are used to report (Holcomb et al., 2007): community, environment, market place, vision and values, and workforce. In Table 2, some keywords by categories are collected in order to explain the contents of each category.

Table 2. CSR Categories reported by hotel companies

CSR CATEGORY	KEYWORDS
Community	A. Communities and charities B. Jobs for handicapped C. Aids policy D. Employee volunteer
Environment	E. Environment F. Architectural integration G. Guidelines for sustainability development
Market place	H. Suppliers diversity I. Responsible gaming
Vision and values	J. Vision/ mission statement K. Code of conduct L. Board conducted CSR review M. Independent verification
Workforce	N. Employee diversity O. Family services/employee welfare programs P. Child care

Source: Based in Holcomb et al. 2007

In order to measure these companies´ CSR reporting, an analysis of web sites, annual reports and CSR reports available on their web sites were carried out.

3. Study

Table 3 shows the areas that were found to be reported by the hotel companies in their Annual Reports. As it can be observed the analysed firms provides detailed information regarding CSR practices. Sol Meliá offers a 132 page CSR report and NH a 173 page CSR report, both downloadable in PDF format, as a link in their web sites. On the one hand, Sol Meliá Report contains areas such as economic, management, brand, commercial, human, and social and environment values. On the other hand, NH Report includes areas of responsibility with environment, society, suppliers, shareholders, clients and employees.

Table 3. CSR Categories reported by Spanish hotel companies

CSR CATHEGORY	KEYWORDS		SOL MELIÁ	NH
Community	A.	Communities and charities	X	X
	B.	Jobs for handicapped	X	
	C.	Aids policy	X	X
	D.	Employee volunteer	X	
Environment	E.	Environment	X	X
	F.	Architectural integration		X
	G.	Guidelines for sustainability development	X	X
Market place	H.	Suppliers diversity	X	X
	I.	Responsible gaming	X	X
Vision and values	J.	Vision/ mission statement	X	X
	K.	Code of conduct	X	X
	L.	Board conducted CSR review	X	X
	M.	Independent verification	X	X
Workforce	N.	Employee diversity	X	X
	O.	Family services/employee welfare programs		X
	P.	Child care		

2.1. Community

At Sol Meliá, Community Involvement became part of company strategy in 2001 and the firm received the "Business and Society Award" in recognition of its Community Involvement projects in 2004. Sol Meliá focuses its projects in the communities in which it operates, attending to the needs of the most disadvantaged members of the community and also hotel staff. Amongst the groups that receive greatest support are children, the disabled, women victims of domestic violence, and staff members affected by

natural disasters. These projects form part of two different areas: "Top-Down" projects which originate in corporate offices and "Bottom-Up" projects which are created in hotels and reported to corporate offices. In 2007 the company achieve an investment of €1638 thousand, €230 more than in 2006.

For NH Hotels, the company must be an active agent in the fair development of society, creating wealth through their activity in the community in which they operate and sharing part of the profits obtained with society. To this end, the Corporate Responsibility Department of NH has designed its own "Solidarity Index" to evaluate all projects that are presented by NGOs, foundations and institutions, analysing them under the same criteria and selecting those that are most in line with the Company's strategy. NH Hotels collaborated in a total of 224 actions in 2007, up 59 on the previous year. There was also a considerable increase of investment, which totalled €638,317 as against €537,048 in 2006.

2.2. Environment

Responsibility to the environment at Sol Meliá is replicated both in the daily activity in hotels and in the actions promoted by corporate offices. 2007 may be considered the year of the definitive consolidation of environmental activities in the company, collecting all of the individual activities together and learning from the experience already acquired, and becoming one of the key strategic areas of company activity.

The major areas of activity are as follows:

- Mitigate the effects of climate change, mainly through energy savings and greater energy efficiency.
- Minimization of the environmental impact generated, by reducing the generation of waste products and the consumption of water and other resources.
- Protection and conservation of habitats with high ecological value to help preserve their biodiversity.
- Compliance with environmental regulations.

In 2007 the company had 22 hotels with a total of 28 environmental management certifications based on ISO 14001: 2004 rules, the European EMAS regulations or the Green Globe XXI and Biosphere Hotel Standards, which do no only include environmental requirements but also requirements on sustainability.

Relating to NH, in 2007 the environmental policy has been endorsed by the Chairman and the board of the Company as a strategic line to define the "working principles" at NH Hotels:

1. To ensure that all activities satisfy current environmental legislation, as well as our policy and other environmentally friendly commitments acquired by NH Hotels.

2. To set up a Waste Management Plan to minimise waste production. To foster selective refuge collection as well as the three R's rule (Reduce, Reuse and Recycle).

3. To promote the conservation of natural resources through reduction in consumption of water, energy and gas using the best clean technologies possible.

4. To promote training, raising of awareness and information with all NH Hotels staff.

5. To inform our clients of our environmental undertakings and try to raise their awareness of what we do so that they can provide valuable collaboration.

6. To periodically review the environmental policy and its aims so that we can continually improve our environmental conduct.

7. The Sustainable Construction Criteria on the basis of which we build and remodel our hotels.

The certifications NH holds are: 4 hotels with ISO 14001, 15 with Green Key certification, 3 hotels with Single Environmental License in Mexico, and 17 hotels with Catalonia Environmental Licence.

2.3. Marketplace

The mission of the Sol Meliá Purchasing Department is "to apply supplier management criteria that meet the needs of hotels and corporate offices in a balanced and sustainable way". The following criteria, however, are also taken into account:
- The geographical limits of the supplier
- Type of industry: manufacturer, importer, exporter, distributor, installer and/or maintenance supplier
- Quality certification
- Environmental certification
- Health and safety certification
- Special Employment Centre certification
- Economic conditions

During the registration process, suppliers must fill in a form related to human rights. The department is very strict in this respect and if any suppliers do not respect human rights their contracts are cancelled immediately.

NH corporate purchasing policy stems from the premise of ensuring that the highest standards of quality and service along with commercial ethics are put into practice. With this aim the Purchasing Department of NH Hotels lays down and updates the standards and tries to ensure these are always above the rest of the market. The standards are subject to ongoing assessment to ensure compliance of the following principles:
- Equal opportunities for all offers.
- Transparency and documentation of all contracts awarded.
- Stability in our commercial dealings.
- Cordial and polite treatment, avoiding unnecessary upsets, to improve the fluidity of our dealings.
- Promotion of responsible practices.

Bearing in mind the relevant role of NH Hotels in driving responsibility, in 2007 NH compiled a Supplier Ethics Code which ensures that their suppliers respect human rights, good labour practices, environmental practices and the international anticorruption fight.

2.4. Vision and values

The mission at Sol Meliá is "to add value for all of our stakeholders through hotel brands and residential tourism positioned as reference points for responsible tourism in their different market segments, satisfying our guest experience needs and developing our human capital".

Its vision is "to be a leader and point of reference for responsible tourism, employability profitability, increasing the value of our brands and using the hotel business to promote the growth of associated businesses such as residential tourism or the vacation club".

Values at Sol Meliá are the following:
• First generation values: For 52 years, Sol Meliá based its development on solid corporate values such as austerity, hard work, simplicity and ethics, leading by
example, encouraging responsibility and constant self-improvement as well as
delegation, personalised service, value for money and control.
• Second generation values: The company today maintaining this basic "cultural" tradition, adds new 21st. century values to its philosophy and values such as globalisation, diversity, equality and no discrimination, conciliation of work and family life, dialogue with shareholders, loyalty to the company, proximity and, in particular, sustainability.

The full modernisation and consolidation of the new Sol Meliá brand values will be tackled during the course of the current Strategic Plan 2008-2010.

The regulation of corporate governance of Sol Meliá is contained in Company Bylaws, in the Regulations of the Board of Directors and in the Rules on Internal Conduct in latter related to the stock market, and to the Regulations of the Shareholders' Meeting. All of the mentioned documents are available for shareholders and investors in company headquarters and in at the website in the Corporate Governance section.

The vision at NH Hotels can be summarised as "offering hotel services that cater to the current and future needs of our internal and external stakeholders (employees, clients, shareholders, suppliers, etc.), the communities in which we operate and future generations, whilst always paying the utmost attention to detail and providing efficient and sustainable solutions".

This vision is reflected in the values that characterise the culture of NH Hotels and the firm's activities as a highly responsible Company:
• Reliability
• Business sense
• Enjoyment
• People focus
• Innovation

The Investor Relations Department adopts a constantly proactive policy when communicating with investors, and provides them with the Company's quarterly results and any other relevant information that may arise. To illustrate its commitment to communicating transparently as part of our strategy of responsibility with shareholders and investors, the company elaborated a Corporate Governance Code in 2006, but in 2007 the firm decided to revise and update it with a view to increasing its rigor and raising its standards to meet the recommendations of the Unified Code of Good Governance.

2.5. Workforce

In the opinion of Sol Meliá, one of the basic requirements for guest satisfaction is the satisfaction of their employees. For that reason, every year the company applies a specific internal quality and workplace programme and action plan to improve the working environment of all workers. In this line, every year, hotels conduct workplace surveys to provide a global and objective vision of the state of each of the dimensions of the company and areas for improvement (teamwork, pride in belonging, leadership, clarity, work conditions, recognition, training and development, promotion expectations, communications and self improvement). So these surveys highlight, on the one hand, employee requirements and expectations, and on the other hand, the quality of the service provided by corporate departments in terms of humanity, speed of the response, ease of contact, capacity to find solutions and flexibility.

The importance of human resources at Sol Meliá is shown in the fact that one of the five firm key strategic areas is Talent Management and Empowerment. The different stages of talent management, identification, recruitment, development and promotion, allow the company to employ a highly qualified human team and to improve service levels on a daily basis, as service and staff skills are the aspects most appreciated by guests in the external quality audits carried out in hotels.

Employees at NH are one of the key players when it comes to corporate responsibility. As is quoted in the CSR Report, "one of our priorities is to increase their levels of motivation and satisfaction, as it is through them that we manage to improve the quality of our service and enhance the way we manage our relationships with all other public

stakeholders".

The Code of Conduct at NH seeks to integrate, bringing the Company's inspiring principles to all employees in their daily tasks, promoting communication. Therefore, internal communication is a priority in the relationship with employees and, during 2007 the firm has reinforced its internal channels of communication with the aim of spreading corporate values and collecting employee initiatives.

At NH Hotels the Satisfaction Surveys of its employees, which are carried out every two years, are considered as a key tool to enable them to communicate their level of involvement, motivation, as well as make suggestions for improvements. Moreover, these surveys also allow the company to detect areas for improvement where it is necessary to establish Action Plans to be implemented at each hotel, Business Unit or corporate level with the supervision of the Human Resources department.

3. Conclusions

The study illustrates that only the two top Spanish hotel companies, Sol Meliá and NH, reported social responsible activities through CSR Reports, downloadable in PDF format, as a link in their web sites. This differs from the study conducted by Holcomb et al. (2007) where the ten US large hotel companies reported CSR activities to some extent. Nonetheless, in our case a clear commitment to CSR issues is observed, above the hotels analysed by Holcomb et al. (2007), given that environmental category, vision, value statements and stated code of ethics were not heavily reported in the reviewed media by these authors.

In closing with other studies, this paper shows how far the hospitality industry is from other industries in relation to CSR coverage. However, reporting efforts of CSR activities are progressive in the analysed firms, as in the last two years they have included separate CSR reports. In this sense, as web sites are continuously evolving, it is expected that the rest of companies could start to report CSR practices in order to improve their image in a consumer-orientated industry such as tourism.

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